

REGULAR MEETING OF THE BOARD OF DIRECTORS ROSAMOND COMMUNITY SERVICES DISTRICT

5:30PM Closed Session
6PM Regular Board Meeting
Wednesday, September 23, 2020
District Board Room
3179 35th Street West
Rosamond, CA 93560

Teleconference #
1-877-411-9748
Access Code: 5150560

Agenda

CALL TO ORDER

ROLL CALL

President Greg Wood
Vice President Rick Webb
Director Gregory Washington
Director Byron Glennan
Director Ben Stewart

PLEDGE OF ALLEGIANCE

APPROVAL OF THE AGENDA

PUBLIC COMMENTS

(At this time, any person may address the Board on any subject within the District's jurisdiction which is not on the agenda. However, any non-agenda matter will be referred to staff for a report and/or action at a subsequent Board meeting and no action can be taken on any such item discussed unless the action has been authorized under §54954.2(b) of the Government Code. Any person may also address the Board on any agenda matter at the time that matter is discussed, prior to Board consideration and action. Speakers are requested to limit comments to five (5) minutes.)

CLOSED SESSION

1. CONFERENCE WITH LEGAL COUNSEL- ANTICIPATED LITIGATION
Significant exposure to litigation pursuant to Government Code §54956.9 (d)(2)
Two Potential Cases
2. CONFERENCE WITH REAL PROPERTY NEGOTIATOR
Pursuant to Government Code Section 54956.8
APN: 375-23-027, 375-23-028, 375-23-029, 375-23-030, 375-01-002, 375-01-018,
375-01-017, 375-01-016 and 375-01-015
Agency negotiator: Steve Perez, General Manager
Negotiating party: Dennis Greer
Under negotiation: Price and Terms of payment
3. CONFERENCE WITH REAL PROPERTY NEGOTIATOR
Pursuant to Government Code Section 54956.8
APN: 3256-006-900 and 3256-0006-901 and 3256-006-902
Agency negotiator: Steve Perez, General Manager
Negotiating party: District and potential sellers
Under negotiation: Price and Terms of payment

PUBLIC REPORT ON ACTION TAKEN IN CLOSED SESSION

6:00 P.M. OPEN SESSION

PUBLIC COMMENTS

(At this time, any person may address the Board on any subject within the District's jurisdiction which is not on the agenda. However, any non-agenda matter will be referred to staff for a report and/or action at a subsequent Board meeting and no action can be taken on any such item discussed unless the action has been authorized under §54954.2(b) of the Government Code. Any person may also address the Board on any agenda matter at the time that matter is discussed, prior to Board consideration and action. Speakers are requested to limit comments to five (5) minutes.)

MEETING MINUTES

MM 1. Approve September 9, 2020, Regular Board Meeting Minutes

CONSENT CALENDAR

CC 1. AP 09/01/2020- 09/14/2020

PRESENTATIONS

PR 1. Water Reclamation Plant Project Update

NEW BUSINESS

NB 1. Adopt **Resolution No. 2020-15**, authorizing documents and official actions relating to the installment sale financing of Water System improvements. (Presenter: Steve A. Perez, General Manager)

DIRECTOR REPORTS/COMMENTS/FUTURE AGENDA ITEMS

GENERAL COUNSEL UPDATE

Joe Hughes, Esq.

GENERAL MANAGER UPDATE

Steve Perez
A. Project Updates

ASSISTANT GENERAL MANAGER UPDATE

Lizette Guerrero, CMC, MBA

DIRECTOR OF PUBLIC WORKS UPDATE

John Houghton

PUBLIC WORKS MANAGER UPDATE

Brach Smith

ADJOURNMENT

Requirements Regarding Disabled Access: In accordance with §54954.2(a), requests for a disability related modification or accommodation, including auxiliary aids or services, in order to attend or participate in a meeting, should be made to the RCSD Board Secretary at least 48 hours in advance of the meeting to ensure availability of the requested service or accommodation. Please contact the Board Secretary by telephone at (661) 256-5808, Email: lguerrero@rosamondcsd.com or in writing at the Rosamond Community Services District, Attn: Board Secretary 3179 35th Street West, Rosamond, CA 93560.

Pursuant to Government Code Section 54957.5, any writing that: (1) is a public record; (2) relates to an agenda item for an open session of a regular meeting of the Board of Directors; and (3) is distributed less than 72 hours prior to that meeting, will be made available for public inspection at the time the writing is distributed to the Board of Directors. Any such writing will be available for public inspection at the District offices located at [3179 35th Street West, Rosamond, CA 93560](#). In addition, any such writing may also be posted on the District's web site.

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Minutes

President Wood called the meeting to order at 5:31PM.

ROLL CALL

President Greg Wood
Vice President Rick Webb- **Absent**
Director Gregory Washington- **Teleconference**
Director Byron Glennan
Director Ben Stewart- **Teleconference**

PLEDGE OF ALLEGIANCE

APPROVAL OF THE AGENDA

Motion made by Director Glennan, Seconded by Director Washington to approve the agenda. Motion passed based on the following Roll Call Vote:

Vice President Webb: Absent
Director Washington: Aye
Director Glennan: Aye
Director Stewart: Aye
President Wood: Aye

PUBLIC COMMENTS – None

(At this time, any person may address the Board on any subject within the District’s jurisdiction which is not on the agenda. However, any non-agenda matter will be referred to staff for a report and/or action at a subsequent Board meeting and no action can be taken on any such item discussed unless the action has been authorized under §54954.2(b) of the Government Code. Any person may also address the Board on any agenda matter at the time that matter is discussed, prior to Board consideration and action. Speakers are requested to limit comments to five (5) minutes.)

CLOSED SESSION

1. CONFERENCE WITH LEGAL COUNSEL- ANTICIPATED LITIGATION
Significant exposure to litigation pursuant to Government Code §54956.9 (d)(2)
Two Potential Cases

2. CONFERENCE WITH REAL PROPERTY NEGOTIATOR
Pursuant to Government Code Section 54956.8
APN: 375-23-027, 375-23-028, 375-23-029, 375-23-030, 375-01-002, 375-01-018, 375-01-017, 375-01-016 and 375-01-015
Agency negotiator: Steve Perez, General Manager
Negotiating party: Dennis Greer
Under negotiation: Price and Terms of payment

3. CONFERENCE WITH REAL PROPERTY NEGOTIATOR
Pursuant to Government Code Section 54956.8
APN: 3256-006-900 and 3256-0006-901 and 3256-006-902
Agency negotiator: Steve Perez, General Manager
Negotiating party: District and potential sellers
Under negotiation: Price and Terms of payment

4. CONFERENCE WITH LABOR NEGOTIATOR
Pursuant to Government Code Section 54957.6
Agency Negotiator: Board President
Unrepresented Employee: General Manager

Motion made by Director Glennan, Seconded by Director Washington to go into closed session at 5:34PM. Motion passed based on the following Roll Call Vote:

Vice President Webb: Absent
Director Washington: Aye
Director Glennan: Aye
Director Stewart: Aye
President Wood: Aye

Motion made by Director Glennan, Seconded by Director Washington to come out of closed session at 6:00PM. Motion passed based on the following Roll Call Vote:

Vice President Webb: Absent
Director Washington: Aye
Director Glennan: Aye
Director Stewart: Aye
President Wood: Aye

PUBLIC REPORT ON ACTION TAKEN IN CLOSED SESSION

No reportable action taken.

6:01 P.M. OPEN SESSION

PUBLIC COMMENTS– None

(At this time, any person may address the Board on any subject within the District’s jurisdiction which is not on the agenda. However, any non-agenda matter will be referred to staff for a report and/or action at a subsequent Board meeting and no action can be taken on any such item discussed unless the action has been authorized under §54954.2(b) of the Government Code. Any person may also address the Board on any agenda matter at the time that matter is discussed, prior to Board consideration and action. Speakers are requested to limit comments to five (5) minutes.)

MEETING MINUTES

MM 1. Approve August 26, 2020, Regular Board Meeting Minutes

Motion made by Director Glennan, Seconded by Director Washington to approve the Meeting Minutes. Motion passed based on the following Roll Call Vote:

Vice President Webb: Absent
Director Washington: Aye
Director Glennan: Aye
Director Stewart: Aye
President Wood: Aye

CONSENT CALENDAR

CC 1. AP 08/18/2020- 08/31/2020

CC 2. Cash Balances- July 2020

Motion made by Director Glennan, Seconded by Director Stewart to approve the Consent Calendar. Motion passed based on the following Roll Call Vote:

Vice President Webb: Absent
Director Washington: Aye

Director Glennan: Aye
Director Stewart: Aye
President Wood: Aye

PRESENTATIONS

PR 1. Water Reclamation Plant Project Update

PR 2. ACP Pipeline Project Update

NEW BUSINESS

NB 1. Approve First Amendment to Employment Agreement of Steve Perez, General Manager. (Presenter: Joe Hughes, General Counsel)

**Motion made by Director Glennan, Seconded by Director Washington to approve First Amendment to Employment Agreement of Steve Perez, General Manager.
Motion passed based on the following Roll Call Vote:**

Vice President Webb: Absent
Director Washington: Aye
Director Glennan: Aye
Director Stewart: Aye
President Wood: Aye

DIRECTOR REPORTS/COMMENTS/FUTURE AGENDA ITEMS

Director Stewart made comments. Director's Glennan and Wood gave reports.

GENERAL COUNSEL UPDATE

Joe Hughes, Esq.

GENERAL MANAGER UPDATE

Steve Perez

A. Project Updates– **Update provided**

ASSISTANT GENERAL MANAGER UPDATE

Lizette Guerrero, CMC, MBA

DIRECTOR OF PUBLIC WORKS UPDATE

John Houghton

PUBLIC WORKS MANAGER UPDATE

Brach Smith– Update provided

ADJOURNMENT - Motion made by Director Glennan, Seconded by Director Washington to adjourn the meeting at 6:27PM. Motion passed based on the following Roll Call Vote:

Vice President Webb: Absent

Director Washington: Aye

Director Glennan: Aye

Director Stewart: Aye

President Wood: Aye

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Respectfully submitted:

Board of Directors
Rosamond Community Services District

Board Secretary

STAFF REPORT

Rosamond Community Services District

DATE: September 23, 2020
TO: Board of Directors
FROM: Brad Rockabrand, CPA
Prepared by: Julie Lopez-Olmos, Senior Accounting Clerk
SUBJECT: Review of the check/voucher register dated September 1, 2020 through September 14, 2020 | Payroll (Direct Deposit) dated September 2, 2020

RECOMMENDATION:

By motion, receive and file.

EXECUTIVE SUMMARY:

The District's check/voucher register includes all disbursement transactions, actual checks as well as electronic, for the periods referenced above. Total disbursements were \$494,437.57 as follows:

Checks issued to vendors	\$451,651.93
Payroll direct deposit	<u>42,785.64</u>
Total	\$494,437.57

Significant disbursements included the following payments:

- \$11,383.26 was remitted to CalPERS on September 2, 2020 for required contributions
 - \$8,229.54 (Employer portion)
 - \$3,153.72 (Employee portion)
- \$376,721.27 was issued on September 2, 2020 for ACP Pipeline Replacement Project payment no. 6
- \$3,754.46 was remitted to the Employment Development Department on September 2, 2020
 - \$ 00.00 (Employer portion)
 - \$3,754.46 (Employee portion)
- \$17,924.16 was remitted to the Internal Revenue Service on September 2, 2020
 - \$ 5,019.87 (Employer portion)
 - \$12,904.29 (Employee portion)

- 13,080.00 was paid to Northern Digital Inc. on September 2, 2020 for SCADA repairs and maintenance

DISCUSSION/ANALYSIS:

The check/voucher register dated September 1, 2020 through September 14, 2020 includes check numbers 56961 void, 59171 through 59204 (Attachment 1)

Payroll (Direct Deposit) number 24215 through 24234 was issued on September 2, 2020 in the amount of \$42,785.64 (Attachment 2)

FISCAL IMPACT:

Not applicable

ENVIRONMENTAL IMPACT:

Not applicable

PRIOR BOARD REVIEW:

Not applicable

COMMISSION/COMMITTEE/BOARD REVIEW AND RECOMMENDATIONS:

Not applicable

NOTIFICATION:

Not applicable

ATTACHMENTS:

Attachment 1 – Check/voucher register dated September 1, 2020 through September 14, 2020

Attachment 2 – Payroll (Direct Deposit) dated September 2, 2020

Attachment 3 – Umpqua Business Card ending in 7744

Rosamond Community Services District
Check/Voucher Register
10101 - General Checking - Wells Fargo
From 9/1/2020 Through 9/14/2020

Date	Check No.	Vendor Name	Transaction Description	Amount	Total
9/2/2020	56961	FREDERICK, MICHELLE	CUSTOMER REFUND	(100.00)	(100.00)
9/2/2020	59171	FREDERICK, MICHELLE	CUSTOMER REFUND	100.00	100.00
9/2/2020	59172	ANTELECOM, INC.	ADMIN OFFICE: 4G WIRELESS	75.00	300.00
9/2/2020		ANTELECOM, INC.	SOLAR WELL: 4G WIRELESS	75.00	300.00
9/2/2020		ANTELECOM, INC.	SOLAR ADMIN: 4G WIRELESS	75.00	300.00
9/2/2020		ANTELECOM, INC.	SOLAR POND: 4G WIRELESS	75.00	300.00
9/2/2020	59173	CALIFORNIA PUBLIC EMPLOYEE'S RETIREMENT SYSTEM	PAYROLL REMITTANCE	11,383.26	11,383.26
9/2/2020	59174	CALPERS SUPPLEMENTAL INCOME 457 PLAN	PERS 457	1,736.28	1,736.28
9/2/2020	59175	CALIFORNIA COMPACTION CORPORATION	PAYMENT NO. 6 ACP PIPELINE REPLACEMENT PROJECT	376,721.27	376,721.27
9/2/2020	59176	CA STATE DISBURSEMENT UNIT	WITHHOLDING ORDER	399.68	399.68
9/2/2020	59177	CLINICAL LABORATORY OF SAN BERNARDINO, INC.	SYSTEM TESTS	1,774.00	2,324.00
9/2/2020		CLINICAL LABORATORY OF SAN BERNARDINO, INC.	SYSTEM TESTS	550.00	2,324.00
9/2/2020	59178	EMPLOYMENT DEVELOPMENT DEPARTMENT	STATE DISABILITY INSURANCE	656.21	3,754.46
9/2/2020		EMPLOYMENT DEVELOPMENT DEPARTMENT	STATE INCOME TAX	3,098.25	3,754.46
9/2/2020	59179	GREATAMERICA FINANCIAL SERVICES	KYOCERA LEASE AGREEMENTS	391.63	391.63
9/2/2020	59180	INTERFACE SECURITY SYSTEMS LLC	FIRE ALARM MONITORING: 8/22/2020 - 11/21/2020	240.00	240.00
9/2/2020	59181	IRON MOUNTAIN INC.	STG & SHRED PKG	209.00	209.00
9/2/2020	59182	INTERNAL REVENUE SERVICE	FEDERAL INCOME TAX	7,884.42	17,924.16
9/2/2020		INTERNAL REVENUE SERVICE	MEDICARE	1,902.98	17,924.16
9/2/2020		INTERNAL REVENUE SERVICE	SOCIAL SECURITY	8,136.76	17,924.16
9/2/2020	59183	IWATER, INC.	ANNUAL MAINTENANCE: INFRAMAP + 1 ADD'T YR OF UPGRADES & SUP	2,000.00	2,000.00
9/2/2020	59184	KARL'S HARDWARE	MAINTENANCE	720.97	859.81
9/2/2020		KARL'S HARDWARE	SEWER	59.18	859.81
9/2/2020		KARL'S HARDWARE	WATER	79.66	859.81
9/2/2020	59185	NORTHERN DIGITAL INC.	REPAIR & MAINTENANCE ON SCADA	13,080.00	13,080.00
9/2/2020	59186	PETRO LOCK, INC.	ULSD D-DSL 3	994.22	994.22
9/2/2020	59187	PITNEY BOWES GLOBAL FINANCIAL SERVICES LLC	POSTAGE METER RENTAL	257.34	257.34
9/2/2020	59188	DANIEL REID CONSULTING SERVICES	AUG 2020 SERVICES, SUPPORT AND T&M INITIATIVES	2,400.00	2,400.00
9/2/2020	59189	ROSAMOND CSD	2085 ORANGE AND OAK	265.21	380.54
9/2/2020		ROSAMOND CSD	2085 ORANGE AND OAK: 8/21/2020 - 8/31/2020	115.33	380.54
9/2/2020	59190	ROSAMOND CSD	2700 20TH ST	91.61	91.61
9/2/2020	59191	ROSAMOND CSD	3179 35TH ST W	2,173.94	2,173.94
9/2/2020	59192	SANI-STAR	AUG 2020 SERVICE FEE	200.00	200.00
9/9/2020	59193	A-1 KLEAN RITE	PW BLD: JANITORIAL CLEANING	1,360.00	3,760.00
9/9/2020		A-1 KLEAN RITE	MAIN BLD: JANITORIAL CLEANING	1,360.00	3,760.00
9/9/2020		A-1 KLEAN RITE	WWO: JANITORIAL CLEANING	1,040.00	3,760.00
9/9/2020	59194	AMERIPRIDE SERVICES, AN ARAMARK COMPANY	EMPLOYEE UNIFORMS, MATS, TOWELS & 1ST AID KITS	1,956.64	1,956.64
9/9/2020	59195	AVEK WATER AGENCY	AUG 2020 34TH 2.19 MI	1,419.12	1,419.12
9/9/2020	59196	CALIFORNIA PUBLIC EMPLOYEE'S RETIREMENT SYSTEM	GASB-68 REPORTS & SCHEDULES	700.00	700.00
9/9/2020	59197	KARL'S HARDWARE MOJAVE	MAINTENANCE	1,072.49	1,072.49
9/9/2020	59198	KIMBALL MIDWEST	STOCK SUPPLIES	476.03	476.03
9/9/2020	59199	LEGAL SHIELD	LEGAL SHIELD	26.90	26.90

Rosamond Community Services District
Check/Voucher Register
10101 - General Checking - Wells Fargo
From 9/1/2020 Through 9/14/2020

Date	Check No.	Vendor Name	Transaction Description	Amount	Total
9/9/2020	59200	LOOMIS	ARMORED CAR COURIER SERVICE	639.24	639.24
9/9/2020	59201	PITNEY BOWES	POSTAGE METER REFILL	100.00	100.00
9/9/2020	59202	SOUTHERN CALIF. EDISON	2707 DIXIE ST (2700 20TH STREET)	66.46	66.46
9/9/2020	59203	UMPQUA BANK	GAS FOR DISTRICT VEHICLES	2,473.81	2,473.81
9/9/2020	59204	UMPQUA BANK	7744 (ATTACHMENT 3)	<u>1,140.04</u>	1,140.04

Report Total				<u>451,651.93</u>	
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Rosamond Community Services District**Summary Check/Transaction Register**

From 9/1/2020 Through 9/2/2020

<u>Document Date</u>	<u>Document Number</u>	<u>Type of Payment</u>	<u>Amount</u>
9/2/2020	24215	Check	2,567.85
9/2/2020	24216	Check	1,481.30
9/2/2020	24217	Check	3,679.75
9/2/2020	24218	Check	1,838.48
9/2/2020	24219	Check	3,354.30
9/2/2020	24220	Check	1,364.92
9/2/2020	24221	Check	1,273.89
9/2/2020	24222	Check	3,125.34
9/2/2020	24223	Check	1,138.68
9/2/2020	24224	Check	1,408.33
9/2/2020	24225	Check	1,817.72
9/2/2020	24226	Check	2,838.62
9/2/2020	24227	Check	1,409.78
9/2/2020	24228	Check	2,503.69
9/2/2020	24229	Check	2,108.73
9/2/2020	24230	Check	2,110.88
9/2/2020	24231	Check	3,228.57
9/2/2020	24232	Check	1,494.38
9/2/2020	24233	Check	2,188.56
9/2/2020	24234	Check	<u>1,851.87</u>
Report Total			<u><u>42,785.64</u></u>

PAYROLL 09/02/2020

Document Date	Document Number	Amount
9/2/2020	24215	2,567.85
9/2/2020	24216	1,481.30
9/2/2020	24217	3,679.75
9/2/2020	24218	1,838.48
9/2/2020	24219	3,354.30
9/2/2020	24220	1,364.92
9/2/2020	24221	1,273.89
9/2/2020	24222	3,125.34
9/2/2020	24223	1,138.68
9/2/2020	24224	1,408.33
9/2/2020	24225	1,817.72
9/2/2020	24226	2,838.62
9/2/2020	24227	1,409.78
9/2/2020	24228	2,503.69
9/2/2020	24229	2,108.73
9/2/2020	24230	2,110.88
9/2/2020	24231	3,228.57
9/2/2020	24232	1,494.38
9/2/2020	24233	2,188.56
9/2/2020	24234	<u>1,851.87</u>

Total Direct Deposit 42,785.64

Total Checks Issued 0.00

Total 42,785.64

STAFF REPORT

Rosamond Community Services District

DATE: September 23, 2020

TO: Board of Directors

FROM: Brad Rockabrand, CPA

SUBJECT: 2020 Installment Sale Financing for the Purchase of Land and Water Rights

RECOMMENDATION:

Discuss and approve the District Resolution authorizing documents and official actions relating to the installment sale financing of for the purpose of purchasing land and water rights.

EXECUTIVE SUMMARY:

The District wishes to issue \$12,275,000 in new debt to purchase water rights and the accompanying land (the "Project"). In order to provide financing for the Project, the District and Public Property Financing Corporation of California, (the "Corporation"), wish to enter into an Installment Sale Agreement (the "Installment Sale Agreement") under which the Corporation will provide funds to acquire the Project and sell the Project to the District. In return, the District will make semiannual installment payments secured by a pledge and lien on net revenues of the Water System.

BACKGROUND INFORMATION:

Not applicable

DISCUSSION/ANALYSIS:

In order to move forward with the Project, the Board of Directors must approve the financing plan and enter into an Installment Sale Agreement with the Corporation in a principal amount not to exceed \$12,275,000 for the purpose of providing funds to pay the costs of the Project and to pay related financing costs. In order for the Corporation to purchase the Project, the rights, title and interest of the Corporation are proposed to be assigned to the bank that is awarded the project (the "Bank"), under an Assignment Agreement, between the Corporation and the Bank.

In consultation with the financing team, it was determined that a private placement financing would be the optimum funding mechanism for the Project and a taxable financing would provide legal flexibility for future land uses on the proposed Project. Brandis Tallman, a Division of Oppenheimer & Co. Inc., and the District's Placement Agent, solicited proposals from 23 financing institutions and received proposals from seven banks. After reviewing the top three proposals, verifying the terms and interest rates, staff and the financing team determined that the proposal from the Bank was the most advantageous proposal with an estimated total interest cost of 1.99%, and a 15-year term. The first payment will be made on June 1, 2021, and the last payment on December 1, 2035. The lease can be pre-paid on December 1, 2025 and beyond at par (without a prepayment penalty).

Approval of the action recommended with this report will allow for the private placement financing to close on the estimated scheduled date of October 29, 2020, when the funds will be wired to the District.

Pursuant to the requirements of Government Code Section 5852.1 (enacted by Senate Bill 450 in 2017), set forth below are good faith estimates provided by the District's municipal advisor, Fieldman, Rolapp & Associates, Inc. based on market conditions as of September 16, 2020 and the Not to Exceed parameters in the Resolution. The following estimates and the final costs will depend on market conditions at the time of closing and can be expected to vary from the estimated amounts set forth below.

- The true interest cost of the financing is estimated at 3.5% calculated as provided in Government Code Section 5852.1(a)(1)(A).
- The finance charge for the financing, including all fees and charges paid to third parties, is estimated at \$135,000.
- Proceeds of the financing expected to be received by the District, net of proceeds for finance charge (describe above), capitalized interest and reserves (if any) is \$12,865,000.
- The total payment amount calculated as provided in Government Code Section 5852.1(a)(1)(D) is estimated at \$16,872,507.

FISCAL IMPACT:

The Installment Sale Lease Agreement will be in the estimated amount of \$12,275,000 for a term of 15 years at an estimated interest rate of 1.99%. The average annual debt service payment is estimated to be \$953,450.

ENVIRONMENTAL IMPACT:

Not applicable

PRIOR BOARD REVIEW:

Not applicable

COMMISSION/COMMITTEE/BOARD REVIEW AND RECOMMENDATIONS:

Not applicable

NOTIFICATION:

Not applicable

ATTACHMENTS:

Attachment 1 – District Resolution

Attachment 2 – Installment Sale Agreement

**ROSAMOND COMMUNITY SERVICES DISTRICT
RESOLUTION NO. 2020-15**

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE
ROSAMOND COMMUNITY SERVICES DISTRICT
AUTHORIZING DOCUMENTS AND OFFICIAL ACTIONS
RELATING TO THE INSTALLMENT SALE FINANCING OF
WATER SYSTEM IMPROVEMENTS**

WHEREAS, the Rosamond Community Services District (the “District”) is a public agency of the State of California formed by the Community Services District Law under Section 61000 et seq. of the Government Code; and

WHEREAS, the District owns and operates a system for the collection, treatment and distribution of water within the service area of the District (the “Water System”), and the District wishes to raise funds to finance improvements to the Water System (the “Project”), consisting generally of the purchase of water rights; and

WHEREAS, in order to provide financing for the Project, the District and Public Property Financing Corporation of California, a non-profit public benefit corporation (the “Corporation”), wish to enter into an Installment Sale Agreement (the “Installment Sale Agreement”) under which the Corporation will provide funds to acquire the Project and sell the Project to the District in consideration of the agreement by the District to pay the purchase price thereof in semiannual installment payments; and

WHEREAS, the obligation of the District to pay installment payments under the Installment Sale Agreement will be secured by a pledge of and lien on the net revenues of the Water System; and

WHEREAS, in order to provide funds to the Corporation to purchase the Project, the rights, title and interest of the Corporation under the Installment Sale Agreement are to be assigned to a commercial bank as a private investor (the “Bank”), under an Assignment Agreement, between the Corporation and the Bank; and

WHEREAS, the information required to be obtained and disclosed with respect to the Installment Sale Agreement financing by the Board of Directors in accordance with Government Code Section 5852.1 has been obtained and disclosed; and

WHEREAS, the Board of Directors wishes at this time to take action approving such financing transactions and all related documents and actions;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE ROSAMOND COMMUNITY SERVICES DISTRICT AS FOLLOWS:

Section 1. Approval of Financing Plan. The Board of Directors hereby approves the financing plan described in the recitals of this Resolution. To that end, the Board of Directors hereby approves entering into an Installment Sale Agreement with the Corporation for the purpose of providing funds to pay the costs of the Project and to pay related financing costs, which upfront funds are expected to come from the Bank on a taxable or tax-exempt basis. The General Manager is hereby authorized and directed to consummate the transaction with a Bank determined by the General Manager as an appropriate private placement lender, in consultation with consultants to the District, so long as the par amount of the

Installment Sale Agreement not does not exceed \$13,000,000 and the true interest cost of the financing to the District does not exceed 3.5%.

Section 2. Approval of Installment Sale Agreement. The Board of Directors hereby approves the Installment Sale Agreement between the District and the Corporation, under which the Corporation agrees to provide financing for the Project and to sell the completed Project to the District for a purchase price to be paid in semiannual installment payments which are payable from the net revenues of the Water System. The Installment Sale Agreement is hereby approved in substantially the form on file with the Secretary together with any changes therein or additions thereto deemed advisable by the General Manager, or his or her designee. The President or the General Manager is hereby authorized and directed for and in the name and on behalf of the District to execute, and the Secretary is hereby authorized and directed to attest to, the final form of the Installment Sale Agreement, and such execution shall be conclusive evidence of the approval of the final form thereof.

The District acknowledges that the Corporation's rights under the Installment Sale Agreement will be assigned to the Bank pursuant to the Assignment Agreement.

Section 3. Official Actions. The President, the General Manager, the Secretary and all other officers of the District are each authorized and directed in the name and on behalf of the District to make any and all assignments, certificates, requisitions, agreements, notices, consents, instruments of conveyance, warrants and other documents, which they or any of them might deem necessary or appropriate, including executing the financing on a taxable or tax-exempt basis, in order to consummate any of the transactions contemplated by the agreements and documents approved under this Resolution. The President, the General Manager, the Secretary and all other officers of the District are each authorized and directed in the name and on behalf of the District to enter into such professional services contracts, on terms deemed appropriate by any of them, as necessary to carry out the financing. Whenever in this Resolution any officer of the District is authorized to execute or countersign any document or take any action, such execution, countersigning or action may be taken on behalf of such officer by any person designated by such officer to act on his or her behalf in the case such officer is absent or unavailable.

Section 4. Effective Date. This Resolution shall take effect from and after the date of its passage and adoption.

PASSED and ADOPTED at a regular meeting of the Board of Directors of the Rosamond Community Services District held this 23rd day of September, 2020.

By: _____
Greg Wood, Board of Directors
Rosamond Community Services District

ATTEST:

By: _____
Secretary, Board of Directors
Rosamond Community Services District

INSTALLMENT SALE AGREEMENT

This Installment Sale Agreement (as may be amended and supplemented hereafter, this "Agreement"), dated _____, 2020, is between the PUBLIC PROPERTY FINANCING CORPORATION OF CALIFORNIA, a non-profit public benefit corporation duly organized and existing under the laws of the State of California, as seller (the "Seller"), and the ROSAMOND COMMUNITY SERVICES DISTRICT, a community services district duly organized and existing under the Constitution and laws of the State of California, as purchaser (the "District").

BACKGROUND:

1. The District owns and operates a system for the acquisition, treatment and distribution of Water within the service area of the District (as further defined herein, the "Water System"), and the District wishes to raise funds to finance improvements to the Water System as described in more detail on Appendix B and as may be amended in accordance with the terms of this Agreement (the "Project"), consisting generally of the acquisition of water rights.

2. In order to provide financing for the Project, the Seller and the District wish to enter into this Agreement under which the Seller will provide funds to acquire the Project and sell the Project to the District in consideration of the agreement by the District to pay the purchase price thereof in semiannual installment payments.

3. The obligation of the District to pay installment payments under this Agreement will be secured by a pledge of and lien on the Net Revenues (as defined herein) of the Water System.

4. The rights, title and interest of the Seller hereunder, including the right to receive the installment payments which are payable by the District hereunder, have been assigned to _____ Bank, a California commercial bank (the "Assignee") under an Assignment Agreement dated the date hereof, between the Seller and the Assignee.

AGREEMENT:

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

ARTICLE I

DEFINITIONS AND APPENDICES

SECTION 1.1. *Definitions.* All terms defined in this Section shall for all purposes of this Agreement have the meanings herein specified.

"Additional Revenues" means, with respect to the issuance of any Parity Debt, any or all of the following amounts:

- (i) An allowance for revenues from any additions to or improvements or extensions of the Water System to be constructed and/or acquired with the proceeds of such additional obligations, and also for Net Revenues from any such additions, improvements or extensions which have been constructed from any source of funds but which, during all or any part of such Fiscal Year, were not in service, all in an amount equal to estimated additional average annual Net Revenues to be derived from such additions, improvements and extensions for the first 36-month period following issuance of the proposed Parity Debt, all as shown by the certificate or opinion of a Fiscal Consultant.
- (B) An allowance for earnings arising from any increase in the charges made for service from the Water System which has become effective prior to the incurring of such additional obligations but which, during all or any part of such Fiscal Year, was not in effect, in an amount equal to 100% of the amount by which the Net Revenues would have been increased if such increase in charges had been in effect during the whole of such Fiscal Year and any period prior to the incurring of such additional obligations, as shown by the certificate or opinion of a Fiscal Consultant.

"Assignee" means _____ Bank, a [[California commercial bank]], as assignee of certain rights of the Seller hereunder, and its successors and assigns.

"Assignment Agreement" means the Assignment Agreement dated as of _____, 2020, between the Seller and the Assignee, including any authorized amendments thereto.

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

"Authorized Representative" means: (a) with respect to the Seller, its President, Vice President, Treasurer or Secretary, or any other person designated as an Authorized Representative of the Seller by a Written Certificate of the Seller signed by its President, or Treasurer and filed with the District; and (b) with respect to the District, its General Manager, Finance Director or any other person designated as an Authorized Representative of the District by a Written Certificate of the District signed by its General Manager or Finance Director and filed with the Seller.

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

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

“District” means the Rosamond Community Services District, a community services district duly organized and existing under the Constitution and laws of the State of California.

“Closing Date” means _____, 2020, being the date of execution and delivery of this Agreement.

[“Default Rate” means _____.]

“Event of Default” means an event of default as described in Section 6.1.

“Federal Securities” means: (a) any direct general obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America), for which the full faith and credit of the United States of America are pledged; and (b) obligations of any agency, department or instrumentality of the United States of America, the timely payment of principal and interest on which are directly or indirectly secured or guaranteed by the full faith and credit of the United States of America.

“Fiscal Consultant” means any consultant or firm of such consultants appointed by the District and who, or each of whom:

- (a) is judged by the District to have experience in matters relating to the financing of Water Systems;
- (b) is in fact independent and not under domination of the District;
- (c) does not have any substantial interest, direct or indirect, with the District other than as purchaser of any Parity Debt; and
- (d) is not connected with the District as an officer or employee of the District, but who may be regularly retained to make reports to the District.

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

“Governmental Authority” means any governmental or quasi-governmental entity, including any court, department, commission, board, bureau, agency, administration, central bank, service, district or other instrumentality of any governmental entity or other entity exercising executive, legislative, judicial, taxing, regulatory, fiscal, monetary or administrative powers or functions of or pertaining to government, or any arbitrator, mediator or other person with authority to bind a party at law.

“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 Water System, 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 Water System, and all other income and

revenue howsoever derived by the District from the ownership or operation of the Water System or arising from the Water System, and also including all income from the deposit or investment of any money in the Water Fund or any Rate Stabilization Fund, and any refundable deposits made to establish credit, and advances or contributions in aid of construction.

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

“Installment Payment Date” means the date on which Installment Payments are required to be paid, being June 1 and December 1 in each year, commencing _____. The Installment Payments payable on each Installment Payment Date that is a June 1 shall consist of interest and principal components. The Installment Payments payable on each Installment Payment Date that is a December 1 shall consist of an interest component only.

“Installment Payments” means all payments required to be paid by the District on any date under Section 4.4, including any amounts payable upon delinquent installments and including any prepayment thereof under Sections 7.2 or 7.3.

“Maximum Annual Debt Service” means, as of the date of any calculation, the maximum sum obtained for the current or any future Fiscal Year during the Term of this Agreement by totaling the following amounts for such Fiscal Year:

- (a) The aggregate amount of the Installment Payments coming due and payable in such Fiscal Year.
- (b) The principal amount of all outstanding Parity Debt, if any, coming due and payable by their terms in such Fiscal Year (including any mandatory sinking fund installments).
- (c) The amount of interest which would be due during such Fiscal Year on the aggregate principal amount of all outstanding Parity Debt, if any, which would be outstanding in such Fiscal Year if such Parity Debt are retired as scheduled. With respect to any Parity Debt the interest on which is computed at a variable rate, such Parity Debt shall be assumed to bear interest at the highest of: (i) the actual rate on the date of calculation, or if the indebtedness is not yet outstanding, the initial rate (if established and binding), (ii) if the indebtedness has been outstanding for at least 12 months, the average rate over the 12 months immediately preceding the date of calculation, or if no debt is outstanding for the 12 months under the authorizing document, the average rate borne by reference to an index comparable to that to be utilized in determining the interest rate for the debt to be issued, and (iii) (A) if interest on the indebtedness is excludable from gross income under the applicable

provisions of the Internal Revenue Code, the most recently published Bond Buyer "Revenue Bond Index" (or comparable index if no longer published), or (B) if interest is not so excludable, the interest rate on direct U.S. Treasury obligations having comparable maturities, plus 1.0%.

Notwithstanding the foregoing:

- (i) if any issue of Parity Debt has more than 25% of the aggregate principal amount thereof coming due in any Fiscal Year, the amount of debt service on such Parity Debt shall be calculated on the assumption that the amount of principal of and interest on such Parity Debt were payable over a 25-year term on a level debt service basis;
- (ii) as to any Parity Debt or portions thereof bearing no interest but which are sold at a discount and which discount accretes with respect to such Bonds or Parity Debt or portions thereof, such accreted discount shall be treated as interest in the calculation of debt service; and
- (iii) the amount on deposit in a debt service reserve fund on any date of calculation of principal of any Parity Debt shall be deducted from the amount of principal due at the final maturity of the Parity Debt for which such debt service reserve fund was established and in each preceding year until such amount is exhausted.

"Net Revenues" means, for any Fiscal Year, an amount equal to all of the Gross Revenues for such Fiscal Year less the Operations and Maintenance Costs for such Fiscal Year.

"Operations and Maintenance Costs" means the reasonable and necessary costs paid or incurred by the District for maintaining and operating the Water System, determined in accordance with generally accepted accounting principles, including all reasonable expenses of management and repair and all other expenses necessary to maintain and preserve the Water System in good repair and working order, and including all reasonable and necessary administrative costs of the District that are charged directly or apportioned to the operation of the Water System, such as salaries and wages of employees, overhead, taxes (if any), the cost of permits, licenses and charges to operate the Water System and insurance premiums; but excluding, in all cases depreciation, replacement and obsolescence charges or reserves therefor and amortization of intangibles.

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

"Parity Debt Documents" means the indenture of trust, trust agreement or other document authorizing the issuance of any Parity Debt or any securities which evidence Parity Debt.

"Project" means, collectively, the land, water rights, facilities, improvements and other property constituting part of the Water System, the acquisition and improvement of which are financed in accordance with this Agreement, as described more fully in Appendix B attached hereto, as that Appendix may be amended from time to time by written notice provided by an Authorized Representative of the District to the Seller and the Assignee.

"Project Costs" means all costs of the acquisition of the Project, including but not limited to:

- (a) all costs required to be paid to any person under the terms of any agreement for or relating to the acquisition or use of the Project;
- (b) obligations incurred for labor and materials in connection with the acquisition and use of the Project;
- (c) the cost of performance or other bonds and any and all types of insurance that may be necessary or appropriate to have in effect in connection with the acquisition and use of the Project;
- (d) all preliminary costs of the Project, including but not limited to environmental, engineering and architectural services, costs for testing, surveys, estimates, plans and specifications and preliminary investigations therefor, as well as for the performance of all other duties required by or consequent to the acquisition and use of the Project;
- (e) any sums required to reimburse the District for advances made for any of the above items or for any other costs incurred and for work done which are properly chargeable to the acquisition and use of the Project;
- (f) all financing costs incurred in connection with the acquisition and use of the Project; and
- (g) the interest components of the Installment Payments during the period of acquisition and use of the Project.

"Project Fund" means the fund or account by that name established and held by the District under Section 3.3.

"Rate Stabilization Fund" means any fund established and held by the District as a fund for the stabilization of rates and charges imposed by the District with respect to the Water System, which fund is established, held and maintained in accordance with Section 4.6.

"Seller" means the Public Property Financing Corporation of California, a non-profit public benefit corporation formed, operating and acting pursuant to the laws of the State of California, and its successors and assigns.

“Term” means the time during which this Agreement is in effect, as provided in Section 4.3.

“Water Fund” means the fund or funds established and held by the District for the deposit of Gross Revenues from the Water System.

“Water System” means all Water collection, transport, treatment, storage and disposal facilities, including land and easements thereof, owned by the District, including the Project, and all other properties, structures or works hereafter acquired and constructed by the District and determined to be a part of the Water System, together with all additions, betterments, extensions or improvements to such facilities, properties, structures or works or any part thereof hereafter acquired and constructed.

“Water System Obligations” means all debt obligations of the District which are payable from Gross Revenues or Net Revenues, including but not limited to the Installment Payments, Parity Debt and subordinate obligations.

SECTION 1.2. *Appendices.* The following Appendices are attached to, and by this reference are made a part of, this Agreement:

Appendix A: Amortization Schedule

Appendix B: Description of Project

ARTICLE II

REPRESENTATIONS, COVENANTS AND WARRANTIES

SECTION 2.1. *Representations, Covenants and Warranties of the District.* The District represents, covenants and warrants to the Seller and the Assignee as follows:

- (a) The District is a community services district duly organized and existing under the Constitution and laws of the State of California, and is empowered, among other things, to maintain and operate the Water System and to acquire in the name of the District any interest in real or personal property necessary or convenient for the operation of the Water System.
- (b) The laws of the State authorize the District to enter into this Agreement, and to enter into the transactions contemplated hereby and to carry out its obligations hereunder.
- (c) Neither the execution and delivery of this Agreement, nor the fulfillment of or compliance with the terms and conditions hereof, nor the consummation of the transactions contemplated hereby, conflicts with or results in a material 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 any of the foregoing.

- (d) The District has duly authorized, executed and delivered this Agreement in accordance with the laws of the State of California. This Agreement is legal, valid and binding obligation of the District, enforceable in accordance with its terms, subject only to laws related to insolvency or bankruptcy and general equitable principles.
- (e) There is no action, suit, proceeding, inquiry or investigation before or by any court or federal, state, educational or other Governmental Authority pending or, to the knowledge of the District after reasonable investigation, threatened against or affecting the District or the assets, properties or operations of the District which, if determined adversely to the District or its interests, would have a material and adverse effect upon the consummation of the transactions contemplated by or the validity of this Agreement and the Assignment Agreement or upon the financial condition, assets, properties or operations of the District and the District's ability to make the Installment Payments, and the District is not in default with respect to any order or decree of any court or any order, regulation or demand of any federal, state, educational or other Governmental Authority, which default might have consequences that would materially and adversely affect the consummation of the transactions contemplated by this Agreement and the Assignment Agreement or the financial conditions, assets, properties or operations of the District.
- (f) During the term of this Agreement, the Project will be used by the District only for the purpose of the Water System, provided however, the surface of the land can be sold, leased, the subject of an easement or used for purposes unrelated to the Water System, so long as the water rights associated with ownership of the land are maintained by the District.
- (g) The statement of financial position of the Water System as of June 30, 2019 and the related statement of activities and statement of cash flows and changes in financial position for the year then ended and the auditors' reports with respect thereto, copies of which have heretofore been furnished to the Assignee, are complete and correct and fairly present the financial condition, changes in financial position and results of operations of the Water System at such date and for such period, and were prepared in accordance with generally accepted accounting principles. Since the most current date of the information, financial or otherwise, supplied by the District to the Assignee:
 - (i) There has been no change in the assets, liabilities, financial position or results of operations of the Water System since June 30, _____.
 - (ii) The Water System has not (A) incurred any material indebtedness, other than the Installment Payments or as previously disclosed to Assignee, and trade accounts payable

arising in the ordinary course of the District's business and not past due, or (B) guaranteed the indebtedness of any other person.

- (h) All information, reports and other papers and data furnished by the District to the Assignee were, at the time the same were so furnished, complete and accurate in all material respects and insofar as necessary to give the Assignee a true and accurate knowledge of the subject matter and were provided in expectation of Assignee's reliance thereon in entering into the transactions contemplated by this Agreement. No fact is known to the District which has had or, so far as the District can now reasonably foresee, may in the future have a material adverse effect on its financial position, which has not been set forth in the financial statements previously furnished to the Assignee or in other such information, reports, papers and data or otherwise disclosed in writing to the Assignee prior to the Closing Date. Any financial, budget and other projections furnished to the Assignee by the District or its or their agents were prepared in good faith on the basis of the assumptions stated therein, which assumptions were fair and reasonable in light of the conditions existing at the time of delivery of such financial, budget or other projections, and represented, and as of the date of this representation, represent the District's best estimate of the Water System's future financial performance. No document furnished nor any representation, warranty or other written statement made to the Assignee in connection with the negotiation, preparation or execution of this Agreement contains or will contain any untrue statement of a material fact or omits or will omit to state (as of the date made or furnished) any material fact necessary in order to make the statements contained herein or therein, in light of the circumstances under which they were or will be made, not misleading.
- (i) The District has structured fees, estimated revenues and/or taken other lawful actions necessary to ensure that the pledge of and lien on Net Revenues are sufficient to pay all Installment Payments when due and payable, and such moneys have been and will continue to be applied in the funds and accounts as required herein and towards payment of all Installment Payments when due and payable.
- (j) The District has an immediate need for, and expects to make immediate use of, the Project, which need is not temporary or expected to diminish during the Term of this Agreement. To the extent the District is or may be required to use additional revenues or spend additional money to complete the Project or make the Project useable, the District represents, warrants and covenants to take all required actions to enable the Project to be useful to the Water System. The District presently intends to continue this Agreement and make all Installment Payments required hereunder for the entire Term of this Agreement.

- (k) The District acknowledges that (i) _____ Bank, as the Assignee under the Assignment Agreement, is acting solely for its own loan account and not as a fiduciary for the District or in the capacity of broker, dealer, placement agent, municipal securities underwriter or municipal advisor, (ii) the Assignee has not provided, and will not provide, financial, legal (including securities law), tax, accounting or other advice to or on behalf of the District or with respect to the Installment Payments, and (iii) the Assignee has expressed no view regarding the legal sufficiency of its representations for purposes of compliance with any legal requirements applicable to any other party, or the correctness of any legal interpretation made by counsel to any other party with respect to any such matters. Additionally, the District acknowledges that the Corporation is acting solely as Seller hereunder and not as a fiduciary for the District or in the capacity of broker, dealer, placement agent, municipal securities underwriter or municipal advisor to the District.
- (l) There are no obligations of the District payable from the Gross Revenues or Net Revenues of the Water System on a basis that is senior to, or on parity with, the payment of the Installment Payments.
- (m) The Water System complies with all applicable restrictive covenants, zoning ordinances, building laws and other applicable laws (including, without limitation, the Americans with Disabilities Act, as amended).

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

- (a) The Seller is a non-profit public benefit corporation duly organized, operating and existing under the laws of the State of California; has all requisite powers and authority to enter into this Agreement and the Assignment Agreement; is possessed of full power and authority to own and hold real and personal property, and to sell the same; and has duly authorized the execution and delivery of this Agreement and the Assignment Agreement.
- (b) Neither the execution and delivery of this Agreement and the Assignment Agreement nor the fulfillment of or compliance with the terms and conditions hereof or thereof, nor the consummation of the transactions contemplated hereby or thereby, conflicts with or results in a material breach of the terms, conditions or provisions of any restriction or any agreement, instrument, regulation or law to which the Seller is now a party or by which the Seller is bound, or constitutes a default under any of the foregoing.
- (c) The Seller has, or will have, good and marketable title to the Project, which is otherwise free and clear of encumbrances, except as previously disclosed to the Assignee and the District.

- (d) The Seller has duly authorized, executed and delivered this Agreement in accordance with the laws of the State of California. This Agreement is legal, valid and binding obligation of the Seller, enforceable in accordance with its terms, subject only to laws related to insolvency or bankruptcy and general equitable principles.
- (e) The Seller shall cooperate fully with the Assignee at the expense of the District in filing any proof of loss with respect to any insurance policy maintained pursuant to Article V of this Agreement and shall cooperate fully with the District in contesting any lien filed or established against the Project, upon the request and at the expense of the District pursuant to Article V of this Agreement.

ARTICLE III

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

SECTION 3.1. *Sale of Project to Seller; Deposit of Moneys.* The District hereby sells and conveys the Project to the Seller, and the Seller hereby purchases the Project from the District. The purchase price shall be the amount funded by the Assignee on a draw-down basis as described in Section 4.4(b).

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

SECTION 3.2. *Payment of Financing Costs.* On the Closing Date, the purchase price funded by Assignee shall be applied for the acquisition of the Project by the District on or about the Closing Date.

SECTION 3.3. *Project Fund.*

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

(b) On the Closing Date, the Seller shall cause the amount funded by Assignee to be paid to the District, which amount will be used to pay the costs under Section 3.2.

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

SECTION 3.4. *Acquisition of the Project.* The Seller hereby appoints the District as its agent to carry out the acquisition of the Project under and in accordance with the provisions hereof. The District hereby accepts such appointment and assumes all rights, liabilities, duties and responsibilities of the Seller regarding the acquisition of the Project. As agent of the Seller hereunder, the District shall enter into, administer and enforce all contracts relating to the Project.

Payment of Project Costs shall be made by the District from amounts requested from the Assignee in accordance with the provisions of this Agreement. If and to the extent the amounts funded by the Assignee are insufficient to enable the District to acquire the Project, the District has the sole responsibility for acquisition of the Project and the District will finance such acquisition from any source of legally available funds of the District.

ARTICLE IV

INSTALLMENT SALE OF PROJECT TO DISTRICT; INSTALLMENT PAYMENTS

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

SECTION 4.2. *Title; Taxes.* Title to the Project shall be vested in the District on the Closing Date. The Seller shall take all actions necessary to vest in the District all of the Seller's rights in and title to the Project. Such title shall be held by the District in trust pending the satisfaction of the payment obligations under this Agreement.

The parties to this Agreement contemplate that the Project will be used for a governmental or proprietary purpose of the District and, therefore, that the Project will be exempt from all property taxes, including any licensing fees, or, if the surface of the land component Project is subject to such charges, such charges will be paid by the user of the surface. The Installment Payments payable by the District under this Agreement have been established to reflect the savings resulting from this exemption from or pass-through of such taxation. The District will take such actions necessary under applicable law to obtain said exemption and, as to surface rights, to provide for pass-through of such taxation. Nevertheless, if the use, possession or acquisition of the Project is determined to be subject to taxation, or licensing fees, or later becomes subject to such taxes, or licensing fees, the District shall pay when due all taxes and governmental charges lawfully assessed or levied against or with respect to the Project.

SECTION 4.3. *Term of this Agreement.* The Term of this Agreement commences on the Closing Date and ends on _____, 20____ (provided the District has paid all Installment Payments and other amounts due hereunder through such date), unless such term is extended or sooner terminated as hereinafter provided.

SECTION 4.4. *Installment Payments.*

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

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

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

Except as otherwise provided in this Agreement, the interest components of the Installment Payments shall be calculated based on the unpaid principal components of the Installment Payments at an interest rate of _____% per annum, on the basis of a 360-day year of twelve 30-day months.

The principal component of each Installment Payment shall be set forth in the amortization schedule attached as Appendix A. The initial amortization schedule included in Appendix A on the Closing Date reflects the assumption that all of the Authorized Amount has been requested by the District and funded by Assignee. Following the Final Funding Request, if the District elects not to request the full Authorized Amount, the initial amortization schedule will be replaced with a final amortization schedule to be mutually agreed by the Assignee and the District that reflects the amount actually funded by Assignee.

(b) Initial Funding of the Purchase Price; Additional Funding. On the Closing Date, Assignee shall fund the purchase price for the Project as set forth in Section 3.2 and Section 3.3. The initial principal component of the Installment Payments shall be the amount funded by Assignee on the Closing Date.

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

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

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

(e) Assignment. The District understands and agrees that all Installment Payments have been assigned by the Seller to the Assignee under the Assignment Agreement, and the District hereby assents to such assignment. The Seller hereby

directs the District, and the District hereby agrees, to pay to the Assignee all payments payable by the District under this Section and all amounts payable by the District under Article VII.

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

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

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

- (i) all Operation and Maintenance Costs;
- (ii) the Installment Payments and all payments of principal of and interest on any Parity Debt, on a parity basis among them;
- (iii) the amount of any deficiency in any reserve fund established for Parity Debt, the notice of which deficiency has been given to the District in accordance with the related documents; and
- (iv) any other payments required to comply with the provisions of this Agreement and any Parity Debt Documents, on a parity basis among them.
- (v) any other purposes authorized under subsection (d) of this Section.

For each Fiscal Year, after the District has made any required payments described in clauses (i) through (iv) above, any remaining Net Revenues in the Water Fund shall be released from the lien of this Agreement and shall be available for any lawful purpose of the District.

(c) No Preference or Priority. Payment of the Installment Payments and the principal of and interest on any Parity Debt shall be made without preference or priority. If the amount of Net Revenues on deposit in the Water Fund are at any time insufficient to enable the District to pay when due the Installment Payments and the principal of and interest on any Parity Debt, such payments will be made on a pro rata basis.

(d) Other Uses of Net Revenues Permitted. The District shall manage, conserve and apply the Net Revenues on deposit in the Water Fund in such a manner that all deposits required to be made under the preceding subsection (b) will be made at

the times and in the amounts so required. Subject to the foregoing sentence and the terms, conditions and covenants contained herein, so long as no Event of Default has occurred and is continuing, the District may use and apply moneys in the Water Fund for (i) the payment of any subordinate obligations or any unsecured obligations, (ii) the acquisition and construction of improvements to the Water System, (iii) the prepayment of any other obligations of the District relating to the Water System, or (iv) any other lawful purposes of the District.

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

SECTION 4.6. *Establishment of Rate Stabilization Fund.*

The District has the right at any time to establish a fund to be held by it and administered in accordance with this Section, for the purpose of stabilizing the rates and charges imposed by the District with respect to the Water System. From time to time the District may deposit amounts in the Rate Stabilization Fund, from any source of legally available funds, including but not limited to Net Revenues which are released from the pledge and lien which secures the Installment Payments and any Parity Debt, as the District may determine.

The District may, but is not required to, withdraw from any amounts on deposit in the Rate Stabilization Fund and deposit such amounts in the Water Fund in any Fiscal Year for the purpose of paying any lawful expenses of the Water System, including the Installment Payments and any Parity Debt. Amounts so transferred from the Rate Stabilization Fund to the Water Fund constitute Gross Revenues for the Fiscal Year (except as otherwise provided herein), and shall be applied for the purposes of the Water Fund. Amounts on deposit in the Rate Stabilization Fund may not be pledged to or otherwise secure the Installment Payments or any Parity Debt. All interest or other earnings on amounts in the Rate Stabilization Fund shall be retained therein or, at the option of the District, be applied for any other lawful purposes. The District has the right at any time to withdraw any or all amounts on deposit in the Rate Stabilization Fund and apply such amounts for any other lawful purposes of the District.

SECTION 4.7. *Special Obligation of the District; Obligations Absolute.* The District's obligation to pay the Installment Payments and any other amounts coming due and payable hereunder shall be a special obligation of the District limited solely to the Net Revenues. Under no circumstances is the District required to advance moneys derived from any source of income other than the Net Revenues and other sources specifically identified herein for the payment of the Installment Payments and such other amounts, and no other funds or property of the District are liable for the payment of the Installment Payments.

The obligation of the District to pay the Installment Payments, and the obligation of the District to perform and observe the other agreements contained herein, are absolute and unconditional and are not subject to any defense or any right of setoff, counterclaim or recoupment arising out of any breach of the Seller or the Assignee of any obligation to the District or otherwise with respect to the Water System, whether hereunder or otherwise, or out of indebtedness or liability at any time owing to the District by the Seller or the Assignee. Until such time as all of the Installment Payments have been fully paid or prepaid, the District:

- (i) will not suspend or discontinue payment of any Installment Payments,
- (ii) will perform and observe all other agreements contained in this Agreement, and
- (iii) will not terminate this Agreement for any cause, including, without limiting the generality of the foregoing, the occurrence of any acts or circumstances that may constitute failure of consideration, eviction or constructive eviction, destruction of or damage to the Water System, the sale of the Water System, the taking by eminent domain of title to or temporary use of any component of the Water System, commercial frustration of purpose, any change in the tax or other laws of the United States of America or the State of California or any political subdivision of either thereof or any failure of the Seller to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with this Agreement.

ARTICLE V

COVENANTS OF THE DISTRICT

SECTION 5.1. *Disclaimer of Warranties.* Neither the Seller nor the Assignee makes any warranty or representation, either express or implied, as to the value, design, condition, merchantability or fitness for any particular purpose or fitness for the use contemplated by the District of the Project or any component thereof, or any other representation or warranty with respect to any of the Project or any component thereof. In no event is the Seller or the Assignee liable for incidental, indirect, special or consequential damages, in connection with or arising out of this Agreement for the existence, furnishing, functioning or use of the Project.

SECTION 5.2. *Release and Indemnification Covenants.* The District agrees to indemnify the Seller and the Assignee, and their respective officers, agents, successors and assigns, against all claims, losses and damages, including legal fees and expenses, arising out of:

- (a) the use, maintenance, condition or management of, or from any work or thing done on or about the Water System or the acquisition

of the Project by the District, its employees, agents, contractors, vendors, and subcontractors;

- (b) any breach or default on the part of the District in the performance of any of its representation, warranties, covenants, and obligations under this Agreement,
- (c) any act or omission of the District or of any of its agents, contractors, servants, employees or licensees with respect to the Water System or the Project,
- (d) any act or omission of any lessee of the District with respect to the Water System or Project;
- (e) Any loss, claim, damage to the environment relating to the Project or the Water System, including but not limited to any investigation, cleanup, remedial, or other costs; and
- (f) any strict liability under the laws or judicial decisions of any state or the United States.

No indemnification is made under this Section or elsewhere in this Agreement for willful misconduct or gross negligence under this Agreement by the Seller or the Assignee, or their respective officers, agents, employees, successors or assigns. The provisions of this Section survive the expiration of the Term of this Agreement.

SECTION 5.3. *Sale or Eminent Domain of Water System.* Except as provided herein, the District covenants that the Water System will not be encumbered, sold, leased, pledged, any charge placed thereon, or otherwise disposed of, as a whole or substantially as a whole if such encumbrance, sale, lease, pledge, charge or other disposition would materially impair the ability of the District to pay any Water System Obligations, or would materially adversely affect its ability to comply with the terms of this Agreement or any Parity Debt Documents. The District may not enter into any agreement which impairs the operation of the Water System or any part of it necessary to secure adequate Net Revenues to pay the Installment Payments or any Parity Debt, or which otherwise would impair the rights of the Seller with respect to the Net Revenues.

If any substantial part of the Water System is sold, the payment therefor shall, with the prior written consent of the Assignee, either (a) be used for the acquisition or construction of improvements and extensions or replacement facilities or (b) be applied to prepay the Installment Payments and/or any Parity Debt on the next available prepayment date, as determined in the District's sole discretion.

Any amounts received as awards as a result of the taking of all or any part of the Water System by the lawful exercise of eminent domain, if and to the extent that such right can be exercised against such property of the District shall, either (a) be used for the acquisition or construction of improvements and extension of the Water System, or (b) be applied to prepay the Installment Payments and/or Parity Debt on the next available prepayment date, as determined in the District's sole discretion.

SECTION 5.4. *Insurance.* The District shall at all times maintain with responsible insurers all such insurance on the Water System as is customarily maintained with respect to works and properties of like character against accident to, loss of or damage to the Water System. Such insurance shall include coverage for casualty losses to the facilities constituting part of the Water System; provided, the deductible for hazard insurance shall be no more than \$50,000 per occurrence (absent prior written consent of the Assignee). All amounts collected from insurance against accident to or destruction of any portion of the Water System shall either (a) be used to repair or rebuild such damaged or destroyed portion of the Water System, or (b) be applied to prepay the Installment Payments and/or Parity Debt on the next available prepayment date, as determined in the District's sole discretion.

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

Any policy of insurance required under this Section may be maintained as part of or in conjunction with any other insurance coverage carried by the District, and may be maintained in whole or in part in the form of self-insurance by the District or in the form of the participation by the District in a joint powers agency or other program providing pooled insurance. The District shall file evidence of all insurance policies maintained under this Section at least annually with the Seller and the Assignee.

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

The District shall cause the books and accounts of the District (which includes the Water System) to be audited annually by an Independent Accountant by no later than the April that immediately succeeds the close of each Fiscal Year, and shall file a copy of such report with the Seller. Such report may be part of a combined financial audit or report covering all or part of the District's finances.

SECTION 5.6. *Rates and Charges.*

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

- (i) All Operation and Maintenance Costs estimated by the District to become due and payable in the Fiscal Year.
- (ii) All Installment Payments and all payments of principal of and interest on any Parity Debt as they become due and payable during the Fiscal Year, without preference or priority. If interest with respect to any Parity Debt is computed at a variable rate, the

amount required to be taken into account for any Fiscal Year under this Section shall be the actual rate borne by such Parity Debt during such Fiscal Year.

- (iii) All payments required to meet any other obligations of the District which are charges, liens, encumbrances upon, or which are otherwise payable from, the Gross Revenues or the Net Revenues during such Fiscal Year.

(b) In addition, the District shall fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Water System during each Fiscal Year which are sufficient to yield Net Revenues which are at least equal to 120% of the aggregate amount of the Installment Payments and payments on Parity Debt coming due in the Fiscal Year.

For purposes of this Section 5.6(b), (i) any transfers into the Water Fund from the Rate Stabilization Fund during a Fiscal Year are included in the calculation of Gross Revenues for that Fiscal Year, and (ii) any deposits into the Rate Stabilization Fund in a Fiscal Year are deducted from Gross Revenues, but only to the extent that such deposits are made from Gross Revenues received by the District during that Fiscal Year.

SECTION 5.7. *Superior and Subordinate Obligations.* The District may not issue or incur any additional bonds or other obligations during the Term of this Agreement having any preference or priority in payment of principal or interest out of the Gross Revenues or the Net Revenues over the Installment Payments.

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

SECTION 5.8. *Issuance of Parity Debt.* Except for obligations incurred to prepay or discharge the Installment Payments or any Parity Debt, the District may not issue or incur any Parity Debt during the Term hereof unless:

- (a) no Event of Default has occurred and is continuing; and
- (b) the Net Revenues (excluding any amounts derived from a Rate Stabilization Fund), calculated in accordance with generally accepted accounting principles, as shown by the books of the District for the most recent completed Fiscal Year for which audited financial statements of the District are available, or for any more recent consecutive 12-month period selected by the District ending not more than sixty (60) days prior to the adoption of the resolution authorizing the Parity Debt, in either case verified by an Independent Accountant or a Fiscal Consultant or shown in the audited financial statements of the District, plus (at the option of the District) any Additional Revenues, are at least equal to 125% of Maximum Annual Debt Service (taking into account the Parity Debt then proposed to be issued).

SECTION 5.9. *Operation of Water System in Efficient and Economical Manner.* The District shall operate the Water System in an efficient and economical manner and maintain and preserve the Water System in good repair and working order and in accordance with all applicable laws.

SECTION 5.10. *Disclaimer of Warranties.* THE SELLER MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, DESIGN, CONDITION, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OR FITNESS FOR THE USE CONTEMPLATED BY THE DISTRICT FOR THE PROJECT, THE WATER SYSTEM OR ANY ITEM THEREOF, OR ANY OTHER REPRESENTATION OR WARRANTY WITH RESPECT TO THE PROJECT, THE WATER SYSTEM OR ANY ITEM THEREOF. IN NO EVENT SHALL THE SELLER BE LIABLE FOR INCIDENTAL, INDIRECT, SPECIAL OR CONSEQUENTIAL DAMAGES IN CONNECTION WITH OR ARISING OUT OF THIS AGREEMENT FOR THE EXISTENCE, FURNISHING, FUNCTIONING OR DISTRICT'S USE OF THE PROJECT OR THE WATER SYSTEM.

SECTION 5.11. *Access to the Water System and Records.* To the extent permitted by law, the District agrees that the Seller, any Authorized Representative of the Seller, and the Seller's successors or assigns, including the Assignee, shall have the right at all reasonable times to enter upon and to examine and inspect the Water System. The District further agrees that the Seller, any Authorized Representative of the Seller, and the Seller's successors or assigns, including the Assignee, shall have such rights of access to the Water System as may be reasonably necessary to cause the proper maintenance of the Water System in the event of failure by the District to perform its obligations hereunder. In addition, the District agrees that the Seller, any Authorized Representative of the Seller, and the Seller's successors or assigns, including the Assignee, shall have the right at all reasonable times to inspect and examine all books, papers and records of the District pertaining to the Water System, to make copies thereof and to take non-privileged memoranda therefrom or with respect thereto as may be desired.

SECTION 5.12. *Assignment by the Seller.* The rights and interest of the Seller in this Agreement and the Installment Payments have been assigned to the Assignee under the Assignment Agreement, to which assignment the District hereby consents. In no event is the District required to allocate any Installment Payment among more than one person or entity or make a payment to more than one address or wire transfer destination, and the person or entity to whom Installment Payments are to be made shall be authorized to give all consents and approvals to be obtained from the Seller hereunder on behalf of and for all transferees. No further action will be required by the Seller, any other owner of an interest therein or the District to evidence any such assignment, but the District shall acknowledge each such assignment in writing if so requested. Nothing contained herein shall be deemed to be restriction on the sale or assignability of this Agreement or the rights of the Assignee hereunder. However, the Assignee agrees to reasonably comply with all applicable rules, laws and regulations, which may from time to time affect the assignability of this Agreement and the right to receive Installment Payments made hereunder.

SECTION 5.13. *Reporting and Filing Requirements.* During the Term of this Agreement, the District shall make the following filings with the Assignee:

- (a) Audited Financial Statements. The District shall file with the Assignee the District's audited financial statements that include the accounting of the Water System for each Fiscal Year for which they are prepared in accordance with Section 5.5, by no later than the April 1 that immediately succeeds the close of such Fiscal Year.
- (b) Annual Budgets. The District shall file with the Assignee the preliminary annual budget that includes the budget for the Water System for each Fiscal Year along with the resolution of the District Council approving the final such budget within 30 days of the adoption but not more than 30 days after the commencement of such Fiscal Year.
- (c) Certificate of Compliance with Rate Covenant. The District shall file with the Assignee a Certificate of the District stating that it is in compliance with the covenants set forth in Section 5.6 relating to the rates and charges for the Water System for each Fiscal Year, by no later than the April 1 that immediately succeeds the close of such Fiscal Year.
- (d) Event of Default. The District shall immediately notify the Assignee by email, promptly confirmed in writing, of any event, action or failure to take any action which constitutes an Event of Default under this Agreement, together with a detailed statement by an Authorized Representative of the District of the steps being taken by the District to cure the effect of such Event of Default.
- (e) Action, Suit or Proceeding. The District shall promptly notify the Assignee in writing (i) of any action, suit or proceeding or any investigation, inquiry or similar proceeding by or before any court or other Governmental Authority, domestic or foreign, against the District or any of the Water System or the Gross Revenues which involve claims equal to or in excess of \$1,000,000 or that seeks injunctive relief that would have a material adverse effect on its financial position or (ii) of any loss or destruction of or damage to any portion of the Water System in excess of \$1,000,000.
- (f) Material Litigation. The District shall promptly notify the Assignee in writing of any litigation which may have a material adverse effect to its financial position, or any investigation, inquiry or similar proceeding by any Governmental Authority with respect to any matter that could have a material adverse effect to its financial position.
- (g) Cancellation of Insurance or Loss. The District shall promptly notify the Assignee in writing in the event of any termination or cancellation of any insurance policy which the District is required to maintain under this Agreement, or any uninsured or partially uninsured loss through liability or property damage, or through fire, theft or any other cause affecting the Water System in excess of an aggregate of \$1,000,000.
- (h) Additional Information. The District shall file with the Assignee such additional information as the Assignee may reasonably request in writing, within a reasonable period of time after the receipt of such written request by the District.

ARTICLE VI

EVENTS OF DEFAULT AND REMEDIES

SECTION 6.1. *Events of Default Defined.* Any one or more of the following events shall constitute Events of Default hereunder:

- (a) Failure by the District to pay any Installment Payment by the Installment Payment Date or failure to make any other payment required within 10 days after the date on which such Installment Payment or other payment becomes due.
- (b) Failure by the District to observe and perform any covenant, condition or agreement on its part to be observed or performed in this Agreement, other than as referred to in clause (a) of this Section for a period of 30 days after written notice specifying such failure and requesting that it be remedied has been given to the District by the Assignee or the Seller; *provided, however*, that if the failure stated in the notice cannot be corrected within the applicable period, the Seller and the Assignee shall not unreasonably withhold their consent to an extension of such time if corrective action is instituted by the District within the applicable period and diligently pursued until the default is corrected, provided that such period shall not extend beyond 60 days.
- (c) The filing by the District of a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or the approval by a court of competent jurisdiction of a petition filed with or without the consent of the District seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction assumes custody or control of the District or of the whole or any substantial part of its property.
- (d) The occurrence of any event defined to be an event of default under any Parity Debt Documents.
- (e) Any statement, representation or warranty made by the District in or pursuant to this Agreement or its execution, delivery or performance shall prove to have been false, incorrect, misleading or breached in any material respect on the date when made.

SECTION 6.2. *Remedies on Default.* Whenever any Event of Default has happened and is continuing, the Seller shall have the right, at its option and without any further demand or notice, to:

- (a) declare all principal components of the unpaid Installment Payments, together with accrued interest thereon to be immediately due and payable, whereupon the same shall become due and payable; and
- (b) apply to and obtain from any court of competent jurisdiction such decree or order as may be necessary to require officials of the District to charge and collect rates for services provided by the District and the Water System sufficient to meet all requirements of this Agreement; and
- (c) take whatever action at law or in equity, including specific enforcement, mandamus, or any equitable remedies available, as may be desirable and permitted by law to collect the Installment Payments then due or thereafter to become due during the Term of this Agreement, or enforce performance and observance of any obligation, agreement or covenant of the District under this Agreement.

In addition, the District is liable for, and hereby agrees to pay, all legal costs and expenses, including court costs, incurred by the Seller or the Assignee in the enforcement of any of the remedies listed above or any other remedy available to the Seller.

So long as there has occurred and is continuing an Event of Default, the interest under this Agreement shall accrue, at the option of the Assignee, at the Default Rate.

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

SECTION 6.4. *Prosecution and Defense of Suits.* The District shall promptly, upon request of the Seller, the Assignee, or its assignee, from time to time take or cause to be taken such action as may be necessary or proper to remedy or cure any defect in or cloud upon the title to the Water System whether now existing or hereafter developing and shall prosecute all such suits, actions and other proceedings as may be appropriate for such purpose.

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

SECTION 6.6. *Liability Limited to Net Revenues.* Notwithstanding any provision of this Agreement, the District's liability to pay the Installment Payments and other amounts hereunder is limited solely to Net Revenues as provided in Article IV. If the Net Revenues are insufficient at any time to pay an Installment Payment in full, the District is not liable to pay or prepay such Installment Payment other than from Net Revenues.

SECTION 6.7. *Rights of Assignee.* Such rights and remedies as are granted to the Seller under this Article VI or under this Agreement shall be exercised by the Assignee, as assignee of the rights of the Seller hereunder, in accordance with the provisions of the Assignment Agreement.

ARTICLE VII

PREPAYMENT OF INSTALLMENT PAYMENTS

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

SECTION 7.2. *Optional Prepayment.* The District has the right at its option to prepay the Installment Payments in whole or in part, on any date, at a prepayment price equal to the principal amount of Installment Payments prepaid, plus the premium set forth in the following table, together with accrued interest thereon to the date of prepayment:

Prepayment Date	Prepayment Premium
Any date through _____	3%
_____ through _____	2%
_____ through _____	1%
_____ through _____	0%

Notwithstanding the preceding sentence, the District may prepay the Installment Payments in part, on any date once each calendar year, in an annual amount not to exceed 10% of the remaining principal component of Installment Payments, without premium, as long as the prepayment is not funded from the proceeds of Water System Obligations or any other borrowing.

Prepayments of Installment Payments in part shall be applied to the principal component of remaining Installment Payments in inverse order of maturity.

Notice of prepayment, which may be conditioned upon receipt of funds, shall be given by the District not less than 30 days prior to the prepayment date, to the Seller and the Assignee at their respective addresses set forth in Section 8.1 or at such other address as is furnished to the District in writing by the Seller or the Assignee. Any notice mailed as provided in this Section shall be conclusively presumed to have been duly given, whether or not the Seller or the Assignee receives such notice.

If notice of prepayment is given as aforesaid, the Installment Payments shall become due and payable at the prepayment price and on the Installment Payment Date

therein designated and if, on the Installment Payment Date, money for the payment of the prepayment price have been paid, then from and after the prepayment date, interest on the principal amount of the Installment Payments, shall cease to accrue and become payable.

SECTION 7.3. *Prepayment From Net Proceeds of Insurance or Eminent Domain.* The District may prepay the unpaid principal balance of the Installment Payments in whole or in part, on any date, if and to the extent the District determines to apply any proceeds of insurance award or condemnation award with respect to the Water System for such purpose in accordance with Sections 5.3 or 5.4, at a prepayment price equal to 100% of the principal amount to be prepaid plus accrued interest to the prepayment date, without premium.

SECTION 7.4. *No Surrender of Agreement Required.* No surrender of this Agreement shall ever be required as a condition for payment or otherwise. The Seller, the District, and the Assignee agree that this Agreement shall terminate, excepting those provisions expressly surviving termination of this Agreement, at the earliest of as provided in Section 4.3 or as provided in Article VII.

ARTICLE VIII

MISCELLANEOUS

SECTION 8.1. *Notices.* All notices, certificates or other communications hereunder shall be in writing and shall be deemed to have been properly given on the earlier of (i) when delivered in person, (ii) the third Business Day following deposit in the United States Mail, with adequate postage, and sent by registered or certified mail, with return receipt requested to the appropriate party at the address set forth below, or (iii) the first Business Day following deposit with Federal Express, Express Mail or other overnight delivery service for next day delivery, addressed to the appropriate party at the address set out below.

If to the District:

Rosamond Community Services District
3179 35th Street West
Rosamond, California 93560
Attention: General Manager

If to the Seller:

Public Property Financing Corporation of California
2945 Townsgate Road, Suite 200
Westlake Village, CA 91361
Attention: Treasurer

If to the Assignee:

_____ Bank

The Seller, the District and the Assignee, by notice given hereunder, may designate different addresses to which subsequent notices, certificates or other communications will be sent.

SECTION 8.2. *Third Party Beneficiary.* The Assignee is hereby made a third-party beneficiary under this Agreement with all rights of a third-party beneficiary.

SECTION 8.3. *Binding Effect.* This Agreement inures to the benefit of and is binding upon the Seller, the District and the Assignee, and their respective successors and assigns.

SECTION 8.4. *Severability.* If any provision of this Agreement is held invalid or unenforceable by any court of competent jurisdiction, such holding will not invalidate or render unenforceable any other provision hereof.

SECTION 8.5. *Amendments Changes and Modifications.* This Agreement may be amended or any of its terms modified with the written consent of the District and the Seller.

SECTION 8.6. *Net Contract.* This Agreement shall be deemed and construed to be a "net contract" and the District hereby agrees that the Installment Payments shall be an absolute net return to the Seller, free and clear of any expenses, charges or set-offs whatsoever.

SECTION 8.7. *Further Assurances and Corrective Instruments.* The Seller and the District agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for correcting any inadequate or incorrect description of the Project hereby sold or intended so to be or for carrying out the expressed intention of this Agreement.

SECTION 8.8. *Execution in Counterparts.* This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 8.9. *Applicable Law.* This Agreement shall be governed by and construed in accordance with the laws of the State of California.

SECTION 8.10. *Seller and District Representatives.* Whenever under the provisions of this Agreement the approval of the Seller or the District is required, or the Seller or the District is required to take some action at the request of the other, such approval or such request shall be given for the Seller by an Authorized Representative of the Seller and for the District by a District Representative, and any party hereto shall be authorized to rely upon any such approval or request.

SECTION 8.11. *Defeasance.* If and when all of the Installment Payments shall be paid in any one or more of the following ways:

- (a) by paying or causing to be paid the principal of and interest and prepayment premium (if any) with respect to the Installment Payments as and when the same become due and payable in good

and infeasible funds via check or wire transfer as may from time to time be directed by the Assignee or any subsequent Assignee;

- (b) with the prior written consent of the Assignee or any subsequent Assignee, which shall not unreasonably be withheld, by depositing with an escrow agent or other fiduciary, in trust, at or before the final stated Installment Payment Date, money which is fully sufficient to pay and discharge the Installment Payments, including all principal and interest and prepayment premium, (if any) at or before their respective Installment Payment Dates;
- (c) with the prior written consent of the Assignee or any subsequent Assignee, which shall not unreasonably be withheld, by depositing with an escrow agent or other fiduciary, in trust, Federal Securities in such amount as an Independent Accountant shall determine in writing will, together with the interest to accrue thereon and without reinvestment, be fully sufficient to pay and discharge the Installment Payments, including all principal and interest and prepayment premium, (if any), at or before their respective Installment Payment Dates; or
- (d) with the prior written consent of the Assignee or any subsequent Assignee, which shall not unreasonably be withheld, by depositing with an escrow agent or other fiduciary, under an escrow deposit and trust agreement, security for the payment and discharge of the Installment Payments, including all principal and interest and prepayment premium (if any) in form and substance acceptable to the Seller, or its assign, in its sole discretion, said security to be applied to pay the Installment Payments, including all principal and interest and prepayment premium (if any) in full on the earliest possible date;

all obligations of the District with respect to this Agreement shall cease and terminate and this Agreement shall be discharged, except for any provision herein which expressly states that it survives termination. The District shall provide to the Seller and the Assignee 30 days' prior written notice of its intent to discharge its obligations with respect to this Agreement by satisfying the conditions of this Section, and shall provide the Seller and the Assignee with an opinion of Bond Counsel stating that as a result of the deposit and application of funds under this Section, all obligations of the District with respect to this Agreement have ceased and terminated and this Agreement has been discharged.

SECTION 8.12. *Captions.* The captions or headings in this Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provision, Article or Section of this Agreement.

SECTION 8.13. *Dispute Resolution.*

- (a) *Judicial Reference.* Prior to the initiation of any action, proceeding or hearing (hereinafter, a "Claim") based upon or arising out of, directly or indirectly, this Agreement or any of the related documents, any dealings

between the District or the Assignee relating to the subject matter of the transactions contemplated by this Agreement or any related transactions, and/or the relationship that is being established between the District and the Assignee, the District and the Assignee hereby agree to participate in nonbinding mediation of the Claim in Santa Clara County before a retired state or federal judge mutually agreed to by the parties. The mediation proceeding shall be conducted within thirty (30) days or any mutually agreed upon longer time after referral by District or Assignee, and shall continue until such times as (1) the dispute is resolved; or (2) the date either party concludes, in good faith, that mediation is no longer a satisfactory remedy. All costs of mediation shall be shared equally by both parties involved. Each party shall bear its own attorney fees and costs related to the mediation. In the event the parties are unable to resolve the dispute through mediation, then in addition to any other remedies, either party may initiate a legal action.

- (b) *Provisional Remedies, Self Help and Foreclosure.* No provision of this Section 8.13 shall limit the right of either the District or the Assignee, as the case may be, to (i) exercise such self-help remedies as might otherwise be available under applicable law, or (ii) obtain or oppose provisional or ancillary remedies, including without limitation injunctive relief, writs of possession, the appointment of a receiver, and/or additional or supplementary remedies from a court of competent jurisdiction before, after, or during the pendency of any mediation. The exercise of, or opposition to, any such remedy does not waive the right of the District or the Assignee to participate in the nonbinding mediation pursuant to Section 8.13(a).

IN WITNESS WHEREOF, the Seller has caused this Agreement to be executed in its name by its duly authorized officers; and the District has caused this Agreement to be executed in its name by its duly authorized officers, as of the date first above written.

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

By: _____
Stefan A. Morton
Treasurer

**ROSAMOND COMMUNITY SERVICES
DISTRICT, as Purchaser**

By: _____
Steve A. Perez
General Manager

ATTEST:

By: _____
Secretary of the Board of Directors

APPENDIX A
AMORTIZATION SCHEDULE
(As of _____)

Payment Date	Principal Component ⁽¹⁾	Interest Component ⁽²⁾	Aggregate Installment Payments
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APPENDIX B

DESCRIPTION OF PROJECT

The Project consists of the following improvement to the Water System, subject to the right of the District to modify this list as provided in the Agreement:

The acquisition of real property described as follows, including its associated water rights:

[[ADD LEGAL DESCRIPTION]]

ASSIGNMENT AGREEMENT

This ASSIGNMENT AGREEMENT (this "Agreement"), dated _____, 2020, is between the PUBLIC PROPERTY FINANCING CORPORATION OF CALIFORNIA, a non-profit public financing corporation organized and existing under the laws of the State of California, as assignor (the "Assignor"), and _____ BANK, a California commercial bank, as assignee (the "Assignee").

BACKGROUND:

1. Rosamond Community Services District (the "District") owns and operates a system for the collection, treatment and disposal of Water within the service area of the District (the "Water System"), and the District wishes to raise funds to finance improvements to the Water System (the "Project"), consisting generally of the purchase of water rights.

2. In order to provide funds to finance the Project, the District and the Assignor have entered into an Installment Sale Agreement dated as of the date hereof (the "Installment Sale Agreement"), under which the District has agreed to purchase the Project from the Assignor and to pay semiannual installment payments (the "Installment Payments") as the purchase price thereof.

3. In exchange for an upfront payment, the Assignor wishes to assign its rights, title and interest under the Installment Sale Agreement, including the right to receive the Installment Payments, to the Assignee as provided herein.

AGREEMENT:

In consideration of the material covenants contained in this Agreement, the parties hereto hereby formally covenant, agree and bind themselves as follows:

SECTION 1. *Defined Terms.* All capitalized terms not otherwise defined herein have the respective meanings given those terms in the Installment Sale Agreement.

SECTION 2. *Assignment.* The Assignor hereby assigns to the Assignee all of the Assignor's rights, title and interest under the Installment Sale Agreement (excepting only the Assignor's rights to indemnification under Section 5.2 of the Installment Sale Agreement), including but not limited to:

- (a) the right to receive and collect all of the Installment Payments from the District under the Installment Sale Agreement,
- (b) the right to receive and collect any proceeds of any insurance maintained thereunder with respect to the Project, or any eminent domain award (or proceeds of sale under threat of eminent domain) paid with respect to the Project, and

- (c) the right to exercise such rights and remedies conferred on the Assignor under the Installment Sale Agreement as may be necessary or convenient (i) to enforce payment of the Installment Payments and any amounts required to be credited to the payment or prepayment thereof, or (ii) otherwise to protect the interests of the Assignor in the event of a default by the District under the Installment Sale Agreement.

SECTION 3. *Assignor Representations, Warranties and Covenants.* The Assignor hereby represents, warrants and covenants to and with the Assignee that:

- (a) The Installment Sale Agreement is free and clear of all claims, liens, security interests, encumbrances of any kind or character created by, through or under the Assignor, except the rights of the District thereunder, and except as contemplated in the Installment Sale Agreement. The Installment Sale Agreement is and shall remain free of all claims, liens, security interests and encumbrances arising through any act or omission of the Assignor.
- (b) The Assignor has complied with and performed all of its obligations under the Installment Sale Agreement and all related documents and instruments.
- (c) The Installment Sale Agreement delivered to the Assignee herewith is an original and constitutes the entire writing, obligation and agreement between the Assignor and District respecting the Installment Payments due thereunder.

SECTION 4. *Acceptance.* The Assignee hereby accepts the assignments made herein.

SECTION 5. *Further Assurances.* The Assignor shall, from time to time at the request of the Assignee, execute and deliver such further acknowledgments, agreements and instruments of assignment, transfer and assurance, and do all such further acts and things as may be necessary or appropriate in the reasonable opinion of the Assignee to give effect to the provisions hereof and to more perfectly confirm the rights, titles and interests hereby assigned and transferred to the Assignee.

SECTION 6. *Execution in Counterparts.* This Agreement may be executed in any number of counterparts, each of which is an original and all together constitute one and the same agreement. Separate counterparts of this Agreement may be separately executed by the Assignee and the Assignor, both with the same force and effect as though the same counterpart had been executed by the Assignee and the Assignor.

SECTION 7. *Binding Effect.* This Agreement inures to the benefit of and binds the Assignor and the Assignee, and their respective successors and assigns, subject, however, to the limitations contained herein.

SECTION 8. *Governing Law.* This Agreement is governed by the Constitution and laws of the State of California.

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

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

By: _____
Stefan A. Morton
Treasurer

_____ **BANK,** a _____,
as Assignee

By: _____