

**PURSUANT TO EXECUTIVE ORDERS ISSUED BY GOVERNOR NEWSOM,
ONE OR MORE BOARD MEMBERS MAY PARTICIPATE IN THE MEETING
VIA TELECONFERENCE**

AGENDA FOR A REGULAR MEETING OF THE BOARD OF DIRECTORS
OF THE VALLECITOS WATER DISTRICT
WEDNESDAY, AUGUST 4, 2021, AT 5:00 P.M.
VIA TELECONFERENCE

NOTICE TO THE PUBLIC

Due to the evolving situation with the COVID-19 Novel Coronavirus, so long as state or local public health officials have imposed or recommended social distancing measures Vallecitos Water District will hold future meetings via teleconferencing and allow members of the public to observe and address the meeting telephonically or otherwise electronically. During this period of time, Vallecitos Water District will not be making any physical location available for members of the public to observe the meeting and offer public comment. The public is encouraged to watch and participate in the meeting from the safety of their homes. The meeting can be viewed on the agenda page located on the main page of the District's website. Public comments or questions can be submitted to the following email address: PublicComment@vwd.org. All written comments that are received at least 90 minutes before the meeting will be provided to the Board, and a record of the receipt of comment will be noted during the meeting. Members of the public viewing the meeting via the Zoom videoconferencing platform can express their desire to provide input at the appropriate time by utilizing the "Raise Hand" function. Additional instructions for online participation will be posted on the District's website. www.vwd.org/meetings

CALL TO ORDER – PRESIDENT SANNELLA

PLEDGE OF ALLEGIANCE

ROLL CALL

In the case of an emergency, items may be added to the Agenda by a majority vote of the Board of Directors. An emergency is defined as a work stoppage; a crippling disaster; or other activity which severely imperils public health, safety, or both. Also, items which arise after the posting of the Agenda may be added by a two-thirds vote of the Board of Directors.

ADOPT AGENDA FOR THE REGULAR MEETING OF AUGUST 4, 2021

PUBLIC COMMENT

Persons wishing to address a matter not on the Agenda may be heard at this time; however, no action will be taken until the matter is placed on a future agenda in accordance with Board policy. Public comments are limited to three minutes. A Request to Speak form is required to be submitted to the Executive Secretary prior to the start of the meeting, if possible. Alternatively, persons wishing to address the Board at this time may utilize the "Raise Hand" feature of the Zoom videoconferencing platform. Public comment should start by stating name, address and topic. The Board is not permitted during this time to enter into a dialogue with the speaker.

PRESENTATION

President Sannella will acknowledge Capital Facilities Senior Engineer Ryan Morgan's attainment of his Certificate of Training for Qualified SWPPP Developer and Qualified SWPPP Practitioner from the California Stormwater Quality Association and California Construction General Permit Training Team.

CONSENT CALENDAR

All matters listed under the Consent Calendar will be voted upon by one motion. There will be no separate discussion of these items, unless a Board member or member of the public requests that a particular item(s) be removed from the Consent Calendar, in which case it will be considered separately under Action Items.

1.1 APPROVAL OF MINUTES (pp. 6-25)

- A. PUBLIC AWARENESS/PERSONNEL/POLICY COMMITTEE MEETING – JULY 12, 2021
- B. ENGINEERING/EQUIPMENT COMMITTEE MEETING – JULY 12, 2021
- C. CLOSED SESSION BOARD MEETING – JULY 21, 2021
- D. REGULAR BOARD MEETING – JULY 21, 2021

Approved minutes become a permanent public record of the District.

Recommendation: Approve Minutes

1.2 WARRANT LIST THROUGH AUGUST 4, 2021 - \$5,525,220.05 (pp. 26-32)

Recommendation: Approve Warrant List

1.3 AUTHORIZATION TO EXECUTE A THREE-YEAR CONTRACT WITH ENVIRONMENTAL SYSTEMS RESEARCH INSTITUTE, INC. FOR GEOGRAPHIC INFORMATION SYSTEM SOFTWARE LICENSING (pp. 33-42)

The District uses the Environmental Systems Research Institute Geographic Information System to provide cartography and infrastructure data management.

Recommendation: Authorize the General Manager to Enter into a Three Year Esri Small Utility Enterprise Agreement

*****END OF CONSENT CALENDAR*****

ACTION ITEM(S)

2.1 AWARD OF PROFESSIONAL SERVICES AGREEMENT FOR THE DISTRICT ENERGY MANAGEMENT STUDY (pp. 43-45)

The District desires to perform a new energy management study that will be used to update the District's Energy Management Plan.

Recommendation: **Authorize the General Manager to execute a Professional Services Agreement with Terra Verde Renewable Partners**

2.2 DEBT ISSUANCE DOCUMENTS AND RESOLUTION (pp. 46-245)

The Board authorized staff to move forward with contracts necessary to issue \$28 million in 2021 Certificates of Participation.

Recommendation: **1) Adopt the Resolution for the 2021 Certificates of Participation execution and delivery; and 2) Authorize staff to execute the necessary contracts and agreements for the financing**

2.3 CONSIDERATION OF THE FORMATION OF A CITY OF SAN MARCOS LIAISON COMMITTEE (pp. 246)

This item was requested by Director Boyd-Hodgson.

Recommendation: **For Board discussion and direction**

*******END OF ACTION ITEMS*******

REPORTS

3.1 GENERAL MANAGER

3.2 DISTRICT LEGAL COUNSEL

3.3 SAN DIEGO COUNTY WATER AUTHORITY

3.4 ENCINA WASTEWATER AUTHORITY
- *Capital Improvement Committee*
- *Policy and Finance Committee*

3.5 STANDING COMMITTEES

3.6 DIRECTORS REPORTS ON MEETINGS/CONFERENCES/SEMINARS
ATTENDED

*******END OF REPORTS*******

OTHER BUSINESS

4.1 QUARTERLY BOARD EXPENSES (pp. 247-249)

Recommendation: **For information only**

4.2 MEETINGS (pp. 250-257)

WaterReuse California Annual Conference

September 19-21, 2021

Option of Virtual or In-Person Attendance – JW Marriott, Los Angeles, CA

*****END OF OTHER BUSINESS*****

5.1 DIRECTORS COMMENTS/FUTURE AGENDA ITEMS

*****END OF DIRECTORS COMMENTS/FUTURE AGENDA ITEMS*****

6.1 ADJOURNMENT

*****END OF AGENDA *****

If you have any disability which would require accommodation in order to enable you to participate in this meeting, please call the Executive Secretary at 760.744.0460 ext. 264 at least 48 hours prior to the meeting.

Audio and video recordings of all Board meetings are available to the public at the District website www.vwd.org

AFFIDAVIT OF POSTING

I, Diane Posvar, Executive Secretary of the Vallecitos Water District, hereby certify that I caused the posting of this Agenda in the outside display case at the District office, 201 Vallecitos de Oro, San Marcos, California by 5:00 p.m., Friday, July 30, 2021.

Diane Posvar

CERTIFICATE OF TRAINING

CALIFORNIA CONSTRUCTION GENERAL PERMIT

QUALIFIED SWPPP DEVELOPER (QSD) AND QUALIFIED SWPPP PRACTITIONER (QSP)

Ryan Morgan

Jun 25, 2021 - Jun 25, 2023

Certificate # 27881



California Stormwater Quality Association and
California Construction General Permit Training Team

MINUTES OF A MEETING OF THE
PUBLIC AWARENESS/PERSONNEL/POLICY COMMITTEE
OF THE VALLECITOS WATER DISTRICT
MONDAY, JULY 12, 2021 AT 10:00 A.M.
VIA TELECONFERENCE

Director Boyd-Hodgson called the meeting to order at the hour of 10:00 a.m.

Present: Director Boyd-Hodgson
Director Pennock
District Engineer Gumpel
Legal Counsel Gilpin
Administrative Services Manager Emmanuel
Information Technology Technician Todd
Administrative Secretary Johnson

ITEMS FOR DISCUSSION

PERSONNEL

(OLD BUSINESS) RECRUITMENT FOR DEVELOPMENT SERVICES ENGINEER

District Engineer Gumpel stated a candidate has been selected for the Development Services Senior Engineer position. The candidate is currently going through the District's background check process, and if successful, should be on board in approximately six weeks.

(OLD BUSINESS) CLOSED CAPTIONING OF MEETINGS

District Engineer Gumpel stated staff recommends continuing to use the Zoom closed captioning software at no additional expense. The Verbit software, which offers closed captioning and transcription services, requires a minimum commitment of either \$15,000 or \$25,000. The Zoom format appears to be adequate for the District's needs currently as there is limited participation by the public on the Zoom application during Board and Committee meetings and in viewing the recorded videos on YouTube.

The Committee supports staff's recommendation to continue with the Zoom closed captioning format. This item will be presented at the July 21, 2021, Board meeting.

(NEW BUSINESS) Director Boyd-Hodgson stated there were no new business items on the agenda and asked if there were any pertinent updates to share with the Committee.

Administrative Services Manager Emmanuel stated staff is in the process of setting up an account with NeoGov, a platform that will assist in the District's recruitment process. She provided a brief overview of NeoGov which allows applicants to apply for positions

at multiple participating agencies and will lower the District's cost of advertising open positions while increasing outreach. NeoGov is used by many public agencies and also in the private sector.

PUBLIC AWARENESS

(NEW BUSINESS) HYBRID VIRTUAL AND IN-PERSON MEETING CONDUCT

Director Boyd-Hodgson expressed her interest in being able to conduct virtual and in-person public meetings simultaneously when the District can hold in-person public meetings. A hybrid approach may encourage more participation and would allow for closed captioning which would provide accessibility.

District Engineer Gumpel stated IT staff is working on the details of a hybrid meeting approach. He provided a screen shot of what the public would see of a hybrid meeting when the final production video is posted to YouTube. From a technical standpoint, additional staff may be needed to handle the virtual aspects of a meeting while staff at the meeting would handle the in-person activities such as coordination of in-person and virtual public speakers.

Information Technology Technician Todd provided additional details on what the public would see via Zoom during a hybrid meeting, which would be the same as it is now, except that when a Board member speaks, the dais with the full Board would be seen.

(OLD BUSINESS) TASK FORCE FORMATION FOR CAREER PATH AND EDUCATION IN SCHOOLS AND THE COMMUNITY

Director Boyd-Hodgson stated that she and Public Information/Conservation Supervisor Robbins have had a conversation with Palomar College about this matter and are thinking about how the District could partner with Palomar College in a more direct manner, possibly with internships. The end goal is to get students interested in water and possibly careers with the District.

POLICY

(NEW BUSINESS) PROPOSED REVISIONS TO ORDINANCE 216

Director Boyd-Hodgson stated she wished to discuss ways to make Board committee assignments more equitable. She was not assigned to an external committee and feels there are missed learning opportunities and economic consequences. She also reviewed the current Board appointments and suggested requiring Committees to have a minimum number of meetings.

General discussion took place regarding past practice and how other agencies make their committee appointments. Director Pennock stated he believes new Board members should listen and learn during their first year or two on the Board, and that the

current method of committee assignments is fine, taking into consideration that what is fair to all Board members may not be what is best for the District.

Legal Counsel Gilpin stated that in general, most agencies have a similar process to the District's process where the Board President and Vice President make recommendations for the committee assignments. Some agencies try to assign committees equally if possible and some place term limits on committee members. The District's policy states that each Director, who desires, shall have the opportunity to serve on the Encina Wastewater Authority and San Diego County Water Authority Boards (SDCWA) once during their four-year term. This is difficult to achieve as the SDCWA requests that members of their Board be appointed for a three-year term due to their long learning curve.

The Committee requested term limits for committee assignments be discussed at a future Board meeting.

**(OLD BUSINESS) UPDATE ON CONSOLIDATION OF RESOLUTIONS/
ORDINANCES/PRACTICES DOCS**

Director Boyd-Hodgson requested access to the digital California Special Districts Associations Sample Policy Handbook. The District has purchased one digital copy. Staff needs to determine copywrite restrictions and how contents of the handbook may be shared with others. Director Boyd-Hodgson envisions the final product to be an administrative handbook for Board members.

Legal Counsel Gilpin offered assistance in creating an Administrative Code to address such topics as the role of the Board and General Manager, committees, etc. He will discuss this further with General Manager Pruim.

NEXT MEETING DATE – AUGUST 9, 2021

The next Committee meeting is scheduled for 10:00 a.m. on Monday, August 9 (rescheduled from August 2).

District Engineer Gumpel stated the District was recently notified that it won an award from the Association of California Water Agencies in 2020 for its "Work We Do" video series. This item will be placed on a future Board agenda.

ADJOURNMENT

There being no further business to discuss, the meeting adjourned at the hour of 11:00 a.m.

MINUTES OF A MEETING OF THE
ENGINEERING/EQUIPMENT COMMITTEE
OF THE VALLECITOS WATER DISTRICT
MONDAY, JULY 12, 2021 AT 3:00P.M.
VIA TELECONFERENCE

Director Elitharp called the meeting to order at the hour of 3:05 p.m.

Present: Director Elitharp
Director Hernandez
District Engineer Gumpel
Capital Facilities Senior Engineer Morgan
Asset Management Supervisor Bowman
Engineering Services Assistant Fretwell

ITEM(S) FOR DISCUSSION

PROJECT REVIEW FOR PALISADES ESTATES PHASE 1 & PHASE 2 ESCROW AGREEMENT (PROGRAM RESOURCES, INC.)

District Engineer Gumpel stated that Palisades Estates was previously in a 4-year escrow agreement for Phase 1, and the developer has agreed to enter into a new escrow agreement for Phases 1 and 2 combined.

The County of San Diego requires a commitment for water service up front; therefore, the District allowed the developer to place the money for capacity fees in an escrow account until it is required by the District before occupation. If the capacity fees are raised, the owner will have to pay the increased rates.

Staff determined that a 4 or 6-year escrow agreement would be fair since the District would collect future capacity fees before occupation. The developer prefers the 6-year agreement since it includes Phases 1 and 2, and Phase 2 is still not approved by the County.

The Committee supports staff bringing a new 6-year escrow agreement back to the Board.

ASSET MANGEMENT PLAN UPDATE

Asset Management Supervisor Bowman presented the differences between the Asset Management Program and the Asset Management Plan. The program is focused on business practices, while the plan is a defined tactical report of the current assets. Great progress has been made in the last 18 months with the progression of the Asset Management Program, which is estimated to take 3 years total. Additionally, development of the Asset Management Plan will take 6-8 months depending on the components.

Asset Management Supervisor Bowman stated that the current asset replacement cost of \$776 million requires careful planning to ensure adequate reserves. The Asset Management Plan will assist in planning by identifying needs based on standardized asset renewal and replacement scenarios.

Asset Management Supervisor Bowman stated the next step is to send out a Request For Proposal (RFP) to have a consultant create our Asset Management Plan. The plan is already budgeted for, and the District can prioritize which aspects the consultant will spend focused time on. Staff would like to get input from the Board on what components to focus on and what deliverables they want. The performance and longevity of the District's assets currently exceed the industry average both nationally and regionally.

General discussion took place about the reserve policy and how the District currently rates the level of service. The Asset Management Plan will not be completed this fiscal year but is expected to be available for the 20/23 or 23/24 fiscal year to help direct reserve policy decisions.

SUNRISE ORIX UPDATE

District Engineer Gumpel provided an update to the proposed Sunrise Orix 860 ft. sewer extension along Barham Road. Located on the edge of the District's sewer service area, the proposed development could be served by the District or by the City of Escondido through an exchange agreement. If the new development were served by the District, the District would collect \$1,877,123.60 in wastewater capital facility fees based on current rates. If the new development were served by the City of Escondido, the District would only collect 8.2% of the City's capacity fees, which amounts to \$437,123.60.

District Engineer Gumpel stated that this is a situation where the developer could extend and upsize the existing 8" sewer pipeline to a 10" sewer pipeline for partial reimbursement. The 8" sewer pipeline would be adequate for the proposed 192 multi-family unit apartment complex (143.6 EDUs); however, planned use and proposed land use both show growth in this area. The actual amount of sewer demand is hard to determine due to the type of growth. Upsizing the sewer to 10" may be prudent to meet the needs of the approved and/or proposed land use.

District Engineer Gumpel further stated that previously the Committee's direction to staff was to come back with a recommendation. After clarifying current costs, speaking with the developer, and discussion with the City of Escondido, staff is prepared to give a recommendation.

District Engineer Gumpel presented options for working with the development on the sewer extension and upsizing. The Committee and staff discussed each option and compared them to the estimated net capacity fees that would be collected after reimbursement.

Staff recommended Option 2 and Option 3. General discussion took place. The Committee supports a standard construction agreement with extra language for

reimbursement following Option 3, to secure the net capacity fees of \$1,633,053 and a maximum reimbursement for upsizing the sewer of \$244,069.74.

The developer needs to complete the annexation before a construction agreement can be made. The annexation is anticipated to go before the Board on July 21, and the construction agreement is anticipated for the August Board meeting.

DISTRICT WIDE SOLAR UPDATE

Capital Facilities Senior Engineer Morgan provided an update on the District Wide Solar Project that is near completion. Construction was demobilized in June, and the District received permission to operate from SDGE on June 17. The system is running and generating power.

Capital Facilities Senior Engineer Morgan stated there is only one large item remaining, a ribbon-cutting ceremony. Staff will coordinate with the Board and Kenyon Energy to plan a ceremony in late August. Kenyon Energy will come from Florida to tour the facilities and attend the ceremony.

Capital Facilities Senior Engineer Morgan added that there have been no complaints from neighbors, and an additional 20 accounts will benefit from this site. The project will transfer over to the Asset Management Department shortly.

MRF CONVERSION TO SODIUM HYPOCHLORITE

Capital Facilities Senior Engineer Morgan provided an update on the Meadowlark Reclamation Facility (MRF) Conversion to Sodium Hypochlorite Project. On July 2, a Request For Proposal (RFP) went out to prospective engineering consultants. Staff is beginning the process of having an on-site pre-proposal meeting and site walk to answer any questions before proposals are due. If required, consultants will be interviewed at the end of August. Award of the design is slated for the September 15 Board Meeting.

Capital Facilities Senior Engineer Morgan stated this is a critical project because chlorine gas brings a hazard to our employees and the community. The conversion to sodium hypochlorite was previously done at the Twin Oaks site, and it is finally time to complete this important project at the MRF site.

District Engineer Gumpel added that chlorine gas was initially used because it was less costly. At the time, there were no houses around MRF, but now it is surrounded by homes. Chlorine gas could be a risk to the employees and the community. Removal of the hazard has been a top priority.

MRF MISCELLANEOUS PROJECTS UPDATE

Capital Facilities Senior Engineer Morgan provided an update of five Capital Improvement Program projects at the Meadowlark Reclamation Facility (MRF) that are in various stages of design and construction. The projects are anticipated to be

completed within the next two years, will require the services of multiple outside contractors, and include:

- Headworks Auger Replacement
 - In Construction
 - Expected completion in October 2021
- Aeration Basins & Bio Selector
 - In Construction
 - Expect completion late 2021
- Tertiary Structural Improvements and Coating
 - Finalizing bid documents now
 - Advertise in August
 - Expect completion February 2022
- Chlorine Contact Tank Expansion
 - May receive grant funding to potentially move forward soon
- Odor Scrubber #1 Replacement
 - Materials shortage
 - Backordered ship date is September 7
 - Expected completion late 2021

OTHER BUSINESS

None.

PUBLIC COMMENT

None.

ADJOURNMENT

There being no further business to discuss, the meeting was adjourned at the hour of 4:21 p.m.

MINUTES OF A CLOSED SESSION MEETING
OF THE BOARD OF DIRECTORS
OF THE VALLECITOS WATER DISTRICT
WEDNESDAY, JULY 21, 2021, AT 4:00 PM, VIA TELECONFERENCE

President Sannella called the Closed Session meeting to order at the hour of 4:00 p.m.

Present: Director Boyd-Hodgson
Director Elitharp
Director Hernandez
Director Pennock
Director Sannella

Staff Present: General Manager Pruim
Legal Counsel Gilpin
Administrative Secretary Johnson

ADOPT AGENDA FOR THE CLOSED SESSION MEETING OF JULY 21, 2021

21-07-01 MOTION WAS MADE by Director Hernandez, seconded by President Sannella, and carried unanimously, to adopt the agenda for the Closed Session Meeting of July 21, 2021.

PUBLIC COMMENT

None.

CLOSED SESSION

PUBLIC EMPLOYEE PERFORMANCE EVALUATION

Per Government Code Section 54957 – Title: General Manager

PUBLIC EMPLOYEE PERFORMANCE EVALUATION

Per Government Code Section 54957 – Title: General Counsel

21-07-02 MOTION WAS MADE by Director Hernandez, seconded by Director Pennock, and carried unanimously, to move into Closed Session pursuant to Government Code Section 54957.

REPORT AFTER CLOSED SESSION

The Board reconvened to Open Session at 4:57 p.m. There was no reportable action from the Closed Session Meeting.

ADJOURNMENT

There being no further business to discuss, President Sannella adjourned the Closed Session Meeting of the Board of Directors at the hour of 4:58 p.m.

A Regular Meeting of the Vallecitos Water District Board of Directors has been scheduled for Wednesday, July 21, 2021 at 5:00 p.m. via teleconference.

Michael A. Sannella, President
Board of Directors
Vallecitos Water District

ATTEST:

Glenn Prui, Secretary
Board of Directors
Vallecitos Water District

MINUTES OF A REGULAR MEETING OF THE BOARD OF DIRECTORS
OF THE VALLECITOS WATER DISTRICT
WEDNESDAY, JULY 21, 2021, AT 5:00 PM, VIA TELECONFERENCE

President Sannella called the Regular meeting to order at the hour of 5:00 p.m.

Present: Director Boyd-Hodgson
Director Elitharp
Director Hernandez
Director Pennock
Director Sannella

Staff Present: General Manager Pruim
Legal Counsel Gilpin
Administrative Services Manager Emmanuel
District Engineer Gumpel
Finance Manager Owen
Operations & Maintenance Manager Pedrazzi
Capital Facilities Senior Engineer Morgan
Information Technology Supervisor Labarrere
Public Information/Conservation Supervisor Robbins
Principal Financial Analyst Arthur
Administrative Secretary Johnson

Others Present: Tish Berge, San Diego County Water Authority
Lora Carpenter, Fieldman Rolapp & Associates
Johnathan Guz, Stradling Yocca Carlson & Rauth
Douglas Brown, Stradling Yocca Carlson & Rauth

Director Elitharp led the pledge of allegiance.

ADOPT AGENDA FOR THE REGULAR MEETING OF JULY 21, 2021

21-07-03 MOTION WAS MADE by Director Hernandez, seconded by Director Pennock, and carried unanimously, to adopt the agenda for the Regular Board Meeting of July 21, 2021.

PUBLIC COMMENT

None.

PRESENTATION

Tish Berge, San Diego County Water Authority Assistant General Manager, provided a presentation, "Regional Collaboration for a Resilient Future," as follows:

- Water Authority Serves a Vibrant Region
- Water Reliability Through Diversification
- Innovative Investments in Supply Reliability
- Advocating for the Region
- Providing Resources and Tools

- Preparing and Recruiting Talent
- 1991 Drought Headlines
- Today's Drought Headlines
- Our Region is Prepared

General discussion took place after Ms. Berge's presentation.

CONSENT CALENDAR

Director Boyd-Hodgson requested Item 1.9 be pulled for discussion.

21-07-04 MOTION WAS MADE by Director Hernandez, seconded by Director Elitharp, and carried unanimously, to approve Items 1.1 through 1.8 and 1.10 of the Consent Calendar as presented.

1.1 Approval of Minutes

- A. Regular Board Meeting – June 2, 2021
- B. Public Awareness/Personnel/Policy Committee Meeting – June 7, 2021
- C. Engineering/Equipment Committee Meeting – June 7, 2021
- D. Closed Session Board Meeting – June 16, 2021
- E. Regular Board Meeting – June 16, 2021
- F. Legal/Legislative Committee Meeting – June 24, 2021
- G. Finance/Investment Committee Meeting – June 28, 2021

1.2 Warrant List through July 21, 2021 - \$6,880,361.58

1.3 Financial Reports

- A. Water Meter Count – June 30, 2021
- B. Water Production/Sales Report – 2020/2021
- C. Quarterly Financial Report – June 30, 2021
- D. Per Capita Water Consumption – June 30, 2021
- E. Water Revenue and Expense Report – June 30, 2021
- F. Sewer Revenue and Expense Report – June 30, 2021
- G. Reserve Funds Activity – June 30, 2021
- H. Investment Report – June 30, 2021
- I. Legal Fees Summary – June 30, 2021

1.4 Operations & Maintenance Metrics Quarterly Report – June 30, 2021

1.5 Approval of Construction Agreement for Alora Apartments, APN 220-032-05 (San Marcos Gardens, LP)

1.6 Approval of Construction Agreement for Discovery Village North City Drive, APNs 221-080-18, 24 & 28 (Discovery SL, LLC)

- 1.7 Approval of Construction Agreement for Richland Elementary School Rebuild (San Marcos Unified School District)
- 1.8 Authorization to Execute a Three Year Contract with Total Resource Management for IBM Maximo Software Licensing
- 1.9 General Counsel Services Agreement Extension
- 1.10 Resolution Adopting the Annual Pay Schedule with the Cost of Living Salary Adjustment for Fiscal Year 2021/22

Regarding Item 1.9, Director Boyd-Hodgson stated she did not have sufficient time to review Legal Counsel Gilpin's past performance evaluation as she had just received it, and suggested this item be tabled to allow the Board more time to evaluate Mr. Gilpin's performance.

21-07-05 MOTION WAS MADE by Director Boyd-Hodgson to table Item 1.9 of the Consent Calendar for further discussion after all Board members have had the opportunity to review Mr. Gilpin's performance. There being no second, the motion failed.

General discussion took place clarifying that the extension of the General Counsel Services Agreement with Best Best & Krieger (BBK) would extend the current agreement which expired on March 1, 2021, to March 31, 2022. The initial agreement was for three years with options for two one-year extensions. The Board was considering the first one-year extension. An item to consider extending the second extension will be placed on a Board agenda in September or October 2021. The Legal/Legislative Committee met on June 24, 2021, to discuss the extension of the agreement. The Committee supported staff's recommendation to award the one-year extension to BBK for legal services.

21-07-06 MOTION WAS MADE by Director Hernandez, seconded by Director Elitharp, and carried 4 - 1, with Director Boyd-Hodgson voting no, to approve Item 1.9 of the Consent Calendar as presented.

Gayle Martin, member of the public, commented that documents from the June 28, 2021, Finance/Investment Committee were not made available to the public. She also expressed concerns regarding Item 3.7, Revised Debt Management Policy Resolution.

PUBLIC HEARING

PUBLIC HEARING TO ADOPT A RESOLUTION OF THE BOARD OF DIRECTORS OF THE VALLECITOS WATER DISTRICT APPROVING THE SEWER SERVICE FEES TO BE COLLECTED ON THE TAX ROLL FOR IMPROVEMENT DISTRICT "A" FOR THE FISCAL YEAR JULY 1, 2021, TO JUNE 30, 2022.

President Sannella opened the hearing as duly noticed and posted to consider the collection

of sewer service fees on the tax roll. The hearing opened at 5:45 p.m.

Finance Manager Owen stated that on June 16, 2021, the Board adopted Resolution No. 1593 electing to collect the sewer service fees on the tax roll for Improvement District "A" for the Fiscal Year July 1, 2021, to June 30, 2022. The purpose of the hearing was to receive public input regarding the method of collecting the sewer service fees on the tax roll and the adoption of a resolution approving the collection of the fees.

Staff recommended the Board adopt the resolution authorizing the sewer service fees for Improvement District "A" to be collected on the tax roll for the Fiscal Year July 1, 2021, to June 30, 2022.

General Manager Pruim stated no written public comments were received. There being no persons wishing to address the Board, President Sannella closed the hearing at 5:47 p.m.

21-07-07 MOTION WAS MADE by Director Boyd-Hodgson, seconded by Director Pennock, and carried unanimously, to adopt the resolution.

Resolution No. 1595 - The roll call vote was as follows:

AYES: Boyd-Hodgson, Elitharp, Hernandez, Pennock, Sannella
NOES:
ABSTAIN:
ABSENT:

ACTION ITEM(S)

CLOSED CAPTIONING FOR BOARD AND COMMITTEE MEETINGS

Public Information/Conservation Supervisor Robbins stated Verbit software for closed captioning services was tested during several Board and Committee meetings. The cost commitment for Verbit ranges between \$15,000 and \$25,000 per year. The Zoom closed captioning application is currently being used during public meetings. The quality of the Zoom application is not as good as Verbit; however, it is free. On July 12, 2021, the Public Awareness/Personnel/Policy Committee discussed closed captioning options and agreed with staff's recommendation to continue using the free Zoom closed captioning application.

WATER SUPPLY CONDITIONS UPDATE

General Manager Pruim stated staff will be providing monthly updates on water supply conditions.

Public Information/Conservation Supervisor Robbins stated Governor Newsom added nine counties to the regional drought emergency on July 8, 2021; however, San Diego County was not included. Californians are being asked to voluntarily reduce their water use by 15%. A possible return of La Nina conditions threatens another winter with little rain or snow in the

western states.

Public Information/Conservation Supervisor Robbins further stated Lake Oroville and San Luis Reservoir are both at 30% capacity. Lake Mead is currently 35% full and Lake Powell is 45% full. Locally, the National Weather Service/NOAA three-month temperature outlook indicates the San Diego area will probably have higher than normal temperatures. Should an actual drought be declared in San Diego County, staff will include financial impacts to the monthly update.

This item was presented for information only.

AS-NEEDED ENGINEERING SERVICES TASK ORDER AWARD FOR THE LAS POSAS WATERLINE REPLACEMENT PROJECT

Capital Facilities Senior Engineer Morgan provided background information on the project. The existing 10-inch ductile iron pipeline was installed in 1981 in Las Posas Road under an existing concrete box culvert. The waterline ruptured on December 7, 2016, at which time a temporary repair was made. The Las Posas waterline is considered a critical water distribution asset and is recommended for permanent replacement. Replacement is included in the District's Fiscal Year 2021/22 budget. On April 26, 2021, staff solicited Request For Proposals from two firms on the District's As-Needed Civil Engineering List, NV5 and Murraysmith, based on their experience in similar infrastructure improvement work. Staff reviewed proposals received from both firms and NV5 was selected as the most responsive consultant with a total fee of \$79,246. This item was presented to the Engineering/Equipment Committee on June 7.

With the Engineering/Equipment Committee's support, staff recommended the Board authorize the General Manager to execute a task order with NV5 in the amount of \$79,246 for final design and professional engineering services for the Las Posas Waterline Replacement Project.

General discussion took place.

21-07-08 MOTION WAS MADE by Director Elitharp, seconded by President Sannella, and carried unanimously, to approve staff's recommendation.

ADOPTION OF RESOLUTION RECOGNIZING THE ANNEXATION INTO THE VALLECITOS WATER DISTRICT OF CERTAIN PROPERTY DESIGNATED AS THE "NORDAHL ROAD SUBDIVISION," APN 226-290-01, AND ORDERING ANNEXATION INTO THE VALLECITOS WATER DISTRICT AND SEWER IMPROVEMENT DISTRICTS 5, 6 & A (SAMANDARI/NAEEMI)

District Engineer Gumpel stated the Nordahl Road Subdivision property is within the District's Sphere of Influence but not within the water or sewer service boundaries of the District. The property currently receives water service from Vista Irrigation District (VID) and sewer service from Vallecitos. VID does not provide sewer service in this area. District

Ordinance No. 200 stipulates that annexations into the District's Sewer Improvement District must, as a condition of the annexation, also be annexed into the Vallecitos Water District.

District Engineer Gumpel provided the history of the project, stating there was a change in ownership of the property since the annexation process was finalized on October 3, 2019. The new owners, Reza Samandari and Sahar Naeemi, purchased the property in 2020. All conditions of the annexation were set with the new owners in August 2020.

Staff recommended the Board adopt the resolution recognizing the annexation of the Nordahl Road Subdivision property into the Vallecitos Water District and ordering the annexation into Sewer Improvement Districts 5, 6 & A.

General discussion took place.

21-07-09 MOTION WAS MADE by Director Hernandez, seconded by President Sannella, and carried unanimously, to adopt the resolution.

Resolution No. 1596 - The roll call vote was as follows:

AYES: Boyd-Hodgson, Elitharp, Hernandez, Pennock, Sannella

NOES:

ABSTAIN:

ABSENT:

ADOPTION OF RESOLUTION RECOGNIZING THE ANNEXATION OF "SUNRISE ORIX" INTO THE VALLECITOS WATER DISTRICT AND ORDERING THE ANNEXATION INTO SEWER IMPROVEMENT DISTRICTS 1, 2, 5, 6 & A

District Engineer Gumpel stated the Sunrise Orix development consists of two parcels and is not within the District's water service boundary. One of the parcels, APN 228-312-09, is within the District's Sewer Improvement Districts 1, 2, 5, 6 & A. The other parcel, APN 228-312-10, will need to be annexed into the District's Sewer Improvement Districts 1, 2, 5, 6 & A. The property is within the Rincon Del Diablo Municipal Water District (RDDMWD) and the owner wishes to continue water service with RDDMWD.

District Engineer Gumpel further stated the previous owner of the property, Sunrise Gardens Project Owner, LLC obtained conditions for annexation from the District on April 17, 2019. Those conditions expired on April 17, 2020, and the owner re-applied and obtained new conditions for annexation on July 1, 2020. The property was sold to Lennar Homes on December 23, 2020.

Staff recommended the Board adopt the resolution recognizing the annexation of APNs 228-312-09 and 228-312-10 into the Vallecitos Water District and ordering the annexation of APN 228-312-10 into Sewer Improvement Districts 1, 2, 5, 6 & A.

General discussion took place.

21-07-10 MOTION WAS MADE by Director Elitharp, seconded by Director Pennock, and carried unanimously, to adopt the resolution.

Resolution No. 1597 - The roll call vote was as follows:

AYES: Boyd-Hodgson, Elitharp, Hernandez, Pennock, Sannella
NOES:
ABSTAIN:
ABSENT:

ORDINANCE ESTABLISHING ADMINISTRATIVE CHARGES TO RECOVER INDIRECT COSTS FOR FISCAL YEAR 2021/22

General Manager Pruim stated the District establishes an administrative charge which is added to the direct charges for its services for the purpose of tracking project costs and to ensure the District is recovering costs for services it provides.

Finance Manager Owen stated this item is addressed annually following the adoption of the budget. He facilitated a presentation on the overhead rate for Fiscal Year (FY) 2021/2022 as follows:

- Purpose
- Background/Methodology
- Methodology
- Current Year Calculation
- Prior Year Comparisons

Finance Manager Owen stated the overhead rate for FY 2021/22 is 212.57%, an increase from last year's rate of 209.45%, mainly due to increased indirect costs.

Staff recommended the Board adopt the ordinance establishing the overhead rate for FY 2021/22.

General discussion took place.

21-07-11 MOTION WAS MADE by Director Boyd-Hodgson, seconded by President Sannella, and carried unanimously, to adopt the ordinance.

Ordinance No. 218 - The roll call vote was as follows:

AYES: Boyd-Hodgson, Elitharp, Hernandez, Pennock, Sannella
NOES:
ABSTAIN:
ABSENT:

REVISED DEBT MANAGEMENT POLICY RESOLUTION

Finance Manager Owen stated that as part of the District's current debt issuance process, it is necessary to update the District's existing debt management policy to ensure it is in compliance with Securities and Exchange Commission (SEC) rules regarding bond disclosure requirements.

Lora Carpenter of Fieldman Rolapp & Associates reviewed the proposed revisions to the District's existing debt management policy to be compliant with California Government Code and Federal securities laws. Debt policy requirements include explanation of the purpose of the debt issuance, types of debt issuances, information regarding how the debt is integrated with other public policy matters and documentations, and internal control procedures to identify adequate use of the proceeds.

Staff recommended the Board adopt the revised debt management policy resolution.

21-07-12 MOTION WAS MADE by Director Hernandez, seconded by Director Boyd-Hodgson, and carried unanimously, to adopt the resolution.

Resolution No. 1598 - The roll call vote was as follows:

AYES: Boyd-Hodgson, Elitharp, Hernandez, Pennock, Sannella
NOES:
ABSTAIN:
ABSENT:

DEBT ISSUANCE UPDATE

Finance Manager Owen stated that on May 6, 2021, the Board authorized staff to move forward with contracts necessary to issue \$28 million in 2021 Certificates of Participation (COPS). Staff has engaged Morgan Stanley for investment banking/underwriting services, Stradling Yocca Carlson & Rauth for bond and disclosure counsel, and US Bank for trustee services. The first legal documents are currently under review. The initial draft of the Preliminary Official Statement (POS) was provided in the agenda packet for the Board's review and comment. Staff received training from bond disclosure counsel regarding *Disclosure Responsibilities Under the Federal Securities Law* on June 9. The District and the District's Municipal Advisor presented to Fitch Ratings and S&P today. Ratings are anticipated to be received during the week of August 2.

Finance Manager Owen further stated staff anticipates a resolution authorizing the debt issuance, the POS, and other legal documents necessary to issue the bonds will be presented for adoption at the August 4, Board meeting. The POS will be posted and distributed on August 5, and the COPs are scheduled to price on or around August 12 and close on August 19, at which time the District will receive the bond proceeds.

This item was presented for information only.

CALIFORNIA ASSOCIATION OF SANITATION AGENCIES ELECTION, DESIGNATION OF AGENCY REPRESENTATIVE, AND CONSENT TO ELECTRONIC TRANSMISSION

General Manager Pruim stated the District is a member of the California Association of Sanitation Agencies (CASA). CASA is seeking to fill four vacancies on their Board of Directors and will ask its membership to vote on a slate of four nominees at its annual business meeting on August 12, 2021, during their annual conference. Director Elitharp is one of the nominees for the CASA Board seats. As the District's CASA representative, Director Elitharp will be casting the District's ballot, which also includes the annual membership dues resolution carrying forward the dues from the current year with no increases. CASA is also asking for consent to send and receive official communications electronically and an updated designation of agency representatives.

Director Elitharp stated he was elected to a three-year term on the CASA Board of Directors in 2018 and plans to serve one more term.

General discussion took place regarding designating alternate representatives to CASA. Director Hernandez will continue to be the first alternate. Director Pennock expressed his interest in serving as the second alternate.

21-07-13 MOTION WAS MADE by Director Boyd-Hodson, seconded by Director Pennock, and carried unanimously, to approve the slate of candidates for the CASA Board of Directors, designate Director Elitharp primary agency representative, Director Hernandez first alternate representative and Director Pennock second alternate representative to CASA, and approve the consent for electronic communication transmission.

REPORTS

GENERAL MANAGER

General Manager Pruim reported the following:

- District crews will be performing valve maintenance tonight on portions of Twin Oaks Valley Road, San Elijo Road and San Marcos Boulevard which may involve short term lane reductions but no full road closures or detours. District crews will be conducting sewer cleaning operations along Las Posas Avenue on the evening of July 28.
- Additional work associated with the San Marcos Interceptor Project is necessary on San Marcos Boulevard. The work will include sewer rehab and lining work beginning the week of August 2 and will involve closure of the outside westbound lane until August 13. In addition, an existing sewer line in McMarr Street will be abandoned during the week of August 9 – 13. The new line is now completed and operational.
- Proceeds from the San Diego County Water Authority/Metropolitan Water District of Southern California lawsuit settlement have been refunded to 99.3% of the District's eligible customers. The refunds total \$1,579,631.86.

DISTRICT LEGAL COUNSEL

Legal Counsel Gilpin briefly discussed rules pertaining to limitations and exceptions in regard to Board members accepting gifts and honoraria.

SAN DIEGO COUNTY WATER AUTHORITY

Director Elitharp provided a summary of actions the SDCWA Board of Directors took at their June 24 regular meeting including approval of a two-month extension to the six-month temporary eligibility period granted to previous Transitional Special Agricultural Water Rate program customers for access to the Permanent Special Agricultural Water Rate program.

ENCINA WASTEWATER AUTHORITY

Director Hernandez stated the Capital Improvement Committee met this morning at which the Committee discussed the outfall survey and the status of various improvement projects.

President Sannella stated the Policy and Finance Committee received a presentation from EWA's auditing firm at its meeting last week.

STANDING COMMITTEES

Director Elitharp stated the Engineering/Equipment Committee met on July 12. Items discussed included a project review of Palisades Estates Phase 1 and 2 Escrow Agreement, and updates on the Asset Management Plan, Sunrise Orix development, District wide solar, and several projects at the Meadowlark Reclamation Facility.

Director Boyd-Hodgson stated the Public Awareness/Personnel/Policy Committee met on July 12. Discussion items included closed captioning of public meetings and a possible partnership with Palomar College to spark interest in water and to create a pathway to careers in the water industry.

President Sannella stated the Finance/Investment Committee met on June 28. The committee received a presentation from DavisFarr, the District's auditor, and discussed the District's reserve policy and COVID related past due accounts.

DIRECTORS REPORTS ON TRAVEL/CONFERENCES/SEMINARS ATTENDED

Director Boyd-Hodgson stated she was a panelist on the North County Climate Change Alliance. She recommended viewing a documentary, *Rivers End*, regarding California's water sources.

OTHER BUSINESS

None.

DIRECTORS COMMENTS/FUTURE AGENDA ITEMS

Director Elitharp thanked staff for adding an additional report, the Wastewater Flow Summary, to Consent Item 1.4, Operations & Maintenance Metrics Quarterly Report.

Director Boyd-Hodgson requested copies of presentations provided during Board meetings be made available on the District's website after the meetings.

ADJOURNMENT

There being no further business to discuss, President Sannella adjourned the Regular Meeting of the Board of Directors at the hour of 7:09 p.m.

A Regular Meeting of the Vallecitos Board of Directors has been scheduled for Wednesday, August 4, 2021, at 5:00 p.m. via teleconference.

Michael A. Sannella, President
Board of Directors
Vallecitos Water District

ATTEST:

Glenn Pruijm, Secretary
Board of Directors
Vallecitos Water District

VALLECITOS WATER DISTRICT
WARRANTS LIST
August 4, 2021

PAYEE	DESCRIPTION	CHECK#	AMOUNT
CHECKS			
Best Best & Krieger	Legal Svcs - May	121808	26,877.41
State Board of Equalization	Underground Storage Tank Fees Apr - June	121809	195.00
EDCO	Trash Svc - June	121810	1,666.38
Home Depot Credit Services	Hardware Supplies - June	121811	911.70
SDG&E	Power - June	121812	19,177.13
Union Bank FKA 1st Bank Card	Meetings & Travel - June	121813	5,058.13
Union Bank FKA 1st Bank Card	Meetings & Travel - June	121814	695.55
Union Bank FKA 1st Bank Card	Meetings & Travel - June	121815	3,596.80
Verizon Wireless	New Equipment & Cell Phone Svc - June	121816	11,926.46
ACWA/Joint Powers Insurance	Medical Insurance - July & Aug	121817	450,099.29
DirecTV Inc	Satellite Svc - July	121818	88.24
Garnishments	Payroll Garnishments	121819 through	-
Aaron Towler	Closed Account Refund	121822	7.61
ACWA/JPIA	Property Insurance 21-22	121823	65,482.12
ACWA/JPIA	Training - J Gumpel "Essentials For The Water Industry Program"	121824	1,195.00
Adam Taylor	One Time MWD/CWA Lawsuit Refund	121825	43.36
Adamson Police Products	Warning Lights, Traffic Stick, & Laptop Stand - Veh 295	121826	580.45
Adina Smarandache	Closed Account Refund	121827	47.42
AH Water Inc	Odor Control Monitoring & Transition Program	121828	9,600.00
Airgas USA LLC	Cylinder Rental	121829	176.70
Alex Hutcheson	One Time MWD/CWA Lawsuit Refund	121830	55.13
Alfred Fay	Closed Account Refund	121831	17.11
Ali Abdul-Aziz	One Time MWD/CWA Lawsuit Refund	121832	55.13
Allan Mc Kendrick	Closed Account Refund	121833	55.13
AM Ortega Construction	Closed Account Refund	121834	893.04
Ambius	Plant Maintenance - July	121835	279.00
Andrea & Byron Astor	One Time MWD/CWA Lawsuit Refund	121836	55.13
Andrea & Nathon Hamlin	One Time MWD/CWA Lawsuit Refund	121837	55.13
Antonio Cesena & Sarah Novak	Closed Account Refund	121838	147.23
Antonio Park	One Time MWD/CWA Lawsuit Refund	121839	55.13
Aqua-Metric Sales Co	2" Meters - 10	121840	34,433.90
Araseli Sanchez	Closed Account Refund	121841	6.46
Arthur & Angelica Jaime	Closed Account Refund	121842	27.44
Arwen Kimmell	One Time MWD/CWA Lawsuit Refund	121843	55.13
Ashton Spegal	Closed Account Refund	121844	57.74
Asusena Ramirez	One Time MWD/CWA Lawsuit Refund	121845	43.36
AT&T	Phone Svc - June	121846	5,798.23
Automated Water Treatment	Calcium Hypochlorite Tablets	121847	4,013.84
Axel Stallman	Closed Account Refund	121848	80.52
Banton Ma	Closed Account Refund	121849	6.28
Baoloc Nguyen	One Time MWD/CWA Lawsuit Refund	121850	55.13
Barbara Hinesley	One Time MWD/CWA Lawsuit Refund	121851	55.13
Bassanio & Natasha Peters	Closed Account Refund	121852	109.72
Bianka Montion	One Time MWD/CWA Lawsuit Refund	121853	55.13
Bill Howe Plumbing	Leak Repair of Water Supply Line - Bldg C	121854	1,145.09
Bill Sweet	One Time MWD/CWA Lawsuit Refund	121855	55.13
Black & Veatch Corporation	MRF Headworks Improvements Prj 20171-2 & 20211-4	121856	1,638.75
Bock Company	One Time MWD/CWA Lawsuit Refund	121857	82.69
Boncor Water Systems	Drinking Water Svc - July	121858	48.00
Boot Barn	Safety Boots	121859	150.00
Boot World Inc	Safety Boots	121860	150.00
Brad Maza	Closed Account Refund	121861	145.71
Bree Engineering Corp	Closed Account Refund	121862	18.25
Brian & Susanne Stone	One Time MWD/CWA Lawsuit Refund	121863	55.13
Brian Fagan	One Time MWD/CWA Lawsuit Refund	121864	55.13
Brian Riley	One Time MWD/CWA Lawsuit Refund	121865	55.13
Brian Witkin	Closed Account Refund	121866	33.73
Landon Brown	One Time MWD/CWA Lawsuit Refund	121867	55.13
California Bank & Trust	San Marcos Interceptor Prj 71004	121868	46,750.08

VALLECITOS WATER DISTRICT
WARRANTS LIST
August 4, 2021

PAYEE	DESCRIPTION	CHECK#	AMOUNT
California Special Dist Assn.	San Diego Chapter - 20/21 Membership	121869	150.00
Garnishments	Payroll Garnishments	121870	-
California Tree Service Inc	Closed Account Refund	121871	9.69
Carlos Senteno	One Time MWD/CWA Lawsuit Refund	121872	55.13
City of Carlsbad	Rancho Carrillo Sewer Flow Agreement	121873	7,084.80
Chad & Sandrine Oblak	One Time MWD/CWA Lawsuit Refund	121874	55.13
Chandler Asset Management, Inc.	Investment Management Svcs - June	121875	3,929.66
Charles & Kathleen Cook	One Time MWD/CWA Lawsuit Refund	121876	55.13
Charles C. Jones	Closed Account Refund	121877	45.30
Chelsey Toma	Closed Account Refund	121878	108.69
Chris Applegate-Hofer	One Time MWD/CWA Lawsuit Refund	121879	204.78
Christopher Nicklaw	One Time MWD/CWA Lawsuit Refund	121880	55.13
Christen Flanders	Closed Account Refund	121881	49.61
Christopher Luger	One Time MWD/CWA Lawsuit Refund	121882	55.13
City of San Marcos	One Time MWD/CWA Lawsuit Refund	121883	55.13
Karl Clausen	One Time MWD/CWA Lawsuit Refund	121884	55.13
Colby Dudley	One Time MWD/CWA Lawsuit Refund	121885	55.13
Corodata Media Storage Inc	Backup Storage Tapes April - June	121886	586.85
County of San Diego	Facility Permits - 2 Locations	121887	2,230.00
CPS HR Consulting	Leadership Assessments - 2020 Supervisor Candidates	121888	1,400.00
Craig & Joanne Barry	One Time MWD/CWA Lawsuit Refund	121889	55.13
Cynthia Salami	Closed Account Refund	121890	75.51
Doane & Hartwig Water Systems Inc	Pump Hoses 6 - Mahr	121891	682.68
Dallas Woodring	One Time MWD/CWA Lawsuit Refund	121892	55.13
Daniel & Michelle Schiewe	Closed Account Refund	121893	34.98
Daniel Gefen	Closed Account Refund	121894	83.77
Daniel Simas	One Time MWD/CWA Lawsuit Refund	121895	55.13
David & Penny Lawlor	Closed Account Refund	121896	32.48
Davis Farr LLP	Auditing Svcs Fiscal Year 2021	121897	6,000.00
Debi Doyle	One Time MWD/CWA Lawsuit Refund	121898	55.13
Deborah Boykin	Closed Account Refund	121899	128.91
Deborah K Amiton	One Time MWD/CWA Lawsuit Refund	121900	82.69
Ranilo & Diane Delosreyes	One Time MWD/CWA Lawsuit Refund	121901	55.13
Derek & Armenia Gary	One Time MWD/CWA Lawsuit Refund	121902	55.13
DirecTV Inc	Satellite Svcs - July	121903	116.99
Don Metcalf	One Time MWD/CWA Lawsuit Refund	121904	55.13
Douglas E Bowe	Closed Account Refund	121905	38.20
Douglas L. Gooding	Closed Account Refund	121906	161.92
Dusan Vujko Irr. Liv. Trust	Closed Account Refund	121907	52.69
Dylan Crivello	Closed Account Refund	121908	38.45
Ed & Kathy Hall	One Time MWD/CWA Lawsuit Refund	121909	55.13
Efraim Okonski	Closed Account Refund	121910	15.92
Elaine Ramos	One Time MWD/CWA Lawsuit Refund	121911	55.13
Elizabeth & David Sanders	One Time MWD/CWA Lawsuit Refund	121912	55.13
Elizabeth Hubbard	One Time MWD/CWA Lawsuit Refund	121913	55.13
Ellen Rousseau	One Time MWD/CWA Lawsuit Refund	121914	55.13
Emily Walker	Closed Account Refund	121915	50.47
Emmanuel Iyiegbuniwe	Closed Account Refund	121916	14.85
Employment Screening Services Inc	Employment Screening	121917	114.50
Encina Wastewater Authority	Sewer Testing	121918	18,398.25
Erica Antonakos	Closed Account Refund	121919	62.20
Fabio Casanova	Closed Account Refund	121920	158.56
Federico Balderas	One Time MWD/CWA Lawsuit Refund	121921	55.13
Felicia & Thomas Nuth	One Time MWD/CWA Lawsuit Refund	121922	55.13
Felino Cruz	Closed Account Refund	121923	24.91
Femund LLC	One Time MWD/CWA Lawsuit Refund	121924	55.13
Fisher Scientific LLC	Hand Sanitizer Dispenser & Refill; Lab Supplies - MRF	121925	548.83
Foster Schuler Trust	One Time MWD/CWA Lawsuit Refund	121926	55.13
G V Esser	One Time MWD/CWA Lawsuit Refund	121927	55.13
Gaurav Pathria	Closed Account Refund	121928	30.53
Gene Fleischer	Closed Account Refund	121929	55.13

VALLECITOS WATER DISTRICT
WARRANTS LIST
August 4, 2021

PAYEE	DESCRIPTION	CHECK#	AMOUNT
Gerald & Elaine Schleif	One Time MWD/CWA Lawsuit Refund	121930	55.13
Gladys Archulet	One Time MWD/CWA Lawsuit Refund	121931	55.13
Pedro Gomez	One Time MWD/CWA Lawsuit Refund	121932	55.13
Gracielia & Francisco Damacio	One Time MWD/CWA Lawsuit Refund	121933	55.13
Grill House Cafe	One Time MWD/CWA Lawsuit Refund	121934	358.34
Guest House Ministries Foundation	Closed Account Refund	121935	90.62
H S Bagri	One Time MWD/CWA Lawsuit Refund	121936	55.13
Haaker Equipment Co.	Hardware Supplies	121937	136.52
Harrington Industrial	Generator Service Parts - Mahr	121938	830.49
Heather Alexander & Joe Eshbach	One Time MWD/CWA Lawsuit Refund	121939	55.13
Heather Moates	One Time MWD/CWA Lawsuit Refund	121940	55.13
Henkels & McCoy	Closed Account Refund	121941	457.36
Hilltop Group	One Time MWD/CWA Lawsuit Refund	121942	55.13
Hoch Consulting, APC	Land Outfall West Condition Assessment Prj 20201-9	121943	37,213.80
Homes Management	One Time MWD/CWA Lawsuit Refund	121944	55.13
Howard's Rug Company of San Diego, Inc.	Vinyl Flooring Replacement - MRF	121945	8,870.60
Hugh Norville	Closed Account Refund	121946	26.18
Grant Hulbert	One Time MWD/CWA Lawsuit Refund	121947	55.13
Inductive Automation LLC	SCADA Support Renewal 21-22	121948	18,404.40
Infrastructure Engr Corp	Palos Vista Tank & High Point PS Assessment Prj 20211-707	121949	7,840.00
Ingming Jeng	One Time MWD/CWA Lawsuit Refund	121950	55.13
Ingrid Toledo	Closed Account Refund	121951	74.51
Instrumart	Radar Sensor - MRF	121952	1,690.37
Inventive Resources Inc.	Filter Cartridge - Manhole Odor Eliminator	121953	179.63
Irene Adler	One Time MWD/CWA Lawsuit Refund	121954	55.13
Irwin Painting & Finishing Inc	Wrought Iron Fence Painting - HQ; Epoxy Flooring - Warehouse	121955	19,900.00
Isolved Benefit Services	Admin Svcs - May	121956	10.00
J&K Investment Properties LLC	One Time MWD/CWA Lawsuit Refund	121957	82.69
Jack Henry & Assoc Inc	Remit Plus Annual Maintenance Agreement 21-22	121958	3,325.20
James Coleman	Closed Account Refund	121959	55.13
James L. Strickland	Closed Account Refund	121960	67.81
James R Becker	One Time MWD/CWA Lawsuit Refund	121961	55.13
Jan-Pro of San Diego	Disinfecting & Cleaning Svcs HQ & MRF	121962	5,483.00
Janis Henderson	One Time MWD/CWA Lawsuit Refund	121963	55.13
Jean Callahan	One Time MWD/CWA Lawsuit Refund	121964	55.13
Jeff Nyberg	One Time MWD/CWA Lawsuit Refund	121965	55.13
Jeff Skeen	One Time MWD/CWA Lawsuit Refund	121966	55.13
Jeffrey Shamblin	One Time MWD/CWA Lawsuit Refund	121967	55.13
Jennifer Mulligan	One Time MWD/CWA Lawsuit Refund	121968	55.13
Jennie Jagoda	Closed Account Refund	121969	6.06
Jennifer Morris	Closed Account Refund	121970	148.64
Jennifer Russell	One Time MWD/CWA Lawsuit Refund	121971	55.13
Jessee Marriott	One Time MWD/CWA Lawsuit Refund	121972	82.69
Jesus Macias	Closed Account Refund	121973	57.19
Jim & Laura Jacobson	One Time MWD/CWA Lawsuit Refund	121974	55.13
Joanne Sanchez & Miguel Rosas	Closed Account Refund	121975	158.56
Jocelyn Labelle	One Time MWD/CWA Lawsuit Refund	121976	55.13
Jodie & Nicholas Angelis	Closed Account Refund	121977	117.03
Joe Koller	Closed Account Refund	121978	35.36
Joe Salvatore	Closed Account Refund	121979	66.17
John Choufani	One Time MWD/CWA Lawsuit Refund	121980	55.13
JCI Jones Chemicals Inc	Chlorine	121981	8,370.58
Joseph & Debra Huy	One Time MWD/CWA Lawsuit Refund	121982	55.13
Joseph Longo	One Time MWD/CWA Lawsuit Refund	121983	55.13
Jsephine Immerso	One Time MWD/CWA Lawsuit Refund	121984	55.13
Joyce Thom	Closed Account Refund	121985	63.21
Julia Stone	One Time MWD/CWA Lawsuit Refund	121986	55.13
Justin Oliver	One Time MWD/CWA Lawsuit Refund	121987	45.48
Justin Palace & Sarah Cruz	One Time MWD/CWA Lawsuit Refund	121988	55.13
Karin McCorricton	One Time MWD/CWA Lawsuit Refund	121989	55.13
Karli Schmitt	Closed Account Refund	121990	127.40

VALLECITOS WATER DISTRICT
WARRANTS LIST
August 4, 2021

PAYEE	DESCRIPTION	CHECK#	AMOUNT
Kathleen Trepá	One Time MWD/CWA Lawsuit Refund	121991	55.13
Katie Druyvestein	Closed Account Refund	121992	54.96
Keith Parker	One Time MWD/CWA Lawsuit Refund	121993	55.13
Kelly Crews	One Time MWD/CWA Lawsuit Refund	121994	77.19
Ken & Judy Foster	One Time MWD/CWA Lawsuit Refund	121995	72.17
Kerah McKenzie	One Time MWD/CWA Lawsuit Refund	121996	55.13
Kimberly Schulte	One Time MWD/CWA Lawsuit Refund	121997	24.84
Knight Security & Fire Systems	Monitoring, Patrol, & Answering Svc - July	121998	656.69
Larry Jason Messier	One Time MWD/CWA Lawsuit Refund	121999	55.13
Gladys M Larson	One Time MWD/CWA Lawsuit Refund	122000	55.13
Laser Cut Concrete Cutting Inc	Core Drilling Svcs - District-Wide SCADA Upgrade Prj 20201-4	122001	380.00
Mark Lee	Ops Crew Meal Reimbursement	122002	61.92
Lena & William Henley	One Time MWD/CWA Lawsuit Refund	122003	55.13
Lina Gantman	Closed Account Refund	122004	18.47
Lisa Barone	One Time MWD/CWA Lawsuit Refund	122005	55.13
Lite Industrial	One Time MWD/CWA Lawsuit Refund	122006	55.13
Lloyd Pest Control	Pest Control Svcs - Apr, June, & July	122007	571.00
Lloyd Tucker	One Time MWD/CWA Lawsuit Refund	122008	55.13
Loralee & Gregg Visintainer	One Time MWD/CWA Lawsuit Refund	122009	55.13
Los Angeles County Regional Training Ctr	Drone Pilot Training - 10 Employees	122010	11,300.00
Louisa Madsen	One Time MWD/CWA Lawsuit Refund	122011	55.13
Malia & Tony Tata	One Time MWD/CWA Lawsuit Refund	122012	55.13
Margaret L Wood	One Time MWD/CWA Lawsuit Refund	122013	55.13
Margarita Mijangos	One Time MWD/CWA Lawsuit Refund	122014	55.13
Margarita Molano	Closed Account Refund	122015	134.66
Marian Fox	One Time MWD/CWA Lawsuit Refund	122016	55.13
Mark Gordon	One Time MWD/CWA Lawsuit Refund	122017	55.13
Marlys Usher	Closed Account Refund	122018	14.85
Mary Jam	Closed Account Refund	122019	70.69
Mary-Jane Quirin	One Time MWD/CWA Lawsuit Refund	122020	55.13
Matheson Tri-Gas Inc	Cylinder Rental	122021	68.86
Matthew Diederich	Closed Account Refund	122022	94.95
Megan Haase	One Time MWD/CWA Lawsuit Refund	122023	55.13
Melissa & Michael Chalmers	Closed Account Refund	122024	49.40
Melissa Castro Ebner	Closed Account Refund	122025	45.06
Melissa Russell	One Time MWD/CWA Lawsuit Refund	122026	55.13
Melissa Vincent & Matthew Fishman	One Time MWD/CWA Lawsuit Refund	122027	55.13
Mendy Strebe-Edgerly	Closed Account Refund	122028	28.70
Michael & Katrina Valera	One Time MWD/CWA Lawsuit Refund	122029	55.13
Michael Merriken	One Time MWD/CWA Lawsuit Refund	122030	55.13
Michael O'Doherty	Closed Account Refund	122031	22.41
Michael T & Deanna Parks	Closed Account Refund	122032	89.43
Michael Vakesman	Closed Account Refund	122033	558.83
Michael Vanderhurst	One Time MWD/CWA Lawsuit Refund	122034	55.13
Mike Sannella	New MWD GM Meeting	122035	32.37
Mirko Marrone	One Time MWD/CWA Lawsuit Refund	122036	55.13
Monica Vela	Closed Account Refund	122037	16.12
Monique Longoria	One Time MWD/CWA Lawsuit Refund	122038	55.13
Yexi Najera	One Time MWD/CWA Lawsuit Refund	122039	55.13
Najiba Baha	One Time MWD/CWA Lawsuit Refund	122040	55.13
Nathan & Mary Van Loon	One Time MWD/CWA Lawsuit Refund	122041	55.13
Neelesh Tipnis	One Time MWD/CWA Lawsuit Refund	122042	143.26
Nhut Duong	One Time MWD/CWA Lawsuit Refund	122043	55.13
Nicholas Hemmervom	One Time MWD/CWA Lawsuit Refund	122044	55.13
Nicole Allen	Closed Account Refund	122045	117.90
Nicole Malufau	One Time MWD/CWA Lawsuit Refund	122046	55.13
Nigel & Sarah Wright	Closed Account Refund	122047	16.10
Nina Heller	One Time MWD/CWA Lawsuit Refund	122048	55.13
Noel Brady	One Time MWD/CWA Lawsuit Refund	122049	55.13
Norman & Marla Keith	One Time MWD/CWA Lawsuit Refund	122050	55.13
Norman Schwartz	One Time MWD/CWA Lawsuit Refund	122051	55.13

VALLECITOS WATER DISTRICT
WARRANTS LIST
August 4, 2021

PAYEE	DESCRIPTION	CHECK#	AMOUNT
NV5, Inc.	Tres Amigos Waterline Assessment Prj 20201-3	122052	22,543.75
Olivenhain MWD	Treated Water - June	122053	58,382.20
Parkhouse Tire Inc	Fleet Tires - 8	122054	1,337.81
Patricia & Andrew Loh	Closed Account Refund	122055	3.73
Patricia & Brian Mc Clendon	One Time MWD/CWA Lawsuit Refund	122056	55.13
Patriot Portable Restroom Inc	Portable Restroom Rental - June & July	122057	485.20
Paul & Constance Schmitt	One Time MWD/CWA Lawsuit Refund	122058	55.13
Paul Hassler	One Time MWD/CWA Lawsuit Refund	122059	55.13
Paula Leedy	One Time MWD/CWA Lawsuit Refund	122060	55.13
Paulette Uptgraft	One Time MWD/CWA Lawsuit Refund	122061	55.13
Pedro Cruz	One Time MWD/CWA Lawsuit Refund	122062	55.13
Penco, Inc.	Calcium Nitrate	122063	15,230.97
Peter Schiller	One Time MWD/CWA Lawsuit Refund	122064	55.13
Pitney Bowes	Mail System May - Aug	122065	601.80
Polydyne Inc	Clarifloc	122066	19,630.35
Amanda Prentice	One Time MWD/CWA Lawsuit Refund	122067	55.13
Prestige Preschool Operations LLC	Closed Account Refund	122068	130.80
R & B Automation Inc	MRF - Replacement of Valve Actuators Prj 20211-15	122069	66,451.18
R&B Catering Inc.	One Time MWD/CWA Lawsuit Refund	122070	303.21
Ramdas & Nalni Menon	One Time MWD/CWA Lawsuit Refund	122071	55.13
Ramon & Ana Rosa Chavez	One Time MWD/CWA Lawsuit Refund	122072	55.13
Raul or Katherine Licon	Closed Account Refund	122073	55.13
Raymond & Diana Kewley	One Time MWD/CWA Lawsuit Refund	122074	55.13
Raymond Allyn Business Supplies	Office Furniture	122075	635.67
Redback USA	Safety Boots	122076	150.00
Joe Relyea	One Time MWD/CWA Lawsuit Refund	122077	55.13
Rhena Conrad	Closed Account Refund	122078	24.77
Dennis Richardson	CWEA Cert Membership Renewal	122079	96.00
Rick Kojan	One Time MWD/CWA Lawsuit Refund	122080	55.13
Riley Froom or Griffin Teisher	Closed Account Refund	122081	55.51
Road Soup LLC	Rock & Cold Mix	122082	3,728.15
Rob & Susan Zahnlecker	One Time MWD/CWA Lawsuit Refund	122083	55.13
Robert Collier or Rebecca Cunningham	Closed Account Refund	122084	55.13
Robert Perk	Closed Account Refund	122085	134.63
Rodolfo Vaca	One Time MWD/CWA Lawsuit Refund	122086	55.13
RootX	Pipe Root Treatment - Collections System	122087	8,275.20
Rose & Peter Ryu	Closed Account Refund	122088	119.55
Rosemarie Lucio	Closed Account Refund	122089	132.15
Ruben Guadarrama & Leticia Pioquinto	One Time MWD/CWA Lawsuit Refund	122090	55.13
Russel Adams	One Time MWD/CWA Lawsuit Refund	122091	55.13
Ryan Walters	Closed Account Refund	122092	151.00
Sam Sorace	Closed Account Refund	122093	105.60
San Diego County Water Authority	Connection Fees Quarter Ending 6-30-21	122094	54,600.00
SDG&E	Power - June	122095	134,165.20
San Marcos Dental Arts	One Time MWD/CWA Lawsuit Refund	122096	55.13
Sandra Chillingworth	Closed Account Refund	122097	124.57
Santiago Dario	Closed Account Refund	122098	16.53
Schmidt Fire Protection Co Inc	Semi Annual Inspection & Testing - Aerosol Systems	122099	1,525.00
Scott Lawrence	One Time MWD/CWA Lawsuit Refund	122100	55.13
Sean Essex	One Time MWD/CWA Lawsuit Refund	122101	55.13
SEH 12, LLC	Closed Account Refund	122102	632.41
Sherman & Sandra Adkisson	One Time MWD/CWA Lawsuit Refund	122103	55.13
SHI International Corp.	Technology Infrastructure Upgrade Prj 20201-23	122104	25,692.95
Signpost Homes Inc	Closed Account Refund	122105	43.10
Six To Six Equipment Rentals	Boom Lift Rental	122106	610.00
Skylark Partners Inc	One Time MWD/CWA Lawsuit Refund	122107	55.13
Slobodan Jevremov	One Time MWD/CWA Lawsuit Refund	122108	220.52
Smart Cover Systems	Smart Cover Support Agreement 21-22	122109	16,078.42
Solar Symphony Construction	One Time MWD/CWA Lawsuit Refund	122110	82.69
Sonia Jorge	Closed Account Refund	122111	47.13
Sparling Instruments LLC	Semi Annual Flow Meter Calibrations 8 - MRF	122112	1,517.60

VALLECITOS WATER DISTRICT
WARRANTS LIST
August 4, 2021

PAYEE	DESCRIPTION	CHECK#	AMOUNT
Spatial Wave Inc	Field Mapplet Software Maintenance & Support 21-22	122113	8,400.00
SS Mechanical Construction Corp.	MRF Biological Selector Improvements Prj 20191-2	122114	127,482.28
Stacey & Brian Austin	One Time MWD/CWA Lawsuit Refund	122115	55.13
Staples Advantage	Copy Paper & Misc Office Supplies - June	122116	3,222.49
State Board of Equalization	Sewer Annexation Fee Prj 20201-810	122117	350.00
Stephanie & William Castanares	One Time MWD/CWA Lawsuit Refund	122118	55.13
Stephen Schmalfeldt	One Time MWD/CWA Lawsuit Refund	122119	18.62
Stephen Yucker	Closed Account Refund	122120	43.52
Steve & Cindy Blackwell	One Time MWD/CWA Lawsuit Refund	122121	55.13
Steve Rauber	One Time MWD/CWA Lawsuit Refund	122122	55.13
Suzanne Renner	One Time MWD/CWA Lawsuit Refund	122123	55.13
Sylvia Lea Trimble	One Time MWD/CWA Lawsuit Refund	122124	55.13
Tamara Packard	Closed Account Refund	122125	168.62
Tara Robins	One Time MWD/CWA Lawsuit Refund	122126	82.69
Taryn & David Tichiaz	Closed Account Refund	122127	12.35
TC Construction Co Inc	San Marcos Interceptor Prj 71004	122128	888,251.59
Terence Gray	Closed Account Refund	122129	79.23
Terra Verde Energy LLC	District Wide Solar Prj 20201-14	122130	6,926.50
Thomas & Mindee Borzilleri	One Time MWD/CWA Lawsuit Refund	122131	55.13
Thomas Lee	One Time MWD/CWA Lawsuit Refund	122132	55.13
Tommy & Carol Dean	One Time MWD/CWA Lawsuit Refund	122133	82.69
Tracy & Matthew Faris	One Time MWD/CWA Lawsuit Refund	122134	55.13
Traffic Supply Inc	Hardware Supplies	122135	99.67
Travis Benelli	Closed Account Refund	122136	33.99
Trini & Terry Wade	One Time MWD/CWA Lawsuit Refund	122137	55.13
Trisha Woolslayer	Board of Certified Safety Professionals Cert. Renewal	122138	280.00
Trunan Linney	Closed Account Refund	122139	177.44
John Truppa	Prescription Safety Glasses & Ops Crew Meal Reimbursement	122140	335.02
Underground Service Alert	Dig Alert Svc & State of CA Regulatory Fees - June	122141	824.85
Univar USA Inc	Sodium Hypo Liquichlor, Sodium Bisulfite, & Caustic Soda	122142	8,302.91
Urban Corps San Diego County	Crew Work/Weed Abatement - June	122143	3,784.00
V & A Consulting Engineers Inc	Ductile Iron Pipe Condition Assessment Prj 20201-10	122144	13,455.90
Valley CM Inc	San Marcos Interceptor Prj 71004	122145	42,329.33
Vanna Noringhang	One Time MWD/CWA Lawsuit Refund	122146	55.13
Anthony Ventura	One Time MWD/CWA Lawsuit Refund	122147	55.13
Verizon Wireless	Ipad Svc - June	122148	386.30
Walter Bockenko	Closed Account Refund	122149	104.72
Waxie Sanitary Supply	Cleaning Supplies	122150	568.83
Whitney Webster	One Time MWD/CWA Lawsuit Refund	122151	55.13
William Traenkle	One Time MWD/CWA Lawsuit Refund	122152	55.13
Will Henderson	Closed Account Refund	122153	121.59
William Inskeet or Amanda Tereira	One Time MWD/CWA Lawsuit Refund	122154	55.13
William Lyon Homes	One Time MWD/CWA Lawsuit Refund	122155	360.13
William Ward	One Time MWD/CWA Lawsuit Refund	122156	55.13
Work Partners Occupational Health	On Site Covid Testing Prj 20211-850 & Medical Svcs	122157	53,135.00
Workplace Services, Inc.	Water Ops Control Room Upgrades Prj 20201-19	122158	37,471.65
Wytoshery Williams	One Time MWD/CWA Lawsuit Refund	122159	55.13
Xiaodan Chen	Closed Account Refund	122160	140.95
Xochitil Felix	Closed Account Refund	122161	115.39
Yada Family Trust	One Time MWD/CWA Lawsuit Refund	122162	55.13
Yuh-Jing Lin	One Time MWD/CWA Lawsuit Refund	122163	55.13
City of Carlsbad	Permits - Buena Creek Prj 20211-727	122164	1,998.00
CDW Government Inc	Ipad Floor Stand	122165	243.87
Consolidated Electrical Distributors, Inc.	District Yard Motion Lights & Exterior Light Boxes - 11	122166	590.65
Electrical Sales Inc	Hardware Supplies	122167	12.56
Escondido Metal Supply	Steel Tubing For Gates on Sewer Easement	122168	587.78
Ferguson Enterprises, Inc	Air Vac Valves - 25	122169	5,196.29
Global Equipment Company Inc.	Carpet Extractor Wand & Hoses	122170	878.16
Golden State Graphics	Water Quality Report 2020 Prj 20221-48	122171	220.17
Grainger Inc	Digital Pipe Inspection System & Hardware Supplies	122172	5,224.67
Hach Company	Sensor Cap Replacements 3 - MRF	122173	814.59

VALLECITOS WATER DISTRICT
WARRANTS LIST
August 4, 2021

PAYEE	DESCRIPTION	CHECK#	AMOUNT
ITI Cabling	Meraki Hardware Installation	122174	1,630.00
J W D'Angelo Co Inc	Couplings, Valve Box Frames & Covers - 10	122175	2,091.74
Jostle Corporation	Jostle Subscription Renewal 21-22	122176	9,248.40
Ken Grody Ford	Fleet Supplies	122177	199.75
Koch General Engineering Inc	Asphalt Repairs - 102,163 Sq. Ft. - 7 Locations	122178	35,531.35
Lantelligence, Inc.	Shoretel Phone System Support 21-22	122179	7,954.54
Lawnmowers Plus Inc	Hardware Supplies	122180	37.26
Mallory Safety & Supply, LLC	Safety Vests, Disinfecting Wipes, & Gloves	122181	1,438.87
NV5, Inc.	MRF Failsafe Rehabilitation Prj 20201-5	122182	6,960.00
Ostari Inc	Dell EMC Network Switch Replacements - 2 Prj 20201-23	122183	9,420.14
Plumbers Depot Inc	Accupoint Pipe Locator - Collections	122184	2,762.66
Recycled Aggregate Materials Co Inc	Concrete Recycling	122185	100.00
Rusty Wallis Inc	Soft Water Tank Exchange - MRF; Soft Water Tank Svc - July	122186	1,131.00
Southern Counties Lubricants, LLC	Unleaded Gasoline	122187	25,659.92
Teldata	Cabling Upgrade For Meraki Access Points - MRF	122188	656.41
Unifirst Corporation	Uniform Delivery	122189	1,755.94
Unitis, Inc.	Rapid Set Concrete	122190	2,217.84
Vista Fence Company Incorporated.	Via Vera Cruz Tank Site Gate Replacement & South Lake Fence Repair	122191	10,840.00
Vista Irrigation District	Annual Chlorine Plant Lease	122192	360.00
Total Disbursements (381 Checks)			<u>2,640,479.84</u>
WIRES			
Encina Wastewater Authority	Quarterly Billing	Wire	2,424,502.46
Public Employees Retirement System	Retirement Contribution - July 27, 2021 Payroll	Wire	74,535.93
Total Wires			<u>2,499,038.39</u>
PAYROLL			
Total direct deposits		Wire	228,888.36
VWD Employee Association		121819	548.00
Payroll & Garnishments		121820	689.06
IRS	Federal payroll tax deposits	Wire	92,996.07
Employment Development Department	California payroll tax deposit	Wire	19,063.98
CalPERS	Deferred compensation withheld	Wire	19,065.32
VOYA	Deferred compensation withheld	Wire	7,848.96
Total July 27, 2021 Payroll Disbursements			<u>369,099.75</u>
Total direct deposits		Wire	8,337.99
VWD Employee Association		121821	542.00
Payroll & Garnishments		121870	481.37
IRS	Federal payroll tax deposits	Wire	5,177.92
Employment Development Department	California payroll tax deposit	Wire	1,062.79
CalPERS	Deferred compensation withheld	Wire	1,000.00
Special Payroll Disbursements (i.e., final checks, accrual payouts, etc.)			<u>16,602.07</u>
Total Payroll Disbursements			<u>385,701.82</u>
TOTAL DISBURSEMENTS			<u><u>5,525,220.05</u></u>

DATE: AUGUST 4, 2021
TO: BOARD OF DIRECTORS
SUBJECT: AUTHORIZATION TO EXECUTE A THREE (3) YEAR CONTRACT WITH ENVIRONMENTAL SYSTEMS RESEARCH INSTITUTE, INC. FOR GEOGRAPHIC INFORMATION SYSTEM SOFTWARE LICENSING

BACKGROUND:

A geographic information system (GIS) is a system that creates, manages, analyzes, and maps all types of data. GIS connects data to a map, integrating location data (where things are) with all types of descriptive information (what things are like there). This provides a foundation for mapping and analysis that is used in science and almost every industry. GIS helps users understand patterns, relationships, and geographic context. The benefits include improved communication and efficiency as well as better management and decision making.

The District has been using the Environmental Systems Research Institute (Esri) Geographic Information System for many years to provide cartography, infrastructure data management and map-based application software.

DISCUSSION:

The District will continue to utilize the Esri software for its unique, industry-standard functionality which is necessary to properly track and locate the linear assets that comprise our water, wastewater and recycled water system; this system includes more than 634 miles of pipeline. Currently, the District has nearly 60,000 individual objects mapped across at least 25 feature classes such as water pipelines, sewer pipeline, valves, meters, pumps and all other appurtenances associated to the system.

The Esri software is licensed to the District through the Small Utility Enterprise Agreement (SUEA). The Esri licensing tiers are based solely upon the organization's meter count, with the District's count of approximately 23,500 placing us in the "10,001 to 50,000 Small Utility" tier.

This renewal Agreement will be the second three-year contract with Esri under the multi-year SUEA licensing model, which the District originally entered into in 2018. The Agreement is a firm, three-year commitment, billed at an annual rate of \$25,000 for a total agreement cost of \$75,000. The Agreement will commence on or before September 27, 2021.

FISCAL IMPACT:

This expenditure is identified in the District's fiscal year 2021/2022 budget. The contract amounts for the second and third years will be added during the normal budget process.

RECOMMENDATION:

Authorize the General Manager to enter into a three-year Esri Small Utility Enterprise Agreement for a total contract cost of \$75,000.

ATTACHMENT:

1) 3 Year Esri Small Utility Enterprise Agreement



Quotation # Q-421625

Date: July 6, 2021

Customer # 199974 Contract # ENTERPRISE AGREEMENT

Vallecitos Water District
 Engineering Dept
 201 Vallecitos de Oro
 San Marcos, CA 92069-4299

ATTENTION: Matias Labarrere
 PHONE: (760) 752-7134
 EMAIL: mlabarrere@vwd.org

Environmental Systems Research Institute, Inc.
 380 New York St
 Redlands, CA 92373-8100
 Phone: (909) 793-2853 Fax: (909) 307-3049
 DUNS Number: 06-313-4175 CAGE Code: OAMS3

*To expedite your order, please attach a copy of this quotation to your purchase order.
 Quote is valid from: 7/6/2021 To: 10/4/2021*

Material	Qty	Term	Unit Price	Total
168089	1	Year 1	\$25,000.00	\$25,000.00
Meter Counts 10,001 to 50,000 Small Utility Term Enterprise License Agreement				
168089	1	Year 2	\$25,000.00	\$25,000.00
Meter Counts 10,001 to 50,000 Small Utility Term Enterprise License Agreement				
168089	1	Year 3	\$25,000.00	\$25,000.00
Meter Counts 10,001 to 50,000 Small Utility Term Enterprise License Agreement				

Subtotal:	\$75,000.00
Sales Tax:	\$0.00
Estimated Shipping and Handling (2 Day Delivery):	\$0.00
Contract Price Adjust:	\$0.00
Total:	\$75,000.00

Esri may charge a fee to cover expenses related to any customer requirement to use a proprietary vendor management, procurement, or invoice program.

For questions contact: Dianna Noriega	Email: dnoriega@esri.com	Phone: (909) 793-2853 x3874
<p>The items on this quotation are subject to and governed by the terms of this quotation, the most current product specific scope of use document found at https://assets.esri.com/content/dam/esrisites/media/legal/product-specific-terms-of-use/e300.pdf, and your applicable signed agreement with Esri. If no such agreement covers any item quoted, then Esri's standard terms and conditions found at https://go.esri.com/MAPS apply to your purchase of that item. Federal government entities and government prime contractors authorized under FAR 51.1 may purchase under the terms of Esri's GSA Federal Supply Schedule. Supplemental terms and conditions found at https://www.esri.com/en-us/legal/terms/state-supplemental apply to some state and local government purchases. All terms of this quotation will be incorporated into and become part of any additional agreement regarding Esri's offerings. Acceptance of this quotation is limited to the terms of this quotation. Esri objects to and expressly rejects any different or additional terms contained in any purchase order, offer, or confirmation sent to or to be sent by buyer. Unless prohibited by law, the quotation information is confidential and may not be copied or released other than for the express purpose of system selection and purchase/license. The information may not be given to outside parties or used for any other purpose without consent from Esri. Delivery is FOB Origin.</p>		

NORIEGAD **This offer is limited to the terms and conditions incorporated and attached herein.**



Quotation # Q-421625

Date: July 6, 2021

Environmental Systems Research Institute, Inc.
380 New York St
Redlands, CA 92373-8100
Phone: (909) 793-2853 Fax: (909) 307-3049
DUNS Number: 06-313-4175 CAGE Code: OAMS3

Customer # 199974 Contract # ENTERPRISE AGREEMENT

Vallecitos Water District
Engineering Dept
201 Vallecitos de Oro
San Marcos, CA 92069-4299

ATTENTION: Matias Labarrere
PHONE: (760) 752-7134
EMAIL: mlabarrere@vwd.org

To expedite your order, please attach a copy of this quotation to your purchase order.
Quote is valid from: 7/6/2021 To: 10/4/2021

If you have made ANY alterations to the line items included in this quote and have chosen to sign the quote to indicate your acceptance, you must fax Esri the signed quote in its entirety in order for the quote to be accepted. You will be contacted by your Customer Service Representative if additional information is required to complete your request.

If your organization is a US Federal, state, or local government agency; an educational facility; or a company that will not pay an invoice without having issued a formal purchase order, a signed quotation will not be accepted unless it is accompanied by your purchase order.

In order to expedite processing, please reference the quotation number and any/all applicable Esri contract number(s) (e.g. MPA, ELA, SmartBuy, GSA, BPA) on your ordering document.

BY SIGNING BELOW, YOU CONFIRM THAT YOU ARE AUTHORIZED TO OBLIGATE FUNDS FOR YOUR ORGANIZATION, AND YOU ARE AUTHORIZING ESRI TO ISSUE AN INVOICE FOR THE ITEMS INCLUDED IN THE ABOVE QUOTE IN THE AMOUNT OF \$ _____, PLUS SALES TAXES IF APPLICABLE. DO NOT USE THIS FORM IF YOUR ORGANIZATION WILL NOT HONOR AND PAY ESRI'S INVOICE WITHOUT ADDITIONAL AUTHORIZING PAPERWORK.

Please check one of the following:

I agree to pay any applicable sales tax.

I am tax exempt, please contact me if exempt information is not currently on file with Esri.

Signature of Authorized Representative

Date

Name (Please Print)

Title

The quotation information is proprietary and may not be copied or released other than for the express purpose of system selection and purchase/license. This information may not be given to outside parties or used for any other purpose without consent from Environmental Systems Research Institute, Inc. (Esri).

Any estimated sales and/or use tax reflected on this quote has been calculated as of the date of this quotation and is merely provided as a convenience for your organization's budgetary purposes. Esri reserves the right to adjust and collect sales and/or use tax at the actual date of invoicing. If your organization is tax exempt or pays state tax directly, then prior to invoicing, your organization must provide Esri with a copy of a current tax exemption certificate issued by your state's taxing authority for the given jurisdiction.

Esri may charge a fee to cover expenses related to any customer requirement to use a proprietary vendor management, procurement, or invoice program.

For questions contact: Dianna Noriega	Email: dnoriega@esri.com	Phone: (909) 793-2853 x3874
<p>The items on this quotation are subject to and governed by the terms of this quotation, the most current product specific scope of use document found at https://assets.esri.com/content/dam/esrisites/media/legal/product-specific-terms-of-use/e300.pdf, and your applicable signed agreement with Esri. If no such agreement covers any item quoted, then Esri's standard terms and conditions found at https://go.esri.com/MAPS apply to your purchase of that item. Federal government entities and government prime contractors authorized under FAR 51.1 may purchase under the terms of Esri's GSA Federal Supply Schedule. Supplemental terms and conditions found at https://www.esri.com/en-us/legal/terms/state-supplemental apply to some state and local government purchases. All terms of this quotation will be incorporated into and become part of any additional agreement regarding Esri's offerings. Acceptance of this quotation is limited to the terms of this quotation. Esri objects to and expressly rejects any different or additional terms contained in any purchase order, offer, or confirmation sent to or to be sent by buyer. Unless prohibited by law, the quotation information is confidential and may not be copied or released other than for the express purpose of system selection and purchase/license. The information may not be given to outside parties or used for any other purpose without consent from Esri. Delivery is FOB Origin.</p>		

NORIEGAD

This offer is limited to the terms and conditions incorporated and attached herein.

Esri Use Only:

Cust. Name _____
Cust. # _____
PO # _____
Esri Agreement # _____



**SMALL ENTERPRISE AGREEMENT
SMALL UTILITY
(E215-2)**

This Agreement is by and between the organization identified in the Quotation ("**Customer**") and **Environmental Systems Research Institute, Inc. ("Esri")**.

This Agreement sets forth the terms for Customer's use of Products and incorporates by reference (i) the Quotation and (ii) the Master Agreement. Should there be any conflict between the terms and conditions of the documents that comprise this Agreement, the order of precedence for the documents shall be as follows: (i) the Quotation, (ii) this Agreement, and (iii) the Master Agreement. This Agreement shall be governed by and construed in accordance with the laws of the state in which Customer is located without reference to conflict of laws principles, and the United States of America federal law shall govern in matters of intellectual property. The modifications and additional rights granted in this Agreement apply only to the Products listed in Table A.

**Table A
List of Products**

Uncapped Quantities

Desktop Software and Extensions (Single Use)

ArcGIS Desktop Advanced
ArcGIS Desktop Standard
ArcGIS Desktop Basic
ArcGIS Desktop Extensions: ArcGIS 3D Analyst, ArcGIS Spatial Analyst, ArcGIS Geostatistical Analyst, ArcGIS Publisher, ArcGIS Network Analyst, ArcGIS Schematics, ArcGIS Workflow Manager, ArcGIS Data Reviewer

Enterprise Software and Extensions

ArcGIS Enterprise and Workgroup (Advanced and Standard)
ArcGIS Monitor
ArcGIS Enterprise Extensions: ArcGIS 3D Analyst, ArcGIS Spatial Analyst, ArcGIS Geostatistical Analyst, ArcGIS Network Analyst, ArcGIS Schematics, ArcGIS Workflow Manager

Enterprise Additional Capability Servers

ArcGIS Image Server

Developer Tools

ArcGIS Engine
ArcGIS Engine Extensions: ArcGIS 3D Analyst, ArcGIS Spatial Analyst, ArcGIS Engine Geodatabase Update, ArcGIS Network Analyst, ArcGIS Schematics
ArcGIS Runtime (Standard)
ArcGIS Runtime Analysis Extension

Limited Quantities

One (1) Professional subscription to ArcGIS Developer
Two (2) ArcGIS CityEngine Single Use Licenses
50 ArcGIS Online Viewers
50 ArcGIS Online Creators
10,000 ArcGIS Online Service Credits
50 ArcGIS Enterprise Creators
5 ArcGIS Insights in ArcGIS Enterprise
5 ArcGIS Insights in ArcGIS Online
10 ArcGIS Tracker for ArcGIS Enterprise
10 ArcGIS Tracker for ArcGIS Online
50 ArcGIS Utility Network User Type Extensions (Enterprise)
1 ArcGIS Business Analyst Web App Standard (Online)

OTHER BENEFITS

Number of Esri User Conference registrations provided annually	2
Number of Tier 1 Help Desk individuals authorized to call Esri	3
Maximum number of sets of backup media, if requested*	2
Five percent (5%) discount on all individual commercially available instructor-led training classes at Esri facilities purchased outside this Agreement	

*Additional sets of backup media may be purchased for a fee

Customer may accept this Agreement by signing and returning the whole Agreement with (i) the Quotation attached, (ii) a purchase order, or (iii) another document that matches the Quotation and references this Agreement ("**Ordering Document**"). **ADDITIONAL OR CONFLICTING TERMS IN CUSTOMER'S PURCHASE ORDER OR OTHER DOCUMENT WILL NOT APPLY, AND THE TERMS OF THIS AGREEMENT WILL GOVERN.** This Agreement is effective as of the date of Esri's receipt of an Ordering Document, unless otherwise agreed to by the parties ("**Effective Date**").

Term of Agreement: Three (3) years

This Agreement supersedes any previous agreements, proposals, presentations, understandings, and arrangements between the parties relating to the licensing of the Products. Except as provided in Article 4—Product Updates, no modifications can be made to this Agreement.

Accepted and Agreed:

(Customer)

By: _____
Authorized Signature

Printed Name: _____

Title: _____

Date: _____

CUSTOMER CONTACT INFORMATION

Contact: _____

Telephone: _____

Address: _____

Fax: _____

City, State, Postal Code: _____

E-mail: _____

Country: _____

Quotation Number (if applicable): _____

1.0—ADDITIONAL DEFINITIONS

In addition to the definitions provided in the Master Agreement, the following definitions apply to this Agreement:

"Case" means a failure of the Software or Online Services to operate according to the Documentation where such failure substantially impacts operational or functional performance.

"Deploy", "Deployed" and "Deployment" mean to redistribute and install the Products and related Authorization Codes within Customer's organization(s).

"Fee" means the fee set forth in the Quotation.

"Maintenance" means Tier 2 Support, Product updates, and Product patches provided to Customer during the Term of Agreement.

"Master Agreement" means the applicable master agreement for Esri Products incorporated by this reference that is (i) found at <https://www.esri.com/en-us/legal/terms/full-master-agreement> and available in the installation process requiring acceptance by electronic acknowledgment or (ii) a signed Esri master agreement or license agreement that supersedes such electronically acknowledged master agreement.

"Product(s)" means the products identified in Table A—List of Products and any updates to the list Esri provides in writing.

"Quotation" means the offer letter and quotation provided separately to Customer.

"Technical Support" means the technical assistance for attempting resolution of a reported Case through error correction, patches, hot fixes, workarounds, replacement deliveries, or any other type of Product corrections or modifications.

"Tier 1 Help Desk" means Customer's point of contact(s) to provide all Tier 1 Support within Customer's organization(s).

"Tier 1 Support" means the Technical Support provided by the Tier 1 Help Desk.

"Tier 2 Support" means the Esri Technical Support provided to the Tier 1 Help Desk when a Case cannot be resolved through Tier 1 Support.

2.0—ADDITIONAL GRANT OF LICENSE

2.1 Grant of License. Subject to the terms and conditions of this Agreement, Esri grants to Customer a personal, nonexclusive, nontransferable license solely to use, copy, and Deploy quantities of the Products listed in Table A—List of Products for the Term of Agreement (i) for the applicable Fee and (ii) in accordance with the Master Agreement.

2.2 Consultant Access. Esri grants Customer the right to permit Customer's consultants or contractors to use the Products exclusively for Customer's benefit. Customer will be solely responsible for compliance by consultants and contractors with this Agreement and will ensure that the consultant or contractor discontinues use of Products upon completion of work for Customer. Access to or use of Products by consultants or contractors not exclusively for Customer's benefit is prohibited. Customer may not permit its consultants or contractors to install Software or Data on consultant, contractor, or third-party computers or remove Software or Data from Customer locations, except for the purpose of hosting the Software or Data on Contractor servers for the benefit of Customer.

3.0—TERM, TERMINATION, AND EXPIRATION

3.1 Term. This Agreement and all licenses hereunder will commence on the Effective Date and continue for the duration identified in the Term of Agreement, unless this Agreement is terminated earlier as provided herein. Customer is only authorized to use Products during the Term of Agreement. For an Agreement with a limited term, Esri does not grant Customer an indefinite or a perpetual license to Products.

3.2 No Use upon Agreement Expiration or Termination. All Product licenses, all Maintenance, and Esri User Conference registrations terminate upon expiration or termination of this Agreement.

3.3 Termination for a Material Breach. Either party may terminate this Agreement for a material breach by the other party. The breaching party will have thirty (30) days from the date of written notice to cure any material breach.

3.4 Termination for Lack of Funds. For an Agreement with government or government-

owned entities, either party may terminate this Agreement before any subsequent year if Customer is unable to secure funding through the legislative or governing body's approval process.

3.5 Follow-on Term. If the parties enter into another agreement substantially similar to this Agreement for an additional term, the effective date of the follow-on agreement will be the day after the expiration date of this Agreement.

4.0—PRODUCT UPDATES

4.1 Future Updates. Esri reserves the right to update the list of Products in Table A—List of Products by providing written notice to Customer. Customer may continue to use all Products that have been Deployed, but support and upgrades for deleted items may not be available. As new Products are incorporated into the standard program, they will be offered to Customer via written notice for incorporation into the Products schedule at no additional charge. Customer's use of new or updated Products requires Customer to adhere to applicable additional or revised terms and conditions in the Master Agreement.

4.2 Product Life Cycle. During the Term of Agreement, some Products may be retired or may no longer be available to Deploy in the identified quantities. Maintenance will be subject to the individual Product Life Cycle Support Status and Product Life Cycle Support Policy, which can be found at <https://support.esri.com/en/other-resources/product-life-cycle>. Updates for Products in the mature and retired phases may not be available. Customer may continue to use Products already Deployed, but Customer will not be able to Deploy retired Products.

5.0—MAINTENANCE

The Fee includes standard maintenance benefits during the Term of Agreement as specified in the most current applicable Esri Maintenance and Support Program document (found at <https://www.esri.com/en-us/legal/terms/maintenance>). At Esri's sole discretion, Esri may make patches, hot fixes, or updates available for download. No Software other

than the defined Products will receive Maintenance. Customer may acquire maintenance for other Software outside this Agreement.

a. Tier 1 Support

1. Customer will provide Tier 1 Support through the Tier 1 Help Desk to all Customer's authorized users.
2. The Tier 1 Help Desk will be fully trained in the Products.
3. At a minimum, Tier 1 Support will include those activities that assist the user in resolving how-to and operational questions as well as questions on installation and troubleshooting procedures.
4. The Tier 1 Help Desk will be the initial point of contact for all questions and reporting of a Case. The Tier 1 Help Desk will obtain a full description of each reported Case and the system configuration from the user. This may include obtaining any customizations, code samples, or data involved in the Case.
5. If the Tier 1 Help Desk cannot resolve the Case, an authorized Tier 1 Help Desk individual may contact Tier 2 Support. The Tier 1 Help Desk will provide support in such a way as to minimize repeat calls and make solutions to problems available to Customer's organization.
6. Tier 1 Help Desk individuals are the only individuals authorized to contact Tier 2 Support. Customer may change the Tier 1 Help Desk individuals by written notice to Esri.

b. Tier 2 Support

1. Tier 2 Support will log the calls received from Tier 1 Help Desk.
2. Tier 2 Support will review all information collected by and received from the Tier 1 Help Desk including preliminary documented troubleshooting provided by the Tier 1 Help Desk when Tier 2 Support is required.
3. Tier 2 Support may request that Tier 1 Help Desk individuals provide verification of information, additional information, or answers to additional questions to

supplement any preliminary information gathering or troubleshooting performed by Tier 1 Help Desk.

4. Tier 2 Support will attempt to resolve the Case submitted by Tier 1 Help Desk.
5. When the Case is resolved, Tier 2 Support will communicate the information to Tier 1 Help Desk, and Tier 1 Help Desk will disseminate the resolution to the user(s).

6.0—ENDORSEMENT AND PUBLICITY

This Agreement will not be construed or interpreted as an exclusive dealings agreement or Customer's endorsement of Products. Either party may publicize the existence of this Agreement.

7.0—ADMINISTRATIVE REQUIREMENTS

7.1 OEM Licenses. Under Esri's OEM or Solution OEM programs, OEM partners are authorized to embed or bundle portions of Esri products and services with their application or service. OEM partners' business model, licensing terms and conditions, and pricing are independent of this Agreement. Customer will not seek any discount from the OEM partner or Esri based on the availability of Products under this Agreement. Customer will not decouple Esri products or services from the OEM partners' application or service.

7.2 Annual Report of Deployments. At each anniversary date and ninety (90) calendar days prior to the expiration of this Agreement, Customer will provide Esri with a written report detailing all Deployments. Upon request, Customer will provide records sufficient to verify the accuracy of the annual report.

8.0—ORDERING, ADMINISTRATIVE PROCEDURES, DELIVERY, AND DEPLOYMENT

8.1 Orders, Delivery, and Deployment

- a. Upon the Effective Date, Esri will invoice Customer and provide Authorization Codes to activate the nondestructive copy protection program that enables Customer to download,

operate, or allow access to the Products. If this is a multi-year Agreement, Esri may invoice the Fee up to thirty (30) calendar days before the annual anniversary date for each year.

- b. Undisputed invoices will be due and payable within thirty (30) calendar days from the date of invoice. Esri reserves the right to suspend Customer's access to and use of Products if Customer fails to pay any undisputed amount owed on or before its due date. Esri may charge Customer interest at a monthly rate equal to the lesser of one percent (1.0%) per month or the maximum rate permitted by applicable law on any overdue fees plus all expenses of collection for any overdue balance that remains unpaid ten (10) days after Esri has notified Customer of the past-due balance.

- c. Esri's federal ID number is 95-2775-732.

- d. If requested, Esri will ship backup media to the ship-to address identified on the Ordering Document, FOB Destination, with shipping charges prepaid. Customer acknowledges that should sales or use taxes become due as a result of any shipments of tangible media, Esri has a right to invoice and Customer will pay any such sales or use tax associated with the receipt of tangible media.

8.2 Order Requirements. Esri does not require Customer to issue a purchase order. Customer may submit a purchase order in accordance with its own process requirements, provided that if Customer issues a purchase order, Customer will submit its initial purchase order on the Effective Date. If this is a multi-year Agreement, Customer will submit subsequent purchase orders to Esri at least thirty (30) calendar days before the annual anniversary date for each year.

- a. All orders pertaining to this Agreement will be processed through Customer's centralized point of contact.

- b. The following information will be included in each Ordering Document:

- (1) Customer name; Esri customer number, if known; and bill-to and ship-to addresses
- (2) Order number
- (3) Applicable annual payment due

9.0—MERGERS, ACQUISITIONS, OR DIVESTITURES

If Customer is a commercial entity, Customer will notify Esri in writing in the event of (i) a consolidation, merger, or reorganization of Customer with or into another corporation or entity; (ii) Customer's acquisition of another entity; or (iii) a transfer or sale of all or part of Customer's organization (subsections i, ii, and iii, collectively referred to as "**Ownership Change**"). There will be no decrease in Fee as a result of any Ownership Change.

- 9.1** If an Ownership Change increases the cumulative program count beyond the maximum level for this Agreement, Esri reserves the right to increase the Fee or terminate this Agreement and the parties will negotiate a new agreement.
- 9.2** If an Ownership Change results in transfer or sale of a portion of Customer's organization, that portion of Customer's organization will transfer the Products to Customer or uninstall, remove, and destroy all copies of the Products.
- 9.3** This Agreement may not be assigned to a successor entity as a result of an Ownership Change unless approved by Esri in writing in advance. If the assignment to the new entity is not approved, Customer will require any successor entity to uninstall, remove, and destroy the Products. This Agreement will terminate upon such Ownership Change.

DATE: AUGUST 4, 2021
TO: BOARD OF DIRECTORS
SUBJECT: AWARD OF PROFESSIONAL SERVICES AGREEMENT FOR THE DISTRICT ENERGY MANAGEMENT STUDY

BACKGROUND:

In 2012, the District retained DHK Engineers, Inc. to perform an Energy Management Study consisting of three phases for approximately 15 District facilities. This study included energy audits that were funded by the Local Government Partnership Program consisting of SDG&E and the San Diego County Water Authority (SDCWA). The third phase of the study utilized the results of the energy audits and energy conservation measures (ECMs) identified during the audits (and subsequently selected by the District for further development), to create a Strategic Energy Plan that was used to forecast energy use/cost for each facility.

Since 2013 when the Phase 3 report was issued, there have been many changes to the District's energy use and cost profiles. These changes were brought about from: new SDG&E rate schedules (with significantly higher demand charges), implementation of energy efficiency measures such as variable frequency drive (VFD) retrofits, implementation of water storage to facilitate off-peak pumping, process improvements to reduce electrical demand, the addition of over 2MW of solar PV (implemented in 2020/21 under a power purchase agreement), and the proposed implementation of Tesla battery energy storage systems (BESS) at up to six existing District sites.

DISCUSSION:

The District desires to perform a new energy management study during the second half of 2021 that will be used to update the District's Energy Management Plan, providing a more accurate picture of current energy use and cost baselines, updated SDG&E rate analysis, and an updated energy cost savings projection.

In May 2021, the District submitted a Request for Proposals to Terra Verde Renewable Partners. The invitation process was streamlined to the District's existing renewable energy consultant who provided professional services during the District Wide Solar project planning, design, and construction phases of work. Terra Verde are industry experts with significant District experience providing analytical evaluation, knowledge of SDG&E rate tariffs, solar PV, and energy storage. Terra Verde has access to data relevant to historic District energy usage, production, and SDG&E rate structures.

On June 8, 2021, staff met with Terra Verde to discuss the proposal and District expectations for the Energy Management Study. On July 15, 2021, staff received Terra Verde's proposal, contacted the firms' listed references, and evaluated prior similar projects, how well they addressed the proposal requirements, their approach to this project, and their fee and schedule.

On July 27, 2021, staff met with Terra Verde Renewable Partners to discuss their proposed Scope of Services. A few adjustments were made to the proposed services, based on the clarification of assumptions made in the proposal. Terra Verde Renewable Partners will be providing the following:

- Evaluate current energy use/cost profiles for all District operations/sites to be included in the study and establish a 2020/2021 use/cost baseline (site-specific and District-wide).
- Analyze SDG&E rate structures for each site and determine/confirm the optimum rate selection, including known future operational changes and known/pending SDG&E rate changes. The study will also evaluate any relevant local CCA programs & rates and provide guidance on the pros/cons for applicable sites.
- Evaluate the RES-BCT project benefitting accounts operating profiles and rate schedules and provide guidance for an optimized (maximum savings potential) account allocation matrix, including known future operational changes at benefitting account sites and known/pending SDG&E rate changes. Also provide guidance on benefits of TOU period grandfathered rate structures for benefitting accounts.
- Review the proposed Tesla battery energy storage implementation plan, analyze demand profiles & rate schedules for the six (6) sites under consideration, and provide guidance on projected demand savings and an optimized rate selection strategy.
- Evaluate benefits (and costs) associated with implementing a solar Renewable Energy Credits (REC) sales plan for the District's solar PV systems, and provide guidance on pros & cons for REC monetization and impacts to GHG reduction goals.
- Identify potential new site-specific renewable energy & energy storage project opportunities, and provide guidance on project feasibility, projected benefits, and consideration for further analysis.
- If applicable, TerraVerde will provide suggestions regarding beneficial rate changes (based on current SDG&E rates and demand profiles). TerraVerde may also provide guidance on potentially beneficial new NEM solar and/or BESS projects, as applicable and may provide guidance on potentially beneficial demand response program participation. TerraVerde will not provide operation-specific or equipment-specific improvement recommendations.
- Evaluate SDG&E Demand Response Programs, including Emergency Load Reduction Pilot (ELRP), Capacity Bidding (CBP) & Base Interruptible (BIP), AC Saver, 3rd Party DR (Rule 32), and DR-related rates (CPP, TOU-PA-P, TOU-A-P), and provide guidance on potential benefits and impacts for implementing a DR strategy for applicable sites.
- Evaluate applicable regulatory policy associated with rate tariffs, renewable energy, energy storage, net metering (NEM), incentive programs, and microgrids, and provide guidance on possible impacts to District energy costs & future savings potential.

- Evaluate site-specific emergency energy generation capabilities and capacities and provide guidance on potential benefits & costs of utilizing microgrids to achieve energy resiliency for applicable sites.
- Perform a historical assessment of the District’s existing 15yr old solar PV system located at District Headquarters, and provide guidance on projected future savings potential and optimum rate tariff selection.

Terra Verde Renewable Partners was selected as the qualified consultant for the Energy Management Study Project due to their extensive knowledge of the District gained through the District Wide Solar Project. The Scope of Services and fee were revised and finalized for a not-to-exceed amount of \$64,135.

FISCAL IMPACT:

The Energy Management Study Project is identified in the District’s FY 21/22 Budget. The total project budget is \$230,000. Funding for the Project will come 51% from Water Replacement funds and 49% from Sewer Replacement Funds. The fiscal impact is as follows:

Budget		\$ 230,000
Consultant Planning and Design Services	\$ 64,135	
Asset Management Professional Services	\$ 23,600	
Tesla BESS Design Review Services	\$ 16,400	
Estimated Staff and Other Services	\$ 36,000	
Estimated Overhead/Materials	<u>\$ 85,000</u>	
Subtotal	\$ 225,135	
Estimated Budget Surplus		\$ 4,865

RECOMMENDATION:

Staff recommends that the Board of Directors authorize the General Manager to execute a Professional Services Agreement with Terra Verde Renewable Partners in the amount of \$64,135, subject to the terms and conditions of the agreement.

ATTACHMENTS:

N/A

DATE: AUGUST 4, 2021
TO: BOARD OF DIRECTORS
SUBJECT: DEBT ISSUANCE DOCUMENTS AND RESOLUTION

BACKGROUND:

The Board authorized staff to move forward with contracts necessary to issue \$28 million in 2021 Certificates of Participation (COPS) at its May 6, 2021, meeting. The Finance Team has prepared and reviewed appropriate documentation to authorize the execution and delivery of the District's COPS. The COPS are being executed and delivered in order to fund \$16.2 million in eligible unreimbursed capital costs from previous projects and fund \$11.8 million in upcoming capital costs identified in the FY2021/22 Budget using debt financing at near historical low interest rates.

DISCUSSION:

The COPS execution and delivery requires a resolution to be adopted by the Board of Directors. In addition, the board of directors of the Vallecitos Water District Financing Corporation is also required to adopt a resolution approving certain documents in connection with the execution and delivery of the COPS. The following is a list of other documents associated with the COPS issuance attached with this staff report:

- Preliminary Official Statement
- Third Supplemental Installment Purchase Contract
- Continuing Disclosure Agreement
- Trust Agreement
- Purchase Contract
- Bond and Disclosure Counsel Contract

The resolution needs to be adopted, and contracts and agreements authorized by the Board of Directors to be executed by staff, in order to price and close the COPS issuance on August 12 and August 19, 2021, respectively. Some of the documents contain blanks or estimates of numbers that cannot be determined until the final pricing of the COPS occurs. Bond and Disclosure Counsel has reviewed the various financing documents and good faith estimates from the District's Municipal Advisor, Fieldman Rolapp, are as follows:

Good Faith Estimates

Set forth below are **good faith estimates** of Fieldman, Rolapp & Associates, Inc., the municipal advisor, as required under Section 5852.1 of the California Government Code (the "Code"). **The following estimates are based on market conditions as of July 26, 2021, and have no bearing on, and should not be misconstrued as, any not-to-exceed financial parameters authorized by resolution.**

(a) The true interest cost of the Certificates is estimated at 2.34%, calculated as provided in Section 5852.1(a)(1)(A) of the Code.

(b) The finance charge of the Certificates, including all fees and charges paid to third parties, is estimated at \$285,198 as follows:

COST OF ISSUANCE BUDGET/NTE Amounts for Closing Requisition

Role/Purpose	Firm	NTE Fees & Expenses
Bond & Disclosure Counsel	Stradling Yocca Carlson Rauth	\$75,000
Municipal Advisor	Fieldman Rolapp & Associates	52,500
Municipal Advisor Expenses	Fieldman Rolapp & Associates	2,500
Credit Rating (S&P Global)	S&P Global Ratings	34,250
Credit Rating (Fitch)	Fitch Ratings	32,000
Trustee	MUFG Union Bank/US Bank	10,000
Printing of OS/POS	ImageMaster	5,000
Miscellaneous/Contingency	Additional proceeds	19,148
Underwriter's Discount	Morgan Stanley	54,800
Total Cost of Issuance		\$285,198

(c) Proceeds of the Certificates expected to be received by the District for the sale of the Certificates, less the finance charge described in (b) above and any capitalized interest or reserves paid from proceeds of the installment agreement (if any), is equal to \$28,000,000.

(d) The total payment amount calculated as provided in Section 5852.1(a)(1)(D) of the Code is estimated at \$39,292,025.

The foregoing are estimates and the final costs will depend on market conditions and can be expected to vary from the estimated amounts set forth above.

District staff, the District's Municipal Advisor, and bond and disclosure counsel participated in rating agency presentations on July 21. Ratings are anticipated to be received the week of August 2.

FISCAL IMPACT:

The terms of the 2021 COPS are currently being negotiated and are estimated at a fixed all-in true interest cost of 2.34% for 30 years, based on market conditions as of July 26, 2021. The finance charge of the Certificates, including all fees and charges paid to third parties, is estimated at \$285,198.

RECOMMENDATION:

Staff recommends the Board of Directors consider adopting the resolution for the 2021 COPS execution and delivery and authorize staff to execute the necessary contracts and agreements for the financing.

ADDITIONAL ATTACHMENT:

- Resolution

RESOLUTION NO.

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE VALLECITOS WATER DISTRICT PROVIDING FOR THE EXECUTION AND DELIVERY OF REVENUE CERTIFICATES OF PARTICIPATION, IN AN AGGREGATE PRINCIPAL AMOUNT OF NOT TO EXCEED \$30,000,000, THE DISTRIBUTION OF AN OFFICIAL STATEMENT FOR THE CERTIFICATES, AND AUTHORIZING THE EXECUTION OF CERTAIN RELATED DOCUMENTS AND THE TAKING OF CERTAIN RELATED ACTIONS

WHEREAS, the Vallecitos Water District (the “District”) and the Vallecitos Water District Financing Corporation (the “Corporation”) entered into a Master Installment Purchase Contract (the “Master Contract”), dated as of June 15, 2005, as supplemented by the First Supplemental Installment Purchase Contract, dated as of June 15, 2005 and the Second Supplemental Installment Purchase Contract, dated as of December 1, 2012 (collectively, the “Master Contract”), whereby the Corporation agreed to assist the District by refinancing certain improvements to the District’s Water System and by acquiring and constructing certain additions, betterments, extensions and improvements to the District’s Water System and Wastewater System (the “Enterprise”) described therein;

WHEREAS, this Board hereby determines that it would be in the best interest of the District to acquire certain additions, betterments, extensions and improvements to the Enterprise, including reimbursing the District for certain expenditures in connection therewith (the “2021A Project”);

WHEREAS, this Board has been presented with the form of certain documents hereinafter referred to relating to the 2021A Project, and the Board has examined each document and desires to authorize and direct the execution and delivery thereof and the consummation of the financing; and

WHEREAS, the District has full legal right, power and authority under the Constitution and the laws of the State of California to enter into the transactions hereinafter authorized;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Vallecitos Water District, as follows:

Section 1. The District hereby finds and declares that the actions authorized hereby constitute and are with respect to public affairs of the District, and that the statements, findings and determinations of the District set forth above are true and correct.

Section 2. The District hereby authorizes the execution, delivery and sale, by negotiated sale, of not to exceed \$30,000,000 aggregate principal amount of Revenue Certificates of Participation, Series 2021A (the “Certificates”). The Certificates may be executed and delivered in one or more series or subseries, with such additional designations as the President or Secretary of the Board, the General Manager, the Assistant General Manager or Finance Manager, and such other officers of the District as the General Manager may designate, each referred to herein as an “Authorized Officer”, may deem necessary or desirable.

Section 3. The form of the Third Supplemental Installment Purchase Contract, by and between the District and the Corporation, on file with the Secretary of the Board, is approved. Any

Authorized Officer, on behalf of the District, is authorized and directed to execute and deliver the Third Supplemental Installment Purchase Contract, in substantially such form, with changes therein as an Authorized Officer may require or approve, the approval to be conclusively evidenced by the execution and delivery thereof.

Section 4. The form of the Trust Agreement, by and among the District, the Corporation and U.S. Bank National Association as Trustee (the “Trustee”), on file with the Secretary of the Board, is approved. Any Authorized Officer, on behalf of the District, is authorized and directed to execute and deliver the Trust Agreement, in substantially such form, with changes therein as an Authorized Officer may require or approve, the approval to be conclusively evidenced by the execution and delivery thereof.

Section 5. The form of the Purchase Contract by and between Morgan Stanley & Co. LLC (the “Underwriter”) and the District is approved. Any Authorized Officer, on behalf of the District, is authorized and directed to execute and deliver the Purchase Contract in substantially such form, with changes therein as an Authorized Officer may require or approve, the approval to be conclusively evidenced by the execution and delivery thereof, and, pursuant thereto, to sell the Certificates to the Underwriter for the purchase price set forth in the Purchase Contract, provided that the price shall be not less than the principal amount of the Certificates less an underwriting discount of not exceeding 0.35% (exclusive of any original issue discount or premium), the Certificates shall not mature later than August 1, 2051, and the true interest cost of the Certificates shall not exceed 3.50%.

Section 6. (a) The form and substance of the Preliminary Official Statement related to the sale of the Certificates is approved. Any Authorized Officer is authorized to approve corrections and additions to the Preliminary Official Statement by supplement or amendment thereto, by appropriate insertions, or otherwise as appropriate, provided that such corrections or additions shall be regarded by such Authorized Officer as necessary to cause the information contained therein to conform to facts material to the Certificates or to the proceedings of this Board related thereto, or that such corrections or additions are in form rather than in substance

(b) This Board finds and determines that the Preliminary Official Statement in preliminary form is, and as of its date shall be deemed “final” for purpose of Rule 15c2-12 of the Securities and Exchange Commission (the “Rule”), and any Authorized Officer is authorized to execute a certificate to such effect in the customary form.

(c) Any Authorized Officer is authorized and directed to cause the Preliminary Official Statement to be brought into the form of a final official statement (the “Official Statement”), and, if required by the Underwriter, to execute a statement that the facts contained in the final Official Statement, and any supplement or amendment thereto (which shall be deemed an original part thereof for the purpose of such statement) were, at the time of sale of the Certificates, true and correct in all material respects and that the final Official Statement did not, on the date of sale of the Certificates, and does not, as of the date of delivery of the Certificates, contain any untrue statement of a material fact with respect to the District or omit to state material facts with respect to the District required to be stated where necessary to make any statement made therein not misleading in the light of the circumstances under which it was made. The execution and delivery by the District of the final Official Statement, which shall include such changes and additions thereto deemed advisable by an Authorized Officer and information that was permitted to be excluded from the Preliminary Official Statement pursuant to the Rule, shall be conclusive evidence of the approval of the final Official Statement by the District.

(d) The Official Statement shall be executed by either the President of this Board or the General Manager, either of whom is authorized and directed to execute the Official Statement on behalf of the District.

(e) The Underwriter is authorized to distribute the Preliminary Official Statement and the final Official Statement to be derived therefrom in connection with sale and distribution of the Certificates.

Section 7. The form of the Continuing Disclosure Agreement by and between the District and Fieldman, Rolapp & Associates, Inc. doing business as Applied Best Practices, as dissemination agent, is approved. Any Authorized Officer, on behalf of the District, is authorized and directed to execute and deliver the Continuing Disclosure Agreement in substantially such form, with changes therein as an Authorized Officer may require or approve, the approval to be conclusively evidenced by the execution and delivery thereof.

Section 8. The Board hereby finds that the proposed acquisition and construction of the 2021A Project as authorized by this Resolution is consistent with the District's Debt Management Policy (Resolution No. 1598) (the "Policy") and, to the extent that such proposed acquisition and construction is inconsistent with any provisions of the Policy, such provisions of the Policy are hereby waived.

Section 9. The Board acknowledges that the good faith estimates required by Section 5852.1 of the California Government Code are disclosed in the staff report and are available to the public at the meeting at which this Resolution is approved.

Section 10. Stradling Yocca Carlson & Rauth, a Professional Corporation, is hereby appointed to act as Bond and Disclosure Counsel to the District in accordance with the terms of the engagement letter on file with the Secretary.

Section 11. The Authorized Officers are each authorized and directed, to do any and all things such Authorized Officer may deem necessary or advisable in order to consummate the transactions authorized by this Resolution, and otherwise to carry out, give effect to and comply with the terms and intent of this Resolution. Any Authorized Officer and any other officers of the District, on behalf of the District, are each authorized and directed to execute and deliver any and all certificates and representations, including but not limited to signature certificates, no litigation certificates, tax and rebate certificates, a letter of representations to The Depository Trust Company, and certificates concerning the contents of the Official Statement distributed in connection with the sale of the Certificates, necessary and desirable to accomplish the transactions authorized by this Resolution.

Section 12. All actions heretofore taken by such officers with respect to the sale, execution and delivery of the Certificates are approved, ratified and confirmed.

PASSED, APPROVED AND ADOPTED by the Board of Directors of the Vallecitos Water District at a regular meeting held on this 4th day of August, 2021, by the following roll call vote:

- AYES:
- NOES:
- ABSTAIN:
- ABSENT:

Mike Sannella, President
Board of Directors
Vallecitos Water District

ATTEST:

Glenn Prui, Secretary
Board of Directors
Vallecitos Water District

STATE OF CALIFORNIA)
) ss.
COUNTY OF SAN DIEGO)

I, Glenn Pruum, Secretary of the Board of Directors of the Vallecitos Water District, certify that the foregoing is a full, true and correct copy of Resolution No. ___ duly adopted at a regular meeting of the Board of Directors duly and regularly held at the regular meeting place thereof on August 4, 2021, of which meeting all of the members of the Board of Directors had due notice and at which a majority thereof were present; and that at the meeting the Resolution was adopted by the following roll call vote:

AYES: BOARD MEMBERS:
NOES: BOARD MEMBERS:
ABSENT: BOARD MEMBERS:
ABSTAIN: BOARD MEMBERS:

An agenda of the meeting was posted at least 72 hours before the meeting at 201 Vallecitos de Oro, San Marcos, California, a location freely accessible to members of the public, and a brief general description of the Resolution appeared on the agenda.

I further certify that I have carefully compared the same with the original minutes of the meeting on file and of record in my office; that the foregoing Resolution is a full, true and correct copy of the original Resolution adopted at the meeting and entered in the minutes; and that the Resolution has not been amended, modified or rescinded since the date of its adoption, and the same is now in full force and effect.

Dated: August 5, 2021

Glenn Pruum, Secretary
Board of Directors
Vallecitos Water District

PRELIMINARY OFFICIAL STATEMENT DATED AUGUST __, 2021

NEW ISSUE – BOOK-ENTRY ONLY

RATINGS: See the caption “RATINGS”

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Special Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, the portion of each 2021 Installment Payment constituting interest with respect to the 2021 Certificates is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Special Counsel, the portion of each 2021 Installment Payment constituting interest is exempt from State of California personal income tax. See “TAX MATTERS” herein.

\$ _____*

**VALLECITOS WATER DISTRICT
REVENUE CERTIFICATES OF PARTICIPATION
SERIES 2021A**

Dated: Date of Delivery

Due: August 1, as set forth below

The 2021 Certificates are being executed and delivered to provide funds to (i) acquire certain capital improvements to the Water System and Wastewater System of the Vallecitos Water District, (ii) reimburse the District for costs previously expended on certain Water System and Wastewater System improvements and (iii) pay costs of delivery of the 2021 Certificates, all as more fully described herein.

The 2021 Certificates are being executed and delivered in fully registered form and when executed and delivered will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York. Purchasers of the 2021 Certificates will not receive securities representing their beneficial ownership in the 2021 Certificates purchased. Interest evidenced and represented by the 2021 Certificates is payable on February 1 and August 1 of each year, commencing August 1, 2022. The principal of and interest with respect to the 2021 Certificates are payable by the Trustee to Cede & Co. and such interest and principal payments are to be disbursed to the beneficial owners of the 2021 Certificates through their nominees.

The 2021 Certificates are subject to optional, mandatory sinking fund and extraordinary prepayment prior to maturity as described in this Official Statement*.

The 2021 Certificates are being executed and delivered pursuant to the Trust Agreement, dated as of August 1, 2021, by and among the Vallecitos Water District, the Vallecitos Water District Financing Corporation and U.S. Bank National Association, as trustee. The 2021 Certificates are payable solely from the 2021 Installment Payments to be made by the District to the Corporation pursuant to the Master Installment Purchase Contract, dated June 15, 2005, by and between the District and the Corporation as amended and supplemented by that certain Third Supplemental Installment Purchase Contract, dated August 1, 2021, by and between the same parties, and amounts on deposit in certain funds and accounts created under the Trust Agreement. **By their purchase of the 2021 Certificates, the purchasers of the 2021 Certificates irrevocably agree to, accept and consent to certain amendments to the Master Contract included in the Third Supplemental Installment Purchase Contract, as described herein.**

The 2021 Installment Payments constitute Parity Obligations under the Master Contract, payable solely from Net Revenues, consisting of Revenues of the District’s Water and Wastewater System, less Maintenance and Operation Costs of the Water and Wastewater System. The District may incur additional obligations payable from Net Revenues on a parity with the 2021 Installment Payments, subject to the terms and conditions of the Master Contract and the Third Supplemental Installment Purchase Contract.

By their purchase of the 2021 Certificates, the purchasers of the 2021 Certificates irrevocably agree to, accept and consent to certain amendments to the Master Contract included in the Third Supplemental Purchase Contract, as described herein.

THE OBLIGATION OF THE DISTRICT TO MAKE THE 2021 INSTALLMENT PAYMENTS IS A SPECIAL OBLIGATION OF THE DISTRICT PAYABLE SOLELY FROM NET REVENUES, AND SUCH OBLIGATION DOES NOT CONSTITUTE A DEBT OF THE DISTRICT OR OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS ARE ADVISED TO READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

MATURITY SCHEDULE – See Inside Cover Page

The 2021 Certificates are offered when, as and if delivered and received by the Underwriter, subject to the approval of the validity of the Third Supplemental Installment Purchase Contract and the Trust Agreement by Stradling Yocca Carlson & Rauth, a Professional Corporation, Special Counsel and certain other considerations. Certain legal matters will be passed upon for the District and the Corporation by Best Best & Krieger LLP, San Diego, California, District Counsel to the District and the Corporation, and by Stradling Yocca Carlson & Rauth, a Professional Corporation, as Disclosure Counsel, and for the Trustee by its counsel. Nixon Peabody LLP, Los Angeles, California, has acted as counsel to the Underwriter in connection with the execution and delivery of the 2021 Certificates. It is anticipated that the 2021 Certificates will be available for delivery through the facilities of The Depository Trust Company on or about August __, 2021.

MORGAN STANLEY

Dated: August __, 2021

* Preliminary, subject to change

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold, nor may offers to buy them be accepted, prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

MATURITY SCHEDULE

\$ _____*
**VALLECITOS WATER DISTRICT
REVENUE CERTIFICATES OF PARTICIPATION
SERIES 2021A**

<i>Maturity Date (August 1)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Price</i>	<i>Yield</i>	<i>CUSIP[†]</i>
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\$ _____ % 2021 Term Certificates due August 1, 20__ – Yield ____% – Price _____ CUSIP[†] ____

* Preliminary, subject to change

[†] CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Global Market Intelligence. Copyright(c) 2021 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the District, the Municipal Advisor or the Underwriter takes any responsibility for the accuracy of such numbers.

No dealer, broker, salesperson or other person has been authorized by the District or the Underwriter to give any information or to make any representations other than those contained in this Official Statement in connection with the offering made hereby and, if given or made, such other information or representations must not be relied upon as having been authorized by the District or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the 2021 Certificates by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the 2021 Certificates. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as a representation of facts.

The Underwriter has provided the following sentence for inclusion in this Official Statement:

The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

The information set forth herein has been obtained from official sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the Underwriter. The information and expression of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2021 CERTIFICATES AT A LEVEL THAT MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE 2021 CERTIFICATES TO CERTAIN DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENT AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE FRONT COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

CERTAIN STATEMENTS CONTAINED IN THIS OFFICIAL STATEMENT REFLECT NOT HISTORICAL FACTS BUT FORECASTS AND “FORWARD-LOOKING STATEMENTS.” NO ASSURANCE CAN BE GIVEN THAT THE FUTURE RESULTS DISCUSSED HEREIN WILL BE ACHIEVED, AND ACTUAL RESULTS MAY DIFFER MATERIALLY FROM THE FORECASTS DESCRIBED HEREIN. IN THIS RESPECT, THE WORDS “ESTIMATE,” “PROJECT,” “ANTICIPATE,” “EXPECT,” “INTEND,” “BELIEVE” AND SIMILAR EXPRESSIONS ARE INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS. ALL PROJECTIONS, FORECASTS, ASSUMPTIONS, EXPRESSIONS OF OPINIONS, ESTIMATES AND OTHER FORWARD-LOOKING STATEMENTS ARE EXPRESSLY QUALIFIED IN THEIR ENTIRETY BY THE CAUTIONARY STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

THE 2021 CERTIFICATES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT. THE 2021 CERTIFICATES HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

The District maintains a website. However, the information presented there is not part of this Official Statement and should not be relied upon in making an investment decision with respect to the 2021 Certificates.

References to website addresses other than the District's website presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this final official statement for purposes of, and as that term is defined in, Rule 15c2-12 of the United States Securities and Exchange Commission.

VALLECITOS WATER DISTRICT

BOARD OF DIRECTORS

Mike Sannella, President
Craig Elitharp, Vice President
Tiffany Boyd-Hodgson, Director
Jim Hernandez, Director
Jim Pennock, Director

DISTRICT STAFF

Glenn Pruiem, General Manager
Rhondi Emmanuel, Administrative Services Manager
Westley Owen, Finance Manager
Ed Pedrazzi, Operations and Maintenance Manager
James Gumpel, District Engineer

SPECIAL SERVICES

General Counsel

Best Best & Krieger LLP
San Diego, California

Special Counsel and Disclosure Counsel

Stradling Yocca Carlson & Rauth, a Professional Corporation
Newport Beach, California

Municipal Advisor

Fieldman, Rolapp & Associates, Inc.
Irvine, California

Trustee

U.S. Bank National Association
Los Angeles, California

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SUMMARY STATEMENT

This summary is subject in all respects to the more complete information contained in this Official Statement, and the offering of the 2021 Certificates to potential investors is made only by means of the entire Official Statement. Capitalized terms used and not otherwise defined in this Summary Statement have the meanings ascribed to them in this Official Statement.

Purpose. The proceeds of the 2021 Certificates will be used to (i) acquire certain capital improvements to the Water System and Wastewater System of the Vallecitos Water District, (ii) reimburse the District for costs previously expended on certain Water System and Wastewater System improvements and (iii) pay costs of delivery of the 2021 Certificates. See “THE 2021A PROJECT.”

Security for the 2021 Certificates. The 2021 Certificates are payable solely from the 2021 Installment Payments paid by the District to the Corporation pursuant to the Master Installment Purchase Contract dated as of June 15, 2005, by and between the Vallecitos Water District and the Vallecitos Water District Financing Corporation, as amended and supplemented by the Third Supplemental Installment Purchase Contract. The Third Supplemental Installment Purchase Contract constitutes a Parity Obligation under the Master Contract. The 2021 Installment Payments paid by the District to the Corporation thereunder are secured by a pledge of Net Revenues, consisting of Revenues remaining after payment of Maintenance and Operation Costs of the Water and Wastewater System, and amounts on deposit in certain funds and accounts created under the Trust Agreement. The District may incur additional obligations payable on a parity with the obligation to pay the 2021 Installment Payments in the future, and may also designate certain obligations as Maintenance and Operation Costs, as described herein. See the caption “SECURITY FOR THE 2021 CERTIFICATES—The Master Contract—Additional Parity Obligations” herein.

THE OBLIGATION OF THE DISTRICT TO MAKE THE 2021 INSTALLMENT PAYMENTS IS A SPECIAL OBLIGATION OF THE DISTRICT PAYABLE SOLELY FROM NET REVENUES, AND SUCH OBLIGATION DOES NOT CONSTITUTE A DEBT OF THE DISTRICT OR OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

Parity Obligations. The District has approximately \$38,557,000 aggregate principal amount of Parity Obligations payable from Net Revenues on a parity with the 2021 Certificates currently outstanding, comprising approximately \$1,527,000 aggregate principal amount due under the 2012 Installment Purchase Contract and approximately \$37,030,000 aggregate principal amount of the 2015 Bonds. The District may incur additional obligations payable from Net Revenues on a parity with the 2021 Installment Payments, subject to the terms and conditions of the 2021A Installment Purchase Contract and the Master Contract. See the caption “SECURITY FOR THE 2021 CERTIFICATES—The Master Contract—Additional Parity Obligations” herein.

The Third Supplemental Installment Purchase Contract includes amendments to the Master Contract impacting the issuance or execution of Parity Obligations. See the captions “SECURITY FOR THE 2021 CERTIFICATES— The Master Contract—Application of Revenues,” “— Rate Covenant” and “—Additional Parity Obligations,” “PROPOSED AMENDMENTS TO THE MASTER CONTRACT” and “APPENDIX C DEFINITIONS AND SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS — Third Supplemental Installment Purchase Contract.”

Subordinate Obligations. In 2008, the District entered into a Loan Agreement with Union Bank of California in a maximum amount of \$8,000,000, evidenced by a negotiable promissory note pursuant to which the District promises to pay to UBOC the amounts owed under the UBOC Loan Agreement. There is currently outstanding on the UBOC Note \$3,000,000. The UBOC Note is payable from Net Revenues subordinate to the 2021 Installment Payments. See Appendix A “INFORMATION RELATING TO THE VALLECITOS WATER DISTRICT — Outstanding District Obligations — Other Outstanding District Obligations.”

Rate Covenant Under the Master Contract. Under the Master Contract, the District has covenanted to fix, prescribe and collect rates, fees and charges for the Service of the Enterprise during each Fiscal Year which are reasonably fair and non-discriminatory and which are estimated to yield Adjusted Annual Net Revenues equal to 115% of Adjusted Annual Debt Service for such Fiscal Year or twelve (12) calendar month period, and Net Revenues equal to 100% of all Payments and all other amounts which are payable from Net Revenues payable in such Fiscal Year or twelve (12) calendar month period (the “Coverage Requirements”), for such Fiscal Year in an amount not less than the Coverage Requirement for such Fiscal Year. The District may make adjustments from time to time in such fees and charges and may make such classification thereof as it deems necessary, but has covenanted under the Master Contract not to reduce rates, fees and charges then in effect, unless the Adjusted Annual Net Revenues from such reduced rates, fees and charges are estimated to be sufficient to meet the Coverage Requirements. See Appendix C—“DEFINITIONS AND SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS and see “INVESTMENT CONSIDERATIONS — Issuance of Senior Obligations” for a discussion of the legal ability of the District to designate certain obligations as Maintenance and Operation Costs, and how such designation may reduce the level of coverage otherwise required.

The Third Supplemental Installment Contract includes amendments to the Master Contract impacting the District’s rate covenant. See the captions “SECURITY FOR THE 2021 CERTIFICATES— “Rate Covenant” and “PROPOSED AMENDMENTS TO THE MASTER CONTRACT” and “APPENDIX C — DEFINITIONS AND SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS — Third Supplemental Installment Purchase Contract.”

Reserve Fund. No Reserve Fund has been created under the Master Contract, the Third Supplemental Installment Purchase Contract or the Trust Agreement for the benefit of the 2021 Certificates.

Rate Stabilization Account. The Master Contract permits the District to establish a Rate Stabilization Account which would be held by the District. The District has not currently established a Rate Stabilization Account as contemplated under the Master Contract. See the caption “SECURITY FOR THE 2021 CERTIFICATES—The Master Contract—Rate Stabilization Account.”

The Third Supplemental Installment Purchase Contract includes amendments to the Master Contract impacting the Rate Stabilization Account. See “PROPOSED AMENDMENTS TO THE MASTER CONTRACT” and “APPENDIX C DEFINITIONS AND SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS — Third Supplemental Installment Purchase Contract.”

Prepayment. The 2021 Certificates will be subject to optional, mandatory and extraordinary prepayment prior to maturity, as more fully described under the caption “THE 2021 CERTIFICATES.”*

The District. The District was formed on March 21, 1955, pursuant to the County Water District Law (Division 12, commencing at Section 30000, of the Water Code of the State of California). The District was originally named the San Marcos County Water District, but its name was changed to the Vallecitos Water District in 1989. The District includes an area of approximately 45 square miles in the northwestern part of the County of San Diego (the “County”). The District is located about ten miles east of the Pacific Ocean, 30 miles north of San Diego and 100 miles south of Los Angeles. The District currently provides water, wastewater and water reclamation services to nearly all of the City of San Marcos, portions of the cities of Escondido and Carlsbad, and unincorporated areas of the County north and south of the City of San Marcos (the “City”) including the community of Lake San Marcos.

The District currently provides water services to a population of approximately 109,000 people through approximately 21,960 active metered service connections. The District’s current sources of water served through the Water System are water purchased from San Diego County Water Authority, treated water

* Preliminary; subject to change.

purchased from the Olivenhain Municipal Water District and desalinated water from the Carlsbad Desalter. The Water System consists of 19 reservoirs with a capacity of approximately 120.5 million gallons of water, approximately 380 miles of pipeline, and 10 pump stations. See Appendix A “INFORMATION RELATING TO THE VALLECITOS WATER DISTRICT —Water System.”

The District currently provides wastewater collection and treatment services to a population of approximately 109,000 people through 20,754 service connections and approximately 276 miles of pipeline. Wastewater collected by the District is treated at its Meadowlark Water Reclamation Facility or through treatment facilities owned by the Encina Wastewater Authority, of which the District is a member. Appendix A “INFORMATION RELATING TO THE VALLECITOS WATER DISTRICT —Wastewater System.”

Amendments Effected by Third Supplemental Installment Purchase Contract. The Third Supplemental Installment Purchase Contract amends and supplements certain provisions of the Master Contract, including provisions relating to the Rate Stabilization Account, conditions for the issuance or execution of Parity Obligations, the rate covenant, the application of Revenues after the payment of debt service with respect to Parity Obligations, and the preparation and filing of financial statements and amends and supplements certain definitions relating to the Encina Wastewater Authority, Excluded Principal and Annual Debt Service. The provisions of the Third Supplemental Installment Purchase Contract amending the Master Contract will become effective when the written consents of the owners of a majority in aggregate principal amount of the Parity Obligations then outstanding and the written consents of the owners of a majority in aggregate principal amount of the Subordinate Obligations then outstanding have been filed with the Trustee. **By their purchase of the 2021 Certificates, the purchasers of the 2021 Certificates irrevocably agree to, accept and consent to the provisions of such amendments.** See the captions “SECURITY FOR THE 2021 CERTIFICATES— The Master Contract—*Application of Revenues*,” “—*Rate Covenant*” and “—*Additional Parity Obligations*,” “PROPOSED AMENDMENTS TO THE MASTER CONTRACT” and APPENDIX C “DEFINITIONS AND SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS” for a more detailed explanation of the amendments effected by the Third Supplemental Installment Purchase Contract. At the time the 2021 Certificates are initially delivered, approximately __% of owners of the Parity Obligations and ___% of the owners of the Subordinate Obligations will have consented to the amendments and on or about October 1, 2022, following the payment in full of the installment payments due under the 2012 Installment Purchase Contract, __% of owners of the Parity Obligations and __% of the owners of the Subordinate Obligations will have consented to the amendments.

\$ _____ *

**VALLECITOS WATER DISTRICT
REVENUE CERTIFICATES OF PARTICIPATION
SERIES 2021A**

INTRODUCTION

General

This Official Statement, including the cover page, the inside cover page and all appendices hereto, provides certain information concerning the sale and delivery of the Vallecitos Water District Revenue Certificates of Participation, Series 2021A (the “2021 Certificates”). The 2021 Certificates are being executed and delivered pursuant to a Trust Agreement dated August 1, 2021 (the “Trust Agreement”) by and among the Vallecitos Water District (the “District”), the Vallecitos Water District Financing Corporation (the “Corporation”) and U.S. Bank National Association, as trustee (the “Trustee”). The 2021 Certificates are payable solely from installment payments (the “2021 Installment Payments”) to be made by the District to the Corporation pursuant to the Master Installment Purchase Contract, dated June 15, 2005 (the “Original Master Contract”), by and between the District and the Corporation as amended and supplemented by that certain Third Supplemental Installment Purchase Contract, dated August 1, 2021 (the “Third Supplemental Installment Purchase Contract”), by and between the District and the Corporation, and amounts on deposit in certain funds and accounts created under the Trust Agreement. The Third Supplemental Installment Purchase Contract constitutes a Parity Obligation under the Master Contract. The 2021 Installment Payments paid by the District to the Corporation thereunder are payable solely from Net Revenues, which consist of Revenues of the District’s Water System and Wastewater System (the “Enterprise”), remaining after payment of Maintenance and Operation Costs of the Enterprise. The Original Master Contract as supplemented by the First Supplemental Installment Purchase Contract, dated as of June 15, 2005, by and between the District and the Corporation, as further supplemented by the Second Supplemental Installment Purchase Contract, dated as of December 1, 2012, by and between the District and the Corporation and a further amended and supplemented by the Third Supplemental Installment Purchase Contract is referred to herein as the “Master Contract.” Capitalized terms used and not otherwise defined herein have the meanings ascribed to them in Appendix C—“DEFINITIONS AND SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS.”

The proceeds of the 2021 Certificates will be used to (i) acquire certain capital improvements to the Enterprise, (ii) reimburse the District for costs previously expended on certain improvements to the Enterprise and (iii) pay costs of delivery of the 2021 Certificates. See the caption “ESTIMATED SOURCES AND USES OF FUNDS.”

The obligation of the District to make the 2021 Installment Payments is a special obligation of the District payable solely from Net Revenues, and such obligation does not constitute a debt of the District or of the State of California (the “State”) or of any political subdivision thereof within the meaning of any constitutional or statutory debt limitation or restriction. The District has approximately \$38,557,000 of Parity Obligations currently outstanding, comprising approximately \$1,527,000 due under the 2012 Installment Purchase Contract (as defined herein) and approximately \$37,030,000 aggregate principal amount of the 2015 Bonds (as defined herein). The District may incur additional obligations payable from Net Revenues on a parity with the 2021 Installment Payments, subject to the terms and conditions of the Third Supplemental Installment Purchase Contract and the Master Contract. See the caption “SECURITY FOR THE 2021 CERTIFICATES—The Master Contract—*Additional Parity Obligations*” herein. See Appendix C—“DEFINITIONS AND SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS and see “INVESTMENT CONSIDERATIONS — Issuance of Senior Obligations” for a discussion of the legal ability of the District to designate certain obligations as Maintenance and Operation Costs, and how such designation may reduce the level of coverage otherwise required. **The Third Supplemental Installment Purchase Contract includes**

* Preliminary, subject to change

amendments to the Master Contract impacting the issuance or execution of Parity Obligations. See the captions “SECURITY FOR THE 2021 CERTIFICATES— The Master Contract—Application of Revenues,” “— Rate Covenant” and “—Additional Parity Obligations,” “PROPOSED AMENDMENTS TO THE MASTER CONTRACT” herein and “APPENDIX C DEFINITIONS AND SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS — Third Supplemental Installment Purchase Contract.”

The summaries and references to the Trust Agreement, the Master Contract, the Third Supplemental Installment Purchase Contract and all documents, statutes, reports and other instruments referred to herein do not purport to be complete, comprehensive or definitive, and each such summary or reference is qualified in its entirety by reference to the full Trust Agreement, the Master Contract, the Third Supplemental Installment Purchase Contract and each such document, statute, report or instrument, copies of which are available for inspection at the offices of the District in San Marcos, California and will be available upon request and payment of duplication cost. Unless otherwise indicated, all financial and statistical information herein has been provided by the District.

The District regularly prepares a variety of reports, including audits, budgets and related documents. Any registered owner of the 2021 Certificates (each, an “Owner”) may obtain a copy of such reports, as available, from the District. Additional information regarding the Official Statement may be obtained by contacting the Trustee or Vallecitos Water District, 201 Vallecitos De Oro, San Marcos, CA 92069 Telephone: (760) 744-0460.

THE 2021A PROJECT

The District expects to apply a portion of the proceeds of the 2021 Certificates to finance and reimburse the District for costs of acquisition of capital improvements to the Enterprise, including but not limited to: (i) the construction of approximately 3,400 feet of 42-inch sewer interceptor, (ii) the construction of capital improvement projects of the Encina Wastewater Authority (the “EWA”) benefiting the District, (iii) the construction of certain other capital improvement projects included in the District’s Comprehensive Project List included in the approved District budget for Fiscal Year 2021-22, which include the replacement of the Tres-Amigos and the Las Posas water lines and the refurbishment of the Sage Canyon water tank (collectively, the “2021A Project”). The District expects to apply approximately \$_____ to reimburse the District for prior capital expenditures and approximately \$_____ to pay the costs of the construction and acquisition of certain capital improvements to the Enterprise.

Environmental approvals for the 2021A Project have been prepared or are being prepared. No 2021 Certificate proceeds will be expended on any component of the 2021A Project for which environmental approval is required prior to compliance with such approval. The District expects that substantially all Certificate proceeds deposited in the 2021A Project Account under the Third Supplemental Installment Purchase Contract will be expended within three years.

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds with respect to the 2021 Certificates are as follows:

Sources⁽¹⁾:	
Certificate Proceeds	\$
[Plus][Less] [Net] Original Issue [Premium][Discount]	_____
Total	\$ =====
 Uses⁽¹⁾:	
Transfer to District for Deposit in 2021 Project Account	\$
Delivery Costs ⁽²⁾	_____
Total	\$ =====

⁽¹⁾ Rounded to the nearest dollar.

⁽²⁾ Includes fees of Special Counsel, the Municipal Advisor, and the Trustee, rating agency fees, printing costs, Underwriter’s discount and certain miscellaneous expenses.

THE 2021 CERTIFICATES

General Provisions

The 2021 Certificates will be executed and delivered in the aggregate principal amount of \$_____. The 2021 Certificates will be dated the date of initial delivery thereof, will be issued in denominations of \$5,000 or any integral multiple thereof, and will bear interest from such date at the rates per annum set forth on the inside cover page hereof, payable semiannually on February 1 and August 1 of each year, commencing August 1, 2022 (each, an “Interest Payment Date”), and will mature on the dates set forth on the inside cover page hereof. Interest evidenced and represented by the 2021 Certificates will be computed on the basis of a 360-day year of twelve 30 day months.

The 2021 Certificates will be executed and delivered in fully registered form and will be initially registered in the name of “Cede & Co.,” as nominee of The Depository Trust Company (“DTC”), or such other nominee as DTC will request pursuant to the Representation Letter. The 2021 Certificates initially will be executed and delivered in the form of a single executed fully registered certificate for each stated maturity of each series of such 2021 Certificate, representing the aggregate principal amount of the 2021 Certificates of such maturity. See the caption “—Book Entry Only System” below and Appendix E attached hereto. Each 2021 Certificate may be assigned by the Trustee a distinctive number or letter and number, and a record of the same will be maintained by the Trustee. Registered ownership of the 2021 Certificates, or any portion thereof, may not thereafter be transferred except as provided for in the Trust Agreement.

Interest evidenced and represented by the 2021 Certificates will be payable commencing on their respective Interest Payment Dates in lawful money of the United States of America by check mailed by the Trustee to the respective Owners thereof at the close of business on the fifteenth (15th) day of the calendar month immediately preceding such interest payment date (the “Record Date”); except that in the case of an Owner of one million dollars (\$1,000,000) or greater in aggregate principal amount of Outstanding 2021 Certificates, such payment may, at such Owner’s written request, be made by wire transfer or immediately available finds to an account within the United States in accordance with written instructions provided by such Owner prior to the applicable Record Date received by the Trustee prior to the applicable Record Date (which such request shall remain in effect until rescinded in writing by such Owner), interest will be paid by wire transfer in immediately available funds. The principal and prepayment premiums, if any, evidenced and represented by the 2021 Certificates will be payable on their respective Certificate Payment Dates or on

* Preliminary, subject to change

prepayment prior thereto by check delivered by the Trustee upon surrender thereof by the respective Owners thereof at the Corporate Trust Office of the Trustee in lawful money of the United States of America

Book-Entry Only System

The 2021 Certificates will be delivered in book-entry form only. Purchasers of the 2021 Certificates will not receive certificates representing their ownership interests therein. So long as all 2021 Certificates Outstanding are registered in the name of any nominee of DTC, all payments with respect to the principal of and premium, if any, and interest with respect to each such 2021 Certificate and all notices with respect to each such 2021 Certificate shall be made and given, respectively, to DTC as provided in the Representation Letter.

As long as Cede & Co. is the registered owner of the 2021 Certificates, references herein to the Owners of the 2021 Certificates will refer to Cede & Co. and not to the beneficial owners of the 2021 Certificates (the “Beneficial Owners”). The District does not give any assurance that DTC, its Direct Participants or others will distribute payments with respect to the 2021 Certificates or notices concerning the 2021 Certificates to the Beneficial Owners thereof or that DTC will otherwise serve and act in the manner described in this Official Statement. See Appendix E — “INFORMATION CONCERNING DTC” for a further description of DTC and its book entry system. The information presented therein is based solely on information provided by DTC.

The District may determine that it is in the best interests of the Beneficial Owners of the 2021 Certificates that they be able to obtain securities certificates, in which event the Trustee shall, upon the written instruction of the District, notify DTC, and DTC will notify the Beneficial Owners of the availability through DTC of securities certificates. In such event, such 2021 Certificates will be transferable in accordance with the Trust Agreement.

DTC may determine to discontinue providing its services with respect to the 2021 Certificates at any time by giving written notice of such discontinuance to the District and the Trustee and discharging its responsibilities with respect thereto under applicable law. In such event, the 2021 Certificates will be transferable in accordance with the Trust Agreement.

Whenever DTC requests the District and the Trustee to do so, the Trustee and the District will cooperate with DTC in taking appropriate action after reasonable notice to arrange for another securities depository to maintain custody of the 2021 Certificates then Outstanding. In such event, the 2021 Certificates will be transferable to such securities depository in accordance with the Trust Agreement and thereafter, all references in the Trust Agreement to DTC or its nominee will be deemed to refer to such successor securities depository and its nominee, as appropriate.

Transfers and Exchanges

Any 2021 Certificate may, in accordance with its terms, be transferred in the books required to be kept pursuant to the provisions of the Trust Agreement by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender, at the Corporate Trust Office of the Trustee, of such 2021 Certificate for cancellation accompanied by delivery of a duly executed written instrument of transfer in a form approved by the Trustee. Whenever any 2021 Certificate or 2021 Certificates are surrendered for transfer, the Trustee will execute and deliver a new 2021 Certificate or 2021 Certificates of like series and of authorized denominations of the same Certificate Payment Date evidencing and representing the same aggregate principal amount. The Trustee will require the payment by the Owner requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer as a condition precedent to the exercise of such privilege. The Trustee may deem and treat the Owner of any 2021 Certificate as the absolute owner of such 2021 Certificates for the purpose of receiving payment thereof and for all other purposes, whether such 2021 Certificates will be overdue or not, and the Trustee will not be affected by any notice or knowledge to the contrary; and payment of the interest and principal and prepayment premium, if any, evidenced and

represented by the 2021 Certificates will be made only to such Owner, which payments will be valid and effectual to satisfy and discharge liability on such 2021 Certificate to the extent of the sum or sums so paid. The Trustee will not be required to register the transfer of any 2021 Certificates during the period established by the Trustee for selection of 2021 Certificates for prepayment, or any 2021 Certificate which has been selected for prepayment in whole or in part.

2021 Certificates may be exchanged at the Corporate Trust Office of the Trustee for a 2021 Certificate evidencing and representing a like aggregate principal amount of 2021 Certificates of authorized denominations of the same series and maturity. The Trustee will require the payment by the Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange as a condition precedent to the exercise of such privilege. The Trustee will not be required to exchange any 2021 Certificates during any period established by the Trustee for selection of 2021 Certificates for prepayment, or any 2021 Certificates which has been selected for prepayment in whole or in part.

Prepayment of the 2021 Certificates

Optional Prepayment. *The 2021 Certificates with Certificate Payment Dates on or after August 1, 20__ are subject to optional prepayment prior to their respective Certificate Payment Dates by the District on any date on or after August 1, 20__, upon notice as provided in the Trust Agreement, as a whole or in part by lot in such order of maturity as the District may determine, in integral multiples of five thousand dollars (\$5,000), from any source of available funds, at a prepayment price equal to 100% of the principal amount to be prepaid, plus interest, if any, accrued with respect thereto to the date of prepayment, without premium.

Extraordinary Prepayment from Insurance or Condemnation Proceeds. The 2021 Certificates are subject to extraordinary prepayment by the District on any date prior to their respective Certificate Payment Dates, upon notice as provided in the Indenture, as a whole or in part by lot within each Certificate Payment Date, in such order of prepayment as the District may determine, in integral multiples of Authorized Denominations, from payments made by the District from the net proceeds received by the District due to the damage, destruction or condemnation of all or any portion of the Enterprise, at a prepayment price equal to the sum of the principal amount or such part thereof evidenced and represented by the 2021 Certificates to be prepaid, plus accrued interest evidenced and represented thereby to the date fixed for prepayment, without premium.

Mandatory Sinking Fund Prepayment.* The 2021 Certificates with a Certificate Payment Date of August 1, 20__ (the “2021 Term Certificates”) are subject to mandatory prepayment prior to such Certificate Payment Date, in part by lot on the dates shown on the following schedules, in integral multiples of \$5,000 solely from the principal components of scheduled Installment Payments becoming due on such dates, at a price equal to the sum of the principal amount evidenced and represented by the 2021 Term Certificates to be prepaid plus accrued interest evidenced and represented thereby to the date fixed for prepayment, without premium.

Mandatory Sinking Fund Schedule

<i>Sinking Fund Payment Date (August 1)</i>	<i>Principal Amount</i>
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⁽¹⁾ Final maturity.

* Preliminary; subject to change.

Notice of Redemption

Notice of prepayment will be given by the Trustee, not less than twenty (20) nor more than sixty (60) days prior to the prepayment date to (i) the respective Owners of the 2021 Certificates designated for prepayment at their addresses appearing on the registration books of the Trustee, (ii) the Securities Depositories and (iii) the Information Services; provided, however, that so long as a book-entry system is used for the 2021 Certificates, the Trustee will send notice of prepayment only to the Securities Depositories and Information Services. Notice of prepayment to the Securities Depositories will be given by registered mail, other electronically secure means, or any other method agreed upon and notice of prepayment to the Information Services will be given by mail, other electronically secure means, or any other method agreed upon. Each notice of prepayment will state the series, prepayment date, the prepayment price, if any, the CUSIP number (if any) of the maturity or maturities, and, if less than all of any such maturity is to be prepaid, the distinctive certificate numbers of the 2021 Certificates of such maturity to be prepaid and, in the case of 2021 Certificates to be prepaid in part only, the respective portions of the principal amount thereof to be prepaid. Each such notice will also state that on the prepayment date there will become due and payable on the 2021 Certificates to be prepaid, all of the principal amount thereof on the prepayment date, and that from and after such prepayment date interest evidenced and represented by the 2021 Certificates will cease to accrue, and will require that such 2021 Certificates be then surrendered at the address of the Trustee specified in the prepayment notice. Failure by the Trustee to give notice pursuant to the Trust Agreement to any one or more of the Information Services or Securities Depositories, or the insufficiency of any such notice will not affect the sufficiency of the proceedings for prepayment. Failure by the Trustee to give notice of prepayment pursuant to the Trust Agreement to any one or more of the respective Owners of any 2021 Certificates designated for prepayment will not affect the sufficiency of the proceedings for prepayment with respect to the Owners to whom such notice was given.

In the event of prepayment of 2021 Certificates (other than sinking fund prepayments), the Trustee will give notice of optional prepayment, other than any notice that refers to 2021 Certificates that are to be prepaid from proceeds of a refunding bond issue, only if sufficient funds have been deposited with the Trustee to pay the applicable prepayment price of the 2021 Certificates to be prepaid. The District will give the Trustee written notice of its intention to optionally prepay 2021 Certificates at least 30 days prior to the intended Prepayment Date. In the event the District elects to optionally prepay the 2021 Certificates in part, it shall deliver to the Trustee a schedule of revised 2021 Installment Payments and mandatory prepayments.

The District may, at its option, prior to the date fixed for prepayment in any notice of optional prepayment rescind and cancel such notice of prepayment by Written Request of the District and the Trustee will give notice of such cancellation to the recipients of the notice of prepayment being cancelled.

Effect of Prepayment

If notice of prepayment has been duly given as provided in the Trust Agreement and money for the payment of the prepayment price of the 2021 Certificates called for prepayment is held by the Trustee in Payment Fund, as the case may be, then on the prepayment date designated in such notice, 2021 Certificates will become due and payable, and from and after the date so designated interest evidenced and represented by the 2021 Certificates so called for prepayment will cease to accrue, and the Owners of such 2021 Certificates will have no rights in respect thereof except to receive payment of the prepayment price thereof. Any prepayment of 2021 Certificates pursuant to the Trust Agreement will cause the schedule of 2021 Installment Payments set forth in the Third Supplemental Installment Purchase Contract to be recalculated by the District in accordance with the Third Supplemental Installment Purchase Contract. Such schedule will be furnished by the District to the Trustee. All Certificates prepaid, pursuant to the provisions of the Trust Agreement will be cancelled by the Trustee and will be delivered to, or upon the order of, the District and will not be redelivered.

DEBT SERVICE PAYMENT SCHEDULE

Set forth below is a schedule of principal of and interest with respect to the 2021 Certificates and obligations outstanding on a parity with the 2021 Certificates (the “Parity Obligations”) payable in the Fiscal Years ending June 30 indicated:

	<u>2021 Certificates</u>			<i>Outstanding Parity Obligations⁽¹⁾</i>	<i>Total</i>
<i>June 30</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>		

TOTAL

⁽¹⁾ Represents principal and interest due on the 2012 Installment Purchase Contract and on the 2015 Bonds, as described in Appendix A “INFORMATION RELATING TO THE VALLECITOS WATER DISTRICT - Outstanding District Obligations - Outstanding Obligations Payable From Net Revenues On A Parity With The Third Supplemental Installment Purchase Contract.”

SECURITY FOR THE 2021 CERTIFICATES

The 2021 Certificates are being executed and delivered pursuant to the Trust Agreement. Pursuant to the Trust Agreement, all 2021 Installment Payments will be paid directly by the District to the Trustee and if received by the Corporation at any time will be deposited by the Corporation with the Trustee within one Business Day after the receipt thereof. All 2021 Installment Payments received by the Trustee will be held in trust by the Trustee under the terms of the Trust Agreement. The 2021 Installment Payments will be deposited by the Trustee as and when received in the Payment Fund, which fund the Trustee has established and will maintain so long as any 2021 Certificates are Outstanding. All money in the Payment Fund will be held in trust by the Trustee for the benefit of the Owners of the 2021 Certificates. Pursuant to the Trust Agreement, the District and the Corporation have pledged and granted a lien on the Payment Fund to the Trustee for the benefit of the Owners of the 2021 Certificates.

The 2021 Certificates evidence individual interests in 2021 Installment Payments to be paid by the District under the Third Supplemental Installment Purchase Contract. Pursuant to the Assignment Agreement

dated as of August 1, 2021, by and between the Corporation and the Trustee, the Corporation has assigned to the Trustee, for the benefit of the Owners of the 2021 Certificates, all of its rights and privileges under the Master Contract, as amended and supplemented by the Third Supplemental Installment Purchase Contract, including the right to receive the 2021 Installment Payments from the District under the Third Supplemental Installment Purchase Contract. The Third Supplemental Installment Purchase Contract is a Parity Obligation and Supplemental Contract under the Master Contract.

The Master Contract

General. The Master Contract establishes the terms and conditions upon which certain obligations of the District shall be incurred and secured. Pursuant to the Master Contract, the District irrevocably grants and pledges the Net Revenues first to secure Parity Obligations (including the 2021 Certificates, the 2015 Bonds, the 2012 Installment Purchase Contract, and any Supplemental Contracts and Payment Agreements secured by a lien on Net Revenues on a parity with the 2021 Certificates, the 2015 Bonds and the 2012 Installment Purchase Contract) and second, to secure obligations which are subordinate to the payments due with respect to the Parity Obligations (the “Subordinate Obligations” and, together with the Parity Obligations, the “Obligations”). All Parity Obligations will be of equal rank without preference, priority or distinction of any Parity Obligations over any other Parity Obligations.

The Master Contract established the “Vallecitos Water District Revenue Fund,” which may be the District’s General Fund and which is to be held and maintained by the District for so long as any Payments due under the Master Contract shall be Outstanding. The District treats its Water Enterprise Fund and Wastewater Enterprise Fund as the Revenue Fund for the purpose of the Master Contract. The District has agreed and covenanted in the Master Contract to deposit all Revenues received by it into the Revenue Fund when and as received. In addition, the District may from time to time as it deems necessary or appropriate transfer to the Revenue Fund amounts on deposit in the Rate Stabilization Account, if any. **The Third Supplemental Installment Purchase Contract includes amendments to the Master Contract impacting the Rate Stabilization Account. See “PROPOSED AMENDMENTS TO THE MASTER CONTRACT” and “APPENDIX C DEFINITIONS AND SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS — Third Supplemental Installment Purchase Contract.”**

Revenues. The term “Revenues” means, for any Fiscal Year or twelve (12) calendar month period, all income and revenue received or receivable by the District during such Fiscal Year or twelve (12) calendar month period from the ownership or operation of the Enterprise, determined in accordance with Generally Accepted Accounting Principles, including all Ad Valorem Taxes, ad valorem assessments, Capacity Facility Fees, standby charges, rates, fees and charges received by the District for the Service, all proceeds of insurance covering business interruption loss relating to the Enterprise, all connection fees and charges payable to the District for the Service made available or provided by the Enterprise, all payments for the lease of property comprising a part of the Enterprise, all other income and revenue howsoever derived by the District from the ownership or operation of the Enterprise or arising from the Enterprise, all Payment Agreement Receipts, and all income from the investment of amounts on deposit in the Revenue Fund and the Parity Obligation Payment Fund, but excluding in all cases: (i) any proceeds of taxes and assessments levied and collected by or on behalf of the District for obligations that are payable solely from such taxes (including Ad Valorem Taxes) or assessments and not from any other Revenues, (ii) any refundable deposits made to establish credit and any advances or contributions in aid of construction, and (iii) any income from the investment of amounts on deposit in the Improvement Fund.

“Net Revenues” means, for any Fiscal Year or twelve (12) calendar month period, the Revenues during such Fiscal Year or twelve (12) calendar month period less the Maintenance and Operation Costs during such Fiscal Year or twelve (12) calendar month period.

“Maintenance and Operation Costs” means, for any Fiscal Year or twelve (12) calendar month period, all reasonable and necessary costs paid or incurred by the District during such Fiscal Year or twelve (12)

calendar month period for maintaining and operating the Enterprise, determined in accordance with Generally Accepted Accounting Principles, including all reasonable expenses of management and repair and other expenses necessary to maintain and preserve the Enterprise in good repair and working order, all amounts due under Contract Resource Obligations (but only under the circumstances described below) all administrative costs of the District that are charged directly or apportioned to the operation of the Enterprise, such as salaries and wages of employees, overhead, taxes (if any), insurance premiums and payments into pension funds, and all other reasonable and necessary costs of the District or charges required to be paid by it to comply with the terms hereof or of any resolution authorizing the execution or issuance of any Parity Obligation or of such Parity Obligation, such as compensation, reimbursement and indemnification of the Trustee and fees and expenses of Independent Certified Public Accountants and Independent Engineers, but excluding in all cases depreciation, replacement and obsolescence charges or reserves therefor and amortization of intangibles.

A “Contract Resource Obligation” is an obligation of the District, designated as a Contract Resource Obligation and entered into pursuant to the Master Contract, to make payments to another party for the acquisition of capacity or right of service, supply or use in or from water and wastewater facilities to be used by the District in providing the services of the Enterprise. Pursuant to the Master Contract, the District may at any time enter into one or more Contract Resource Obligations related to existing facilities or facilities to be constructed; and the District may determine that, and may agree under a Contract Resource Obligation to provide that, all payments under that Contract Resource Obligation shall be Maintenance and Operation Costs if the following requirements are met at the time such Contract Resource Obligation is entered into:

(1) No Event of Default, as defined in the Master Contract, has occurred and is continuing;

(2) There shall be on file a certificate of an Independent Engineer stating that (i) the payments to be made by the District in connection with the Contract Resource Obligation are reasonable, (ii) the facilities, services, supply or use for which the Contract Resource Obligation will be incurred are technically and economically feasible and are available or are likely to be available no later than a date set forth in the Independent Engineer’s certification, and (iii) the Adjusted Annual Net Revenues (further adjusted by the Independent Engineer’s estimate of the payments to be made in accordance with the Contract Resource Obligation) for the five Fiscal Years following the year in which the Contract Resource Obligation is incurred, as such Adjusted Annual Net Revenues are estimated by the Independent Engineer in the manner described below under the caption “-Additional Parity Obligations,” will be at least equal to the Coverage Requirement.

The District does not currently have any Contract Resource Obligations outstanding. See “INVESTMENT CONSIDERATIONS — Issuance of Senior Obligations.”

Application of Revenues. In order to carry out and effectuate the obligations of the District contained in the 2021 Certificates, the 2015 Bonds, the 2012 Installment Purchase Agreement, and with respect to any other Parity Obligations, the District has agreed and covenanted under the Master Contract that all Revenues received by it shall be deposited when and as received in the Revenue Fund. Additionally, amounts may, from time to time as the District deems necessary or appropriate, be transferred from the Rate Stabilization Account (if any) and deposited in the Revenue Fund. The Third Supplemental Installment Purchase Contract includes amendments to the Master Contract impacting the Rate Stabilization Account. See “PROPOSED AMENDMENTS TO THE MASTER CONTRACT” and “APPENDIX C DEFINITIONS AND SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS — Third Supplemental Installment Purchase Contract.”

The District may withdraw or transfer from the Revenue Fund and pay or deposit such amounts for the following purposes in the following order, the amounts set forth below:

First, the District will pay all Maintenance and Operation Costs (including amounts reasonably required to be set aside in contingency reserves for Maintenance and Operation Costs the payment of which is not then immediately required) from the Revenue Fund as they become due; and

Second, on or before the fifth Business Day immediately preceding each Interest Payment Date and Principal Payment Date, the District shall, from the remaining money then on deposit in the Revenue Fund, deposit in the “Vallecitos Water District Parity Obligation Payment Fund,” which fund the District has agreed pursuant to the Master Contract to hold and maintain so long as any Parity Payments shall be Outstanding, the following amounts in the following order of priority: (1) a sum equal to (A) the interest and principal payments becoming due and payable under all Parity Obligations, plus (B) the net payments becoming due and payable on Parity Payment Agreements (except any Termination Payments), plus (C) any other amounts due with respect to Parity Obligations (including any letter of credit and remarketing fees), in each case, during the next succeeding month; plus (2) all amounts due to make up any deficiency in the Reserve Funds for Parity Obligations including any Reserve Fund established with respect to a Series of Bonds in accordance with the provisions of the applicable Supplemental Indenture or other Issuing Document, including all Reserve Fund Credit Facility Costs.

From time to time, moneys on deposit in the Parity Obligation Payment Fund shall be transferred by the District to the Trustee or other third party payee thereof in accordance with the terms of the Parity Obligations to make and satisfy the Parity Payments due on the next applicable Payment Dates on such Parity Obligations. In the event that any Parity Obligation has been paid from amounts made available pursuant to a Credit Support Instrument, moneys on deposit in the Parity Obligation Payment Fund, and any such amounts transferred by the District from the Parity Obligation Payment Fund to the Trustee or other third party payee for such Parity Obligation pursuant to the Maser Contract, shall be paid to the applicable Credit Provider as a Credit Support Reimbursement Obligation for the amounts so paid.

Third, after the payments described in the prior three paragraphs have been made, any amounts thereafter remaining in the Revenue Fund shall be used for the payment of the interest and principal payments becoming due and payable under all Subordinate Obligations and the net payments becoming due and payable on all Subordinate Payment Agreements (except any Termination Payments) and any other amounts becoming due and payable with respect to Subordinate Obligations (including any letter of credit and remarketing fees and any other amounts becoming due and payable to make up any deficiency in the Reserve Funds for Subordinate Obligations, including all Reserve Fund Credit Facility Costs, or any Credit Support Reimbursement Obligations with respect to Subordinate Obligations) and any Termination Payments on Parity Payment Agreements; so long as the following conditions are met: (1) all Maintenance and Operations Costs are being and have been paid and are then current; and (2) all deposits and payments contemplated by the prior three paragraphs have been made in full and no deficiency in any Reserve Fund for Parity Obligations shall exist and no Reserve Fund Credit Facility Costs or Credit Support Reimbursement Obligations with respect to Parity Obligations shall be due and payable, and there shall have been paid, or segregated within the Revenue Fund, the amounts currently payable pursuant to the prior two paragraphs.

Fourth, after deposits contemplated by the prior four paragraphs have been made, any amounts thereafter remaining in the Revenue Fund may be used for any lawful purpose, including, but not limited to (i) the payment of any Termination Payments on Subordinate Payment Agreements or (ii) transfer to the Rate Stabilization Account.

Fifth, to the payment of the Subordinate Payments (except any Termination Payments) then due and payable and any other amounts becoming due and payable with respect to Subordinate Obligations (including any letter of credit and remarketing fees) and any Termination Payments on all Parity Payment agreements.

Sixth, to the payment of all other amounts due and payable by the District, including but not limited to the payment of any Termination Payments on all Subordinate Payment Agreements.

As described below, the Third Supplemental Installment Purchase Contract includes amendments to the Master Contract impacting the application of Revenues following the payment of debt service with respect to Parity Obligations. See “PROPOSED AMENDMENTS TO THE MASTER CONTRACT” and “APPENDIX C DEFINITIONS AND SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS — Third Supplemental Installment Purchase Contract.”

Amendments Under the Third Supplemental Installment Purchase Contract. Following the date that the written consents of the owners of a majority in aggregate principal amount of the Parity Obligations then outstanding and the written consents of the owners of a majority in aggregate principal amount of the Subordinate Obligations then outstanding to the amendments to certain provisions of the Master Contract provided in the Third Supplemental Installment Purchase Contract have been filed with the Trustee (the “Amendments Effective Date”), the application of Revenues following the payment of debt service with respect to Parity Obligations will be amended as reflected below.

Following the Amendments Effective Date, the sixth application of Revenues described above, will be replaced with the following:

“Sixth, to the payment of all other amounts due and payable by the District, including, but not limited to the payment of any Termination Payments on all Subordinate Payment Agreements and amounts payable to the Encina Wastewater Authority other than Maintenance and Operation Costs.”

Following the Amendments Effective Date, the definition of “Encina Wastewater Authority” will be added and such term will mean “the Encina Wastewater Authority, a joint exercise of powers agency that is duly organized and existing under and by virtue of the laws of the State of California, and any successors or assigns of the Encina Wastewater Authority or any entity providing services similar to those provided by the Encina Wastewater Authority.”

Rate Covenant. Under the Master Contract, the District has covenanted to fix, prescribe and collect rates, fees and charges for the Service of the Enterprise during each Fiscal Year which are reasonably fair and non-discriminatory and which are estimated to yield Adjusted Annual Net Revenues and Net Revenues, for such Fiscal Year in an amount not less than the Coverage Requirement for such Fiscal Year. The District may make adjustments from time to time in such fees and charges and may make such classification thereof as it deems necessary, but has covenanted under the Master Contract not to reduce rates, fees and charges then in effect, unless the Adjusted Annual Net Revenues from such reduced rates, fees and charges are estimated to be sufficient to meet the requirements of the Coverage Requirement. As discussed below, the Third Supplemental Installment Contract includes amendments to the Master Contract impacting the District’s rate covenant. See “PROPOSED AMENDMENTS TO THE MASTER CONTRACT” and “APPENDIX C — DEFINITIONS AND SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS — Third Supplemental Installment Purchase Contract.”

“Adjusted Annual Net Revenues” means, for any Fiscal Year or twelve (12) calendar month period, the Adjusted Annual Revenues during such Fiscal Year or twelve (12) calendar month period minus the Maintenance and Operation Costs during such Fiscal Year or twelve (12) calendar month period; and “Adjusted Annual Revenues” means, for any Fiscal Year or twelve (12) calendar month period, the Revenues during such Fiscal Year or twelve (12) calendar month period plus the withdrawals from the Rate Stabilization Account in such Fiscal Year or twelve (12) calendar month period minus the deposits into the Rate Stabilization Account in such Fiscal Year or twelve (12) calendar month period, as set forth in a Certificate of the District.

“Coverage Requirement” means, for any Fiscal Year or twelve (12) calendar month period, (i) an amount of Adjusted Annual Net Revenues which equals at least one hundred fifteen percent (115%) of the Adjusted Annual Debt Service for such Fiscal Year or twelve (12) calendar month period, and (ii) an amount of Net Revenues which equals one hundred per cent (100%) of all Payments and all other amounts which are

payable from Net Revenues payable in such Fiscal Year or twelve (12) calendar month period; provided, that, for purposes of determining compliance with the Coverage Requirement, it shall be assumed that all Obligations accrue interest at the applicable Assumed Interest Rate. See Appendix C — “DEFINITIONS AND SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS” and see “INVESTMENT CONSIDERATIONS — Issuance of Senior Obligations” for a discussion of the legal ability of the District to designate certain obligations as Maintenance and Operation Costs, and how such designation may reduce the level of coverage otherwise required.

Amendments Under the Third Supplemental Installment Purchase Contract. Following the Amendments Effective Date, the rate covenant and certain definitions affecting the computation of Adjusted Annual Debt Service will be amended as reflected below.

Following the Amendments Effective Date, the rate covenant in the Master Contract described above will be replaced in its entirety with the following provision.

“To the fullest extent permitted by law, the District will fix and prescribe rates, fees and charges for the Service at the commencement of each Fiscal Year which, together with other Revenues, are reasonably expected to yield Adjusted Annual Net Revenues and Net Revenues, as applicable, for such Fiscal Year in an amount not less than the Coverage Requirement for such Fiscal Year. The District may make adjustments from time to time in such fees and charges and may make such classification thereof as it deems necessary, but will not reduce the rates, fees and charges then in effect unless the Adjusted Annual Net Revenues from such reduced rates, fees and charges are reasonably expected to be sufficient to meet the requirements of the Master Contract.

So long as the District has complied with its obligations set forth above, the failure of Net Revenues or Adjusted Annual Net Revenues to meet the Coverage Requirement will not constitute a default or an event of default under the Master Contract.”

Following the Amendments Effective Date, the definition of “Excluded Principal” will be added and such term will mean “each payment of principal of any Parity Obligation or any Subordinate Obligation for which there is on file with the Trustee (i) a certificate of an independent municipal advisor to the effect that such Parity Obligation or such Subordinate Obligation is commercial paper or otherwise of a short term or revolving nature and has a maturity of less than 60 months and (ii) a certificate of an Authorized Officer to the effect that the District intends to pay such principal from the proceeds of Parity Obligations, Subordinate Obligations or other bonds, notes or other obligations of the District. No such determination shall affect the security for such Parity Obligations or such Subordinate Obligations or the obligation of the District to pay such Parity Obligations or Subordinate Obligations from Net Revenues.”

Following the Amendments Effective Date, the definition of “Annual Debt Service” will be amended to mean “for any Fiscal Year or twelve (12) calendar month period, the Parity Payments required to be made under all Parity Obligations in such Fiscal Year or twelve (12) calendar month period, less any Excluded Principal.”

The imposition of fees and charges by the District relating to the Enterprise may be subject to the provisions of Article XIIC and XIID of the California Constitution. See “CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES — Proposition 218” and “— Effect of Proposition 218 and of Possible General Limitations on Enforcement Remedies.”

Additional Parity Obligations. Under the terms of the Master Contract the District may at any time incur Parity Obligations payable as provided in the Master Contract; provided:

There shall be on file with the District either:

(1) A Certificate of the District demonstrating that, during the last audited Fiscal Year or any consecutive twelve (12) calendar month period during the immediately preceding eighteen (18) calendar month period, the Adjusted Annual Net Revenues were at least equal to 115% of Maximum Annual Debt Service on all Outstanding Parity Obligations plus the Parity Obligations proposed to be issued or executed; provided, that for the purpose of providing such Certificate, the District may adjust the foregoing Adjusted Annual Net Revenues to reflect:

(a) An allowance for Net Revenues that would have resulted from any increase or decrease in the rates, fees and charges fixed and prescribed for Service which, during any part of such Fiscal Year or twelve (12) calendar month period, was not in effect, in an amount equal to the estimated change in Net Revenues that would have resulted from such increase or decrease in rates, fees and charges if it had been in effect for the entire Fiscal Year or twelve (12) calendar month period; and

(b) An allowance for Net Revenues that would have been derived from each new use or user of the Enterprise that, during any part of such Fiscal Year or twelve (12) calendar month period, was not in existence, in an amount equal to the estimated additional Net Revenues that would have been derived from each such new use or user if it had been in existence for the entire Fiscal Year or twelve (12) calendar month period, or

(2) An Engineer's Report that the estimated Adjusted Annual Net Revenues for each of the five (5) Fiscal Years next following the earlier of (i) the end of the period during which interest on the Parity Obligations proposed to be executed is to be capitalized or, if no interest is capitalized, the Fiscal Year in which the Parity Obligations proposed to be executed is executed, or (ii) the date on which substantially all Projects financed with the Parity Obligations proposed to be executed are expected to commence operations, will be at least equal to 115% of the Maximum Annual Debt Service for such period; provided, that for the purpose of providing this Engineer's Report, the Independent Engineer may adjust the foregoing estimated Adjusted Annual Net Revenues to reflect:

(a) An allowance for Net Revenues that are estimated to result from any increase or decrease in the rates, fees and charges for Service in effect and being charged or from any increase or decrease in the rates, fees and charges for Service that are expected to be charged; and

(b) An allowance for Net Revenues that are estimated to be derived from additional uses or users of the Enterprise anticipated to be served by the additions, betterments or improvements to the Enterprise to be financed by the Parity Obligations proposed to be executed together with any additional Supplemental Contracts expected to be executed and entered into during such five (5)-year period.

See "INVESTMENT CONSIDERATIONS — Issuance of Senior Obligations" for a discussion of the ability of the District to incur obligations payable prior to the 2021 Certificates.

Without regard to foregoing, the District may, at any time and from time to time, enter into Credit Support Agreements or otherwise become obligated for Credit Provider Reimbursement Obligations with respect to Parity Obligations.

Notwithstanding the foregoing provisions, there will be no limitations on the ability of the District to execute any Parity Obligations at any time to refund any outstanding Parity Obligations so long as the Annual Debt Service payable by the District for each Fiscal Year with respect to such refunding Parity Obligations is less than or equal to 105% of the Annual Debt Service for each corresponding Fiscal Year for such Parity Obligations being refunded.

As described below, the Third Supplemental Installment Purchase Contract includes amendments to the Master Contract impacting the issuance or execution of Parity Obligations. See “PROPOSED AMENDMENTS TO THE MASTER CONTRACT” and “APPENDIX C DEFINITIONS AND SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS — Third Supplemental Installment Purchase Contract.”

Amendments Under the Third Supplemental Installment Purchase Contract. Following the Amendments Effective Date, amendments to the conditions for the issuance and execution of Parity Obligations in the Master Contract and definitions affecting the calculation of Annual Debt provided in the Third Supplemental Installment Purchase Contract will become effective.

Following the Amendments Effective Date, the conditions to issue Parity Obligations described above will be replaced in their entirety with the following.

“The District may at any time issue or execute any Parity Obligations payable as provided herein; provided there shall be on file with the District either:

(A) A certificate of the District demonstrating that, during the last audited Fiscal Year or any consecutive twelve (12) calendar month period during the immediately preceding eighteen (18) calendar month period, the Adjusted Annual Net Revenues were at least equal to 115% of Adjusted Annual Debt Service paid on all Outstanding Parity Obligations during such Fiscal Year or twelve calendar month period, plus the Adjusted Annual Debt Service on the Parity Obligations proposed to be issued or executed during the first twelve (months) after the date of issuance or incurrence thereof; provided, that for the purpose of providing such Certificate, the District may adjust the foregoing Adjusted Annual Net Revenues to reflect:

(1) An allowance for Net Revenues that would have resulted from any increase or decrease in the rates, fees and charges fixed and prescribed for Service which, during any part of such Fiscal Year or twelve (12) calendar month period, was not in effect, in an amount equal to the estimated change in Net Revenues that would have resulted from such increase or decrease in rates, fees and charges if it had been in effect for the entire Fiscal Year or twelve (12) calendar month period, and

(2) An allowance for Net Revenues that would have been derived from each new use or user of the Enterprise that, during any part of such Fiscal Year or twelve (12) calendar month period, was not in existence, in an amount equal to the estimated additional Net Revenues that would have been derived from each such new use or user or if it had been in existence for the entire Fiscal Year or twelve (12) calendar month period.

(B) Without regard to paragraph (A) above, the District may, at any time and from time to time, enter into Credit Support Agreements or otherwise become obligated for Credit Provider Reimbursement Obligations with respect to Parity Obligations.

(C) Notwithstanding the foregoing provisions, there shall be no limitations on the ability of the District to issue or execute any Parity Obligations at any time to refund any outstanding Parity Obligations so long as the Annual Debt Service payable by the District for each Fiscal Year with respect to such refunding Parity Obligations is less than or equal to 105% of the Annual Debt Service for each corresponding Fiscal Year for such Parity Obligations being refunded.”

In addition, following the Amendments Effective Date, the term “Excluded Principal” will be added to the Master Contract and the definition of “Annual Debt Service” will be amended. See “—Rate Covenant” above.

Reserve Fund. No Reserve Fund has been created under the Master Contract, the Third Supplemental Installment Purchase Contract or the Trust Agreement for the benefit of the 2021 Certificates.

Rate Stabilization Account. The Master Contract permits the District to establish and maintain an account designated the “Vallecitos Water District Rate Stabilization Account.” The District has not currently established a Rate Stabilization Account as contemplated under the Master Contract. The District may, at any time, as determined by the District, deposit in the Rate Stabilization Account any Revenues (subject to provisions described under the caption “—*Application of Revenues*”) and any other money received and available to be used therefor, and the District may at any time withdraw any or all of the money from the Rate Stabilization Account for inclusion in Adjusted Annual Revenues; provided, that any such withdrawal may be made up to and including the date one hundred and eighty (180) days after the end of the Fiscal Year for which the withdrawal will be included as Adjusted Annual Revenues.

The Third Supplemental Installment Purchase Contract includes amendments to the Master Contract impacting the Rate Stabilization Account. See “PROPOSED AMENDMENTS TO THE MASTER CONTRACT” and “APPENDIX C DEFINITIONS AND SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS — Third Supplemental Installment Purchase Contract.”

PROPOSED AMENDMENTS TO THE MASTER CONTRACT

The Third Supplemental Installment Purchase Contract amends and supplements certain provisions of the Master Contract that will become effective when the written consents of the owners of a majority in aggregate principal amount of the Parity Obligations then outstanding and the written consents of the owners of a majority in aggregate principal amount of the Subordinate Obligations then outstanding have been filed with the Trustee. **By their purchase of the 2021 Certificates, the purchasers of the 2021 Certificates irrevocably agree to, accept and consent to the provisions of such amendments.**

The proposed amendments in the Third Supplemental Installment Purchase Contract include amendments to the definitions of “Annual Debt Service,” “Encina Wastewater Authority” and “Excluded Principal,” as well as amendments to the requirements for the issuance or execution of Parity Obligations, the District’s rate covenant, the application of Revenues after the payment of debt service with respect to Parity Obligations, the Rate Stabilization Account and the date by which audited financial statements are to be filed with the Corporation and the Trustee. For a description of the proposed amendments set forth in the Third Supplemental Installment Purchase Contract, see the captions “SECURITY FOR THE 2021 CERTIFICATES— The Master Contract—*Application of Revenues*,” “—*Rate Covenant*” and “—*Additional Parity Obligations*” herein and “APPENDIX C DEFINITIONS AND SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS — Third Supplemental Installment Purchase Contract.”

THE DISTRICT

Appendix A hereto presents information relating to the District and the Enterprise. Capitalized terms used in Appendix A and not defined have the meanings set forth in this Official Statement.

THE CORPORATION

The Vallecitos Water District Financing Corporation a nonprofit public benefit corporation duly organized and existing under and by virtue of the laws of the State of California, formed in 1998 under the California Nonprofit Public Benefit Corporation Law. The specific and primary purpose of the corporation is to provide assistance to the District by acquiring and constructing various public facilities, including but not limited to the acquisition of land and related facilities for the use, benefit and enjoyment of the public.

In order to carry out its specific purpose, the Corporation has all powers conferred upon nonprofit public benefit corporations of the State of California. Under its articles of incorporation, the Corporation may never engage in any activity other than those activities incidental to and for the purpose of carrying out the primary purpose for which it was formed.

Under the bylaws of the Corporation, the Directors of the Corporation are the members of the Board of Directors of the District. The General Manager of the District currently serves as the Executive Officer of the Corporation, the Finance Manager of the District currently serves as the Treasurer and the Secretary of the Board of Directors of the District currently serves as the Secretary of the Corporation.

INVESTMENT CONSIDERATIONS

The following information, in addition to the other matters that are described in this Official Statement, should be considered by prospective investors in evaluating the 2021 Certificates. However, the following does not purport to be comprehensive, definitive or an exhaustive listing of risks and other considerations that may be relevant to making an investment decision with respect to the 2021 Certificates. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such risks. If any risk factor materializes to a sufficient degree, it alone could delay or preclude payment of principal of or interest with respect to the 2021 Certificates.

Accuracy of Assumptions

To estimate the Net Revenues which will be available to pay the 2021 Installment Payments, the District has made certain assumptions with regard to various matters, including but not limited to increases in the number of water and wastewater connections, increases in water sales revenues and wastewater service charges, and the expenses associated with operating the Enterprise. The District believes these assumptions to be reasonable, but to the extent that any of such assumptions fail to materialize, the Net Revenues available to pay the 2021 Installment Payments will, in all likelihood, be less than those projected herein. See the caption “—Projected Enterprise Operating Results” in Appendix A. See the caption “SECURITY FOR THE 2021 CERTIFICATES —Rate Covenant.”

1% Ad Valorem Property Tax

A portion of the Net Revenues securing the payment of the 2021 Installment Payments consists of amounts allocated by the County of San Diego (the “County”) from the 1% *ad valorem* property tax to the District. There can be no assurance that the actual amount of 1% *ad valorem* property tax allocated to the District will occur as described in this Official Statement. Factors, including, but not limited to, an economic downturn, natural disasters and an increase in foreclosures on real property in the boundaries of the District, among others, may have an adverse impact on the assessed value of taxable property within the boundaries of the District, and, consequently, on the amount of 1% *ad valorem* property taxes allocated to the District. The treasurer-tax collector of the County adopted a policy pursuant to which the treasurer-tax collector of the County was permitted to consider waiving fees and penalties levied on a taxpayer who failed to make the property tax installment due on April 10, 2020 by such date due to reasons related to the COVID-19 pandemic. There can be no assurance that the treasurer-tax collector of the County will not implement a similar policy in the future and that such policy will not have a material adverse effect on the collection of the 1% *ad valorem* property tax.

Rate Covenant Not a Guarantee

The 2021 Installment Payments are payable from Net Revenues of the Enterprise. See “SECURITY FOR THE 2021 CERTIFICATES.” The District’s ability to make the 2021 Installment Payments depends on its ability to generate Net Revenues at the levels required by the Master Contract. Although the District has covenanted in the Master Contract, to the fullest extent permitted by law, to fix and prescribe rates, fees and charges as more particularly described under the caption “—Rate Covenant” under “SECURITY FOR THE 2021 CERTIFICATES,” and expects that sufficient Net Revenues will be generated through the imposition and collection of such rates and charges, there is no assurance that the imposition and collection of such rates and charges will result in the generation of Net Revenues in the amounts required by the Master Contract. No assurance can be made that revenues of the Enterprise, estimated or otherwise, will be realized by the District

in amounts sufficient to make the 2021 Installment Payments. Among other matters, the availability of and demand for water, and changes in law and government regulations could adversely affect the amount of revenues realized by the District. **The Third Supplemental Installment Contract includes amendments to the Master Contract impacting the District’s rate covenant. See the captions “SECURITY FOR THE 2021 CERTIFICATES— The Master Contract—Rate Covenant” and “PROPOSED AMENDMENTS TO THE MASTER CONTRACT” herein and “APPENDIX C — DEFINITIONS AND SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS — Third Supplemental Installment Purchase Contract.”**

Enterprise Expenses

There can be no assurance that Maintenance and Operation Costs will be consistent with the levels projected by the District in this Official Statement. Changes in technology, increases in the cost of water, higher than projected costs charged by the San Diego County Water Authority (“SDCWA”), the Olivenhain Municipal Water District or the Encina Wastewater Authority or other expenses could reduce Net Revenues, and could require substantial increases in rates or charges in order to comply with the rate covenant. The Third Supplemental Installment Contract includes amendments to the Master Contract impacting the District’s rate covenant.

The District’s current Capital Facilities Master Plan (the “Master Plan”) was updated in 2019. The District believes that the capital projects contemplated in the Fiscal Year 2022 Budget will satisfy planned future demand within the District boundaries, absent a significant change to projected demand in the new Master Plan. See “APPENDIX A — INFORMATION RELATING TO THE VALLECITOS WATER DISTRICT— Combined Water and Wastewater Systems — *Future Enterprise Improvements.*”

Limitations on Remedies Available; Bankruptcy

The enforceability of the rights and remedies of the Owners and the obligations of the District may become subject to the following: the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors’ rights generally, now or hereafter in effect; equitable principles which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the Federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State and its governmental bodies in the interest of servicing a significant and legitimate public purpose. Bankruptcy proceedings, or the exercising of powers by the federal or State government, if initiated, could subject the Owners to judicial discretion and interpretation of their rights in bankruptcy or otherwise and consequently may entail risks of delay, limitation, or modification of their rights.

The opinion to be delivered by Special Counsel concurrently with the execution and delivery of the 2021 Certificates will be subject to such limitations and the various other legal opinions to be delivered concurrently with the execution and delivery of the 2021 Certificates will be similarly qualified. See Appendix D. In the event that the District fails to comply with its covenants under the Master Contract or fails to pay the Series 2021A Installment Payments there can be no assurance of the availability of remedies adequate to protect the interest of the holders of the 2021 Certificates. Furthermore, the remedies available to the owners of the 2021 Certificates upon the occurrence of an event of default under the Master Contract are in many respects dependent upon judicial actions which are often subject to discretion and delay and could prove both expensive and time consuming to obtain.

Shortage of Imported Water

The ability of the District to service its water customers is dependent upon its receipt of imported water from The Metropolitan Water District of Southern California (“MWD”) and SDCWA. See Appendix A “INFORMATION RELATING TO THE VALLECITOS WATER DISTRICT” for a summary description of

the various challenges MWD and SDCWA face in continuing to supply imported water to its respective member agencies.

Limitations on the Application of Revenues

Pursuant to Proposition 218, the District may not be permitted to apply rates and charges derived from the provision of Service of the Water System to Obligations attributable to the Wastewater System. Similarly, the District may not be permitted to apply rates and charges derived from the provision of Service of the Wastewater System to Obligations attributable to the Water System. In the event that Revenues of the Water System or Wastewater System, as applicable, are insufficient to pay the Obligations attributable to the Water System or Wastewater System, as applicable, then the Revenues representing rates and charges of the other system may not be available to make up the insufficiency. See the caption “CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES — Proposition 218” herein. The Third Supplemental Installment Purchase Contract includes amendments to the Master Contract impacting the application of Revenues following the payment of debt service with respect to Parity Obligations. See the captions “SECURITY FOR THE 2021 CERTIFICATES— The Master Contract—*Application of Revenues*,” “PROPOSED AMENDMENTS TO THE MASTER CONTRACT” and “APPENDIX C DEFINITIONS AND SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS — Third Supplemental Installment Purchase Contract.”

Natural Disasters and Seismic Considerations

General. The District, like all southern California communities, is subject to unpredictable seismic activity, fires, floods, high winds, landslides or other natural disasters. A severe natural disaster, such as an earthquake, fire, flood, high wind event or landslide, could result in substantial damage to the District, including the Enterprise.

Although the District maintains insurance, including flood insurance for certain of its facilities, for damage to the Water System and Wastewater System, as described in Appendix A—“INFORMATION RELATING TO THE VALLECITOS WATER DISTRICT—Insurance,” there can be no assurance that specific losses will be covered by insurance or, if covered, that claims will be paid in full by the applicable insurers. Furthermore, significant portions of the Water System and Wastewater System, including underground pipelines and manhole covers, are not covered by property casualty insurance. Damage to such portions of the Water System and Wastewater System as a result of natural disasters could result in uninsured losses to the District.

Seismic Activity. The District is located in a seismically active region. There is potential for destructive ground shaking during the occurrence of a major seismic event. In addition, land along fault lines may be subject to liquefaction during the occurrence of such an event. In the event of a severe earthquake, there may be significant damage to both property and infrastructure within the District, including the Water System and Wastewater System. The District has an emergency response plan that would be implemented under such circumstances.

Newer Water System facilities are designed to withstand earthquakes with minimal damage, as earthquake loads are taken into consideration in the design of project structures. In addition, certain older water tanks have been retrofitted to withstand earthquakes with minimal damage. The District has also undertaken a vulnerability assessment of critical Water System facilities. The vulnerability assessment ranks District infrastructure by importance, builds redundancy into existing operations and includes contingency plans in the event of damage to District assets. The impact of lesser magnitude events is expected by the District to be temporary, localized and repairable. Neither of the Water System or Wastewater System have sustained major damage to its facilities or experienced extended incidences of service interruptions as a result of seismic disturbances.

The District maintains limited earthquake insurance in the amount of \$500 million aggregate limit on certain Water System facilities. See Appendix A—“ INFORMATION RELATING TO THE VALLECITOS WATER DISTRICT —Insurance.”

Flooding. Portions of the District are mapped within the 100-year flood plain and have the potential to flood if rain events exceed the floodplain capacity. The District maintains insurance covering damage to the Enterprise caused by flooding for certain of its facilities. See Appendix A—“ INFORMATION RELATING TO THE VALLECITOS WATER DISTRICT —Insurance” and the subcaption “—Climate Change.”

Fire. Wildfires have occurred in recent years in different regions of the State. Certain of the District’s facilities are located in areas considered by the Department of Forestry and Fire Protection of the State of California to have an elevated risk of wildfires. To mitigate the risk of wildfire and the related property damage, the District has certain preventative measures in place that include most District tanks having asphalt or concrete around the base to provide a fire barrier, as well as performing annual weed abatement at all District facilities. The District has an emergency response plan that would be implemented in the event of wildfire.

There can be no assurance that fires will not occur within the boundaries of the District in the future, leading to decreased usage of the District’s Water System and Wastewater System resulting in a decline in Net Revenues. The District carries property insurance for fire damage.

Drought. On April 1, 2015, for the first time in California’s history, the State Governor directed the SWRCB to implement mandatory water reductions in cities and towns across California to reduce total water usage in the State by 25%. Such restrictions applied to the District, as described in Appendix A—“ INFORMATION RELATING TO THE VALLECITOS WATER DISTRICT —Recent California Drought and Response.” Although most of such mandatory water reductions have since been lifted, the State has since enacted permanent restrictions on water usage.

Beginning in April 2021, Governor Newsom signed a series of proclamations, determining that 50 counties in the State are in a state of emergency due to drought conditions affecting such areas. As of the date of this Official Statement, the County of San Diego is not one of the counties proclaimed to be in a state of emergency due to drought conditions. On July 8, 2021, Governor Newsom signed Executive Order N-10-21, which asks citizens of the State to voluntarily reduce their water use by 15% compared to 2020 levels. Notwithstanding that the County of San Diego is not covered by any such state of emergency proclamation, water users in the County of San Diego (including the District) are subject to Executive Order N-10-21.

There can be no assurance that prolonged drought conditions will not impact the District’s service area, leading to decreased usage of the District’s Enterprise resulting in a decline in Net Revenues, or that the State’s permanent water usage restrictions or the voluntary reductions encouraged by Executive Order N-10-21 will not lead to decreased usage of the District’s Enterprise resulting in a decline in Net Revenues.

Climate Change. Climate change, including change caused by human activities, may have adverse effects on the District’s Enterprise. Climate change can also result in more variable weather patterns throughout the State, which can lead to longer and more severe droughts as well as increased risk of flooding and a rise in sea levels. The District considers the potential effects of climate change in its planning.

Projections of the impacts of global climate change on the District are complex and depend on many factors that are outside the District’s control. The various scientific studies that forecast the amount and timing of adverse impacts of climate change are based on assumptions contained in such studies, but actual events may vary materially. Also, the scientific understanding of climate change and its effects continues to evolve. Accordingly, while the District has considered climate change in maintaining and expanding its District’s Water System and Wastewater System, the District is unable to forecast with certainty when adverse impacts of climate change will occur or the extent of such impacts. While the impacts of climate change may be

mitigated by the District's past and future investment in adaptation strategies, the District can give no assurance about the net effects of those strategies and whether the District will be required to take additional adaptive mitigation measures.

No Obligation to Tax

The obligation of the District make the 2021 Installment Payments is a special obligation of the District and does not constitute an obligation of the District for which the District is obligated to levy or pledge any form of taxation or for which the District has levied or pledged any form of taxation. The obligation of the District to make the 2021 Installment Payments, does not constitute a debt or indebtedness of any agency, the State or any of its political subdivisions, in contravention of any constitutional or statutory debt limitation or restriction.

COVID-19 Pandemic

The spread of the novel strain of coronavirus and the disease it causes (now known as "COVID-19") is having significant negative impacts throughout the world, including in the City and the County. The World Health Organization has declared the COVID-19 outbreak to be a pandemic, and states of emergency have been declared by the United States, the State, and numerous counties throughout the State, including in the County. The purpose behind these declarations are to coordinate and formalize emergency actions and across federal, state and local governmental agencies, and to proactively prepare for a wider spread of the virus.

On March 19, 2020, in an effort to slow the spread of COVID-19, Governor Newsom issued Executive Order N-33-20 ordering individuals living in the State to stay home or at their place of residence except for specified exceptions. The District workforce is considered essential under the Food and Agriculture sector profile included in the Essential Critical Infrastructure Workers under the Governor's Executive Order N-33-20. This classification permitted the District workforce to be excepted from the portion of Executive Order N-33-20 that ordered non-essential workers to remain in their place of residence. The District continues to operate in accordance with the health guidelines established by the County, the State of California, and the federal government. The District has continued its operations without interruption.

With widespread vaccination currently underway in the United States and many countries worldwide, some of the governmental-imposed stay-at-home orders and restrictions on operations of schools and businesses implemented to respond to and control the outbreak have been eased. However, restrictions may be re-imposed in various jurisdictions from time to time as local conditions warrant, and it is not known with any level of certainty when a full re-opening of the economy will be achieved. On June 11, 2021, Governor Newsom issued two executive orders, which became effective on June 15, 2021, which had the effect of rescinding a majority of the COVID-19-related restrictions and providing a timeline for gradually lifting certain of the other restrictions that were not fully rescinded on June 15, 2021. No assurance can be given that governmental authorities will not reinstate the prior restrictions in the event that the COVID-19 outbreak worsens. The ultimate impact of COVID-19 on the operations and finances of the District is unknown and there can be no assurance that the outbreak of COVID-19 will not affect the District's ability to pay the 2021 Installment Payments.

Statutory and Regulatory Compliance

Laws and regulations governing the treatment and delivery of water are enacted and promulgated by federal, State and local government agencies. Compliance with these laws and regulations is and will continue to be costly, and, as more stringent standards are developed, such costs will likely increase.

The District is unaware of any claim against the District for failure to comply with applicable laws and regulations, other than the lawsuits described under the caption "LITIGATION". However, if such a claim were to be filed and be successful, such claim may be payable from assets of the District or from other legally

available sources. In addition to claims by private parties, changes in the scope and standards for public agency water and wastewater systems such as that operated by the District may also lead to administrative orders issued by federal or State regulators. Future compliance with such orders can also impose substantial additional costs on the District. No assurance can be given that the cost of compliance with such laws, regulations and orders would not adversely affect the ability of the District to generate Net Revenues sufficient to make the 2021 Installment Payments.

Parity Obligations

The Master Contract permits the District to issue execute and issue Parity Obligations payable from Net Revenues on a parity with the 2021 Installment Payments, which secure the 2021 Certificates, subject to the terms and conditions set forth therein. The execution or issuance of additional Parity Obligations could result in reduced Net Revenues available to pay the 2021 Installment Payments.

The Third Supplemental Installment Purchase Contract includes amendments to the Master Contract impacting the issuance or execution of Parity Obligations. See the captions “SECURITY FOR THE 2021 CERTIFICATES—The Master Contract—*Additional Parity Obligations*” and “PROPOSED AMENDMENTS TO THE MASTER CONTRACT” herein and “APPENDIX C DEFINITIONS AND SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS — Third Supplemental Installment Purchase Contract.”

Loss of Tax Exemption

Interest with respect to the 2021 Certificates could become includable in gross income for purposes of federal income taxation retroactive to the date that the 2021 Certificates were executed and delivered as a result of future acts or omissions of the District in violation of its covenants in the Master Contract and Trust Agreement. In addition, current and future legislative proposals, if enacted into law, may cause interest with respect to the 2021 Certificates to be subject, directly or indirectly, to federal income taxation by, for example, changing the current exclusion or deduction rules to limit the aggregate amount of interest on state and local government bonds that may be treated as tax exempt by individuals. See the caption “TAX MATTERS.” Should such an event of taxability occur, the 2021 Certificates are not subject to a special prepayment and will remain outstanding until maturity.

Secondary Market

There can be no guarantee that there will be a secondary market for the 2021 Certificates or, if a secondary market exists, that the 2021 Certificates can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then prevailing circumstances. Such prices could be substantially different from the original purchase price.

Cybersecurity

The District and its vendors employ a multi-level cyber protection scheme that includes: end-user training and education, firewalls, anti-virus software, anti-spam/malware software, intrusion protection, domain name system filtering services and weekly external vulnerability assessments. The District regularly analyzes the network construct for potential weaknesses in cybersecurity and thereafter, promptly implements solutions for identified shortfalls. In addition, the District contracts with third-party vendors to monitor and augment internal monitoring of the District’s computer systems. To date, the District has not experienced an external attack on its network systems resulting in a data breach. District staff is regularly trained in cybersecurity awareness to spot potential scams or phishing schemes. However, there can be no assurance that a future attack or attempted attack would not result in disruption of District operations. The District expects that any such disruptions would be temporary in nature.

The District maintains liability insurance covering certain cyber losses. See Appendix A “INFORMATION RELATING TO THE VALLECITOS WATER DISTRICT — Insurance — *Cyber Liability*” for more information.

Issuance of Senior Obligations

As discussed above under the caption “SECURITY FOR THE 2021 CERTIFICATES—The Master Contract—*Revenues*,” the District has reserved to itself the right to determine that its obligations under Contract Resource Obligations will be treated as “Maintenance and Operation Costs,” provided that certain conditions are satisfied. Maintenance and Operation Costs are payable from Revenues prior to the payments due with respect to the 2021 Installment Payments and Parity Obligations. Thus, this provision permits the District (subject to the satisfaction of the aforesaid conditions) to enter into installment purchase agreements and similar arrangements with respect to existing and/or future facilities that will be payable prior to the 2021 Certificates. Moreover, by electing to treat its obligations under a Contract Resource Obligation as Maintenance and Operation Costs, the District will be obligated under its rate covenant only to provide coverage equal to 100% the amount so designated, rather than 115% thereof, as it would have to do if the Contract Resource Obligation were treated as a Parity Obligation. Thus, the protection that would have otherwise been provided to the Owners of the 2021 Certificates from the required extra coverage will not be available. See “SECURITY FOR THE 2021 CERTIFICATES—The Master Contract—*Revenues*” for a discussion of the conditions which must be satisfied in connection with the District’s determination that obligations payable under a Contract Resource Obligation will be treated as Maintenance and Operation Costs and see “SECURITY FOR THE 2021 CERTIFICATES—Rate Covenant” for a description of the District’s covenant to fix, prescribe and collect rates, fees and charges for the Enterprise. See “PROPOSED AMENDMENTS TO THE MASTER CONTRACT” and “APPENDIX C — DEFINITIONS AND SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS — Third Supplemental Installment Purchase Contract.”

LITIGATION

There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body, pending or, to the knowledge of the District, threatened against the District affecting the existence of the District or the titles of its directors or officers to their respective offices or seeking to restrain or to enjoin the sale or delivery of the 2021 Certificates, the application of the proceeds thereof in accordance with the Trust Agreement, or in any way contesting or affecting the validity or enforceability of the 2021 Certificates, the Trust Agreement, the Master Contract, or any action of the District contemplated by any of said documents, or in any way contesting the completeness or accuracy of this Official Statement or any amendment or supplement thereto, or contesting the powers of the District or its authority with respect to the 2021 Certificates or any action of the District contemplated by any of said documents, nor to the knowledge of the District, is there any basis therefor.

There are no pending suits contesting or affecting the collection of the Net Revenues or which would have a material adverse effect on the Enterprise or the financial condition of the District, including the ability of the District to make the 2021 Installment Payments.

CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES

Article XIII B

Article XIII B of the State Constitution limits the annual appropriations of the State and of any city, county, school district, authority or other political subdivision of the State to the level of appropriations of the particular governmental entity for the prior fiscal year, as adjusted for changes in the cost of living and population. The “base year” for establishing such appropriation limit is the 1978-79 fiscal year and the limit is to be adjusted annually to reflect changes in population and consumer prices. Adjustments in the

appropriations limit of an entity may also be made if (i) the financial responsibility for a service is transferred to another public entity or to a private entity, (ii) the financial source for the provision of services is transferred from taxes to other revenues, or (iii) the voters of the entity approve a change in the limit for a period of time not to exceed four years.

Appropriations subject to Article XIII B generally include the proceeds of taxes levied by the State or other entity of local government, exclusive of certain State subventions and refunds of taxes. "Proceeds of taxes" include, but are not limited to, all tax revenues and the proceeds to an entity of government from (a) regulatory licenses, user charges, and user fees (but only to the extent such proceeds exceed the cost of providing the service or regulation), and (b) the investment of tax revenues. Article XIII B includes a requirement, at agencies where it applies, that if an entity's revenues in any year exceed the amounts permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years.

Certain expenditures are excluded from the appropriations limit including payments of indebtedness existing or legally authorized as of January 1, 1979, or of bonded indebtedness thereafter approved by the voters and payments required to comply with court or federal mandates which without discretion require an expenditure for additional services or which unavoidably make the providing of existing services more costly.

The District is of the opinion that the rates imposed by the District do not exceed the costs that the District reasonably bears in providing water service. The District has covenanted in the Master Contract, has covenanted to fix, prescribe and collect rates, fees and charges for the Service of the Enterprise during each Fiscal Year which are estimated to yield Adjusted Annual Net Revenues and Net Revenues, for such Fiscal Year in an amount not less than the Coverage Requirement for such Fiscal Year. See the caption "SECURITY FOR THE 2021 CERTIFICATES-Rate Covenant." The Third Supplemental Installment Contract includes amendments to the Master Contract impacting the District's rate covenant. See "PROPOSED AMENDMENTS TO THE MASTER CONTRACT" and "APPENDIX C — DEFINITIONS AND SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS — Third Supplemental Installment Purchase Contract."

Proposition 218

General. An initiative measure entitled the "Right to Vote on Taxes Act" (the "Initiative") was approved by the voters of the State at the November 5, 1996 general election. The Initiative added Article XIII C and Article XIII D to the State Constitution. According to the "Title and Summary" of the Initiative prepared by the State Attorney General, the Initiative limits "the authority of local governments to impose taxes and property-related assessments, fees and charges."

Article XIII D. Article XIII D defines the terms "fee" and "charge" to mean "any levy other than an *ad valorem* tax, a special tax or an assessment, imposed by an agency upon a parcel or upon a person as an incident of property ownership, including user fees or charges for a property-related service." A "property-related service" is defined as "a public service having a direct relationship to property ownership." Article XIII D further provides that reliance by an agency on any parcel map (including an assessor's parcel map) may be considered a significant factor in determining whether a fee or charge is imposed as an incident of property ownership.

Article XIII D requires that any agency imposing or increasing any property-related fee or charge must provide written notice thereof to the record owner of each identified parcel upon which such fee or charge is to be imposed and must conduct a public hearing with respect thereto. The proposed fee or charge may not be imposed or increased if a majority of owners of the identified parcels file written protests against it. As a result, if and to the extent that a fee or charge imposed by a local government for water service is ultimately determined to be a "fee" or "charge" as defined in Article XIII D, the local government's ability to increase such fee or charge may be limited by a majority protest.

In addition, Article XIID includes a number of limitations applicable to existing fees and charges, including provisions to the effect that: (i) revenues derived from the fee or charge shall not exceed the funds required to provide the property-related service; (ii) such revenues shall not be used for any purpose other than that for which the fee or charge was imposed; (iii) the amount of a fee or charge imposed upon any parcel or person as an incident of property ownership shall not exceed the proportional cost of the service attributable to the parcel; and (iv) no such fee or charge may be imposed for a service unless that service is actually used by, or immediately available to, the owner of the property in question. Property-related fees or charges based on potential or future use of a service are not permitted.

Based upon the California Court of Appeal decision in *Howard Jarvis Taxpayers Association v. City of Los Angeles*, 85 Cal. App. 4th 79 (2000), which was denied review by the California Supreme Court, it was generally believed that Article XIID did not apply to charges for water services that are “primarily based on the amount consumed” (i.e., metered water rates), which had been held to be commodity charges related to consumption of the service, not property ownership. The Supreme Court stated in *Bighorn-Desert View Water Agency v. Verjil*, 39 Cal.4th 205 (2006) (the “Bighorn Case”), however, that fees for ongoing water service through an existing connection were property-related fees and charges. The Court specifically disapproved the holding in *Howard Jarvis Taxpayers Association v. City of Los Angeles* that metered water rates are not subject to Proposition 218. The District believes it is in compliance with the procedural and substantive provisions of Article XIID with respect to its rates and charges with respect to its Water System and Wastewater System.

On April 20, 2015, the California Court of Appeal, Fourth District, issued an opinion in *Capistrano Taxpayers Association, Inc. v. City of San Juan Capistrano* upholding tiered water rates under Proposition 218 provided that the tiers correspond to the actual cost of furnishing service at a given level of usage. The opinion was specific to the facts of the case, including a finding that the City of San Juan Capistrano did not attempt to calculate the actual costs of providing water at various tier levels. The District’s water rates are described in Appendix A “INFORMATION RELATING TO THE VALLECITOS WATER DISTRICT—THE ENTERPRISE – Water System – *Water System Rates and Charges*” and “—Wastewater System—*Wastewater System Rates and Charges*.” The District does not currently expect the decision to affect its water rate structure.

The District believes that its current water and wastewater rates comply with the requirements of Proposition 218 and expects that any future water and wastewater rates will comply with Proposition 218’s procedural and substantive requirements to the extent applicable thereto.

Article XIIC. Article XIIC provides that the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge, and that the power of initiative to affect local taxes, assessments, fees and charges shall be applicable to all local governments. Article XIIC does not define the terms “local tax,” “assessment,” “fee” or “charge,” so it was unclear whether the definitions set forth in Article XIID referred to above are applicable to Article XIIC. Moreover, the provisions of Article XIIC are not expressly limited to local taxes, assessments, fees and charges imposed after November 6, 1996. On July 24, 2006, the State Supreme Court held in the Bighorn Case that the provisions of Article XIIC included rates and fees charged for domestic water use. In the decision, the Court noted that the decision did not address whether an initiative to reduce fees and charges could override statutory rate setting obligations.

On August 3, 2020, the State Supreme Court issued an opinion in *Wilde v. City of Dunsmuir* (Cal. S. Ct. S252915) holding that taxpayers do not have the right under Proposition 218 to challenge water rates by referendum. Based on other legal authorities, the District does not believe that Article XIIC grants to the voters within the District the power to repeal or reduce the water charges in a manner which would be inconsistent with the contractual obligations of the District. However, there can be no assurance of the availability of particular remedies adequate to protect the beneficial owners of the 2021 Certificates. Remedies available to beneficial owners of the 2021 Certificates in the event of a default by the District are dependent

upon judicial actions which are often subject to discretion and delay and could prove both expensive and time-consuming to obtain.

In addition to the specific limitations on remedies contained in the applicable documents themselves, the rights and obligations with respect to the 2021 Certificates and the Trust Agreement are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights, to the application of equitable principles if equitable remedies are sought, and to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State. The various opinions of counsel to be delivered with respect to such documents, including the opinion of Special Counsel (the form of which is attached as Appendix D), will be similarly qualified.

The District believes that its current water rates and other property-related charges comply with the requirements of Proposition 218 and expects that any increases in current rates and charges or the adoption of any new future water rates and other property-related charges will be subject to compliance with Proposition 218's procedural and substantive requirements to the extent applicable thereto.

Proposition 26

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article XIII C of the State Constitution to expand the definition of "tax" to include "any levy, charge, or exaction of any kind imposed by a local government" except the following: (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law; (6) a charge imposed as a condition of property development; and (7) assessments and property-related fees imposed in accordance with the provisions of Article XIII D. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity. The District does not believe that the enactment of Proposition 26 affects its ability to charge for its water or wastewater service.

Future Initiatives

Articles XIII B, XIII C and XIII D were adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time other initiatives could be proposed and adopted affecting the District's revenues or ability to increase revenues.

APPROVAL OF LEGAL PROCEEDINGS

The legality and enforceability of the Third Supplemental Installment Purchase Contract and Trust Agreement is subject to the approval of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, acting as Special Counsel. The form of such legal opinion is attached hereto as Appendix D and such legal opinion will be attached to each 2021 Certificate. The Underwriter is being represented by its counsel, Nixon Peabody LLP, Los Angeles, California. Certain legal matters will be passed upon for the District and Corporation by Best Best & Krieger, as District Counsel, and for the District by

Stradling Yocca Carlson & Rauth, a Professional Corporation, as Disclosure Counsel, and for the Trustee by its counsel.

Payment of the fees of Special Counsel and Disclosure Counsel are contingent on the execution and delivery of the 2021 Certificates. Special Counsel and Disclosure Counsel represent the District and the Corporation in connection with the execution and delivery of the 2021 Certificates. Special Counsel and Disclosure Counsel represent the Underwriter from time-to-time on matters unrelated to the District or the 2021 Certificates. Special Counsel and Disclosure Counsel do not represent the Underwriter or any other parties other than the District and the Corporation in connection with the execution and delivery of the 2021 Certificates.

TAX MATTERS

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Special Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, the portion of each 2021 Installment Payment with respect to the 2021 Certificates constituting interest is excluded from gross income for federal income tax purposes, and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Special Counsel, the portion of each 2021 Installment Payment with respect to the 2021 Certificates constituting interest is exempt from State personal income tax.

Special Counsel's opinion as to the exclusion from gross income of the portion of each 2021 Installment Payment with respect to the 2021 Certificates constituting interest is based upon certain representations of fact and certifications made by the District and others and is subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the execution and delivery of the 2021 Certificates to assure that the portion of each 2021 Installment Payment with respect to the 2021 Certificates constituting interest will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause the portion of each 2021 Installment Payment with respect to the 2021 Certificates constituting interest to be included in gross income for federal income tax purposes retroactive to the date of execution and delivery of the 2021 Certificates. The District has covenanted to comply with all such requirements.

The amount by which a 2021 Certificate Owner's original basis for determining loss on sale or exchange in the applicable 2021 Certificate (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable 2021 Certificate premium, which must be amortized under Section 171 of the Code; such amortizable 2021 Certificate premium reduces the 2021 Certificate Owner's basis in the applicable 2021 Certificate (and the amount of tax-exempt interest received with respect to the 2021 Certificates), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of 2021 Certificate premium may result in a 2021 Certificate Owner realizing a taxable gain when a 2021 Certificate is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the 2021 Certificate to the Owner. Purchasers of the 2021 Certificates should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable 2021 Certificate premium.

The Internal Revenue Service (the "IRS") has initiated an expanded program for the auditing of tax exempt bond issues, including both random and targeted audits. It is possible that the 2021 Certificates will be selected for audit by the IRS. It is also possible that the market value of the 2021 Certificates might be affected as a result of such an audit of the 2021 Certificates (or by an audit of similar municipal obligations). No assurance can be given that in the course of an audit, as a result of an audit, or otherwise, Congress or the IRS might not change the Code (or interpretation thereof) subsequent to the execution and delivery of the 2021 Certificates to the extent that it adversely affects the exclusion from gross income of the portion of each 2021

Installment Payment with respect to the 2021 Certificates constituting interest or the market value of the 2021 Certificates.

It is possible that subsequent to the execution and delivery of the 2021 Certificates there might be federal, state, or local statutory changes (or judicial or regulatory interpretations of federal, state, or local law) that affect the federal, state, or local tax treatment of the 2021 Certificates or the market value of the 2021 Certificates. Recently, proposed legislative changes have been introduced in Congress, which, if enacted, could result in additional federal income or state tax being imposed on owners of tax-exempt state or local obligations, such as the 2021 Certificates. The introduction or enactment of any of such changes could adversely affect the market value or liquidity of the 2021 Certificates. No assurance can be given that subsequent to the execution and delivery of the 2021 Certificates such changes (or other changes) will not be introduced or enacted or interpretations will not occur. Before purchasing any of the 2021 Certificates, all potential purchasers should consult their tax advisors regarding possible statutory changes or judicial or regulatory changes or interpretations, and their collateral tax consequences relating to the 2021 Certificates.

Special Counsel's opinion with respect to the 2021 Certificates may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. Special Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Installment Purchase Agreement, the Trust Agreement and the Tax Certificate relating to the 2021 Certificates, as applicable, permit certain actions to be taken or to be omitted if a favorable opinion of Special Counsel is provided with respect thereto. Special Counsel express no opinion as to the effect on the exclusion from gross income of the portion of each 2021 Installment Payment with respect to the 2021 Certificates constituting interest if any such action is taken or omitted based upon the advice of counsel other than Stradling Yocca Carlson & Rauth, a Professional Corporation.

Although Special Counsel has rendered an opinion that the portion of each 2021 Installment Payment with respect to the 2021 Certificates constituting interest is excluded from gross income for federal income tax purposes provided that the District continues to comply with certain requirements of the Code, the ownership of the 2021 Certificates and the accrual or receipt of interest with respect to the 2021 Certificates may otherwise affect the tax liability of certain persons. Special Counsel expresses no opinion regarding any such tax consequences. Accordingly, before purchasing any of the 2021 Certificates, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the 2021 Certificates.

A copy of the proposed form of opinion of Special Counsel is attached hereto as Appendix D.

MUNICIPAL ADVISOR

The District has retained Fieldman, Rolapp & Associates, Inc., Irvine, California, as municipal advisor (the "Municipal Advisor") in connection with the execution and delivery of the 2021 Certificates. The Municipal Advisor has not undertaken to make an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement. The fees being paid to the Municipal Advisor are contingent upon the execution and delivery of the 2021 Certificates.

The Municipal Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal or other public securities.

RATINGS

The District expects that S&P Global Ratings, a Standard & Poor's Financial Services LLC business ("S&P") and Fitch Ratings, Inc. ("Fitch") will assign the 2021 Certificates the ratings of "___" and "___", respectively. There is no assurance that any credit rating given to the 2021 Certificates will be maintained for any period of time or that the ratings may not be lowered or withdrawn entirely by S&P or Fitch, respectively, if, in the judgment of S&P or Fitch, as applicable, circumstances so warrant. Any downward

revision or withdrawal of a rating may have an adverse effect on the market price of the 2021 Certificates. Such ratings reflect only the views of S&P and Fitch, respectively, and an explanation of the significance of such ratings may be obtained from S&P and Fitch. Generally, rating agencies base their ratings on information and materials furnished to them (which may include information and material from the District which is not included in this Official Statement) and on investigations, studies and assumptions by the rating agencies.

The District has covenanted in a Continuing Disclosure Agreement for the 2021 Certificates to file on EMMA, notices of any rating changes on the 2021 Certificates. See the caption “CONTINUING DISCLOSURE UNDERTAKING” below and Appendix F. Notwithstanding such covenant, information relating to rating changes on the 2021 Certificates may be publicly available from S&P and Fitch prior to such information being provided to the District and prior to the date the District is obligated to file a notice of rating change on EMMA. Purchasers of the 2021 Certificates are directed to S&P and Fitch and their respective websites and official media outlet for the most current rating changes with respect to the 2021 Certificates after the initial delivery of the 2021 Certificates.

In providing a rating on the 2021 Certificates, S&P and Fitch may have performed independent calculations of coverage ratios using its own internal formulas and methodology which may not reflect the provisions of the Master Contract. The District makes no representations as to any such calculations, and such calculations should not be construed as a representation by the District as to past or future compliance with any financial covenants, the availability of particular revenues for the payment of the 2021 Installment Payments or for any other purpose.

UNDERWRITING

The 2021 Certificates will be purchased by Morgan Stanley & Co. LLC (the “Underwriter”), pursuant to a Purchase Contract, dated August __, 2021 (the “Purchase Contract”), by and between the District and the Underwriter. Under the Purchase Contract, the Underwriter has agreed to purchase all, but not less than all, of the 2021 Certificates for an aggregate purchase price of \$_____ (representing the principal amount of the 2021 Certificates, less an Underwriter’s discount of \$_____, [plus][minus] an original issue [premium][discount] of \$_____). The Purchase Contract provides that the Underwriter will purchase all of the 2021 Certificates if any are purchased, the obligation to make such a purchase being subject to certain terms and conditions set forth in the Purchase Contract, the approval of certain legal matters by counsel and certain other conditions.

The initial public offering prices stated on the inside front cover of this Official Statement may be changed from time to time by the Underwriter. The Underwriters may offer and sell the 2021 Certificates to certain dealers (including dealers depositing 2021 Certificates into investment trusts), dealer banks, banks acting as agents and others at prices lower than said public offering prices.

Morgan Stanley & Co. LLC has entered into a retail distribution arrangement with its affiliate Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities including the 2021 Certificates to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the 2021 Certificates.

The Underwriter and its respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Underwriter and its affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the District for which they received or will receive customary fees and expenses. In addition, certain affiliates of the Underwriter are lenders, and in some cases agents or managers for the lenders, under credit and liquidity facilities.

In the ordinary course of their various business activities, the Underwriter and its respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the District.

CONTINUING DISCLOSURE UNDERTAKING

The District has covenanted in a Continuing Disclosure Agreement dated the date of execution and delivery of the 2021 Certificates (the “Continuing Disclosure Agreement”) to provide annually certain financial information and operating data relating to the District by not later than nine months following the end of its Fiscal Year (commencing with Fiscal Year 2021) including the audited Financial Statements of the District for each such Fiscal Year (together, the “Annual Report”), and to provide notices of the occurrence of certain other enumerated events.

The Annual Report will be filed by the District with the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access System for municipal securities disclosures, maintained on the Internet at <http://emma.msrb.org/> (“EMMA”). The notices of enumerated events will be filed by the District with EMMA. The form of the Continuing Disclosure Agreement is attached hereto at Appendix F.

In the past five years, the District has been subject to certain continuing disclosure undertakings previously entered into with respect to the 2015 Bonds (the “Prior Continuing Disclosure Undertaking”). Pursuant to the Prior Continuing Disclosure Undertaking, the District agreed to file its audited financial reports, certain operating data, notices of certain enumerated events and notices of the occurrence of certain other enumerated events, if material.

Based on the annual reports filed in accordance with the Prior Continuing Disclosure Undertaking and the filings described above, the District believes that it is currently in compliance in all material respects with the Prior Continuing Disclosure Undertaking.

In order to ensure compliance by the District with its continuing disclosure undertakings in the future, the Board of Directors approved an updated Reporting and Disclosure Policies on July 21, 2021 (the “District Disclosure Procedures”). Pursuant to the District Disclosure Procedures, the Finance Manager is required to take steps to ensure that continuing disclosure filings are prepared and filed in a timely manner. A copy of the District Disclosure Procedures has been provided to the Underwriter and is available from the Finance Manager of the District at 201 Vallecitos De Oro, San Marcos, CA 92069 Telephone: (760) 744-0460.

MISCELLANEOUS

Insofar as any statements made in this Official Statement involve matters of opinion or of estimates, whether or not expressly stated, they are set forth as such and not as representations of fact. No representation is made that any of such statements made will be realized. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract with the Owners of the 2021 Certificates

The execution and delivery of this Official Statement have been duly authorized by the District.

VALLECITOS WATER DISTRICT

By: _____
President of the Board of Directors

APPENDIX A

INFORMATION RELATING TO THE VALLECITOS WATER DISTRICT

General

The District was formed on March 21, 1955, pursuant to the County Water District Law (Division 12, commencing at Section 30000, of the Water Code of the State of California). It was originally named the San Marcos County Water District, but its name was changed to the Vallecitos Water District in 1989.

The District includes an area of approximately 45 square miles in the northwestern part of San Diego County. It is located about ten miles east of the Pacific Ocean, 30 miles north of San Diego and 100 miles south of Los Angeles. It currently provides water, wastewater and water reclamation services to nearly all of the City of San Marcos, portions of the cities of Escondido and Carlsbad, and unincorporated areas of San Diego County north and south of the City of San Marcos including the community of Lake San Marcos. The District's population is approximately 109,357, and the San Diego Association of Governments Series 13 Regional Growth Forecast projects that the District's population will grow to over 121,600 by the year 2025. Land uses in the District include commercial, industrial, and residential development, as well as agricultural activities.

The District is a member of the San Diego County Water Authority ("SDCWA"), the regional wholesaler of water from which the District purchases substantially all of the water served through the District's Water System. SDCWA is a member of The Metropolitan Water District of Southern California ("MWD") from which SDCWA currently purchases a substantial portion of the water that SDCWA sells to the District.

Governance and Management

The District is governed by a five member Board of Directors (the "Board") who are elected by the registered voters in the District to staggered four year terms. The current directors, their occupations and the expiration dates of their terms are set forth below.

<i>Director</i>	<i>Expiration of Term (December)</i>	<i>Occupation</i>
Mike Sannella, President	2024	Financial Services Industry
Craig Elitharp, Vice President	2022	Retired Civil Engineer
Tiffany Boyd-Hodgson	2024	Scientist
Jim Hernandez	2022	Architect
Jim Pennock	2024	Insurance Agency Owner

Day to day management of the District is delegated to the General Manager. Set forth below are brief resumes of the General Manager and other key management personnel of the District.

General Manager. Mr. Glenn Pruum joined the District as its General Manager in November 2016. Mr. Pruum oversees the day-to-day management of the District and is responsible for policy development and activities of the District, including water resources planning, water distribution, wastewater collection, treatment, disposal, and reclamation, fiscal management, administration, engineering, human resources, and overall operation of District functions and programs. Prior to joining the District, Mr. Pruum served as the Public Works Director for the City of Encinitas and the City of Carlsbad and as the General Manager of the San Dieguito Water District, the Encinitas Sanitary District, the Cardiff Sanitation District, and the Carlsbad Municipal Water District. Mr. Pruum received both his Bachelor of Science and Masters of Civil Engineering from the University of Illinois.

Administrative Services Manager. Mrs. Rhondi Emmanuel joined the District as its Administrative Services Manager in April 2012. She is responsible for overseeing and managing human resources, risk management, safety, worker's compensation, information technology, public information, water conservation, and District-wide administrative support, as well as developing and implementing policies and procedures. Mrs. Emmanuel has more than 15 years of experience in human resources and general administration. Prior to joining the District, Mrs. Emmanuel served as the Human Resources Services Manager for the County of San Diego. Mrs. Emmanuel holds a Master of Arts Degree in Human Resources Management from National University, San Diego and is an International Public Management Association Certified Professional.

Finance Manager. Mr. Westley Owen joined the District in October 2012 and has nearly 20 years of experience in Accounting and Finance in the water and wastewater industry. Mr. Owen is responsible for overseeing and managing all of Finance which consists of the Accounting, Purchasing, Customer Service, and Meter Reading departments as well as the preparation of the District's budget and rates. Mr. Owen received both a Bachelor of Science degree in Accounting and a Bachelor of Arts degree in Spanish from the University of Vermont as well as a Master of Business Administration in Finance from San Diego State University. Mr. Owen became a certified public accountant in California in 2007 and maintains an active status license.

Operations and Maintenance Manager. Mr. Ed Pedrazzi joined the District in November 1989. Mr. Pedrazzi manages the District's water and wastewater operations and maintenance, wastewater treatment plant, landscape maintenance, mechanical/electrical repairs and maintenance, vehicle maintenance shop, and construction; formulates and implements operating policies and procedures within general administrative guidelines and develops the department's budget.

District Engineer. Mr. James Gumpel became the District Engineer in 2014, and has been with the District since 2005. Mr. Gumpel is a licensed Professional Engineer with nearly 20 years of experience in water and wastewater industry providing engineering, project management, operational support, and planning for wastewater/water projects. In addition to his management and leadership responsibilities, he oversees all aspects of the Capital Facility, Development Services, Inspections, and GIS departments, which is responsible for planning, design, mapping, inspection, and construction of the District's infrastructure. Some key projects include the upgrade and redesign of the District's water reclamation facility, successfully doubling the output capacity from 2.25 to 5.0 million gallons per day. Mr. Gumpel was also the project manager for the Twin Oaks Reservoir Tank No.2, a 40-million gallon underground water storage facility, regarded as the largest in the world. Both projects were awarded Project of the Year honors from the WasteReuse Association and the American Society of Civil Engineers. Mr. Gumpel has been involved in a variety of professional and industry associations, having served as the both the President of the San Diego Younger Member Forum of Civil Engineers, the Director and board member of ASCE, the president of the Pipeline and Environmental Technical Group of ASCE, and is a member of the APWA American Public Works Association and the Construction Management Association of America. He holds a Bachelor of Science in Civil/Environmental Engineering from San Diego State University.

Powers

Under the County Water District Law, the District has broad general powers over the use of water within its boundaries, including the right of eminent domain and the authority to acquire, control, distribute, store, treat, reclaim and recapture any water for beneficial use, to acquire, construct and operate facilities for the collection, treatment, and disposal of sewage, waste and storm water, and to sell potable or non-potable water.

Employees and Employee Benefits

Employees. The District generally employs 109 persons, of whom approximately 73 work in the operations and engineering departments and approximately 36 work in finance or administration. All of the District's employees are presently members of a single employee association with which the District meets and

confers concerning salary, benefits and other employment matters. The District has not experienced any strike or other labor actions and is currently in the third year of a four-year agreement with the employees' association (its ninth consecutive multi-year agreement).

Retirement Plan Description. The District provides retirement benefits to employees through the California Public Employees Retirement System ("PERS"), a cost sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public agencies within the State of California. Benefit provisions and all other requirements are established by state statute and the District. Copies of PERS annual financial report may be obtained from their executive office: 400 P Street, Sacramento, CA, 95814.

Plan Member Contributions. The contribution rate for plan members in the PERS 3.0% at 60 Risk Pool Retirement Plan is 7.78% of their annual covered salary. For employees that are "new members" of the PERS hired after January 1, 2013, under the California Employee's Pension Reform Act ("PEPRA") provisions, the contribution rate for plan members in the PERS 2.0% at 62 Risk Pool Retirement Plan is 6.25% of their annual covered salary. The District is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the PERS Board of Administration.

Employer Contributions. The required employer contribution rate for the PERS 3% at 60 Risk Pool for the fiscal year ending June 30, 2020 is 14.40% plus an employer payment for its portion of the pool's unfunded accrued liability. Payments for the District's portion of the unfunded accrued liability totaled \$10,394,064 in fiscal year ending June 30, 2020, including a one-time additional discretionary payment of \$8,054,000. The required employer contribution rate for the PERS 2% at 62 Risk Pool for the fiscal year ending June 30, 2020 is 6.84%. The District is required to contribute the actuarially determined remaining amounts necessary to fund the 3.0% at 60 Risk Pool Retirement Plan benefits for its classic members and 2.0% at 62 Risk Pool Retirement Plan for its new members (employees hired after December 31, 2012) under the PEPRA provisions. The contribution requirements are established by State statute and the employer contribution rate is established and may be amended by the PERS.

Net Pension Liability. The District's net pension liability for PERS is measured as the total pension liability, less the pension plan's fiduciary net position. The District's net pension liability is measured as of June 30, 2019, using an annual actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability as follows:

Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by entry age and service
Mortality Rate Table	Derived using CalPERS' membership data for all funds
Pre-Retirement Turnover	Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter.

Source: The District's Comprehensive Annual Financial Report for Fiscal Year ended June 30, 2020.

All other actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the fiscal years 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

Proportionate Share of Net Pension Liability. The following table shows the Plan's proportionate share of the net pension liability over the measurement period.

	<i>Increase (Decrease)</i>		
	<i>Plan Total Pension Liability</i>	<i>Plan Fiduciary Net Position</i>	<i>Plan Net Pension Liability</i>
	<i>(a)</i>	<i>(b)</i>	<i>(c) = (a) - (b)</i>
Balance at: 6/30/2018	\$ 77,320,943	\$ 59,949,868	\$ 17,371,075
Balance at: 6/30/2019	<u>82,196,732</u>	<u>63,971,049</u>	<u>18,225,683</u>
Net Changes during 2018-19	<u>\$ 4,875,789</u>	<u>\$ 4,021,181</u>	<u>\$ 854,608</u>

The District's proportion of the net pension liability determined by PERS using the output from the Actuarial Valuation System and the fiduciary net position, as provided in the CalPERS Public Agency Cost-Sharing Allocation Methodology Report, which is a publicly available report that can be obtained PERS' website at, www.calpers.ca.gov. The District's proportionate share of the net pension liability for the Plan as of measurement date June 30, 2018 and 2019 was as follows:

<i>Miscellaneous</i>	
Proportionate Share - June 30, 2018	0.46093%
Proportionate Share - June 30, 2019	<u>0.45513</u>
Change - Increase (Decrease)	<u>(0.00580)%</u>

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the District's proportionate share of the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.15 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15 percent) or 1 percentage-point higher (8.15 percent) than the current rate:

	<i>Discount Rate -1%</i>	<i>Current Discount Rate</i>	<i>Discount Rate +</i>
	<i>(6.15%)</i>	<i>(7.15%)</i>	<i>1% (8.15%)</i>
Plan's Net Pension Liability/(Asset)	\$29,281,395	\$18,225,684	\$9,099,975

Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions. For the measurement period ending June 30, 2019 (the measurement date), the District incurred pension expense of \$4,047,353 for the Plan. As of June 30, 2020, the District has deferred outflows and deferred inflows of resources related to pensions as follows:

	<i>Deferred Outflows of Resources</i>	<i>Deferred Inflows of Resources</i>
Pension Contributions Made Subsequent to Measurement Date	\$ 10,394,064	\$ -
Changes of Assumptions	869,085	308,083
Differences between Expected and Actual Experience	1,265,851	98,078
Net Difference between Projected and Actual Investment Earnings	-	318,641
Difference in Actual vs. Projected Contributions	-	774,706
Change in Employer's Proportion	<u>242,685</u>	<u>142,156</u>
Total	<u>\$ 12,771,685</u>	<u>\$ 1,641,664</u>

Contributions made subsequent to the measurement date of \$10,394,064 reported under deferred outflows of resources will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

<i>Measurement Period Ended June 30:</i>	<i>Deferred Outflows/(Inflows) of Resources</i>
2021	\$1,083,026
2022	(394,127)
2023	(17,331)
2024	64,389
2025	-
Thereafter	-

For additional information with respect to the District and PERS, see Note 8 of APPENDIX B—“VALLECITOS WATER DISTRICT COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR FISCAL YEAR ENDED JUNE 30, 2020, INCLUDING AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING.”

Other Post-Employment Benefits

The District provides post-employment health benefits in accordance with a resolution approved by the District’s Board of Directors, to all employees who retire from the District under the retirement criteria established by PERS, up to age 65. As of June 30, 2020, there were twenty-eight retired employees who met these eligibility requirements and are therefore receiving the benefits.

Plan Description. The District administers the Other Post-Employment Benefit Plan (“OPEB”), an agent multiple-employer plan. For employees who retired before July 1, 2013, the District’s OPEB provides continued medical coverage for an eligible retired employee, spouse or registered domestic partner, and eligible dependent at no cost to the retired employee. Coverage will continue for the retiree and spouse or registered domestic partner until they become entitled to Medicare benefits at age 65. Coverage for the retirees’ eligible dependents will continue until they are eligible for coverage under any other health care plan or public health care program or are no longer eligible for coverage under the District’s group health plans according to the terms and conditions of the agreement between the group health plan and the District. For employees who retire after June 30, 2013, the District’s OPEB provides continued medical coverage for an eligible retired employee and spouse or registered domestic partner until they become entitled to Medicare benefits at age 65. Medical premiums paid by the District are established per the most current Memorandum of Understanding (“MOU”). Plan premiums elected by the retiree above those established in the MOU are paid by the retiree.

To become eligible for partial OPEB benefits, non-retired employees hired before July 1, 2013, must be age 50 and have five years of continuous service with the District. OPEB benefits increase with each year of continuous service up to ten years when the employee becomes 100% vested to receive the maximum amount of premium established in the most current MOU at retirement. OPEB benefits are not offered to employees hired after July 1, 2013. Eligible retirees may enroll in any of the plans the District offers through PERS.

Employees Covered. As of the June 30, 2019 measurement date, the following current and former employees were covered by the benefit terms under the plan.

Active employees	63
Inactive employees or beneficiaries currently receiving benefits	28
Inactive employees or beneficiaries entitled to but not yet receiving benefits	<u>--</u>
Total	<u>91</u>

Source: The District’s Comprehensive Annual Financial Report for Fiscal Year ended June 30, 2020.

Contributions. The District's OPEB contribution requirements are established by Memoranda of Understanding with the applicable employee bargaining units and may be amended by agreements between the District and the bargaining units. The annual contribution is based on the actuarially determined contribution. For the fiscal year ended June 30, 2020, the District's cash contributions were \$371,394 of direct payments and the estimated implied subsidy was \$118,204 resulting in total payments of \$489,598.

Net OPEB (Asset) Liability. The District's net OPEB (asset) liability was measured as of June 30, 2019 and the total OPEB liability was determined by an actuarial valuation dated June 30, 2019 that was rolled forward to determine the June 30, 2019 total OPEB liability, based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	6.00%
Inflation	2.75%
Investment Rate of Return	6.00%, assuming actuarially determined contributions funded into CERBT Investment Strategy 2
Mortality Rate Table	2017 CalPERS Mortality for Miscellaneous and Schools Employees
Pre-Retirement Turnover	2017 CalPERS Turnover for Miscellaneous Employees
Healthcare Trend Rate	Based on the recent premium experience assuming 1%-1% increase due to market trends then reduced to a rate reflecting medical price inflation

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Changes in the Net OPEB (Asset) Liability. The changes in the net OPEB (asset) liability for the plan are as follows:

	<i>Total Pension Liability (a)</i>	<i>Plan Fiduciary Net Position (b)</i>	<i>Plan Net Pension Liability/(Asset) (c)=(a)-(b)</i>
Balance at June 30, 2019 (Measurement Date June 30, 2018)	<u>\$ 5,438,246</u>	<u>\$ 5,446,818</u>	<u>\$ (8,572)</u>
Changes Recognized for the Measurement Period			
Service Cost	186,376	-	186,376
Interest	329,053	-	329,053
Contributions – employer	-	457,180	(457,180)
Net Investment Income	(213,148)	-	(213,148)
Changes in Assumptions	458,911	-	458,911
Benefit Payments	(457,180)	(457,180)	-
Administrative Expenses	-	(1,171)	1,171
Net Changes	<u>304,012</u>	<u>381,324</u>	<u>(77,312)</u>
Balance at June 30, 2020	<u>\$ 5,742,258</u>	<u>\$ 5,828,142</u>	<u>\$ (85,884)</u>

Sensitivity of the Net OPEB (Asset) Liability to Changes in the Discount Rate. The following table presents the net OPEB (asset) liability of the District if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2019:

	<i>Discount Rate -1%</i> <i>(5.00%)</i>	<i>Current Discount Rate</i> <i>(6.00%)</i>	<i>Discount Rate + 1%</i> <i>(7.00%)</i>
Net OPEB (Asset) Liability	\$262,784	\$(85,884)	\$(408,148)

Sensitivity of the Net OPEB (Asset) Liability to Changes in the Health Care Cost Trend Rates. The following table presents the net OPEB (asset) liability of the District if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2019:

	<i>1% Decrease</i> <i>6.50% for 6 years</i> <i>decreasing to</i> <i>3.50% thereafter</i>	<i>Current Healthcare</i> <i>Cost Trend Rates</i> <i>7.50% for 6 years</i> <i>decreasing to 4.50%</i> <i>thereafter</i>	<i>1% Increase</i> <i>8.50% for 6 years</i> <i>decreasing to 5.50%</i> <i>thereafter</i>
Net OPEB (Asset) Liability	\$(531,963)	\$(85,884)	\$424,360

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB. For the fiscal year ended June 30, 2020, the District recognized OPEB expense of \$203,025. As of fiscal year, ended June 30, 2020, the District reported deferred outflows of resources related to OPEB from the following sources:

	<i>Deferred</i> <i>Outflows of</i> <i>Resources</i>	<i>Deferred</i> <i>Inflows of</i> <i>Resources</i>
OPEB Contributions subsequent to measurement date	\$ 489,598	\$ -
Changes of Assumptions	398,527	-
Differences between expected and actual experience	-	185,102
Differences between projected and actual return on assets	-	18,479
Total	<u>\$888,125</u>	<u>\$203,581</u>

The \$489,598 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2019 measurement date will be recognized as a reduction of the net OPEB (asset) liability during the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources related to OPEB will be recognized as expense as follows:

<i>Fiscal Year</i> <i>Ended June 30:</i>	<i>Deferred</i> <i>Outflows/(Inflows) of</i> <i>Resources</i>
2021	\$26,815
2022	26,813
2023	33,328
2024	23,917
2025	32,338
Thereafter	51,735

For additional information with respect to the District and the OPEB, see Note 9 of APPENDIX B—“VALLECITOS WATER DISTRICT COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR FISCAL YEAR ENDED JUNE 30, 2020, INCLUDING AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING.”

Budget Process

The General Manager of the District submits to the Board for its consideration a proposed budget for each Fiscal Year. The proposed budget is reviewed by the applicable committees of the Board which make recommendations to the full Board. The Board is ultimately responsible for the adoption of the budget. The Fiscal Year 2022 Budget was approved by the Board of Directors on June 2, 2021.

The District's budget is prepared on an accrual basis. For budgeting purposes, the District generally sets user charges to cover operating expenses of the particular services, including water purchases and uses revenue from the Capital Facility Fees to finance capital projects that accommodate growth. See Appendix B—"VALLECITOS WATER DISTRICT COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR FISCAL YEAR ENDED JUNE 30, 2020, INCLUDING AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING."

Insurance

On June 30, 2020 the District participated in the self-insurance program of the Association of California Water Agencies Joint Powers Insurance Authority (the "JPIA") for insurance coverage as follows:

General Liability: Includes commercial, contractual, products/completed operations and personal injury with coverage limits of \$50,000,000.

Auto Liability: Includes owned automobiles, non-owned automobiles, and hired automobiles with coverage limits of \$50,000,000 and a varying deductible up to \$5,000 depending on the vehicle.

Public Officials' Liability: Includes errors and omissions with coverage limits of \$50,000,000.

Cyber Liability: Includes cyber security with coverage limits of \$3 million per occurrence and \$5 million aggregate.

Real and Personal Property: Property loss is paid at the replacement cost for property on file, if replaced within two years after the loss. Otherwise, property loss is paid at the actual cash value up to \$100 million per occurrence with a deductible of \$10,000, excluding boiler and machinery equipment. Boiler and machinery deductibles vary from \$25,000 to \$50,000, depending on the type of equipment. The total self-insurance limit is \$100,000. However, the District purchased additional insurance with coverage limits of \$500 million.

Crime: Includes public employee dishonesty, forgery or alteration, computer fraud, and ERISA with coverage limits of \$100,000 and a deductible of \$1,000.

Workers' Compensation Coverage and Employer's Liability: Statutory limits per occurrence for Workers' Compensation and \$2,000,000 for Employer's Liability Coverage, subject to the terms, conditions and exclusions as provided in the Certificate of Coverage.

The District pays the annual premiums for these coverages. They are subject to retrospective adjustments based on claims experience. The nature and amounts of these adjustments cannot be estimated and are charged to expense as invoiced. The District's insurance expense for the Fiscal Years ended June 30, 2020 and 2021 was \$401,268 and \$420,898 (unaudited), respectively. During the past three fiscal years, none of the above programs of protection have had settlements or judgments that exceeded pooled or insured coverage. There have been no significant reductions in pooled or insured liability coverage from coverage in the prior year.

Outstanding District Obligations

Outstanding Obligations Payable From Net Revenues On A Parity With The 2021A Installment Purchase Agreement. The District has outstanding obligations payable from Net Revenues on a parity with the 2021A Installment Purchase Agreement as described below.

In 2012, the District entered into an Installment Purchase Contract (the “2012 Installment Purchase Contract”) with the Corporation, pursuant to which the District has agreed to make installment payments (the “2012 Installment Payments”) to the Corporation, secured by Net Revenues on a parity with the 2021A Installment Purchase Agreement. The 2012 Installment Purchase Contract is currently outstanding in the aggregate principal amount of \$1,527,000 with a final maturity in Fiscal Year 2023.

In 2015, the District issued Water and Wastewater Enterprise 2015 Refunding Revenue Bonds (the “2015 Bonds”) secured by Net Revenues on a parity with the 2021A Installment Purchase Agreement. The 2015 Bonds are currently outstanding in the aggregate principal amount of \$39,265,000 with a final maturity in Fiscal Year 2036.

Other Outstanding Obligations. In 2008, the District entered into a Loan Agreement with Union Bank of California (the “UBOC Loan Agreement”) in a maximum amount of \$8,000,000, evidenced by a negotiable promissory note (the “UBOC Note”), pursuant to which the District promises to pay to UBOC the amounts owed under the UBOC Loan Agreement. There is currently outstanding on the UBOC Note \$3,000,000. The UBOC Note is payable from Net Revenues subordinate to the 2021A Installment Purchase Agreement and the 2021 Certificates.

THE ENTERPRISE

Water System

Water System Facilities. The District has 5 interconnections with SDCWA’s water system. The District provides water service to its customers through its water distribution facilities. The District owns, operates and maintains, 19 reservoirs with a total of 120.5 million gallons of capacity, including the Twin Oaks Reservoirs No. 1 and No 2, with capacities of 33 million gallons and 40 million gallons, respectively. The District also owns, operates and maintains 10 pump stations, and delivers water through 380 miles of pipelines ranging in size from 2” to 48”.

Service Area. The District is the sole provider of water service for residential, commercial, industrial and agricultural users within the District. The District’s current population is estimated to be over 109,000 people. As of June 30, 2021, the Water System is estimated to include a total of approximately 21,960 active metered connections, including approximately 19,895 residential service connections, approximately 122 agricultural service connections, approximately 960 industrial and commercial service connections, approximately 890 irrigation service connections and approximately 93 government/other connections. The following table illustrates use of the Water System in Fiscal Year 2021.

Table No. 1
VALLECITOS WATER DISTRICT WATER SYSTEM
WATER USE BY TYPE
(Fiscal Year 2021)⁽¹⁾

<i>Types of Uses</i>	<i>Percentage of Total</i>
Residential	64.1%
Landscape Irrigation	20.2
Commercial/Industrial	8.1
Agricultural	5.0
Public, Other	<u>2.6</u>
TOTAL	<u>100%</u>

⁽¹⁾ Actual unaudited results through April 30, 2021, and projected results for the balance of Fiscal Year 2021.
Source: District.

Water Sources and Supply. The District obtains its water supply through and as a member of SDCWA. SDCWA currently obtains its water supply from MWD and, to a limited extent from the Imperial Irrigation District (“IID”). In 2016, SDCWA and the District began accepting deliveries of desalinated water from Poseidon Resources Limited pursuant to purchase contracts. The District’s direct connection to the Carlsbad Desalter will supply 3,500 acre feet of desalinated water per year into the District’s distribution system, as described below. Depending upon availability, the District may obtain an additional 583 acre-feet, in the event that additional desalinated water is available. Beginning in Fiscal Year ending 2016, the District began purchasing treated water from the Olivenhain Municipal Water District (“Olivenhain”).

SDCWA was formed in 1944 under the County Water Authority Act for the purpose of transporting Colorado River Water to supplement the local water supply of its members. Its water supply now also includes water obtained from the State Water Project through MWD as well as water purchased from the IID pursuant to a water transfer agreement between SDCWA and IID. Under the terms of that agreement with IID, 10,000 acre-feet of water was conveyed to SDCWA in 2003, and the amount of the annual transfer ramps up to 200,000 acre-feet in 2022. The agreement has an initial term of 45 years and a renewal term of 30 years.

SDCWA built its first aqueduct in 1947 and completed its second one which runs directly through the District, in 1959. The District has four connections to the SDCWA second aqueduct and one connection to the SDCWA’s first aqueduct.

MWD is a public corporation organized in 1928 under the authority of the Metropolitan Water District Act. It delivers a blend of local water, Colorado River water and State Water Project water to its members, including SDCWA.

On December 20, 2012, the SDCWA entered into the Carlsbad Seawater Desalination Project Water Purchase Agreement (the “Poseidon WPA”) and the Design Build Agreement for Product Water Pipeline Improvements Relating to the Carlsbad Seawater Desalination Project with Poseidon Resources (Channelside) LP (the “Poseidon DBA” and collectively the “Poseidon Agreements”). The Poseidon Agreements provide new facilities for production and conveyance of desalinated water to the SDCWA (the “Carlsbad Desalter”). Under the Poseidon WPA, the SDCWA committed to purchase, take delivery of, and pay for 48,000 acre-feet of water, depending upon availability. In June of 2011, the SDCWA adopted guiding principles to make up to 49% of such 48,000 acre-feet commitment available to its member agencies pursuant to uniform contracts providing for firm commitments to individually purchase designated amounts from the SDCWA.

In April of 2015, the District’s Board of Directors authorized entering into the Uniform Contract for Member Agency Purchase of Treated Water from the San Diego County Water Authority – Carlsbad Desalination Project (the “Uniform Contract”). The Uniform Contract is for a term of the lesser of 30 years

following commercial operation of the Carlsbad Desalter, or the termination of the Poseidon WPA. Pursuant to the Carlsbad Desalination Project Contract, the District has committed to purchase 3,500 acre feet of water per year under the Uniform Contract, subject to certain adjustments as provided therein. The District may obtain up to 583 additional acre feet depending upon availability.

The per-acre-foot charge for Desalinated Water will be calculated pursuant to the Uniform Contract and the Poseidon WPA. Such charges will be determined in an amount sufficient to pay the District's proportional share of variable and fixed operating costs, including certain costs relating to financing the Carlsbad Desalter, consumable inputs, such as energy and chemicals, labor at the Carlsbad Desalter, oversight, and transportation costs for treated water. Costs associated with the project, including replacement chemicals and labor, are indexed to inflation.

MWD and SDCWA face various challenges in continuing to supply imported water to their respective member agencies including, but not limited to, an extended drought being experienced throughout the southwestern portion of the country as well as environmental considerations and litigation filed from time to time which, if determined adversely, could disrupt the supply of imported water available through them.

A description of the various challenges facing MWD as well as a variety of other operating information with respect to MWD is included in detail under the caption "METROPOLITAN'S WATER SUPPLY" in Appendix A to MWD's Official Statement dated June 23, 2021, relating to MWD's Water Revenue Refunding Bonds, 2021 Series B ("MWD's Water Supply Disclosure"). The District incorporates MWD's Water Supply Disclosure by specific reference in this Official Statement. MWD's Water Supply Disclosure is on file with the Municipal Securities Rulemaking Board's Electronic Municipal Market Access system ("EMMA") and can be accessed at <http://emma.msrb.org/>. MWD's Water Supply Disclosure is the disclosure of MWD and, accordingly, the District does not make any representations as to the accuracy or completeness of MWD's Water Supply Disclosure or as to the absence of material adverse changes in MWD's Water Supply Disclosure after the date hereof. MWD has entered into certain continuing disclosure agreements pursuant to which MWD is contractually obligated for the benefit of owners of certain of its outstanding obligations to file certain annual reports, notices of certain enumerated events as defined under Rule 15c2-12 of the Exchange Act ("Rule 15c2-12") and annual audited financial statements (the "MWD Information") with certain information repositories.

As further described in MWD's Water Supply Disclosure, the California Department of Water Resources ("DWR") is undertaking certain development activities with respect to a proposed conveyance facility for the transportation of State Water Project from north of the Sacramento-San Joaquin Delta. Part of the goal of such project, known as "Delta Conveyance Project," is to improve the reliability of delivering such water to Southern California and to update aging State Water Project infrastructure. A number of environmental, regulatory and other approvals and permits will need to be obtained before construction of Delta Conveyance Project can commence. No assurance can be made that the Delta Conveyance Project will be undertaken or if undertaken, the time for completion. See MWD's Water Supply Disclosure for more information with respect to Delta Conveyance Project.

In addition, a description of challenges facing SDCWA in supplying imported water to its member agencies as well as other operating information with respect to SDCWA is included in detail under the caption "PRIMARY SOURCES OF WATER SUPPLY" in Appendix A to SDCWA's Official Statement dated April 13, 2021, relating to its Water Revenue Refunding Bonds Series 2021B (Green Bonds) ("SDCWA's Water Supply Disclosure"). The District incorporates SDCWA's Water Supply Disclosure by specific reference in this Official Statement. SDCWA's Water Supply Disclosure is on file with EMMA and can be accessed at <http://emma.msrb.org/>. SDCWA's Water Supply Disclosure is the disclosure of MWD and, accordingly, the District does not make any representations as to the accuracy or completeness of SDCWA's Water Supply Disclosure or as to the absence of material adverse changes in SDCWA's Water Supply Disclosure after the date hereof. SDCWA has entered into certain continuing disclosure agreements pursuant to which SDCWA is contractually obligated for the benefit of owners of certain of its outstanding obligations

to file certain annual reports, notices of certain enumerated events as defined under Rule 15c2-12 and annual audited financial statements (the “SDCWA Information”) with certain information repositories.

MWD AND SDCWA HAVE NOT ENTERED INTO ANY CONTRACTUAL COMMITMENT WITH THE DISTRICT, THE TRUSTEE OR THE OWNERS OF THE 2021 CERTIFICATES TO PROVIDE MWD INFORMATION OR SDCWA INFORMATION, AS THE CASE MAY BE, TO THE DISTRICT OR THE OWNERS OF THE 2021 CERTIFICATES.

NEITHER MWD NOR SDCWA HAS REVIEWED THIS OFFICIAL STATEMENT OR MADE ANY REPRESENTATIONS OR WARRANTIES WITH RESPECT TO THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED OR INCORPORATED HEREIN, INCLUDING INFORMATION WITH REGARD TO MWD OR SDCWA. NEITHER OF THEM HAS UNDERTAKEN TO UPDATE SUCH INFORMATION FOR THE BENEFIT OF THE DISTRICT OR THE OWNERS OF THE 2021 CERTIFICATES UNDER RULE 15c2-12.

California Drought and Response

Governor’s Executive Orders. California has a variable climate with significant weather swings. The 2012-2016 Water Years were among the driest and warmest on record. On April 1, 2015, Governor Brown issued an executive order (the “2015 Executive Order”) mandating, among other provisions, a 25% reduction in potable urban water usage in California (as compared to potable water usage in 2013) through February 28, 2016. On February 2, 2016, the reductions mandated by the 2015 Executive Order were extended through October 31, 2016. In connection with such extension, the general framework of the regulations implementing the 2015 Executive Order were left intact, however, urban water suppliers are now provided credits and adjustments based on climate and recognition of significant investments made to create local, drought-resilient sources of potable water.

On May 9, 2016, the Governor issued an executive order directing the SWRCB to adjust and extend the SWRCB’s emergency water conservation regulations through the end of January 2017 (the “2016 Executive Order”). On May 18, 2016 and in accordance with the 2016 Executive Order, the SWRCB adopted an emergency water conservation regulation (the “2016 SWRCB Regulation”) that replaced its February 2, 2016 emergency regulation and extends through January 31, 2017. The 2016 SWRCB Regulation required urban water suppliers, including retail water agencies within the District, to develop conservation standards based upon each urban water supplier’s specific circumstances and replaces the prior percentage reduction-based standard described above. On February 8, 2017, the SWRCB modified and extended the emergency water conservation regulation for another 270 days.

On April 7, 2017, the Governor issued an executive order (the “2017 Executive Order”) which terminated the 2015 Executive Order. The 2017 Executive Order required DWR and the SWRCB to develop standards for urban water suppliers to set water use efficiency targets and restrict wasteful water use, as provided in the 2016 Executive Order. California’s five-year drought ended in 2017 in one of the wettest winters on record.

In May 2018, the Governor signed Senate Bill 606 and Assembly Bill 1668 into law to establish State-wide water efficiency standards. These two pieces of legislation require increased water conservation as compared to the State’s existing 20% reduction by December 31, 2020 water conservation target along with several additional metrics to be established by both retail and wholesale agencies. Such legislation also authorized the SWRCB to adopt water use variances to account for climate and local conditions. Long-term water use efficiency targets are intended to be customized to the unique conditions of each water agency with a goal to establish specific targets that will generate increased conservation. The standards will be strengthened to include: indoor residential per capita water use; outdoor irrigation incorporating new satellite imagery data; commercial water use; and water loss through leaks. The indoor water use standard has been defined as 55 gallons per person per day (“GPCD”) until January 2025; the standard will decrease over time to 50 GPCD in

January 2030. Standards for outdoor residential water use, commercial, industrial and institutional water use for landscape irrigation are still being developed.

Beginning in April 2021, Governor Newsom signed a series of proclamations determining that 50 counties in the State are in a state of emergency due to drought conditions affecting such areas. As of the date of this Official Statement, the County of San Diego is not one of the counties proclaimed to be in a state of emergency due to drought conditions. On July 8, 2021, Governor Newsom signed Executive Order N-10-21, which asks citizens of the State to voluntarily reduce their water use by 15% compared to 2020 levels. Notwithstanding that the County of San Diego is not covered by any such state of emergency proclamation, water users in the County of San Diego (including the District) are subject to Executive Order N-10-21.

The District does not currently believe that further reductions in water use in the District's service area will have a material adverse effect on the District's ability to pay the principal of and interest on the 2021 Certificates; however, there can be no assurance that prolonged drought conditions will not impact the District's service area in the future, leading to decreased usage of the District's Enterprise resulting in a decline in Net Revenues, or that the State's permanent water usage restrictions or the voluntary reductions encouraged by Executive Order N-10-21 will not lead to decreased usage of the District's Enterprise, resulting in a decline in Net Revenues.

The District is obligated under the 2021A Installment Purchase Agreement to set rates and charges sufficient to provide Net Revenues equal to 115% of Debt Service due in each fiscal year as more particularly described under the caption "SECURITY FOR THE 2021 CERTIFICATES—Rate Covenant." The ability of the District to modify its current rate structure could, however, be limited by certain California Constitutional provisions, including but not limited to Proposition 218. See the caption "CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES."

District Drought Response Actions and Impact

On May 6, 2009, the District adopted Ordinance No. 162 (the "Ordinance") implementing certain regulations, restrictions, and measures aimed to manage water supply shortages. The Ordinance implements four Drought Response Levels, each carrying specific voluntary or mandatory conservation measures with respect to water usage. The rates corresponding to the water supply shortage levels were approved pursuant to the provisions of Proposition 218 on October 2, 2013. See "The Water System-Rates and Charges". The District is also authorized to provide variances to mandatory conservation practices to certain customers, upon application and demonstration of undue hardship resulting from implementing such measures.

Drought Response Level 1 - Voluntary Conservation Practices. Level 1 occurs upon notification by SDCWA that, due to drought or other supply reductions, there is a reasonable probability there will be supply shortages and that a voluntary consumer demand reduction of up to 10% is required in order to meet anticipated demands. The District's General Manager is authorized to declare the existence of a Drought Response Level 1, and can implement certain voluntary conservation practices. For example, consumers are encouraged to irrigate landscape efficiently, to use a hose with a shut-off nozzle for washing cars, and to restrict commercial and residential landscape irrigation to the hours before 10 a.m. and after 6 p.m. daily. Recycled or non-potable water is to be used for construction purposes when permitted, and food establishments are only to serve and refill water upon request.

Drought Response Level 2-Drought Alert. Level 2 occurs upon notification by SDCWA that, due to cutbacks caused by drought or other reduction in supplies, a consumer demand reduction of up to 20% is necessary to have sufficient supplies to meet anticipated demand. If the required reduction is 10% or less, the General Manager is authorized to determine the administration of the conservation practices. In addition to complying with voluntary conservation practices with respect to Level 1, consumers are required to limit residential and commercial landscape irrigation to 3 assigned days per week, and to use sprinklers for irrigation no more than 10 minutes per watering station per assigned day. Water leaks must be repaired within 72 hours

of notification by the District (unless otherwise provided for by the General Manager), and operation of ornamental fountains or similar decorative water features is prohibited unless re-circulated water is used.

Drought Response Level 3 – Drought Critical. Level 3 occurs upon notification by SDCWA that, due to increasing cutbacks caused by the drought or other reduction of supplies, a consumer demand reduction of up to 40% is required in order to have sufficient supplies available to meet anticipated demands. The Board of Directors shall declare that Level 3 conditions exist, the allocation reduction, and implement Level 3 conservation practices. In addition to complying with Level 1 and Level 2 conservation practices, customers are required to limit residential and commercial landscape irrigation to 2 assigned days per week, and to use sprinklers for irrigation no more than 8 minutes per watering station per assigned day. Water leaks must be repaired within 48 hours of notification by the District (unless otherwise provided for by the General Manager), and customers are prohibited from filling or refilling pools, spas, ornamental lakes or ponds (except to the extent necessary to sustain aquatic life of significant value that had been actively managed prior to declaration of Level 3 conditions). Customers are further prohibited from washing vehicles, except at commercial carwashes that re-circulate water by high pressure/low volume wash systems.

In addition, upon declaration of Level 3 conditions, no new potable water service shall be provided, no new temporary meters or permanent meters shall be provided or installed, and no statements of immediate ability to serve or provide potable water shall be issued, except under limited circumstances. The District must also suspend consideration of water service annexations to its service area, and may establish water allocation for property served by the District using a method that does not penalize persons for implementing conservation methods or installing water saving devices. The water allocation may also provide for penalties in an amount adopted by the Board of Directors for use in excess of allocation.

Drought Response Level 4 – Drought Emergency Condition. Level 4 occurs when the SDCWA declares a water shortage emergency pursuant to California Water Code Section 350, and notifies the District that a mandatory demand reduction of over 40% is required in order for the District to have adequate supplies available to meet anticipated demands. In addition to complying with Level 1, Level 2, and Level 3 conservation practices, residential and commercial customers are prohibited from all landscape irrigation and other outdoor watering (with the exception of commercial growers and nurseries), except the minimum required for maintenance of landscaping necessary for fire protection and erosion control, maintenance of rare plants or plants necessary for rare animals, maintenance of landscaping within certain public facilities including parks and cemeteries two times a week, watering of livestock, and public works projects. Water leaks must be repaired within 24 hours.

The District may also establish water allocation for property served by the District using a method that does not penalize persons for implementing conservation methods or installing water saving devices. The water allocation may also provide for penalties in an amount adopted by the Board of Directors for use in excess of allocation.

Water Quality Compliance

Water quality requirements for potable water are developed by the United States Environmental Protection Agency and the California State Water Resources Control Board's Division of Drinking Water pursuant to mandates contained in the federal Safe Drinking Water Act. Since all of the potable water that the District currently delivers to its customers is treated by other agencies, the agency treating the water is initially responsible for complying with all applicable water quality requirements. On the basis of data supplied by these agencies, the District believes that the potable water it delivers to its customers satisfies currently applicable requirements. Any action at the federal or state level the effect of which would be to set stricter water quality standards would likely increase treatment costs, and any such increased costs would likely be reflected in the rates charged by the by the agencies treating the water.

Water Quality-PFAS

In August 2019, the California Office of Environmental Health Hazard Assessment (“OEHHA”) (a department within the California Environmental Protection Agency) recommended a notification level for perfluorooctanoic acid (“PFOA”) and perfluorooctanesulfonic acid (“PFOS”) at the lowest levels at which such substances can be reliably detected in drinking water using currently available and appropriate technologies. The Division of Drinking Water (“DDW”) of the SWRCB subsequently set the notification levels at 6.5 part per trillion (“ppt”) for PFOS and 5.1 ppt for PFOA. If exceeded, water providers must notify their governing bodies, and the SWRCB recommends they inform customers. In early 2020, the SWRCB also set the response levels at 10 ppt for PFOA and 40 ppt for PFOS. If exceeded, water providers are required to either take the water source out of service, provide treatment, or notify customers in writing. Legislation which took effect on January 1, 2020 (California Assembly Bill 756), requires that water systems that receive a monitoring order from the SWRCB and detect levels of Perfluoroalkyl substances (“PFASs”) that exceed their respective response level must either take a drinking water source out of use or provide specified public notification if they continue to supply water above the response level.

On January 14, 2021, U.S. Environmental Protection Agency (“USEPA”) released an Advance Notice of Public Rulemaking (“ANPRM”), seeking public comment the designation of PFOA and PFOS as hazardous substances under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (“CERCLA”) and/or hazardous waste under the Resource Conservation and Recovery Act (“RCRA”). On March 3, 2021, the USEPA announced via the Federal Register its final determination to regulate PFOA and PFOS in drinking water. On March 11, 2021, the USEPA announced via the Federal Register its proposed revisions to the Unregulated Contaminant Monitoring Rule (“UCMR 5”) for public water systems which includes monitoring for 29 PFAS in drinking water. The proposal would require pre-sampling preparations in 2022, sample collection from 2023-2025, and reporting of final results through 2026. Comments on the USEPA’s final regulatory determination for PFOA and PFOS and the UCMR 5 proposals are due within 60 days of publication. The ANPRM regarding future regulation of PFOA and PFOS under CERCA and RCRA has not been published in the Federal Register and is undergoing review in accordance with the new presidential administration’s Regulatory Freeze Pending Review Memorandum issued on January 20, 2021. On March 5, 2021, under the authority of the Deputy Director of the State Water Board’s Division of Drinking Water, the state California issued a notification level of 500 ppt and response level of 5000 ppt for perfluorobutane sulfonic acid (“PFBS”). In addition, the SWRCB has initiated a process to establish enforceable drinking water standards for PFOA and PFOS by requesting the OEHHA to establish Public Health Goals for these two chemicals.

DDW has asked OEHHA to recommend NLs for six other PFAS compounds consistently detected in California drinking water sources: perfluorohexane sulfonic acid (PFHxS), perfluorohexanoic acid (PFHxA), perfluoroheptanoic acid (PFHpA), perfluorononanoic acid (PFNA), perfluorodecanoic acid (PFDA), and 4,8-dioxia-3H-perflourononanoic acid (ADONA). DDW has also requested that OEHHA develop PHGs for both PFOA and PFOS, the next step in the process of establishing Maximum Contaminant Levels in drinking water. On March 19, 2021, OEHHA announced its intent to list PFOA as a carcinogen under the Safe Drinking Water and Toxic Enforcement Act of 1986 (Proposition 65). On March 26, 2021, OEHHA announced its review of the carcinogenic hazard of PFOS for possible listing under Proposition 65. That same day, OEHHA also announced its assessment of the reproductive toxicity of PFDA, PFHxS, PFNA, and perfluoroundecanoic acid (PFUnDA) for possible listing under Proposition 65. Comments regarding whether PFOA meets the criteria to be listed as a carcinogen under Proposition 65 are due by May 3, 2021. The public has until May 10, 2021, to submit information relevant to the assessment of the carcinogenicity of PFOS and the reproductive toxicity of PFDA, PFHxS, PFNA, and PFUnDA. In November 2017, OEHHA listed PFOA and PFOS as chemicals known to cause reproductive toxicity under Proposition 65. Proposition 65 requires businesses to provide warnings to Californians about significant exposures to chemicals that cause cancer, birth defects or other reproductive harm. Proposition 65 also prohibits California businesses from knowingly discharging significant amounts of listed chemicals into sources of drinking water.

The District tested its drinking water supply for PFAS during the federally mandated third Unregulated Contaminant Monitoring Rule (“UCMR 3”) in 2014. The District did not detect any PFAS in the District’s drinking water supply. In addition, MWD, who supplies imported water to the District, has not detected PFOA, PFOS or PFBS in its water supply. SDCWA has not reported the detection of PFAS in its water supply. See the caption “— Water System — Water Sources and Supply.” PFAS are predominantly found in groundwater sources, which the District does not use for its drinking water supply.

Rates and Charges

In accordance with California law, the District may, from time to time, fix, alter or change fixed monthly system access (ready-to-serve) fees, commodity charges and other fees related to the Water System and the charges related to its Wastewater System. Consequently, the District periodically reviews its rates. In accordance with California law, the District reviews such charges and fees to determine if they are sufficient to cover operation and maintenance costs, capital improvement expenditures and debt service requirements. Such charges and fees are set by the District for the services provided by the Enterprise after a noticed public hearing is held, generally at the time of adoption of the annual budget.

Neither the District nor the Enterprise is subject to the jurisdiction of, or regulation by, the California Public Utilities Commission or any other regulatory body in connection with the establishment of charges and fees related to the Enterprise. However, increases in the District’s rates and charges for a property related services within the meaning of Article XIII D of the California Constitution are subject to the provisions thereof. See “CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES — Proposition 218” and “— Effect of Proposition 218 and of Possible General Limitations on Enforcement Remedies.”

The District charges for water based on a tiered structure charge per unit (a unit consists of 748 gallons) (see the caption “CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES-Proposition 218” for a discussion on tiered rates). The current tier limits and per-unit rates are noted in the table below. The agricultural rate reflects a \$0.99 credit per unit and are not subject to higher tier rates. Currently, 2,813 customers located in high elevations pay an additional \$0.23 to \$0.65 per unit to recover the power costs associated with pumping. The District also charges a monthly ready-to-serve (“RTS”) charge to recover the costs of maintenance on meters, water lines and storage facilities, customer service, meter reading, billing, engineering, administration, and other costs to assure that water is available upon demand. Current RTS charges are identified in Table No. 3 following the tiered rate table. The District anticipates wholesale rate increases each year from MWD and SDCWA, and passes them on to its customers through the commodity and RTS rates after a noticed public hearing. Retail increases may be recommended during or after preparation of the annual operating budget considering expense projections, rate covenants and reserve floors.

Table No. 2
VALLECITOS WATER DISTRICT WATER SYSTEM
SCHEDULE OF WATER UNITS AND RATES⁽¹⁾⁽²⁾
(As of January 1, 2021)

	<i>Tier 1</i> (\$3.77/unit)	<i>Tier 2</i> (\$4.75/unit)	<i>Tier 3</i> (\$9.18/unit)
5/8" and 3/4" meters	1-6	7-21	22 and up
1" meter	1-16	17-78	79 and up
1 1/2" meters	1-43	44-196	197 and up
2" meters	1-85	86-335	336 and up
3" and larger meters	1-430	431-1,190	1,191 and up
Certified Agricultural		1 and up	
Temporary construction meters			1 and up

⁽¹⁾ Multi-family tiers are allocated based on meter size.

⁽²⁾ One unit of water = 100 cubic feet, or 748 gallons.

Source: District.

Table No. 3
VALLECITOS WATER DISTRICT
MONTHLY METER RTS CHARGES
(As of January 1, 2021)

<i>Meter Size</i>	<i>Charge</i>
5/8"	\$36.55
3/4"	36.55
1"	53.31
1 1/2"	137.11
2"	220.91
3"	338.23
4"	505.83
6"	1,008.63
10"	2,349.43
Additional living unit	10.06
Temporary construction	338.23
Fire service per diameter	7.55

Source: District.

In 2017, the District prepared a Cost of Service and Rate Structure Study (the "2017 Cost of Service Study"), which recommended the current rate structure for the District's Water System, and recommended rates to take effect on January 1, 2018 and January 1, 2019, respectively. The recommended rates, following a hearing in accordance with Proposition 218, were adopted by the Board at a meeting held on September 20, 2017. In February 2020, the District prepared an addendum to the 2017 Cost of Service Study (the "2020 Addendum"), which recommended rates for the District's Water System to take effect on March 1, 2020. Following a hearing held in accordance with Proposition 218, the rates recommended in the 2020 Addendum were adopted by the District on February 27, 2020, and such rates took effect on March 1, 2020. As of the date of this Official Statement, the rates adopted on February 27, 2020 remain in effect. The District expects to complete a cost of service study by December 2021, after which the District intends to consider whether rate increases for Water System service are required.

Collection Procedures. The District is on a monthly billing cycle and sends bills out by the third day following the end of a billing cycle. Customers who receive both water and wastewater services receive a single bill. Payment is due within 20 days following the mailing of the original bill. If payment is not received by the 35th day following the mailing of the original bill, accounts are charged a delinquency charge equal to 10% of the unpaid balance. At least 15 days prior to discontinuance of service due to non-payment of water bills, the District mails delinquent notices to customers with past due bills. At least 48 hours prior to discontinuance of service due to non-payment, the District posts a shut off notice in a conspicuous location on the property. If the notice cannot be posted on the property, it is mailed. A final attempt to contact the customer by telephone is made at least 12 hours prior to actual discontinuance of service. Service will not be discontinued if there are any known life threatening consequences, or during payment negotiations by customer request. Also, the District will not terminate service to a customer making payments under an amortization agreement, as long as payments under the agreement and subsequent charges for water use are both kept current. However, if payments under a payment agreement are not received timely, the District may discontinue water service. Once service has been discontinued, service is reinstated only after the customer pays the past due balance plus a service charge. For closed accounts, the District sends a closing bill as part of the current billing cycle. A second notice is sent after the closing bill becomes delinquent. Accounts which remain unpaid after 90 days are submitted to the District’s collection agency. As of March 31, 2021, delinquencies represented approximately 1.62% of billings for Fiscal Year 2021, which is higher than the delinquency rate as of March 31, 2020, which was 0.28%. The District has experienced an increase in delinquencies due to the impact of the COVID-19 pandemic; however, the increase has been in a lesser amount than the District initially projected and the District believes that such increase in delinquencies will not have a material adverse effect on the financial operations of the Enterprise.

Water Meter Connections. The following table presents a summary of meter connections to the Water System for the most recent five Fiscal Years:

**Table No. 4
VALLECITOS WATER DISTRICT
HISTORICAL METER CONNECTIONS**

<i>Year Ended June 30</i>	<i>Meter Connections</i>	<i>Percent Increase</i>
2021 ⁽¹⁾	21,960	0.2%
2020	21,925	0.4
2019	21,848	0.6
2018	21,719	1.2
2017	21,464	-

⁽¹⁾ Reflects actual unaudited results as of April 30, 2021, and projected results for the balance of Fiscal Year 2021.
Source: District.

The following table presents the District’s projection of meter connections for the current and next four Fiscal Years:

Table No. 5
VALLECITOS WATER DISTRICT
PROJECTED METER CONNECTIONS

<i>Year Ending June 30</i>	<i>Meter Connections</i>	<i>Percent Increase</i>
2022	22,044	0.4%
2023	22,140	0.4
2024	22,236	0.4
2025	22,428	0.4
2026	22,524	0.4

Source: District.

Water Purchases and Demand. Historical water purchases by the District from SDCWA over the 10-year period ended in Fiscal Year 2021 show that the District has reduced water purchases from a high of 17,900 acre-feet in Fiscal Year 2014 to 14,068 acre-feet in Fiscal Year 2020, primarily as a result of conservation. The District estimates that approximately seven percent (7%) of water purchases are unbilled due to tie-ins, operational use, fire hydrant damage and use, emergency water loss, meter malfunctions and leaks in the system. The actual amount of water sold is estimated to be correspondingly lower than the water purchased by a similar seven percent (7%) factor. The District records the volume of water delivered by the Water System.

The following table summarizes water purchases and deliveries for the most recent ten Fiscal Years.

Table No. 6
VALLECITOS WATER DISTRICT
WATER PURCHASES AND DELIVERIES

<i>Year Ended June 30</i>	<i>Acre-Feet Purchased</i>	<i>Acre-Feet Delivered</i>	<i>Percent of Ten Year Average of Deliveries</i>	<i>Percent Change of Deliveries</i>
2021 ⁽¹⁾	15,492	14,312	99.9%	9.4%
2020	14,068	13,084	91.3	(3.7)
2019	14,232	13,589	94.8	(11.2)
2018	16,168	15,310	106.8	16.4
2017	14,411	13,157	91.8	9.8
2016	12,980	11,981	83.6	(20.1)
2015	15,300	14,997	104.7	(9.6)
2014	17,900	16,581	115.7	3.7
2013	17,430	15,987	111.6	11.9
2012	16,210	14,290	99.7	(2.0)

⁽¹⁾ Reflects actual unaudited results as of April 30, 2021, and projected for the balance of Fiscal Year 2021.

Source: District.

Beginning in Fiscal Year ending 2016, the District purchased treated water from the Olivenhain Municipal Water District (“Olivenhain”), which Olivenhain in turn purchases from SDCWA. The following tables show the water purchases and deliveries for the current and the next four Fiscal Years from SDCWA and Olivenhain, as well as supply of desalinated water from the Carlsbad Desalter. Increases in water purchases and deliveries are projected to occur primarily as a result of new connections to the Water System and to a lesser extent because of increased water consumption by existing consumers. Actual water deliveries may vary materially from those estimated below.

Table No. 7
VALLECITOS WATER DISTRICT
WATER PURCHASES AND DELIVERIES FROM SDCWA AND OLIVENHAIN
FIVE YEAR PROJECTION
(Acre-Feet)

<i>Year Ending June 30</i>	<i>Acre-Feet Purchased</i>	<i>Acre-Feet Delivered</i>	<i>Percent Change of Deliveries</i>
2022	15,425	14,268	(0.3)%
2023	15,502	14,339	0.5
2024	15,580	14,411	0.5
2025	15,657	14,483	0.5
2026	15,735	14,556	0.5

Source: District.

The following table presents the District's projection of water purchases for the current and next four Fiscal Years.

Table No. 8
VALLECITOS WATER DISTRICT
WATER SUPPLY FROM CARLSBAD DESALTER
FIVE YEAR PROJECTION
(Acre-Feet)

<i>Year Ending June 30</i>	<i>Acre-Feet Purchased</i>	<i>Acre-Feet Delivered</i>	<i>Percent Change of Deliveries</i>
2022	3,500	3,255	0.0%
2023	3,500	3,255	0.0
2024	3,500	3,255	0.0
2025	3,500	3,255	0.0
2026	3,500	3,255	0.0

Source: District.

Largest Water Customers. The following table presents certain information relating to the ten largest customers of the Water System based on estimated usage for the Fiscal Year ended June 30, 2021:

Table No. 9
VALLECITOS WATER DISTRICT
TEN LARGEST CUSTOMERS
(as of June 30, 2021)

<i>Customer</i>	<i>Land Use(s)</i>	<i>Acre-feet of Water</i>	<i>Water as a % of Total Fiscal Year 2021 Sales</i>
City of San Marcos	Offices/Irrigation	588.7	4.11%
San Marcos Unified School District	Schools/Offices	214.1	1.50
Altman Specialty Plants	Agriculture	165.1	1.15
San Elijo Hills, HOA	Residential/Irrigation	156.7	1.09
Emerald Heights Association	Residential/Irrigation	133.1	0.93
Meadowridge HOA	Residential/Irrigation	117.5	0.82
San Marcos Prominence Inc.	Residential/Irrigation	112.9	0.79
Coronado Ranch HOA	Residential/Irrigation	95.1	0.66
Palomar Estates West	Mobile Home Parks	90.9	0.64
Shea Homes	Residential/Irrigation	66.7	0.47

⁽¹⁾ Reflects actual unaudited results as of April 30, 2021, and projected results for the balance of Fiscal Year 2021.
Source: District.

The ten largest customers of the Water System accounted for approximately 12.16% of water delivered in Fiscal Year 2021.

Water System Revenues. The following table shows the District’s annual revenues from water sales (exclusive of pumping charges and RTS charges) for the five most recent Fiscal Years.

Table No. 10
VALLECITOS WATER DISTRICT
HISTORICAL WATER SALES REVENUES

<i>Year Ended June 30</i>	<i>Water Sales Revenues</i>	<i>Percent Change</i>
2021 ⁽¹⁾	\$31,260,000	10.0%
2020	28,407,203	3.9
2019	27,339,732	(6.9)
2018	29,380,737	26.7
2017	23,180,425	-

⁽¹⁾ Reflects actual unaudited results as of March 31, 2021, and projected results for the balance of Fiscal Year 2021.
Source: District.

The following table projects annual water sales revenues of the Water System (excluding pumping charges and RTS charges) for the current and next four Fiscal Years. The projection of water sales revenues set forth below is based on the assumptions and increases in projected water deliveries described under “Combined Water and Wastewater Systems — Projected Enterprise Operating Results” below and may vary from actual water sales revenues for the reasons described thereunder. In the event that the District increases or decreases rates and charges, actual sales revenues will vary from those projected below.

**Table No. 11
VALLECITOS WATER DISTRICT
PROJECTED WATER SALES REVENUES**

<i>Year Ending June 30</i>	<i>Water Sales Revenues⁽¹⁾</i>	<i>Percent Change</i>
2022	\$31,180,000	(0.3)%
2023	32,270,000	3.5
2024	33,490,000	3.8
2025	34,820,000	4.0
2026	36,210,000	4.0

Source: District.

Wastewater System

Wastewater System Facilities. The District provides wastewater collection and treatment services to customers within its service area. The District collects and transports wastewater through 4 lift stations and 276 miles of pipeline, ranging in size from 4” to 42”. Upon collection, the District delivers on average approximately 3.5 million gallons per day to the Encina Wastewater Authority, and on average approximately 3.5 million gallons per day to the Meadowlark Water Reclamation Facility. The District owns, operates, and maintains the Meadowlark Reclamation Facility, and delivers wastewater to the Encina Wastewater Authority pursuant to a series of agreements (see the caption “—Encina Wastewater Authority” for more information).

In addition, the District expanded the Meadowlark Water Reclamation Facility in 1982 to include wastewater treatment and recycled water services. The Meadowlark Water Reclamation Facility recycles up to 74% of the wastewater generated within the District, and distributes the reclaimed water for irrigation purposes outside of the District. The District holds up to 54 million gallons of reclaimed water in the Mahr Reclaimed Water Reservoir, which is owned operated, and maintained by the District.

Encina Wastewater Authority. The District is a member of the Encina Wastewater Authority (“EWA”). The EWA is a joint powers agency among the District, the Cities of Vista, Carlsbad and Encinitas, the Buena Sanitation District, and the Leucadia Wastewater District.

The EWA was created in 1988 pursuant to a joint powers agreement (the “Joint Powers Agreement”), and currently operates certain wastewater treatment facilities including the Encina Water Pollution Control Facility (“EWPCF”). The District receives wastewater treatment services from the EWPCF pursuant to a series of agreements. The District pays both operating and capital costs related to the EWPCF. The operating costs paid by the District to EWA are treated as Maintenance and Operation Costs. Capital costs paid by the District to EWA, including debt service with respect to any obligations incurred by EWA, are not Maintenance and Operations Costs and are paid subordinate to the 2021 Installment Payments and other payments with respect to Parity Obligations.

For further information about EWA, contact Scott McClelland (Assistant General Manager) at (760) 268-8847.

Service Area. As of April 30, 2021, the Wastewater System included a total of approximately 20,754 connections, including approximately 19,819 residential service connections, approximately 805 industrial and commercial service connections, and approximately 130 public and miscellaneous service connections. The following table illustrates use of the Wastewater System in Fiscal Year 2021.

Table No. 12
VALLECITOS WATER DISTRICT
WASTEWATER SYSTEM DISCHARGE BY TYPE
(Fiscal Year 2021)⁽¹⁾

<i>Types of Dischargers</i>	<i>Percentage of Total*</i>
Residential	83%
Commercial/Industrial	13
Public, Other	<u>4</u>
Total	<u>100%</u>

⁽¹⁾ Unaudited.

* The Wastewater System is not metered, so percentages of Wastewater System usage are estimated to be approximately the same as the percentages of total wastewater revenue.

Source: District.

Wastewater Rates and Charges. The following table sets forth the District’s monthly charges for its Wastewater System, effective July 1, 2021.

Table No. 13
VALLECITOS WATER DISTRICT WASTEWATER SYSTEM
MONTHLY WASTEWATER SERVICE CHARGES
(effective July 1, 2021)

<i>Type of Discharger</i>	<i>Monthly Charge</i>
Single Family Residential	\$38.99
Residential Multiple unit	35.09
Mobile Home	31.19
Nonresidential flow (per 100 cu ft)	4.96
Commercial/Industrial (per employee)	3.51
Restaurant (per seat)	2.34
Hotel/motel/conv (per living unit)	19.50
Laundromat (per machine)	32.44
Schools (per student)	0.78
Church/theater (per seat)	0.31
Minimum commercial charge	24.56

Source: District.

In 2016, the District worked with Black & Veatch to prepare a Water & Wastewater Cost of Service & Rate Design Analysis (the “2016 Cost of Service Study”), which included an evaluation of the rates charged for the District’s Wastewater System. After evaluating the recommendations in the 2016 Cost of Service Study, it was determined that rate increases for the District’s Wastewater System were not necessary. District staff evaluates the revenue requirements of the Wastewater System on an annual basis to determine if rate increases are required.

Collection Procedures. Wastewater System customers who are also customers of the Water System receive a single monthly bill for both services. See “THE ENTERPRISE — Water System - Collection Procedures” for a discussion of the process for the distribution and collection of those bills. Wastewater System customers who are not customers of the Water System are billed on the *ad valorem* property tax bills prepared and distributed by the County of San Diego. Property taxes are payable to the County semiannually.

Wastewater System charges that are collected by the County are remitted to the District along with the District's allocation of property taxes.

Wastewater Connections. The following tables present a summary of connections to the District's Wastewater System for the most recent five Fiscal Years and the District's projection of such connections for the current and next four Fiscal Years:

Table No. 14
VALLECITOS WATER DISTRICT
HISTORICAL WASTEWATER CONNECTIONS

<i>Year Ended June 30</i>	<i>Wastewater Connections</i>	<i>Percent Increase</i>
2021 ⁽¹⁾	20,754	0.3%
2020	20,694	0.2
2019	20,644	0.2
2018	20,607	0.6
2017	20,521	-

⁽¹⁾ Reflects actual unaudited results as of March 31, 2021, and projected results for the balance of Fiscal Year 2021.
Source: District.

The following table presents the District's projection of wastewater connections for the current and next four Fiscal Years.

Table No. 15
VALLECITOS WATER DISTRICT
PROJECTED WASTEWATER CONNECTIONS⁽¹⁾

<i>Year Ending June 30</i>	<i>Wastewater Connections</i>	<i>Percent Increase</i>
2022	20,814	0.3%
2023	20,874	0.3
2024	20,934	0.3
2025	20,994	0.3
2026	21,054	0.3

Source: District.

Largest Wastewater Dischargers. The Wastewater System is not metered, so the District does not track the largest wastewater dischargers as it does in the case of the water users.

Wastewater System Revenues. The following table shows the District’s annual revenues from its Wastewater System for the five most recent Fiscal Years.

**Table No. 16
VALLECITOS WATER DISTRICT
HISTORICAL WASTEWATER REVENUES**

<i>Year Ended June 30</i>	<i>Wastewater Revenues</i>	<i>Percent Increase</i>
2021 ⁽¹⁾	\$17,695,000	(1.8)%
2020	18,012,258	(0.4)
2019	18,077,717	0.4
2018	18,000,233	2.8
2017	17,503,448	-

⁽¹⁾ Reflects actual unaudited results as of March 31, 2021, and projected results for the balance of Fiscal Year 2021.
Source: District.

The following table projects annual revenues of the Wastewater System for the current and next four Fiscal Years. The projection of such revenues set forth below is based on the assumptions and increases in projected wastewater connections described under “Combined Water and Wastewater Systems — Projected Enterprise Operating Results” below and may vary from actual revenues for the reasons described thereunder.

**Table No. 17
VALLECITOS WATER DISTRICT
PROJECTED WASTEWATER REVENUES**

<i>Year Ending June 30</i>	<i>Wastewater Revenues</i>	<i>Percent Increase</i>
2022	\$17,763,000	0.4%
2023	18,210,000	2.5
2024	18,670,000	2.5
2025	19,140,000	2.5
2026	19,710,000	3.0

Source: District.

Combined Water and Wastewater Systems

Rates and Charges. The table below sets forth a comparison of a monthly bill for water and wastewater service for a single family residential unit in the District to those of surrounding neighboring communities (assuming that 13 units of 748 gallons each are taken during the month in the case of the water bill and, for agencies that base their wastewater charges on low-month water usage, that 12 such units are taken in the case of the wastewater bill):

Table No. 18
VALLECITOS WATER DISTRICT
MONTHLY BILL COMPARISON
(As of June 30, 2021)

<i>Agency</i>	<i>Monthly Average for Single Family Residence</i>		
	<i>Water</i>	<i>Wastewater</i>	<i>Total</i>
Fallbrook PUD	\$135.72	\$76.71	\$212.43
Padre Dam MWD	138.89	65.58	204.47
Valley Center MWD	114.20	87.30	201.50
Del Mar, City of	111.03	86.33	197.36
Yuima MWD	106.51	88.00	194.51
Ramona MWD	121.80	68.46	190.26
Escondido, City of	121.77	60.50	182.27
Rincon Del Diablo MWD	119.36	60.50	179.86
Rainbow MWD	118.44	55.07	173.51
Olivenhain MWD	98.90	74.40	173.30
Sweetwater Authority / CV	116.04	53.57	169.61
Vista Irrigation District / Buena	104.55	57.83	162.38
Oceanside, City of	92.58	69.53	162.11
San Diego, City of	108.73	47.71	156.45
Santa Fe Irrigation District	80.63	74.40	155.03
Poway, City of	93.87	60.76	154.62
Helix Water District	97.74	55.27	153.01
Lakeside Water District	70.96	73.04	144.00
Vallecitos Water District	92.42	38.99	131.41
San Dieguito WD / Leucadia	100.13	28.64	128.77
Otay Water District	87.55	39.19	126.74
Carlsbad MWD	<u>80.35</u>	<u>31.32</u>	<u>111.67</u>
AVERAGE	\$105.10	\$61.51	\$166.60

Monthly averages were computed using 13 HCF units of water per month, and for sewer rates, 9 units of flow.
Source: District.

Capital Facility Fees. Capital Facility Fees are charged to recover the cost of the facilities needed to meet the capacity requirements for growth. Such fees are intended to recover an equitable share of the value of capacity in the facilities that are (or will be) available to serve growth. After a public hearing, the District can approve additional increases in Capital Facility Fees for Water System and Wastewater System hook-up permits as long as the increase does not exceed the reasonable cost of providing capital improvements.

The table below sets forth a comparison of Capital Facility Fees for a single family residential unit to the water system and wastewater system connection fees in surrounding communities:

Table No. 19
VALLECITOS WATER DISTRICT
CAPITAL FACILITY FEE COMPARISON
(As of January 1, 2021)

<i>Agency</i>	<i>Connection Fees</i>		
	<i>Water</i>	<i>Sewer</i>	<i>Total</i>
Rainbow MWD	\$10,401	\$16,951	\$27,352
Ramona MWD	8,740	15,379	24,119
Vallecitos WD	7,896	12,986	20,882
Santa Fe Irrigation	17,636	3,200	20,836
Oceanside, City of	8,520	11,691	20,211
Otay WD	11,147	7,193	18,340
Olivenhain MWD	13,634	3,200	16,834
Padre Dam MWD	9,862	6,876	16,738
Sweetwater Authority	5,778	8,935	14,713
Valley Center MWD	4,950	8,935	13,885
Rincon Del Diablo	5,992	7,500	13,492
Helix WD	6,842	6,226	13,068
Fallbrook PUD	5,778	7,115	12,893
Vista Irrigation	6,308	6,405	12,713
Escondido UWD	4,690	7,500	12,190
Yuima MWD	2,980	7,733	10,713
San Dieguito WD	3,300	5,089	8,389
Carlsbad MWD	4,455	2,897	7,352
San Diego, City of	3,047	4,124	7,171

Source: District.

Future Enterprise Improvements. The District’s current Capital Facilities Master Plan was updated in 2019. The District believes that the capital projects contemplated in the Fiscal Year 2022 Budget will satisfy planned future demand within the District boundaries, absent a significant change to projected demand in the new Master Plan.

As further growth in the District requires, the District anticipates expanding the Water System and the Wastewater System to add new water lines and storage facilities as contemplated by the District’s Master Plan. The District anticipates that most of the new lines and storage facilities will be constructed for the District by property owners in connection with the development of their properties and that revenues derived from the Capital Facility Fees will be sufficient to pay the costs of any such future improvements not constructed by property owners.

The District expects to spend a total of approximately \$26.1 million in Fiscal Year 2022 on Water System, Wastewater System and general capital improvement projects. The District anticipates that the costs of such projects will be paid from proceeds of the 2021 Certificates, District reserves and Revenues of the Water System and Wastewater System.

The five-year capital budget for the current and next four Fiscal Years is estimated to total approximately \$122.9 million, as summarized in the table below. All estimates include planning, design, construction, engineering, administration and right-of-way acquisition costs.

Table No. 20
VALLECITOS WATER DISTRICT
CAPITAL BUDGET (Dollars in Millions)⁽¹⁾

<i>Fiscal Year</i>	<i>Water</i>	<i>Wastewater</i>	<i>Annual Total</i>
2022	\$7.6	\$18.5	\$ 26.1
2023	5.6	21.2	26.8
2024	1.6	13.2	14.8
2025	3.2	25.3	28.5
2026	<u>4.6</u>	<u>22.1</u>	<u>26.7</u>
Total	22.6	100.3	\$122.9

⁽¹⁾ Totals may not add due to rounding.
Source: The District.

The funds required to finance the District’s capital improvement program will be provided from a number of different sources, including proceeds of the 2021 Certificates, District reserves, Revenues and additional Parity Obligations. The District currently projects causing the execution and delivery of certificates of participation in the principal amount of \$20,000,000 in Fiscal Year 2025 (the “2025 Certificates”) to finance a portion of the District’s capital improvement program. The installment payments (the “2025 Installment Payments”) payable under the installment purchase agreement (the “2025 Installment Purchase Agreement”) supporting the 2025 Certificates are expected to be payable from Net Revenues on a parity with the 2015 Bonds and the 2021 Installment Payments. The District expects the initial 2025 Installment Payment to be due in Fiscal Year 2026.

1% Property Tax Revenues. The District receives a portion of the County 1% property tax levied on behalf of all taxing agencies in the County. The District also receives moneys from successor agencies to certain redevelopment agencies with which the District has pass-through and other tax-sharing agreements. All moneys received by the District as distributions of the 1% property tax and from such successor agencies are included in the Revenues of the District.

The taxes collected by the County are allocated to taxing agencies within the County, including the District, on the basis of a formula established by State law enacted in 1979. Under this formula, the County and all other taxing entities receive a base year allocation plus an allocation on the basis of “situs” growth in assessed value (new construction, change of ownership and inflation) prorated among the jurisdictions, which serve the tax rate areas within which the growth occurs. Tax rate areas are specifically defined geographic areas, which were developed to permit the levying of taxes for less than countywide or less than citywide special districts.

From time to time legislation has been considered as part of the State budget to shift Property Tax Revenues from special districts to school districts or other governmental entities. While legislation enacted in connection with the 1992-93 State budget shifted approximately 35% of many special districts’ shares of the countywide one percent ad valorem tax, the share of the countywide one percent ad valorem tax allowable to multi-county special districts, such as the District, was exempted. The 2004-05 State budget reallocated additional portions of the special districts’ shares of the countywide one percent ad valorem tax, shifting a portion of the property tax revenues collected by the County from special districts to school districts. As a result of the 2004-05 State budget, the District lost approximately \$2,030,000 of revenue from property tax, cumulatively, over Fiscal Years 2005 and 2006. Pursuant to the 2004-05 State budget, such property tax revenues reverted to the District in Fiscal Year 2007.

On November 2, 2004, State voters approved Proposition 1A, which amends the State Constitution to significantly reduce the State’s authority over major local government revenue sources. Under Proposition 1A, the State may not, among other things: (i) shift property taxes from local governments to schools or community colleges; or (ii) change how one percent ad valorem property tax revenues are shared among local governments without two-thirds approval of both houses of the State Legislature. Beginning in State fiscal year 2009-10, the State may shift to schools and community colleges a limited amount of local government property tax revenues if certain conditions are met, including: (a) a proclamation by the Governor that the shift is needed due to a severe financial hardship of the State; and (b) approval of the shift by the State Legislature with a two-thirds vote of both houses. Under such a shift, the State must repay local governments for their property tax losses, with interest, within three years and no additional shifts may occur until the State repays the shifted revenues. Proposition 1A does allow the State to approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county.

On July 27, 2009, the Governor of the State signed a revised fiscal year 2009-10 State budget which included a shift of approximately 8% of the one percent *ad valorem* property tax revenues from certain local agencies, including the District, to school districts and other governmental agencies.

There can be no assurance that the property tax revenues that the District currently expects to receive will not be temporarily shifted from the District pursuant to Proposition 1A in future years, or reduced pursuant to State legislation enacted in the future. If the property tax formula is changed in a State fiscal year or permanently changed in the future, it could have a material adverse effect on the receipt of property tax revenues by the District.

The District expects that moneys received from successor agencies to certain redevelopment agencies described above will decline over time. The timing of such decline, however, is difficult for the District to predict. See the caption “—Projected Enterprise Operating Results.”

Assessed Valuations, Tax Collections and Tax Delinquencies

The following table shows the secured assessed valuation within the District and the amount received by the District of the 1% property tax during Fiscal Years 2016 through 2020.

**Table No. 21
SAN DIEGO COUNTY
SECURED ASSESSED VALUATION AND DISTRICT ALLOCATION
(County Fiscal Years Ending June 30, 2016 Through June 30, 2020)**

<i>Fiscal Year</i>	<i>Total Secured Assessed Valuation</i>	<i>District Allocation in Corresponding Fiscal Year</i>
2020	\$16,492,249,912	\$2,332,158
2019	15,530,939,622	2,238,844
2018	14,559,870,015	2,169,622
2017	13,723,214,216	2,062,257
2016	13,002,974,379	1,924,420

Source: San Diego County Auditor-Controller for Total Secured Assessed Valuation; Vallecitos Water District for District of 1% property tax allocations.

The following table shows payments from redevelopment agencies and successor agencies made to the District pursuant to pass-through and other tax-sharing agreements during Fiscal Years 2016 through 2020.

Table No. 22
VALLECITOS WATER DISTRICT
PAYMENTS FROM REDEVELOPMENT AGENCIES AND SUCCESSOR AGENCIES
(Fiscal Years Ended June 30)

<i>Fiscal Year</i>	<i>Amount</i>
2020	\$2,925,593
2019	2,736,242
2018	2,276,810
2017	2,100,444
2016	1,906,102

Source: District.

Historical Enterprise Operating Results. The following table is a summary of the operating results of the Enterprise for the last five Fiscal Years for which audited financial results are available. These results have been derived from the District’s financial statements but exclude certain non-cash items such as depreciation and include certain other adjustments. This table has not been reviewed by the District’s auditor.

Table No. 23
VALLECITOS WATER DISTRICT
HISTORICAL ENTERPRISE OPERATING RESULTS
(Fiscal Year Ended June 30)

	2016	2017	2018	2019	2020
Revenues					
Water sales	\$ 18,797,274	\$ 23,180,452	\$ 29,380,737	\$ 27,339,732	\$ 28,407,203
Wastewater service charge	17,286,888	17,503,448	18,000,233	18,077,717	18,012,258
Ready-to-serve	13,602,800	13,850,592	13,721,328	13,931,114	14,275,830
Reclaimed water sales	1,069,074	1,711,156	1,761,559	2,725,110	2,663,436
Pumping charge	138,870	171,186	311,817	302,676	394,029
Other services & abatements	945,648	1,005,240	959,587	1,803,812	1,132,786
1% Property Tax Revenue ⁽¹⁾	3,830,522	4,162,701	4,446,432	4,975,087	5,257,751
Investment income ⁽²⁾	338,373	411,745	873,487	1,576,805	1,663,564
Capital facilities fees ⁽³⁾	5,575,483	5,867,239	6,309,538	9,098,686	7,066,957
Other Revenues ⁽⁴⁾	1,146,716	84,823	69,342	55,334	61,603
Total Revenues	<u>\$ 62,731,648</u>	<u>\$ 67,948,582</u>	<u>\$ 75,834,060</u>	<u>\$ 79,886,073</u>	<u>\$ 78,935,417</u>
Maintenance and Operation Costs					
Water purchases	\$ 22,190,912	\$ 27,392,003	\$ 30,678,093	\$ 28,535,462	\$ 28,874,402
General and administrative	5,851,489	5,637,471	5,940,142	5,326,789	6,964,466
Meadowlark wastewater treatment plant	2,750,187	2,993,914	2,827,395	3,091,689	2,981,824
Encina Wastewater Authority ⁽⁵⁾	2,485,765	2,529,715	2,555,168	2,512,824	2,994,404
Collection and conveyance	1,756,927	1,896,688	1,917,754	2,237,132	2,440,911
Engineering	1,889,037	1,988,197	2,497,803	2,740,725	2,878,442
Transmission and distribution	1,195,405	1,747,767	1,565,815	2,464,823	1,870,778
Other expenses ⁽⁶⁾	6,463,259	6,602,141	7,389,188	7,238,443	8,058,456
Total Maintenance and Operation Costs	<u>\$ 44,582,981</u>	<u>\$ 50,787,896</u>	<u>\$ 55,371,358</u>	<u>\$ 54,147,887</u>	<u>\$ 57,063,683</u>
Net Revenues	\$ 18,148,667	\$ 17,160,686	\$ 20,462,702	\$ 25,738,186	\$ 21,871,734
Transfers to Rate Stabilization Fund	-	-	-	-	-
Transfers from Rate Stabilization Fund	-	-	-	-	-
Adjusted Annual Net Revenues	<u>\$ 18,148,667</u>	<u>\$ 17,160,686</u>	<u>\$ 20,462,702</u>	<u>\$ 25,738,186</u>	<u>\$ 21,871,734</u>
Annual Debt Service					
2005A Installment Purchase Agreement ⁽⁷⁾	\$ 2,009,825	\$ 2,010,275	\$ -	\$ -	\$ -
2012 Installment Purchase Agreement ⁽⁷⁾	781,078	782,604	782,843	807,558	777,044
2015 Bonds ⁽⁷⁾	2,196,773	2,246,700	2,246,700	4,113,600	4,140,000
Total Annual Debt Service	<u>\$ 4,987,676</u>	<u>\$ 5,039,579</u>	<u>\$ 3,029,543</u>	<u>\$ 4,921,158</u>	<u>\$ 4,917,044</u>
Debt Service Coverage – Net Revenues	3.64	3.41	6.75	5.23	4.45
Debt Service Coverage – Adjusted Annual Net Revenues	3.64	3.41	6.75	5.23	4.45
Adjusted Annual Net Revenue remaining after payment of Annual Debt Service	\$ 13,160,991	\$ 12,121,107	\$ 17,433,159	\$ 20,817,029	\$ 16,954,690
Subordinate Payments					
2008 Loan ⁽⁷⁾	\$ 476,449	\$ 468,827	\$ 485,744	\$ 524,271	\$ 487,695
Total Subordinate Payments	<u>\$ 476,449</u>	<u>\$ 468,827</u>	<u>\$ 485,744</u>	<u>\$ 524,271</u>	<u>\$ 487,695</u>
Total Debt Service Coverage – Net Revenues⁽⁸⁾	3.32	3.12	5.82	4.73	4.05
Total Debt Service Coverage – Adjusted Annual Net Revenues⁽⁹⁾	3.32	3.12	5.82	4.73	4.05
Adjusted Annual Net Revenue available after Subordinate Payments	<u>\$ 12,684,542</u>	<u>\$ 11,652,280</u>	<u>\$ 16,947,416</u>	<u>\$ 20,292,758</u>	<u>\$ 16,466,995</u>

(1) Property taxes as set forth in the audited financial statements. Includes 1% property tax revenue received by the District in addition to pass-through payments pursuant to certain pass-through agreements with dissolved redevelopment agencies. See Tables Nos. 21 and 22.

(2) Excludes unrealized appreciation or depreciation of investments.

(3) Included as a portion of Capital Contributions in audited financial statements.

- (4) Includes miscellaneous revenues, annexation fees and certain other revenues. Includes Fiscal Year 2016 annexation fees and \$40,897 of cell-site rental income found in the netted "Other non-operating revenues/(expenses)" line item of the Fiscal Year 2016 audited financial statements. Does not include gains on sales of equipment.
- (5) Excludes capital charges payable by the District to the Encina Wastewater Authority pursuant to the Joint Powers Agreement.
- (6) Includes Maintenance and Operation Costs relating to customer accounts, information technology, buildings and grounds, meter reading and repairs, tanks and reservoirs, equipment and vehicles, pumping, water quality and treatment, and other water and wastewater Maintenance and Operation Costs, and certain expenses consisting of refunds from prior years and miscellaneous reimbursements.
- (7) Reflects debt service paid in each Fiscal Year, as required under the Master Contract, as opposed to debt service accrued in each fiscal year as reflected in the audited financial statements for the respective fiscal year.
- (8) Debt service coverage ratio calculated using Net Revenues divided by Total Annual Debt Service and Total Subordinate Payments.
- (9) Debt service coverage ratio calculated using Adjusted Annual Net Revenues divided by Total Annual Debt Service and Total Subordinate Payments.

Source: The District.

Projected Enterprise Operating Results. The District's projected operating results for the Enterprise for Fiscal Year 2021 and the next four Fiscal Years are set forth below. These projections are based on the District's judgment as to the most probable occurrence of certain future events. The assumptions set forth in the footnotes to the chart and beneath it are material to the projections, and variations in the assumptions could produce substantially different financial results. Actual revenues and expenses may vary materially from these projections.

Table No. 24
VALLECITOS WATER DISTRICT
PROJECTED OPERATING RESULTS AND
DEBT SERVICE COVERAGE
(Fiscal Year Ending June 30)

	2021 ⁽¹⁾	2022 ⁽²⁾	2023	2024	2025
Revenues					
Water sales ⁽³⁾	\$ 31,260,000	\$ 31,180,000	\$ 32,270,000	\$ 33,490,000	\$ 34,820,000
Wastewater service charge ⁽⁴⁾	17,695,000	17,763,000	18,210,000	18,670,000	19,140,000
Ready-to-serve ⁽⁵⁾	14,350,000	14,310,000	14,730,000	15,280,000	15,890,000
Reclaimed water sales ⁽⁶⁾	2,726,000	2,975,000	2,995,000	2,975,000	3,014,000
Pumping charge ⁽⁷⁾	431,000	415,000	425,000	435,000	445,000
Other services & abatements ⁽⁸⁾	807,000	918,000	1,124,000	1,142,000	1,160,000
1% Property Tax Revenue ⁽⁹⁾	4,672,605	4,656,000	4,777,000	4,901,000	5,027,000
Investment income ⁽¹⁰⁾	1,430,766	1,064,000	1,088,000	1,020,000	1,010,000
Capital facilities fees ⁽¹¹⁾	7,099,370	7,320,000	7,403,000	6,596,000	6,600,000
Other Revenues ⁽¹²⁾	1,004,668	112,000	1,656,000	-	283,000
Total Revenues	\$ 81,476,409	\$ 80,713,000	\$ 84,678,000	\$ 84,509,000	\$ 87,389,000
Maintenance and Operation Costs					
Water purchases ⁽¹³⁾	\$ 31,000,000	\$ 32,652,000	\$ 34,040,000	\$ 35,440,000	\$ 36,860,000
General and administrative ⁽¹⁴⁾	5,862,000	6,010,000	6,241,000	6,504,000	6,775,000
Meadowlark wastewater treatment ⁽¹⁵⁾ plant	2,749,000	3,066,000	3,061,000	3,093,000	3,187,000
Encina Wastewater Authority ⁽¹⁶⁾	3,077,000	3,339,000	3,439,000	3,542,000	3,648,000
Collection and conveyance ⁽¹⁷⁾	2,437,000	2,384,000	2,491,000	2,591,000	2,688,000
Engineering ⁽¹⁸⁾	2,489,000	2,536,000	2,590,000	2,604,000	2,700,000
Transmission and distribution ⁽¹⁹⁾	1,862,000	1,910,000	2,103,000	2,347,000	2,644,000
Other expenses ⁽²⁰⁾	7,930,000	8,905,000	9,143,063	9,295,000	9,682,000
Total Maintenance and Operation Costs	\$ 57,406,000	\$60,802,000	\$ 63,108,063	\$ 65,416,000	\$ 68,184,000
Net Revenues	\$ 24,070,409	\$ 19,911,000	\$ 21,569,937	\$ 19,093,000	\$ 19,205,000
Transfers to Rate Stabilization Fund ⁽²¹⁾	-	-	-	-	-
Transfers from Rate Stabilization Fund ⁽²²⁾	-	-	-	-	-
Adjusted Annual Net Revenues	\$ 24,070,409	\$ 19,911,000	\$ 21,569,937	\$ 19,093,000	\$ 19,205,000
Annual Debt Service⁽²³⁾					
2012 Installment Purchase Agreement ⁽²⁴⁾	\$ 778,000	\$ 778,000	\$ 780,000	\$ -	\$ -
2015 Bonds ⁽²⁴⁾	4,141,375	4,142,375	4,137,875	4,137,625	4,136,250
2021 Installment Purchase Agreement ⁽²⁴⁾⁽²⁵⁾	-	-	1,343,570	926,600	926,600
Total Annual Debt Service	\$ 4,919,375	\$ 4,920,375	\$ 6,261,445	\$ 5,064,225	\$ 5,062,850
Debt Service Coverage – Net Revenues	4.89	4.05	3.44	3.77	3.79
Debt Service Coverage – Adjusted Annual Net Revenues	4.89	4.05	3.44	3.77	3.79
Adjusted Annual Net Revenue remaining after payment of Annual Debt Service	\$ 19,151,034	\$ 14,990,625	\$ 15,308,492	\$ 14,028,775	\$ 14,142,150
Subordinate Payments					
2008 Loan ⁽²⁴⁾	\$ 406,000	\$ 406,000	\$ 406,000	\$ 405,000	\$ 404,000
Total Subordinate Payments	\$ 406,000	\$ 406,000	\$ 406,000	\$ 405,000	\$ 404,000
Total Debt Service Coverage – Net Revenues⁽²⁶⁾	4.52	3.74	3.24	3.49	3.51
Total Debt Service Coverage – Adjusted Annual Net Revenues⁽²⁷⁾	4.52	3.74	3.24	3.49	3.51
Adjusted Annual Net Revenue available after Subordinate Payments	\$ 18,745,034	\$ 14,584,625	\$ 14,902,492	\$ 13,623,775	\$ 13,738,150

Source: District

(1) Based on preliminary actual unaudited financial results through March 31, 2021, and projected results for the balance of Fiscal Year 2021.

(2) Fiscal Year 2022 reflects budgeted amount.

- (3) Revenues are projected to increase approximately 3.5% in Fiscal Year 2023, approximately 3.8% in Fiscal Year 2024, and approximately 4.0% in Fiscal year 2025 to reflect projected increases in demand, as well as projected rate increases. See the captions “THE ENTERPRISE-The Water System-Rates and Charges” and “THE ENTERPRISE-The Water System-Water System Revenues.”
- (4) Projected to increase approximately 2.5% per annum from Fiscal Year 2022 figure. See the caption “THE ENTERPRISE-The Wastewater System-Rates and Charges” and “THE ENTERPRISE-The Wastewater System-Wastewater System Revenues.”
- (5) Projections for Fiscal years 2023 through 2025 are based on average of prior pass-through charges from SDCWA.
- (6) Projections are a recovery of certain budgeted treatment costs pursuant to contracts with the Olivenhain Municipal Water District and the Carlsbad Municipal Water District. See the caption “THE ENTERPRISE-Water System-Water Sources and Supply” for further information. Projected to increase approximately 1.0% in Fiscal Year 2023, approximately 0% in Fiscal Year 2024, and approximately 1.3% in Fiscal Year 2025.
- (7) Projections for Fiscal Year 2023 through 2025 reflect cost allocated to each pump zone, and incorporate overpayments in prior years. Projected to increase approximately 2.3% per annum for Fiscal Year 2023 through Fiscal Year 2025.
- (8) Projected based on 5 year average from Fiscal Year 2016-2020, and includes projected improvement in economic conditions.
- (9) Includes 1% property tax revenue received by the District and pass-through payments pursuant to certain pass-through agreements with dissolved redevelopment agencies. Decrease in amount projected for Fiscal Year 2021 compared to audited amount for Fiscal Year 2020 attributable to the District’s conservative projections of 1% property tax receipts for the period of March 31, 2021 through June 30, 2021. The 1% property tax is projected to increase approximately 2.15% per annum from Fiscal Year 2023. Pass-through and other payments are projected to increase at 3% per annum.
- (10) Excludes unrealized appreciation or depreciation of investments Projected to increase approximately 2.3% in Fiscal Year 2023, and decrease approximately 6.3% in Fiscal Year 2024 due to projected decreases to District reserves reflecting projected capital expenditures.
- (11) Projected to increase approximately 1.1% in Fiscal year 2023, and to decrease 10.8% in Fiscal Year 2024 reflecting fewer projected capital projects.
- (12) Includes annexation fees and reimbursement of project costs from cost sharing agreements. The District does not project any project reimbursement in Fiscal Year 2024.
- (13) Projected to increase approximately 4.25% in Fiscal Year 2023, 4.1% in Fiscal Year 2024, and 4.0% in Fiscal Year 2025, due to projected increases in rates charged by Olivenhain, MWD and SDCWA. See the caption “THE ENTERPRISE-The Water System- Water Purchases and Demand.”
- (14) Projected to increase approximately 4.2% per annum in Fiscal Year 2023 and Fiscal Year 2024, and 4.0% in Fiscal Year 2025.
- (15) Includes Maintenance and Operation Costs for the Meadowlark Plant, the Mahr Reservoir, and the Meadowlark Lift Station. Projections include projected expenditures for equipment replacement and upgrades. Projected to decrease by 0.2% in Fiscal Year 2023, and to increase approximately 1.0% in Fiscal Year 2024 and 3.0% in Fiscal Year 2025.
- (16) Excludes capital charges payable by the District to the Encina Wastewater Authority pursuant to the Joint Powers Agreement. Projected to increase 3.0% per annum from Fiscal Year 2022 figure.
- (17) Projected to increase 4.5% per annum from Fiscal Year 2022 through Fiscal Year 2024, and 3.5% in Fiscal Year 2025.
- (18) Projected to increase 2.0% in Fiscal Year 2023, 1.0% in Fiscal Year 2024, and 3.5% in Fiscal Year 2025.
- (19) Projected to increase approximately 4.5% in Fiscal Years 2023 through Fiscal Year 2025.
- (20) Includes Maintenance and Operation Costs relating to customer accounts, information technology, buildings and grounds, meter reading and repairs, tanks and reservoirs, equipment and vehicles, pumping, water quality and treatment, and other water and wastewater Maintenance and Operation Costs. Projected to increase 2.0% per annum for Fiscal Year 2023 and 2024, and 4.0% for Fiscal Year 2025.
- (21) The District does not project any transfers to the Rate Stabilization Fund.
- (22) The District does not project any transfers from the Rate Stabilization Fund.
- (23) Does not include 2025 Installment Payments, which are projected to become payable beginning in Fiscal Year 2026. See “THE ENTERPRISE-Combined Water and Wastewater Systems-Future Enterprise Improvements” herein.
- (23) Reflects debt service to be paid in each Fiscal Year, as required under the Master Contract, as opposed to debt service to be accrued in each fiscal year.
- (24) Reflects projected 2021 Installment Payments in the assumed principal amount of \$23,515,000 and a true interest cost of 2.65%. Preliminary; subject to change.
- (25) Debt service coverage ratio calculated using Net Revenues divided by Total Annual Debt Service and Total Subordinate Payments..
- (26) Debt service coverage ratio calculated using Adjusted Annual Net Revenues divided by Total Annual Debt Service and Total Subordinate Payments.

Enterprise Financial Information

A copy of the most recent Comprehensive Annual Financial Report which includes audited financial statements of the District prepared by Davis Farr LLP, Irvine, California (the “Auditor”) are included as Appendix B hereto (the “Financial Statements”). The Auditor’s letter concludes that the financial statements present fairly, in all material respects, the respective financial position of the District as of June 30, 2020, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America. The Financial Statements should be read in their entirety. The Auditor did not consent to inclusion, nor did it participate in preparation of the Official Statement.

The summary operating results contained under the caption “Historical Enterprise Operating Results” are derived from these financial statements (excluding certain non-cash items and after certain other adjustments) and are qualified in their entirety by reference to such statements, including the notes thereto.

The basic financial statements of the District accounts have been prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for governmental accounting financial reporting purposes. In certain cases, GAAP requires or permits moneys collected in one Fiscal Year to be recognized as revenue in a subsequent Fiscal Year and requires or permits expenses paid or incurred in one Fiscal Year to be recognized in a subsequent Fiscal Year. See APPENDIX B—“VALLECITOS WATER DISTRICT COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR FISCAL YEAR ENDED JUNE 30, 2020, INCLUDING AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING.” Except as otherwise expressly noted herein, all financial information derived from the District’s audited financial statement reflect the application of GAAP.

In June 2015, the Governmental Accounting Standards Board issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (“GASB 75”), which applies to state and local government employers who provide other postemployment benefits to employees. GASB 75 requires the liability of employers to be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees for OPEB that is attributed to those employees’ past periods of service (total OPEB liability), less the amount of the OPEB plan’s fiduciary net position. GASB 75 requires the recognition of the total OPEB liability in the Statement of Net Position.

The District implemented GASB 75 in Fiscal Year 2018. While GASB 75 requires certain changes in the net OPEB liability to be included in OPEB expenses in the period of such change, the District has determined that such changes which are non-cash items are not Operation and Maintenance Costs under the Installment Purchase Agreement. As a result of the implementation of GASB 75, the net position as of June 30, 2017 was restated by a decrease of \$1,765,230. Prior year information was not restated because the necessary actuarial information was not available.

In addition, the net position of as of June 30, 2017, was adjusted to correct the accounting for certain capital assets that were included in construction in progress but had been placed in service. Net position as of June 30, 2017 was decreased by \$1,368,605 to reflect the accumulated depreciation of capital assets.

The summary of changes in the net position as of June 30, 2017 is set forth in the table below:

Net position as of June 30, 2017, as originally reported	\$ 254,319,757
Decrease in Capital Assets, Net	(1,368,605)
Implementation of GASB 75 to record the net OPEB liability at the beginning of the year	<u>(1,765,230)</u>
Net position as of June 30, 2017, as restated	<u>\$ 251,185,922</u>

In the Independent Auditors’ Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards dated November 12, 2020, relating to the District’s audited financial statements for Fiscal Year 2020, Auditor stated that it did not identify any deficiencies in internal control that it considered to be material weaknesses. See APPENDIX B—“VALLECITOS WATER DISTRICT COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR FISCAL YEAR ENDED JUNE 30, 2020, INCLUDING AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING.”

District Reserves

District Reserves. The District has established unrestricted funds to use current Revenues to satisfy future spending plans. Pursuant to its Reserve Policy, set forth in Resolution No. 1450 adopted on June 10, 2014, the District is required to maintain: (i) two operating reserves (one for the Water System and one for the Wastewater System); (ii) an OPEB reserve; (iii) two replacement reserves (one for the Water System and one for the Wastewater System), and (iv) two rate stabilization funds (one for the Water System and one for the Wastewater System), which together constitute the rate stabilization fund.

Under the Reserve Policy, operating reserve balances for each of the Water System and the Wastewater System are limited to 180 days of budgeted operating expenses. The target balance of the Water System replacement reserve is an amount that is greater than the sum of the next three years of projected system replacement costs, but less than the next ten years of system replacement costs. For the Wastewater System replacement reserve, the target balance is an amount equal to an amount that is greater than the sum of next three years of projected replacement costs, but less than the next eight years of system replacement costs. The Reserve Policy does not provide a target balance for the rate stabilization funds. The rate stabilization funds are funded through the transfer to the rate stabilization funds of amounts accumulated in the replacement reserves in excess of the respective replacement reserve limits. The Reserve Policy does not set a target balance for the OPEB reserve. The District currently does not deposit monies into the OPEB reserve and instead deposits amounts for OPEB into an irrevocable trust.

As of April 30, 2021, these unrestricted reserves were funded as follows: (i) the Water System operating reserve was funded at \$6,310,400; (ii) the Wastewater System operating reserve was funded at \$6,563,800; (iii) the OPEB reserve was funded at \$0 (OPEB monies are currently in an irrevocable trust); (iv) the Water System replacement reserve was funded at \$36,471,743; (v) the Wastewater System replacement reserve was funded at \$53,745,072; (vi) the Rate Stabilization Fund for the Water System was funded at \$0; and (vii) the Rate Stabilization Fund for the Wastewater System was funded at \$0.

Each of these reserves is funded in an amount equal to or greater than the respective targeted level under the current District reserve policy.

The table below sets forth the District reserve levels for Fiscal Years 2016 through 2020.

**Table No. 26
VALLECITOS WATER DISTRICT
RESERVE LEVELS**

<i>Year Ended June 30</i>	<i>Water Operating</i>	<i>Water Replacement</i>	<i>Water Rate Stabilization</i>	<i>Wastewater Operating</i>	<i>Wastewater Replacement</i>	<i>Wastewater Rate Stabilization</i>
2020	\$5,970,100	\$26,823,640	-	\$7,024,900	\$52,815,614	-
2019	5,748,700	28,422,683	-	6,468,600	48,081,900	1,175,329
2018	5,539,100	24,323,083	-	6,518,000	45,120,959	-
2017	5,220,500	22,856,669	-	6,272,900	39,111,837	-
2016	5,268,300	22,734,923	-	6,133,300	30,613,483	-

Source: District.

The table below sets forth the projected balances for the District reserves for Fiscal Years 2021 through 2025.

Table No. 27
VALLECITOS WATER DISTRICT
RESERVE LEVELS
FIVE YEAR PROJECTION

<i>Year Ended June 30</i>	<i>Water Operating</i>	<i>Water Replacement</i>	<i>Water Rate Stabilization</i>	<i>Wastewater Operating</i>	<i>Wastewater Replacement</i>	<i>Wastewater Rate Stabilization</i>
2021 ⁽¹⁾	\$6,310,400	\$35,196,600	\$ -	\$6,563,800	\$52,818,200	\$ -
2022	6,375,900	\$29,774,790	-	6,791,700	44,369,060	-
2023	6,645,200	27,002,790	-	6,916,000	37,070,010	-
2024	6,921,400	28,706,590	-	7,030,400	38,270,110	-
2025	7,307,500	28,492,490	-	7,252,800	34,063,210	-

⁽¹⁾ Reflects actual unaudited results as of March 31, 2021, and projected results for the balance of Fiscal Year 2021.
Source: District.

Capacity Fund. The District has established funds to track and report on the balances of capacity fees collected from developers to fund projects related to the growth of the District’s infrastructure and facilities (collectively, the “Capacity Fund”). The Capacity Fund was established in compliance with Government Code Section 66013, also known as the Mitigation Fee Act. Certain obligations previously incurred by the District to finance the Twin Oaks Reservoirs 1 and 2 and certain other capital improvements were payable from amounts on deposit in the Capacity Fund. In certain years, development in the District did not occur at projected levels and amounts on deposit in the Capacity Fund were not sufficient to pay the entirety of the project costs and debt service coming due which resulted in a negative balance in the Capacity Fund. To make up the insufficiency, the District borrowed monies from the District’s general operating funds. The negative balance in the Capacity Fund can only be funded through capacity fees collected or the deposit of proceeds derived from the incurrence of additional obligations. As reflected in the projections set forth below, the District intends to deposit a portion of the proceeds of the 2021 Certificates which reimburse the District for certain capital expenditures into the Capacity Fund to address the negative balance and to repay amounts borrowed from the District’s general operating funds.

The table below sets forth the District capacity fund balances for Fiscal Years 2016 through 2020.

Table No. 28
VALLECITOS WATER DISTRICT
CAPACITY FUND BALANCES

<i>Year Ended June 30</i>	<i>Water Capacity</i>	<i>Wastewater Capacity</i>
2020	(8,191,036)	(7,304,943)
2019	(8,333,147)	(6,268,379)
2018	(9,161,412)	(6,820,836)
2017	(9,889,055)	(6,501,911)
2016	(10,315,457)	(6,245,765)

Source: District.

The table below sets forth the projected capacity fund balances for Fiscal Years 2021 through 2025.

Table No. 29
VALLECITOS WATER DISTRICT
CAPACITY FUND BALANCES
FIVE YEAR PROJECTION

<i>Year Ended June 30</i>	<i>Water Capacity</i>	<i>Wastewater Capacity</i>
2021 ⁽¹⁾	(\$8,419,000)	(\$11,411,000)
2022	3,063,000	5,952,550
2023	2,908,600	4,393,400
2024	2,592,600	1,360,900
2025	2,272,600	3,952,900

⁽¹⁾ Reflects actual unaudited results as of March 31, 2021, and projected results for the balance of Fiscal Year 2021.
Source: District.

APPENDIX B

**VALLECITOS WATER DISTRICT COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
INCLUDING THE AUDITOR'S REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING**

APPENDIX C

DEFINITIONS AND SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS

The following is a brief summary of certain provisions of the documents pertaining to the 2021 Certificates. Such summaries are not intended to be definitive. Reference is directed to the Master Contract, the Third Supplemental Installment Purchase Contract and the Trust Agreement for the complete text thereof. Copies of the Master Contract, the Third Supplemental Installment Purchase Contract and Trust Agreement are available from the District.

[TO COME FROM SPECIAL COUNSEL]

APPENDIX D

FORM OF OPINION OF SPECIAL COUNSEL

Upon the initial execution and delivery of the 2021 Certificates, Stradling Yocca Carlson & Rauth, a Professional Corporation, Special Counsel, proposes to render its final approving opinion in substantially the following form:

[Closing Date]

Vallecitos Water District
201 Vallecitos De Oro
San Marcos, California 92609

\$ _____
VALLECITOS WATER DISTRICT
Revenue Certificates of Participation,
Series 2021A

Ladies and Gentlemen:

We have acted as special counsel to the Vallecitos Water District (the "District") in connection with the execution and delivery of \$ _____ aggregate principal amount of Revenue Certificates of Participation, Series 2021A (the "2021 Certificates"). The Certificates will be dated the date hereof, each evidencing and representing an interest of the registered owner thereof in the right to receive Installment Payments (as that term is defined in the Master Contract hereinafter mentioned) under and pursuant to that certain Master Installment Purchase Contract (the "Original Master Contract"), dated as of June 15, 2005, by and between the District and the Vallecitos Water District Financing Corporation (the "Corporation"), dated June 15, 2005 (the "Original Master Contract"), by and between the District and the Corporation as amended and supplemented by that certain Third Supplemental Installment Purchase Contract, dated as of August 1, 2021 (the "Third Supplemental Installment Purchase Contract"), by and between the District and the Corporation. The Third Supplemental Installment Purchase Contract is being executed and delivered as a Parity Obligation and Supplemental Contract under the Master Contract. Pursuant to the Assignment Agreement dated as of August 1, 2021, by and between the Corporation and the Trustee, the Corporation has assigned to the Trustee, for the benefit of the Owners of the 2021 Certificates, all of its rights and privileges under the Master Contract, including the right to receive the 2021 Installment Payments from the District under the Third Supplemental Installment Purchase Contract. The 2021 Certificates will be executed and delivered pursuant to a Trust Agreement, dated as of August 1, 2021 (the "Trust Agreement"), by and among the District, the Corporation and the Trustee. The Original Master Contract as supplemented by the First Supplemental Installment Purchase Contract, dated as of June 15, 2005, by and between the District and the Corporation, as further supplemented by the Second Supplemental Installment Purchase Contract, dated as of December 1, 2012, by and between the District and the Corporation and a further amended and supplemented by the Third Supplemental Installment Purchase Contract is referred to herein as the "Master Contract."

In rendering this opinion, we have relied upon certain representations of fact and certifications made by the District, the initial purchasers of the Certificates and others. We have not undertaken to verify through independent investigation the accuracy of the representations and certifications relied upon by us.

Based on our examination as Special Counsel of existing law, certified copies of such legal proceedings and such other proofs as we deem necessary to render this opinion, we are of the opinion, as of the date hereof and under existing law, that:

1. The proceedings show lawful authority for the execution and delivery by the District of the Third Supplemental Installment Purchase Contract and the Trust Agreement under the laws of the State of California now in force, and the Third Supplemental Installment Purchase Contract and the Trust Agreement have been duly authorized, executed and delivered by the District, and, assuming due authorization, execution and delivery by the Trustee and the Corporation, as appropriate, are valid and binding obligations of the District enforceable against the District in accordance with their respective terms.

2. The 2021 Certificates, assuming due execution and delivery by the Trustee, are entitled to the benefits of the Trust Agreement.

3. The obligation of the District to make the Installment Payments from Net Revenues (as defined in the Master Contract) is an enforceable obligation of the District and does not constitute a debt of the District, or of the State of California or of any political subdivision thereof in contravention of any constitutional or statutory debt limit or restriction, and does not constitute an obligation for which the District is obligated to levy or pledge any form of taxation or for which the District has levied or pledged any form of taxation.

4. Under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, the portion of each Installment Payment with respect to the 2021 Certificates constituting interest is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals.

5. The portion of each Installment Payment with respect to the 2021 Certificates constituting interest is exempt from State of California personal income tax.

6. The amount by which a 2021 Certificate Owner's original basis for determining loss on sale or exchange in the applicable 2021 Certificate (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable 2021 Certificate premium, which must be amortized under Section 171 of the Internal Revenue Code of 1986, as amended (the "Code"); such amortizable 2021 Certificate premium reduces the 2021 Certificate Owner's basis in the applicable 2021 Certificate (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of 2021 Certificate premium may result in a 2021 Certificate Owner realizing a taxable gain when a 2021 Certificate is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the 2021 Certificate to the Owner.

The opinions expressed herein as to the exclusion from gross income of the portion of each Installment Payment with respect to the 2021 Certificates constituting interest are based upon certain representations of fact and certifications made by the District and are subject to the condition that the District comply with all requirements of the Code that must be satisfied subsequent to the delivery of the Certificates to assure that such portion of each Installment Payment with respect to the 2021 Certificates constituting interest will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest on the portion of each Installment Payment with respect to the 2021 Certificates constituting interest to be included in gross income for federal income tax purposes retroactive to the date of delivery of the 2021 Certificates. The District has covenanted to comply with all such requirements.

The opinions expressed herein may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Third Supplemental Installment Purchase Contract, the Trust Agreement and the Tax Certificate relating to the 2021 Certificates permit certain actions to be taken or to be omitted if a favorable opinion of Special Counsel is provided with respect thereto. No opinion is expressed herein as to the effect on the exclusion from gross income of the portion of each 2021 Installment Payment with respect to the 2021 Certificates constituting interest for federal income tax purposes with respect to any 2021 Certificates if any such action is taken or omitted based upon the opinion or advice of counsel

other than ourselves. Other than expressly stated herein, we express no other opinion regarding tax consequences with respect to the 2021 Certificates.

By delivering this letter, we are not expressing any opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the 2021 Certificates, the Master Contract, the Third Supplemental Installment Purchase Contract or the Trust Agreement, nor are we expressing any opinion with respect to the state or quality of title to or interest in any assets described in or as subject to the lien of the 2021 Certificates, the Master Contract, the Third Supplemental Installment Purchase Contract or the Trust Agreement or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on any assets thereunder.

The opinions expressed herein are based upon our analysis and interpretation of existing laws, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities. We call attention to the fact that the rights and obligations under the 2021 Certificates, the Master Contract, the Third Supplemental Installment Purchase Contract and the Trust Agreement are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights, to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State of California.

Our opinion is limited to matters governed by the laws of the State of California and federal law. We assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction.

We express no opinion herein as to the accuracy, completeness or sufficiency of the Official Statement relating to the 2021 Certificates or other offering material relating to the 2021 Certificates and expressly disclaim any duty to advise the owners of the 2021 Certificates with respect to matters contained in the Official Statement.

Respectfully submitted,

APPENDIX E

INFORMATION CONCERNING DTC

The information in this section concerning DTC and DTC's book-entry only system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the completeness or accuracy thereof. The following description of the procedures and record keeping with respect to beneficial ownership interests in the 2021 Certificates, payment of principal, premium, if any, accreted value, if any, and interest with respect to on the Certificates to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the Certificates and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the 2021 Certificates. The 2021 Certificates will be executed and delivered as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered 2021 Certificate will be executed and delivered for each annual maturity of the 2021 Certificates, each in the aggregate principal amount of such annual maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities Certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has S&P Global Ratings highest rating: AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of 2021 Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2021 Certificates on DTC's records. The ownership interest of each actual purchaser of each 2021 Certificate ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2021 Certificates are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive 2021 Certificates representing their ownership interests in 2021 Certificates, except in the event that use of the book-entry system for the 2021 Certificates is discontinued.

To facilitate subsequent transfers, all 2021 Certificates deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of 2021 Certificates with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2021 Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2021 Certificates are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 2021 Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2021 Certificates, such as prepayments, tenders, defaults, and proposed amendments to the 2021 Certificate documents. For example, Beneficial Owners of 2021 Certificates may wish to ascertain that the nominee holding the 2021 Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Prepayment notices shall be sent to DTC. If less than all of the 2021 Certificates within a maturity are being prepaid, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be prepaid.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 2021 Certificates unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Prepayment proceeds, distributions, and dividend payments on the 2021 Certificates will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of prepayment proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A 2021 Certificate Owner shall give notice to elect to have its Certificates purchased or tendered, through its Participant, to the Trustee, and shall effect delivery of such 2021 Certificate by causing the Direct Participant to transfer the Participant's interest in the 2021 Certificates, on DTC's records, to the Trustee. The requirement for physical delivery of 2021 Certificates in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the 2021 Certificates are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered 2021 Certificates to the Trustee's DTC account.

DTC may discontinue providing its services as depository with respect to the Certificates at any time by giving reasonable notice to the District or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, physical 2021 Certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, 2021 Certificates will be printed and delivered to DTC.

THE TRUSTEE, AS LONG AS A BOOK-ENTRY ONLY SYSTEM IS USED FOR THE 2021 CERTIFICATES WILL SEND ANY NOTICE OF PREPAYMENT OR OTHER NOTICES TO OWNERS ONLY TO DTC. ANY FAILURE OF DTC TO ADVISE ANY DTC PARTICIPANT, OR OF ANY DTC PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER, OF ANY NOTICE AND ITS CONTENT OR EFFECT WILL NOT AFFECT THE VALIDITY OF SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE PREPAYMENT OF THE 2021 CERTIFICATES CALLED FOR PREPAYMENT OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.

APPENDIX F

FORM OF CONTINUING DISCLOSURE AGREEMENT

Upon the execution and delivery of the 2021 Certificates, the District proposes to enter into a Continuing Disclosure Agreement in substantially the following form:

[TO COME FROM SPECIAL COUNSEL]

THIRD SUPPLEMENTAL INSTALLMENT PURCHASE CONTRACT

by and between the

VALLECITOS WATER DISTRICT

and the

VALLECITOS WATER DISTRICT
FINANCING CORPORATION

Dated as of August 1, 2021

Relating To

\$ _____

Vallecitos Water District
Revenue Certificates of Participation
Series 2021A

(Supplemental to the Master Installment
Purchase Contract, dated as of June 15, 2005, as amended and supplemented to the date hereof)

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THIRD SUPPLEMENTAL INSTALLMENT PURCHASE CONTRACT

THIS THIRD SUPPLEMENTAL INSTALLMENT PURCHASE CONTRACT (the “Third Supplemental Installment Purchase Contract”), dated as of August 1, 2021, is by and between the VALLECITOS WATER DISTRICT, a county water district organized and existing under the laws of the State of California (the “District”), and the VALLECITOS WATER DISTRICT FINANCING CORPORATION, a nonprofit public benefit corporation organized and existing under the laws of the State of California (the “Corporation”).

WITNESSETH:

WHEREAS, the District and the Corporation have executed and entered into a Master Installment Purchase Contract, dated as of June 15, 2005, as amended and supplemented from time to time, including but not limited to, as supplemented by the First Supplemental Installment Purchase Contract, dated June 15, 2005 and the Second Supplemental Installment Purchase Contract, dated December 1, 2012 (collectively, the “Master Contract”), for the acquisition from time to time of various additions, betterments, extensions and improvements to the Water System and the Wastewater System (collectively, the “Enterprise”) of the District;

WHEREAS, the District desires to acquire certain capital improvements to its Enterprise, including the reimbursement of the District for certain expenditures in connection therewith, all as described in Exhibit A hereto (the “2021A Project”);

WHEREAS, in order to acquire the 2021A Project, the District desires to obligate itself to make 2021A Installment Payments (as defined herein) pursuant to this Third Supplemental Installment Purchase Contract;

WHEREAS, pursuant to the Trust Agreement (as defined herein), the Corporation has assigned to U.S. Bank National Association, as trustee (the “Trustee”) under the Trust Agreement, certain of its rights under the Master Contract (as defined herein), including its right to receive the 2021A Installment Payments to be made by the District under this Third Supplemental Installment Purchase Contract;

WHEREAS, in consideration of such assignment and the execution and entering into of the Trust Agreement by the Trustee, the Corporation and the District, the Trustee has agreed to execute and deliver \$_____ Vallecitos Water District Revenue Certificates of Participation, Series 2021A (the “2021A Certificates”), secured by the 2021A Installment Payments payable hereunder;

WHEREAS, the District and the Corporation have determined to amend certain provisions of the Master Contract as set forth herein, such amendments to become effective in accordance with Section 7.03 of the Master Contract.

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

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

ARTICLE I

DEFINITIONS

Section 1.01. Definitions. Except as provided in Section 1.02 hereof or unless the context otherwise requires, the terms defined in this Section shall for all purposes hereof and of any amendment hereof or supplement hereto and of any report or other document mentioned herein or therein have the meanings defined herein, the following definitions to be equally applicable to both the singular and plural forms of any of the terms defined herein:

“Closing Date” means _____, 2021.

“Component A of the 2021A Project” means the portion of the 2021A Project set forth in the first paragraph of Exhibit A hereto.

“Component B of the 2021A Project” means the portion of the 2021A Project set forth in the second paragraph of Exhibit A hereto.

“Continuing Disclosure Agreement” means the Continuing Disclosure Agreement, dated _____, 2021, by and between the District and Fieldman Rolapp & Associates, Inc. doing business as Applied Best Practices, as dissemination agent, executed and delivered in connection with the delivery of the 2021A Certificates.

“Installment Payment Date” means each Interest Payment Date established under the Trust Agreement.

“Master Contract” means the Master Installment Purchase Contract, dated as of June 15, 2005, by and between the District and the Corporation, as originally executed and as it may from time to time be amended or supplemented in accordance with the terms thereof, including but not limited to the First Supplemental Installment Purchase Contract, dated June 15, 2005, the Second Supplemental Installment Purchase Contract, dated December 1, 2012 and this Third Supplemental Installment Purchase Contract.

“Third Supplemental Installment Purchase Contract” means this Third Supplemental Installment Purchase Contract, dated as of August 1, 2021, by and between the District and the Corporation, as originally executed and as it may from time to time be amended or supplemented in accordance with the terms hereof.

“Trust Agreement” means the Trust Agreement, dated as of August 1, 2021, by and among the District, the Trustee and the Corporation relating to the 2021A Certificates, as originally executed and as it may from time to time be amended or supplemented in accordance with its terms.

“2021A Certificates” means the Vallecitos Water District Revenue Certificates of Participation, Series 2021A executed and delivered pursuant to the terms of the Trust Agreement.

“2021A Installment Payments” means the Installment Payments required to be made by the District pursuant to Section 2.04 hereof.

“2021A Project” means the improvements to the Water System and Wastewater System acquired pursuant to this Third Supplemental Installment Purchase Contract and described as Component A of the 2021A Project and Component B of the 2021A Project in Exhibit A hereto.

“2021A Project Account” means the accounts with general ledger codes ____ and ____ established pursuant to Section 2.06 hereof, which such accounts shall comprise the Improvement Fund for purposes of this Third Supplemental Installment Purchase Contract.

Section 1.02. Definitions in Master Contract and Trust Agreement. Except as otherwise herein defined or unless the context otherwise requires, the terms defined in the Master Contract or the Trust Agreement shall for all purposes hereof and of any amendment hereof or supplement hereto and of any report or other document mentioned herein have the meanings defined therein, such definitions to be equally applicable to both the singular and plural forms of any of the terms defined therein. With respect to any defined term which is given a different meaning under this Third Supplemental Installment Purchase Contract than under the Master Contract or the Trust Agreement, as used herein it shall have the meaning given herein. For purposes of this Third Supplemental Installment Purchase Contract, the parties hereto agree that references to “Director of Finance” shall refer to the Finance Manager of the District.

ARTICLE II

PURCHASE AND SALE OF 2021A PROJECT; 2021A INSTALLMENT PAYMENTS

Section 2.01. Sale of Component A of the 2021A Project. In consideration for assistance in reimbursing costs related to Component A of the 2021A Project, the District agrees to sell, and hereby sells, to the Corporation and the Corporation agrees to purchase, and hereby purchases from the District, Component A of the 2021A Project.

Section 2.02. Purchase of 2021A Project. In consideration for the 2021A Installment Payments, the Corporation agrees to sell, and hereby sells, to the District, and the District agrees to purchase, and hereby purchases, from the Corporation, the 2021A Project at the purchase price that is specified in Section 2.04 hereof and otherwise in the manner and in accordance with the provisions of this Third Supplemental Installment Purchase Contract.

Section 2.03. Title. All right, title and interest in Component A of the 2021A Project shall vest in the District immediately upon the original execution and delivery of this Third Supplemental Installment Purchase Contract. Title to each component of Component B of the 2021A Project shall vest in the District immediately upon acquisition or construction thereof. Such vesting shall occur without further action by the Corporation or the District, and the Corporation shall, if requested by the District or if necessary, to assure such automatic vesting, deliver any and all documents which are required to assure such vesting.

Section 2.04. Payment of 2021A Installment Payments. In consideration of the Corporation’s agreement to finance and refinance the 2021A Project pursuant to the provisions of the Master Contract, the District shall, subject to any rights of prepayment provided in Article IV hereof, pay to the Corporation, for the acquisition of the 2021A Project the sum of _____ Million _____ Hundred Thousand Dollars (\$_____), without offset or deduction of any kind, by paying the principal installments of the 2021A Installment Payments annually on August 1 in each year in the amounts set forth in Exhibit B hereto, together with interest installments to be paid in an amount

equal to the interest due on the 2021A Certificates on each Installment Payment Date for the Certificates, which shall constitute interest paid on the principal amount of the District's obligation to make the 2021A Installment Payments to the Corporation hereunder.

Each 2021A Installment Payment shall be deposited with the Trustee, as assignee of the Corporation, no later than five Business Days next preceding the due date therefor set forth in the preceding paragraph, in lawful money of the United States of America, in immediately available funds. If and to the extent that, on any such date, there are amounts on deposit in the Payment Fund established under the Trust Agreement, or in any of the accounts therein, which amounts are not being held for the payment of specific 2021A Certificates, such amounts shall be credited against the 2021A Installment Payment due on such date.

Section 2.05. Reserve Fund Payments. No Reserve Fund has been created with respect to the 2021A Project.

Section 2.06. Establishment of 2021A Project Account. There is hereby established in the Improvement Fund in accordance with Section 2.03 of the Master Contract, the 2021A Project Account, into which the Director of Finance shall deposit the amount required by the Trust Agreement. All money in the 2021A Project Account shall be invested by the Director of Finance in Permitted Investments and shall be accounted for in accordance with the Master Contract.

Section 2.07. Obligation Absolute. The obligation of the District to make the 2021A Installment Payments and other payments required to be made by it under this Article, solely from Net Revenues, is absolute and unconditional, and until such time as the 2021A Installment Payments shall have been paid in full (or provision for the payment thereof shall have been made pursuant to Article IV), the District shall not discontinue or suspend any 2021A Installment Payments or other payments required to be made by it hereunder when due, whether or not the Enterprise or any part thereof is operating or operable or has been completed, or its use is suspended, interfered with, reduced or curtailed or terminated in whole or in part, and such 2021A Installment Payments and other payments shall not be subject to reduction whether by offset or otherwise and shall not be conditional upon the performance or nonperformance by any party of any agreement for any cause whatsoever.

Section 2.08. Nature of Contract. This Third Supplemental Installment Purchase Contract constitutes a Parity Obligation and a Supplemental Contract under the Master Contract and, as such, shall be subject to the provisions of the Master Contract and shall have all of the advantages, benefits, interests and security afforded Parity Obligations and Supplemental Contracts pursuant to the Master Contract.

ARTICLE III

PREPAYMENT OF 2021A INSTALLMENT PAYMENTS; DISCHARGE

Section 3.01. Prepayment of 2021A Installment Payments.

(a) The District may optionally prepay 2021A Installment Payments as follows:

(i) The District may prepay all or a portion of the 2021A Installment Payments in accordance with Section 6.01(C) of the Master Contract by depositing cash or

Government Obligations with the Trustee subject to the terms and conditions set forth in Article XI of the Trust Agreement, sufficient to pay the principal of, premium, if any, and interest evidenced by the Certificates to be paid or prepaid with such 2021A Installment Payments; or

(ii) The District may prepay all or a portion of the 2021A Installment Payments from any source of available funds, on any date on which Certificates may be optionally prepaid, by paying (A) all or a portion (in an amount equal to an Authorized Denomination under the Trust Agreement), as elected by the District, of such 2021A Installment Payments, (B) an amount equal to the accrued but unpaid interest on the Certificates to be prepaid from the proceeds of such prepaid 2021A Installment Payments to the date of such prepayment, and (C) an amount equal to any premium to be paid upon the optional prepayment of the Certificates to be prepaid from the proceeds of such prepaid 2021A Installment Payments.

(b) If less than all of the 2021A Installment Payments are prepaid pursuant to this Section then, as of the date of such prepayment pursuant to this Section, the schedule of 2021A Installment Payments attached as Exhibit B hereto shall be recalculated by the District in order to take such prepayment into account. The District shall deliver a copy of such revised schedule to the Trustee and such revised schedule shall automatically supersede and replace the previous form of Exhibit B.

(c) Prepayments of 2021A Installment Payments made pursuant to this Section shall be applied to the payment or prepayment of Certificates as provided in the Trust Agreement.

Section 3.02. Notice. Before making any prepayment pursuant to this Article, the District shall give written notice to the Trustee of its intention to optionally prepay the Certificates at least 30 days prior to the intended Prepayment Date.

Section 3.03. Discharge of Obligations. If all 2021A Installment Payments shall be paid as and when due in accordance with the terms hereof, or prepaid in accordance with Section 3.01 hereof and all other amounts due hereunder and under the Trust Agreement shall be paid or provision shall have been made for the payment thereof, then all agreements, covenants and other obligations of the District hereunder shall thereupon cease, terminate and become void and be discharged and satisfied.

ARTICLE IV

AMENDMENTS TO MASTER CONTRACT

Section 4.01. Amendment to Master Contract. The District and the Corporation hereby agree to the following amendments to the Master Contract:

(a) The following definition is hereby added to Section 1.01 of the Master Contract:

Encina Wastewater Authority

“Encina Wastewater Authority” means the Encina Wastewater Authority, a joint exercise of powers agency that is duly organized and existing under and by virtue of the laws of the State of California, and any successors or assigns of the Encina Wastewater Authority or any entity providing services similar to those provided by the Encina Wastewater Authority.

(b) The following definition is hereby added to Section 1.01 of the Master Contract:

Excluded Principal

“Excluded Principal” means each payment of principal of any Parity Obligation or any Subordinate Obligation for which there is on file with the Trustee (i) a certificate of an independent municipal advisor to the effect that such Parity Obligation or such Subordinate Obligation is commercial paper or otherwise of a short term or revolving nature and has a maturity of less than 60 months and (ii) a certificate of an Authorized Officer to the effect that the District intends to pay such principal from the proceeds of Parity Obligations, Subordinate Obligations or other bonds, notes or other obligations of the District. No such determination shall affect the security for such Parity Obligations or such Subordinate Obligations or the obligation of the District to pay such Parity Obligations or Subordinate Obligations from Net Revenues.

(c) The definition of “Annual Debt Service” set forth in Section 1.01 of the Master Contract is hereby amended in its entirety as follows:

“Annual Debt Service” means, for any Fiscal Year or twelve (12) calendar month period, the Parity Payments required to be made under all Parity Obligations in such Fiscal Year or twelve (12) calendar month period, less any Excluded Principal.

(d) Section 2.06 of the Master Contract is hereby amended in its entirety as follows:

SECTION 2.06. Rate Stabilization Account. If and when it deems the establishment of such an account to be necessary or appropriate for the management of its financial affairs, the District may establish and maintain an account designated the “Vallecitos Water District Rate Stabilization Account.” The District may at any time, as determined by the District, deposit in the Rate Stabilization Account any Revenues (subject to the satisfaction of the requirements of Section 2.05) and any other money received and available to be used therefor, and the District may at any time withdraw any or all of the money from the Rate Stabilization Account for inclusion in Adjusted Annual Revenues provided that any such withdrawal may be made up to and including the date two hundred seventy (270) days after the end of the Fiscal Year for which the withdrawal will be included as Adjusted Annual Revenues.

(e) Section 3.01 of the Master Contract is hereby amended in its entirety as follows:

SECTION 3.01. Conditions for the Execution of Parity Obligations. The District may at any time issue or execute any Parity Obligations payable as provided herein; provided there shall be on file with the District either:

(A) A certificate of the District demonstrating that, during the last audited Fiscal Year or any consecutive twelve (12) calendar month period during the immediately preceding eighteen (18) calendar month period, the Adjusted Annual Net Revenues were at least equal to 115% of Adjusted Annual Debt Service paid on all Outstanding Parity Obligations during such Fiscal Year or twelve calendar month period, plus the Adjusted Annual Debt Service on the Parity Obligations proposed to be issued or executed during the first twelve (months) after the date of issuance or

incurrence thereof; provided, that for the purpose of providing this Certificate, the District may adjust the foregoing Adjusted Annual Net Revenues to reflect:

(1) An allowance for Net Revenues that would have resulted from any increase or decrease in the rates, fees and charges fixed and prescribed for Service which, during any part of such Fiscal Year or twelve (12) calendar month period, was not in effect, in an amount equal to the estimated change in Net Revenues that would have resulted from such increase or decrease in rates, fees and charges if it had been in effect for the entire Fiscal Year or twelve (12) calendar month period, and

(2) An allowance for Net Revenues that would have been derived from each new use or user of the Enterprise that, during any part of such Fiscal Year or twelve (12) calendar month period, was not in existence, in an amount equal to the estimated additional Net Revenues that would have been derived from each such new use or user or if it had been in existence for the entire Fiscal Year or twelve (12) calendar month period.

(B) Without regard to paragraph (A) of this Section, the District may, at any time and from time to time, enter into Credit Support Agreements or otherwise become obligated for Credit Provider Reimbursement Obligations with respect to Parity Obligations.

(C) Notwithstanding the foregoing provisions, there shall be no limitations on the ability of the District to issue or execute any Parity Obligations at any time to refund any outstanding Parity Obligations so long as the Annual Debt Service payable by the District for each Fiscal Year with respect to such refunding Parity Obligations is less than or equal to 105% of the Annual Debt Service for each corresponding Fiscal Year for such Parity Obligations being refunded.

(f) Section 4.10 of the Master Contract is hereby amended in its entirety as follows:

(B) The District will prepare and file with the Corporation and the Trustee annually within two hundred seventy (270) days after the close of each Fiscal Year (commencing with the Fiscal Year ending June 30, 2021) financial statements of the District for the preceding Fiscal Year prepared in accordance with Generally Accepted Accounting Principles, together with an Accountant's Report thereon. The Trustee shall have no obligation to review any such financial statements.

(g) Section 4.13 of the Master Contract is hereby amended in its entirety as follows:

SECTION 4.13. Amount of Rates, Fees and Charges. (a) To the fullest extent permitted by law, the District will fix and prescribe rates, fees and charges for the Service at the commencement of each Fiscal Year which, together with other Revenues, are reasonably expected to yield Adjusted Annual Net Revenues and Net Revenues, as applicable, for such Fiscal Year in an amount not less than the Coverage Requirement for such Fiscal Year. The District may make adjustments from time to time in such fees and charges and may make such classification thereof as it deems necessary, but shall not reduce the rates, fees and charges then in effect unless the Adjusted Annual Net Revenues from such reduced rates, fees and charges are reasonably expected to be sufficient to meet the requirements of this Section.

(b) So long as the District has complied with its obligations set forth in subsection (a) above, the failure of Net Revenues or Adjusted Annual Net Revenues to meet the Coverage Requirement shall not constitute a default or an event of default hereunder.

(h) Section 5.02 of the Master Contract is hereby amended to replace the final paragraph of such section in its entirety with the following:

Sixth, to the payment of all other amounts due and payable by the District, including, but not limited to the payment of any Termination Payments on all Subordinate Payment Agreements and amounts payable to the Encina Wastewater Authority other than Maintenance and Operation Costs.

Section 4.02. Effectiveness of Amendments to Master Contract. The amendments to the Master Contract set forth in this Section 4.01 shall become effective in accordance with Section 7.03 of the Master Contract.

ARTICLE V

MISCELLANEOUS

Section 5.01. Continuing Disclosure. The District hereby covenants and agrees to comply with the provisions of the Continuing Disclosure Agreement.

Section 5.02. Terms of the Third Supplemental Installment Purchase Contract Subject to the Master Contract. Except as in the Third Supplemental Installment Purchase Contract expressly provided, every term and condition contained in the Master Contract shall apply to the Third Supplemental Installment Purchase Contract with the same force and effect as if the same were herein set forth in at length, with such omissions, variations and modifications thereof as may be appropriate to make the same conform to the Third Supplemental Installment Purchase Contract.

Section 5.03. Assignment of the Third Supplemental Installment Purchase Contract. The Corporation, for good and valuable consideration, the receipt of which is hereby acknowledged, hereby unconditionally grants, transfers and assigns to the Trustee, subject to the provisions of the Trust Agreement, without recourse, all of its rights, title and interest hereunder, including the right to receive the 2021A Installment Payments hereunder. To the extent that this Third Supplemental Installment Purchase Contract confers upon or gives or grants to the Trustee any right, remedy or claim under or by reason of this Third Supplemental Installment Purchase Contract, the Trustee is hereby explicitly recognized as being a third party beneficiary hereunder and may enforce any such right, remedy or claim conferred given or granted.

Section 5.04. Execution in Counterparts. This Third Supplemental Installment Purchase Contract maybe executed in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.

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

VALLECITOS WATER DISTRICT

By: _____
President

VALLECITOS WATER DISTRICT
FINANCING CORPORATION

By: _____
President

EXHIBIT A

DESCRIPTION OF 2021A PROJECT

COMPONENT A

Certain capital improvements undertaken by the Encina Wastewater Authority for the benefit of the District

The San Marcos interceptor project, which consists of approximately 3,400 feet of 42-inch sewer interceptor

COMPONENT B

Certain capital improvements undertaken by the Encina Wastewater Authority for the benefit of the District

16-inch Emergency Bypass Pipeline Rehabilitation

Meadowlark Failsafe Rehabilitation (Buena Reach)

Montiel Lift Station and Forcemain Replacement

Meadowlark Water Reclamation Facility Biological Selector Improvements

San Marcos Inceptor Phase 2

Tres-Amigos Water Line

Sage Canyon Tank Refurbishment

Las Posas Water line Replacement

EXHIBITB

SCHEDULE OF 2021A INSTALLMENT PAYMENTS

Date (August 1)	Principal
----------------------------------	------------------

Pursuant to Section 2.04 of the Third Supplemental Installment Purchase Contract, the 2021A Installment Payments should be made no later than five Business Days preceding the due date therefor. In addition to the foregoing principal payments, the 2021A Installment Payments shall include interest payable on each Interest Payment Date under the Trust Agreement in an amount equal to the interest due on the Certificates on each Interest Payment Date.

CONTINUING DISCLOSURE AGREEMENT

THIS CONTINUING DISCLOSURE AGREEMENT (this “Disclosure Agreement”), dated _____, 2021, is made and entered into by the Vallecitos Water District (the “District”) and Fieldman Rolapp & Associates, Inc. doing business as Applied Best Practices, (the “Dissemination Agent”), in connection with the execution and delivery of \$_____ Vallecitos Water District Revenue Certificates of Participation, Series 2021A (the “Certificates”). The Certificates are being executed and delivered pursuant to a Trust Agreement, dated as of August 1, 2021 (the “Trust Agreement”), by and among the District, the Vallecitos Water District Financing Corporation and U.S. Bank National Association, as trustee (the “Trustee”).

The District and the Dissemination Agent hereby agree as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered for the benefit of the Owners and Beneficial Owners of the Certificates and in order to assist the Participating Underwriter in complying with the Rule.

SECTION 2. Definitions. In addition to the definitions set forth in the Agreement which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“Beneficial Owner” shall mean any person who (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Certificate (including a person holding a Certificate through a nominee, depository or other intermediary), or (b) is treated as the owner of any Certificate for federal income tax purposes.

“Disclosure Representative” shall mean the General Manager, the Assistant General Manager, the Director of Finance or such other officer or employee as the District shall designate in writing to the Dissemination Agent from time to time.

“Dissemination Agent” shall mean, initially, Fieldman Rolapp & Associates, Inc. doing business as Applied Best Practices, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the District and which has been filed with the then current Dissemination Agent a written acceptance of such designation.

“EMMA” means the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access System for municipal securities disclosures, maintained on the Internet at <http://emma.msrb.org/>.

“Financial Obligation” means a: (A) debt obligation; (B) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (C) guarantee of (A) or (B). The term “Financial Obligation” does not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

“Fiscal Year” means the one-year period ending on the last day of June each year.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

“Official Statement” shall mean the District’s official statement dated August __, 2021, with respect to the Certificates.

“Participating Underwriter” shall mean Morgan Stanley & Co. LLC.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

SECTION 3. Provision of Annual Reports.

(a) Not later than nine months after the end of the District’s fiscal year (which currently ends on June 30), commencing with the fiscal year ending June 30, 2021, the District shall, or shall cause the Dissemination Agent to, provide to EMMA an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. Not later than 15 business days prior to the date referred to in the prior sentence hereof, the District shall provide the Annual Report to the Dissemination Agent. The Annual Report may be submitted as a single document or as separate documents comprising a package and may include by reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the District may be submitted separately from and later than the balance of the Annual Report if they are not available by the date required above for the filing of the Annual Report.

The District shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by it hereunder. The Dissemination Agent may conclusively rely upon such certification of the District and shall have no duty or obligation to review such Annual Report.

(b) If by the date required in subsection (a) the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the District to determine if the District will be filing the Annual Report in compliance with subsection (a).

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to EMMA and the Participating Underwriter by the date required in subsection (a), the Dissemination Agent shall send a notice in substantially the form attached as Exhibit A to the Municipal Securities Rulemaking Board (“MSRB”).

(d) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report and the procedure for filing with EMMA;

(ii) provide any Annual Report received by it to EMMA, as provided herein; and

(iii) if it has provided the Annual Report pursuant to (ii) above, file a report with the District certifying that the Annual Report has been provided to EMMA and the Participating Underwriter pursuant to this Disclosure Agreement and stating the date it was provided.

SECTION 4. Content of Annual Reports. The District's Annual Report shall contain or include by reference:

(a) Financial Statements. The audited financial statements of the District for the most recent fiscal year of the District then ended prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time-to-time by the Governmental Accounting Standards Board. If the audited financial statements are not available by the time the Annual Report is required to be filed, the Annual Report shall contain any unaudited financial statements of the District in a format similar to the audited financial statements, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Financial and Operating Data. The Annual Report shall contain or incorporate by reference the following information:

(i) the principal amount of Certificates outstanding as of the August 2 preceding the filing of the Annual Report; and

(ii) to the extent not contained in the audited financial statements filed pursuant to clause (a) above, updates of the following tables set forth under the caption entitled "THE ENTERPRISE" in the Official Statement for the most recent Fiscal Year of the District only:

1. Table No. 2, "VALLECITOS WATER DISTRICT WATER SYSTEM - SCHEDULE OF WATER UNITS AND RATES";

2. Table No. 4, "VALLECITOS WATER DISTRICT - HISTORICAL METER CONNECTIONS";

3. Table No. 6, "VALLECITOS WATER DISTRICT - WATER PURCHASES AND DELIVERIES";

4. Table No. 13 "VALLECITOS WATER DISTRICT WASTEWATER SYSTEM - MONTHLY WASTEWATER SERVICE CHARGES";

5. Table No. 14, "VALLECITOS WATER DISTRICT - HISTORICAL WASTEWATER CONNECTIONS"; and

6. Table No. 23, "VALLECITOS WATER DISTRICT - HISTORICAL ENTERPRISE OPERATING RESULTS."

(c) Any or all of the items listed in (a) or (b) above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which have been submitted to EMMA or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB. The District shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5(a), the District shall give, or cause the Dissemination Agent to give, notice of the occurrence of any of the following events with respect to the Certificates in a timely manner not more than ten (10) Business Days after the event:

- (i) principal and interest payment delinquencies;
- (ii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iii) unscheduled draws on credit enhancements reflecting financial difficulties;
- (iv) substitution of credit or liquidity providers, or their failure to perform;
- (v) adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability or of a Notice of Proposed Issue (IRS Form 5701-TEB);
- (vi) tender offers;
- (vii) defeasances;
- (viii) ratings changes;
- (ix) bankruptcy, insolvency, receivership or similar proceedings; and

Note: for the purposes of the event identified in subparagraph (ix), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

- (x) Default, event of acceleration, termination event, modification of terms or other similar events under the terms of a Financial Obligation of the District, any of which reflect financial difficulties.

(b) Pursuant to the provisions of Section 5(c), the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Certificates, if material:

- (i) unless described in paragraph 5(a)(v) above, notices or determinations by the Internal Revenue Service with respect to the tax status of the Certificates or other material events affecting the tax status of the Certificates;
- (ii) the consummation of a merger, consolidation or acquisition involving an obligated person or the sale of all or substantially all of the assets of the

obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms;

- (iii) appointment of a successor or additional trustee or the change of the name of a trustee;
- (iv) nonpayment related defaults;
- (v) modifications to the rights of Owners of the Certificates;
- (vi) notices of redemption;
- (vii) release, substitution or sale of property securing repayment of the Certificates; and
- (viii) incurrence of a Financial Obligation of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the District, any of which affect security holders, if material.

(c) If the District determines that knowledge of the occurrence of a Listed Event under Section 5(b) would be material under applicable federal securities laws, the District shall file a notice of such occurrence with EMMA in a timely manner not more than 10 Business Days after the event.

(d) While the failure to file a notice of the occurrence of a Listed Event under Section 5(a)(viii) shall constitute non-compliance with the terms hereof and may be required to be disclosed by the District in accordance with the Rule, failure shall not constitute an event of default hereunder if (i) the District did not receive written notice of such rating change from the respective rating agency, (ii) the rating change was a result of a change in the rating of a liquidity or credit enhancement and the market was generally aware of the change in the rating of such liquidity or credit enhancer or (iii) the rating agency filed a notice of such rating change with EMMA.

(e) The District hereby agrees that the undertaking set forth in this Disclosure Agreement is the responsibility of the District and that the Dissemination Agent, if other than the District, shall not be responsible for determining whether the District's instructions to the Dissemination Agent under this Section 5 comply with the requirements of the Rule.

SECTION 6. Termination of Reporting Obligation. The District's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Certificates. If such termination occurs prior to the final maturity of the Certificates, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

SECTION 7. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Agreement. If at

any time there is not any other designated Dissemination Agent, the District shall be the Dissemination Agent. The initial Dissemination Agent shall be Applied Best Practices. The Dissemination Agent may resign by providing thirty (30) days written notice to the District and the Trustee.

SECTION 8. Amendment.

Notwithstanding any other provision of this Disclosure Agreement, the District may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver related to the provisions of Sections 3(a), 4, or 5, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Certificates, or the type of business conducted;

(b) The undertaking hereunder, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Certificates, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Owners of the Certificates in the same manner as provided in the Trust Agreement for amendments to the Trust Agreement with the consent of Owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Owners of the Certificates.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the District shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(f), and (ii) the Annual Report for the year in which the change is made shall present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the formed accounting principles.

SECTION 9. Additional Information. . Nothing in this Disclosure Agreement shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the District shall have no obligation under this Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the District to file an annual report under Section 4 hereof or to file a report of a listed event under Section 5 hereof, any Beneficial Owners of

the Certificates may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to make such filing. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Trust Agreement or the Master Contract, and the sole remedy under this Disclosure Agreement in the event of any failure of the District to comply with this Disclosure Agreement shall be an action to compel performance.

No Beneficial Owner of the Certificates may institute such action, suit or proceeding to compel performance unless they shall have first delivered to the District satisfactory written evidence of their status as such, and a written notice of and request to cure such failure, and the District shall have refused to comply therewith within a reasonable time.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the District agrees to indemnify and save the Dissemination Agent and its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Certificates.

SECTION 12. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and Owners and Beneficial Owners from time to time of the Certificates; and it shall create no rights in any other person or entity.

SECTION 13. Merger. Any person succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor Dissemination Agent without the filing of any paper or any further act.

SECTION 14. Severability. In case any one or more of the provisions contained herein shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision hereof.

SECTION 15. Governing Law. The validity, interpretation and performance of this Disclosure Agreement shall be governed by the laws of the State of California.

SECTION 16. Counterparts. This Disclosure 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.

VALLECITOS WATER DISTRICT

By: _____
General Manager of the
Vallecitos Water District

FIELDMAN ROLAPP & ASSOCIATES, INC. doing
business as APPLIED BEST PRACTICES, as
Dissemination Agent

By: _____
Its: Authorized Officer

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Vallecitos Water District

Name of Issue: Vallecitos Water District Revenue Certificates of Participation, Series 2021A

Date of Issuance: _____, 2021

NOTICE IS HEREBY GIVEN that the Vallecitos Water District (the “District”) has not provided an Annual Report with respect to the above-named Certificates as required by Section 3 of the District Continuing Disclosure Agreement, dated _____, 2021. [The District anticipates that the Annual Report will be filed by _____.]

Dated:

FIELDMAN ROLAPP & ASSOCIATES, INC. doing
business as APPLIED BEST PRACTICES, as
Dissemination Agent

By: _____

cc: District

TRUST AGREEMENT

by and among

VALLECITOS WATER DISTRICT

and the

VALLECITOS WATER DISTRICT FINANCING CORPORATION

and

U.S. BANK NATIONAL ASSOCIATION,
as trustee

Dated as of August 1, 2021

\$ _____

VALLECITOS WATER DISTRICT
REVENUE CERTIFICATES OF PARTICIPATION
SERIES 2021A

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TRUST AGREEMENT

THIS TRUST AGREEMENT, dated as of August 1, 2021, by and among the VALLECITOS WATER DISTRICT, a county water district duly organized and existing under and by virtue of the laws of the State of California (the “District”), the VALLECITOS WATER DISTRICT FINANCING CORPORATION, a nonprofit public benefit corporation duly organized and existing under and by virtue of the laws of the State of California (the “Corporation”), and U.S. BANK NATIONAL ASSOCIATION, a national banking association existing under and by virtue of the laws of the United States, as trustee (the “Trustee”);

WITNESSETH:

In consideration of the mutual covenants contained herein and for other valuable consideration, the parties do hereby agree as follows:

ARTICLE I

DEFINITIONS; EQUAL SECURITY

SECTION 1.01. Definitions. Unless the context otherwise requires, the terms defined in this section shall for all purposes hereof and of any amendment hereof or supplement hereto and of the 2021A Certificates and of any certificate, opinion, request or other document herein or therein mentioned have the meanings herein specified, the following definitions to be equally applicable to both the singular and plural forms of any of the terms defined herein. Capitalized undefined terms used herein shall, unless the context otherwise requires, have the meanings ascribed thereto in the Master Contract.

Authorized Denominations

The term “Authorized Denominations” means \$5,000 and any integral multiple thereof.

Authorized Officer

The term “Authorized Officer” means the President or Secretary of the Board of Directors, the General Manager, Assistant General Manager, Finance Manager, or any other person authorized by the Board of Directors of the District to perform an act or sign a document on behalf of the District under or with respect to this Trust Agreement.

Beneficial Owners

The term “Beneficial Owners” means those individuals, partnerships, corporations or other entities for whom the Participants have caused the Depository to hold Book-Entry Certificates.

Book-Entry Certificates

The term “Book-Entry Certificates” means the 2021A Certificates registered in the name of the nominee of DTC, or any successor securities depository for the 2021A Certificates, as the registered owner thereof pursuant to the terms and provisions of Section 2.10 hereof.

Certificate of the Corporation

The term “Certificate of the Corporation” means an instrument in writing signed by the President or the Secretary of the Corporation, or by any other officer of the Corporation duly authorized for that purpose.

Certificate of the District

The term “Certificate of the District” means an instrument in writing signed by the Chair of the Board of Directors or an Authorized Officer, or by any other official of the District duly authorized for that purpose.

Certificate Payment Date

The term “Certificate Payment Date” means, with respect to any 2021A Certificate, the Certificate Payment Date designated therein, which is the August 1 on which the principal component of the 2021A Installment Payments becomes due and payable.

Certificate Year

The term “Certificate Year” will have the meaning set forth in the Tax Certificate.

Code

The term “Code” means the Internal Revenue Code of 1986, as amended, and any regulations, rulings, judicial decisions, and notices, announcements, and other releases of the United States Treasury Department or Internal Revenue Service interpreting and construing it, or any applicable regulations adopted under the Internal Revenue Code of 1954, as amended.

Corporate Trust Office of the Trustee

The term “Corporate Trust Office of the Trustee” means the principal corporate trust office of the Trustee in Los Angeles, California or such other or additional offices as may be specified to the District by the Trustee in writing.

Costs of Delivery

The term “Costs of Delivery” means all items of expense directly or indirectly payable by or reimbursable to the District and related to the authorization, sale, execution and delivery of the 2021A Certificates, including but not limited to costs of preparation and reproduction of documents, printing expenses, initial fees and charges of the Trustee and counsel to the Trustee, legal fees and charges, fees and disbursements of consultants and professionals, rating agency fees, letter of credit fees and bond insurance premiums (if any), fees and charges for preparation, execution and safekeeping of the 2021A Certificates and any other cost, charge or fee in connection with the original execution and delivery of the 2021A Certificates.

Costs of Delivery Fund

The term “Costs of Delivery Fund” means the fund by that name established pursuant to Section 4.01 hereof.

Defeasance Securities

The term “Defeasance Securities” means: (1) cash, (2) non-callable direct obligations of the United States of America (“Treasuries”), (3) evidences of ownership of proportionate interests in future interest and principal payments on Treasuries held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Treasuries are not available to any person claiming through the custodian or to whom the custodian may be obligated, and (4) pre-refunded municipal obligations rated not lower than the rating on securities described in clause (2) above.

Delivery Date

The term “Delivery Date” means the date on which the 2021A Certificates are delivered to the original purchaser thereof.

Depository

The term “Depository” means the securities depository acting as Depository pursuant to Section 2.10 hereof.

DTC

The term “DTC” means The Depository Trust Company, New York, New York, a limited purpose trust company organized under the laws of the State of New York, in its capacity as securities depository for the 2021A Certificates.

Event of Default

The term “Event of Default” shall have the meaning specified in Section 9.02.

Fitch

The term “Fitch” means Fitch, Inc., its successor and assigns, and if such corporation shall for any reason no longer perform the functions of a securities rating agency such term shall be deemed to refer to any other nationally recognized rating agency designated by the District.

Information Services

The term “Information Services” means national information services that disseminate securities redemption notices; or, in accordance with then-current guidelines of the Securities and Exchange Commission, such other services providing information with respect to called bonds as the District may specify in a certificate to the Trustee.

Interest Payment Date

The term “Interest Payment Date” means [February] 1, 20__ and each February 1 and August 1 thereafter.

Investment Agreement

The term “Investment Agreement” means an investment agreement supported by appropriate opinions of counsel; provided the provider thereof or the guarantor thereof is rated, at the time of execution, at least two of the three of “A+”, “A1” or “A+” by S&P, Moody’s or Fitch, respectively.

Letter of Representations or Representation Letter

The term “Letter of Representations” or “Representation Letter” means the letter of the District delivered to and accepted by the Depository on or prior to the Delivery Date as Book-Entry Certificates setting forth the basis on which the Depository serves as depository for such Book-Entry Certificates, as originally executed or as it may be supplemented or revised or replaced by a letter to a substitute Depository.

Master Contract

The terms “Master Contract” means the Master Installment Purchase Contract, dated as of June 15, 2005, by and between the District and the Corporation, as originally executed and as it may from time to time be amended or supplemented in accordance with the terms thereof, including but not limited to the First Supplemental Installment Purchase Contract, dated June 15, 2005, the Second Supplemental Installment Purchase Contract, dated December 1, 2012 and the Third Supplemental Installment Purchase Contract, dated as of August 1, 2021.

Moody’s or Moody’s Investors Service

The term “Moody’s Investors Service” or “Moody’s” means Moody’s Investors Service, its successors and assigns, and if such corporation shall for any reason no longer perform the functions of a securities rating agency, such terms shall be deemed to refer to any other nationally recognized rating agency designated by the District.

Nominee

The term “Nominee” means the nominee of the Depository, which may be the Depository, as determined from time to time pursuant to Section 2.10 hereof.

Opinion of Counsel

The term “Opinion of Counsel” means a written opinion of special counsel, appointed and paid by the Corporation or the District.

Outstanding

The term “Outstanding,” when used as of any particular time with reference to Certificates of each series, means (subject to the provisions of Section 8.02) all Certificates theretofore or thereupon executed by the Trustee pursuant hereto, except --

(1) Certificates theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation;

(2) Certificates paid or deemed to have been paid within the meaning of Section 10.01 hereof; and

(3) Certificates in lieu of or in substitution for which other Certificates shall have been executed by the Trustee and delivered pursuant hereto.

Owner

The term “Owner” means any person who shall be the registered owner of any Outstanding Certificate, as shown on the registration books required to be maintained by the Trustee pursuant to Section 2.08 hereof.

Payment Fund

The term “Payment Fund” means the Payment Fund established pursuant to Section 4.01 hereof.

Participants

The term “Participants” means those broker-dealers, banks and other financial institutions from time to time for which the Depository holds Book-Entry Certificates as securities depository.

Permitted Investments

The term “Permitted Investments” means any of the following, if and to the extent permitted by law and by any policy guidelines promulgated by the District.

The following obligations may be used as Permitted Investments for all purposes, including defeasance investments in refunding escrow agreements.

- (a) Cash insured at all times by the Federal Deposit Insurance Corporation; and
- (b) Obligations of, or obligations guaranteed as to principal and interest by, the U.S. or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the U.S. including: U.S. treasury obligations; All direct or fully guaranteed obligations; Farmers Home Administration; General Services Administration; Guaranteed Title XI financing; Government National Mortgage Association (GNMA); and State and Local Government Series or direct obligations of the World Bank.

Any security used for defeasance must provide for the timely payment of principal and interest and cannot be callable or prepayable prior to maturity or earlier redemption of the rated debt (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date).

The following obligations may be used as Permitted Investments for all purposes other than defeasance investments in refunding escrow accounts.

- (c) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including: Export-Import Bank;

Rural Economic Community Development Administration; Federal Farm Credit Bureau; U.S. Maritime Administration; Small Business Administration; U.S. Department of Housing & Urban Development (PHAs); and Federal Housing Administration and Federal Financing Bank;

- (d) Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America: Senior debt obligations issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC); Obligations of the Resolution Funding Corporation (REFCORP); Senior debt obligations of the Federal Home Loan Bank System; and Senior debt obligations of other Government Sponsored Agencies;
- (e) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of "P-1" by Moody's, "A-1+" by S&P and "F-1+" by Fitch and maturing not more than 360 calendar days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank);
- (f) Commercial paper which is rated at the time of purchase in the single highest classification, "P-1" by Moody's, "A-1" by S&P or "F-1" by Fitch and which matures not more than 270 calendar days after the date of purchase;
- (g) Investments in a money market fund rated "AAm", "AAAm" or "AAAm-G" or better by S&P, including such funds for which the Trustee or an affiliate provides investment advice for other services;
- (h) Pre-refunded Municipal Obligations defined as follows: any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice:
 - (1) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of Moody's, S&P or Fitch, or any successors thereto; or
 - (2) (i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in paragraph (b) above, which escrow may be applied only to the payment of such principal and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate; and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate;

- (i) The following municipal obligations: (1) revenue obligations of states or any department, board, agency or authority thereof rated “A-1” or better by Moody’s, “A+” or better by S&P or “A+” or better by Fitch; (2) general obligations of states rated “A3” or better by Moody’s, “A-” or better by S&P or “A-” or better by Fitch; (3) adjustable rate revenue obligations of states or any department, board, agency or authority thereof rated “P-1” or better by Moody’s, “A-1” or better by S&P or “F-1” or better by Fitch; (4) fixed rate revenue obligations of any political subdivision of the State or entity owned, operated or controlled by such a political subdivision rated “A1” or better by Moody’s, “A+” or better by S&P or “A+” or better by Fitch; or (5) adjustable rate revenue obligations of any political subdivision of the State or entity owned, operated or controlled by such a political subdivision rated “P-1” or better by Moody’s, “A-1” or better by S&P or “F-1” by Fitch;
- (j) Investment Agreements;
- (k) the Local Agency Investment Fund of the State, created pursuant to Section 16429.1 of the California Government Code, to the extent that the Trustee is authorized to register such investment in its name;
- (l) Local Government Investment Pools (LGIP). Shares of beneficial interest issued by a joint powers authority organized pursuant to Government Code § 6509.7. To be eligible for purchase, the pool must meet the requirements of Government Code § 53601(p); and
- (m) Certificates of deposit insured by the Federal Deposit Insurance Corporation.
- (n) United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank. Investments under this subdivision shall be rated “AA” or better by S&P and Fitch or “Aa2” or better by Moody’s.

The value of the above investments shall be determined as provided in the definition of “Value”.

Prepayment Date

The term “Prepayment Date” shall mean the date fixed for prepayment of Certificates.

Rating Agencies

The term “Rating Agencies” means S&P, Fitch and Moody’s.

Rebate Fund

The term “Rebate Fund” means the Rebate Fund established pursuant to Section 4.01 hereof.

Record Date

The term “Record Date” means the fifteenth day of the month preceding an Interest Payment Date, whether or not such day is a Business Day.

Requisition of the District

The term “Requisition of the District” means a written requisition signed by the Chair of the Board of Directors or an Authorized Officer, or by any other official of the District duly authorized for that purpose.

S&P

The term “S&P” means S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC, or any successor thereto.

Securities Depositories

The term “Securities Depositories” means The Depository Trust Company; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other securities depositories as the District may designate in a Written Request of the District delivered to the Trustee.

Securities Exchange Act

The term “Securities Exchange Act” means the Securities Exchange Act of 1934, as amended.

State

The term “State” means the State of California.

Tax Certificate

The term “Tax Certificate” means the Tax Certificate delivered by the District on the Delivery Date, as the same may be amended or supplemented in accordance with its terms.

Third Supplemental Installment Purchase Contract

The term “Third Supplemental Installment Purchase Contract” means the Third Supplemental Installment Purchase Contract, dated as of August 1, 2021, by and between the District and the Corporation, as originally executed and as it may from time to time be amended or supplemented in accordance with the terms of the Master Contract.

Trust Agreement

The term “Trust Agreement” means this Trust Agreement, dated as of August 1, 2021, by and among the District, the Corporation and the Trustee, as originally executed and as it may from time to time be amended or supplemented pursuant to the provisions hereof.

Trustee

The term “Trustee” means U.S. Bank National Association, a national banking association existing under and by virtue of the laws of the United States of America, or any other association or corporation which may at any time be substituted in its place as provided in Section 7.02.

2021A Certificates

The term “2021A Certificates” means the Vallecitos Water District Revenue Certificates of Participation, Series 2021A delivered in the aggregate principal amount of \$_____.

U.S. Governmental Securities Business Day

The term “U.S. Government Securities Business Day” means any day except for a Saturday, a Sunday, or a day on which the Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading U.S. government securities.

Value

The term “Value,” shall be determined as of the end of each month, means that the value of any investments, which shall be the face amount thereof, plus accrued interest.

Written Request of the Corporation

The term “Written Request of the Corporation” means an instrument in writing signed by the President or the Secretary of the Corporation, or by any other officer of the Corporation duly authorized for that purpose.

Written Request of the District

The term “Written Request of the District” means an instrument in writing signed by the President of the Board of Directors or an Authorized Officer of the District, or by any other official of the District duly authorized for that purpose.

SECTION 1.02. Equal Security. In consideration of the acceptance of the 2021A Certificates by the Owners thereof, the Trust Agreement shall be deemed to be and shall constitute a contract between the Trustee and the Owners to secure the full and final payment of the interest and principal and prepayment premiums, if any, evidenced and represented by the 2021A Certificates, subject to the agreements, conditions, covenants and provisions contained herein; and all agreements, conditions, covenants and provisions set forth herein to be performed by or on behalf of the Trustee shall be for the equal and proportionate benefit, protection and security of all Owners without distinction, preference or priority as to benefit, protection or security of any 2021A Certificates over any other Certificates by reason of the number or date thereof or the time of execution or delivery thereof or for any cause whatsoever, except as expressly provided herein or therein.

ARTICLE II

CONDITIONS AND TERMS OF CERTIFICATES

SECTION 2.01. Authorization of Certificates. The Trustee is hereby authorized and directed, upon receipt of a Written Request of the District to execute and deliver the 2021A Certificates in the aggregate principal amount of \$_____, evidencing individual interests in 2021A Installment Payments to be paid by the District under the Third Supplemental Installment Purchase Contract.

SECTION 2.02. Denominations, Method and Place of Payment and Dating of Certificates. The 2021A Certificates shall be dated the Delivery Date and shall be issued only in fully registered Certificates in denominations of five thousand dollars (\$5,000) or any integral multiple thereof, and shall mature on the dates and in the principal amounts and bear interest at the rates as set forth in the schedule set forth in Section 2.03 hereof. The interest, principal and prepayment premiums, if any, evidenced and represented by the 2021A Certificates shall be payable in lawful money of the United States of America. The interest evidenced and represented by the 2021A Certificates shall be payable on their respective Interest Payment Dates by check mailed by the Trustee to the respective Owners thereof as shown in the books required to be kept by the Trustee pursuant to the provisions of Section 2.08 at the close of business on the Record Date next preceding each Interest Payment Date (except that in the case of an Owner of one million dollars (\$1,000,000) or greater in aggregate principal amount of Outstanding Certificates, such payment may, at such Owner's written request, be made by wire transfer of immediately available funds to an account within the United States in accordance with written instructions provided by such Owner prior to the applicable Record Date), and the principal and prepayment premiums, if any, evidenced and represented by the 2021A Certificates shall be payable on their respective Certificate Payment Dates or on prepayment prior thereto by check delivered by the Trustee upon surrender thereof by the respective Owners thereof at the Corporate Trust Office of the Trustee. The Trustee may treat the Owner of any 2021A Certificate as the absolute owner of such 2021A Certificate for all purposes, whether or not such 2021A Certificate shall be overdue, and the Trustee shall not be affected by any knowledge or notice to the contrary; and payment of the interest and principal and prepayment premiums, if any, evidenced and represented by such 2021A Certificate shall be made only to such Owner as above provided, which payments shall be valid and effectual to satisfy and discharge the liability evidenced and represented by such 2021A Certificate to the extent of the sum or sums so paid. All Certificates paid pursuant to the provisions of this section shall be cancelled by the Trustee and shall not be redelivered.

SECTION 2.03. Payment Dates of Certificates. The 2021A Certificates evidence and represent interest from the Interest Payment Date next preceding the date of execution thereof by the Trustee, unless such date of execution is after the Record Date, in which case they shall evidence and represent interest from such Interest Payment Date; provided, however, with respect to the first Interest Payment Date, the 2021A Certificates shall evidence and represent interest from the Delivery Date; provided, further, that if as of the date of execution of any 2021A Certificate interest shall not have been paid when due with respect to any Outstanding Certificates, interest shall be payable from the Interest Payment Date to which interest has been paid or made available for payment with respect to such Outstanding Certificates.

The 2021A Certificates shall have Certificate Payment Dates of August 1 in the years and shall evidence and represent principal components of 2021A Installment Payments in the amounts, with interest thereon at the rates, as follows:

2021A CERTIFICATES

<i>Certificate Payment Date (August 1)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>
	\$	%

The interest evidenced and represented by the 2021A Certificates shall be computed on the basis of a 360-day year consisting of twelve (12) 30-day months and shall become due and payable on the respective Interest Payment Dates, beginning on the Interest Payment Date following their respective execution dates and continuing to and including their Certificate Payment Dates or on prepayment prior thereto, and shall evidence and represent in sum the portions of the 2021A Installment Payments constituting interest components becoming due and payable on the Interest Payment Dates in each year.

The principal and prepayment premiums, if any, evidenced and represented by the 2021A Certificates shall become due and payable on their respective Certificate Payment Dates or on prepayment prior thereto, and shall evidence and represent in sum the portions of the 2021A Installment Payments constituting principal and prepayment premium components, if any, becoming due and payable on the Certificate Payment Dates or on prepayment prior thereto in each year.

SECTION 2.04. Forms of Certificates. The 2021A Certificates, together with the assignment to appear thereon, shall be substantially in the forms set forth on Exhibit A hereto, with appropriate or necessary insertions, omissions and variations as permitted or required hereby.

SECTION 2.05. Execution of Certificates. The 2021A Certificates shall be executed by the Trustee by the manual signature of an authorized officer of the Trustee.

SECTION 2.06. Transfer and Payment of Certificates. Any 2021A Certificate may, in accordance with its terms, be transferred in the books required to be kept pursuant to the provisions of Section 2.08 by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender, at the Corporate Trust Office of the Trustee, of such 2021A Certificate for cancellation accompanied by delivery of a duly executed written instrument of transfer in a form approved by the Trustee. Whenever any 2021A Certificate or 2021A Certificates shall be

surrendered for transfer, the Trustee shall execute and deliver a new 2021A Certificate or 2021A Certificates of like series and of authorized denominations of the same Certificate Payment Date evidencing and representing the same aggregate principal amount. The Trustee shall require the payment by the Owner requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer as a condition precedent to the exercise of such privilege.

The Trustee may deem and treat the Owner of any 2021A Certificate as the absolute owner of such 2021A Certificates for the purpose of receiving payment thereof and for all other purposes, whether such 2021A Certificates shall be overdue or not, and the Trustee shall not be affected by any notice or knowledge to the contrary; and payment of the interest and principal and prepayment premium, if any, evidenced and represented by the 2021A Certificates shall be made only to such Owner, which payments shall be valid and effectual to satisfy and discharge liability on such 2021A Certificate to the extent of the sum or sums so paid.

The Trustee shall not be required to register the transfer of (i) any 2021A Certificates during the period established by the Trustee for selection of 2021A Certificates for prepayment, or (ii) any 2021A Certificate which has been selected for prepayment in whole or in part.

SECTION 2.07. Exchange of Certificates. 2021A Certificates may be exchanged at the Corporate Trust Office of the Trustee for a 2021A Certificate evidencing and representing a like aggregate principal amount of 2021A Certificates of authorized denominations of the same series and maturity. The Trustee shall require the payment by the Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange as a condition precedent to the exercise of such privilege.

The Trustee shall not be required to exchange (i) any 2021A Certificates during any period established by the Trustee for selection of 2021A Certificates for prepayment, or (ii) any 2021A Certificates which has been selected for prepayment in whole or in part.

SECTION 2.08. Registration Books. The Trustee will keep at its office sufficient books for the registration of the ownership, transfer and exchange of the 2021A Certificates which shall at all times be open to inspection by the District, the Corporation or any Owner or his agent duly authorized in writing during normal business hours with reasonable prior notice, and upon presentation for such purpose the Trustee shall, under such reasonable regulations as it may prescribe, register the ownership or transfer and exchange of the 2021A Certificates in such books as hereinabove provided.

SECTION 2.09. Mutilated, Destroyed, Stolen or Lost Certificates. If any 2021A Certificate shall become mutilated, the Trustee, at the expense of the Owner thereof, shall thereupon execute and deliver a new 2021A Certificate of like series, tenor, and Authorized Denominations of the same Certificate Payment Date evidencing and representing the same aggregate principal amount in exchange and substitution for the 2021A Certificate so mutilated. Every mutilated 2021A Certificate so surrendered to the Trustee shall be cancelled by the Trustee.

If any 2021A Certificate shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and, if such evidence be satisfactory to the Trustee and indemnity satisfactory to the Trustee shall be given, the Trustee, at the expense of the Owner, shall thereupon execute and deliver a new 2021A Certificate of like series, tenor and Authorized Denominations of the same Certificate Payment Date evidencing and representing the same

aggregate principal amount in lieu of and in substitution for the 2021A Certificate so lost, destroyed or stolen.

The Trustee may require payment of a reasonable sum for each new 2021A Certificate executed and delivered under this Section and of the expenses which may be incurred by the District and the Trustee in the premises. Any 2021A Certificate executed and delivered under the provisions of this Section in lieu of any 2021A Certificate alleged to be lost, destroyed or stolen shall be equally and proportionately entitled to the benefits of this Trust Agreement with all other 2021A Certificates executed and delivered under this Trust Agreement. Neither the District, the Corporation nor the Trustee shall be required to treat both the original 2021A Certificate and any replacement 2021A Certificate as being Outstanding for the purpose of determining the principal amount of 2021A Certificates which may be executed and delivered hereunder or for the purpose of determining any percentage of 2021A Certificates Outstanding hereunder, but both the original and replacement 2021A Certificate shall be treated as one and the same.

SECTION 2.10. Special Covenants as to Book-Entry Only System for Certificates.

(a) Except as otherwise provided in subsections (b) and (c) of this Section 2.10, all of the 2021A Certificates initially executed and delivered shall be registered in the name of Cede & Co., as nominee for DTC, or such other nominee as DTC shall request pursuant to the Representation Letter. Payment of the interest on any 2021A Certificates registered in the name of Cede & Co. shall be made on each Interest Payment Date for such 2021A Certificates to the account, in the manner and at the address indicated in or pursuant to the Representation Letter.

(b) The 2021A Certificates initially shall be executed and delivered in the form of a single executed fully registered certificate for each stated maturity of each series of such 2021A Certificates, representing the aggregate principal amount of the 2021A Certificates of such maturity. Upon initial issuance, the ownership of all such 2021A Certificates shall be registered in the registration records maintained by the Trustee pursuant to Section 2.08 in the name of Cede & Co., as nominee of DTC, or such other nominee as DTC shall request pursuant to the Representation Letter. The Trustee, the District, the Corporation and any paying agent may treat DTC (or its nominee) as the sole and exclusive owner of the 2021A Certificates registered in its name for the purposes of payment of the principal or prepayment price and interest evidenced and represented by the 2021A Certificates, selecting the 2021A Certificates or portions thereof to be prepaid, giving any notice permitted or required to be given to Owners hereunder, registering the transfer of the 2021A Certificates, obtaining any consent or other action to be taken by Owners of the 2021A Certificates and for all other purposes whatsoever; and neither the Trustee, the District nor the Corporation or any paying agent shall be affected by any notice to the contrary. Neither the Trustee, the District nor the Corporation or any paying agent shall have any responsibility or obligation to any Participant (which shall mean, for purposes of this Section 2.10, securities brokers and dealers, banks, trust companies, clearing corporations and other entities, some of whom directly or indirectly own DTC), any person claiming a beneficial ownership interest in the 2021A Certificates under or through DTC or any Participant, or any other person which is not shown on the registration records as being an Owner, with respect to (i) the accuracy of any records maintained by DTC or any Participant, (ii) the payment by DTC or any Participant of any amount in respect of the principal or prepayment price or interest evidenced and represented by the 2021A Certificates, (iii) any notice which is permitted or required to be given to Owners of 2021A Certificates hereunder, (iv) the selection by DTC or any Participant of any person to receive payment in the event of a partial prepayment of the 2021A Certificates, or (v) any consent given or other action taken by DTC as Owner of 2021A Certificates.

The Trustee shall pay all principal and premium, if any, and interest evidenced and represented by the 2021A Certificates only at the times, to the accounts, at the addresses and otherwise in accordance with the Representation Letter, and all such payments shall be valid and effective to satisfy fully and discharge the District's obligations with respect to the payment of the principal and premium, if any, and interest evidenced and represented by the 2021A Certificates to the extent of the sum or sums so paid. Upon delivery by DTC to the Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of its then existing nominee, the 2021A Certificates will be transferable to such new nominee in accordance with subsection (f) of this Section 2.10.

(c) In the event that the District determines that the 2021A Certificates should not be maintained in book-entry form, the Trustee shall, upon the written instruction of the District, so notify DTC, whereupon DTC shall notify the Participants of the availability through DTC of bond certificates. In such event, the 2021A Certificates will be transferable in accordance with subsection (f) of this Section 2.10. DTC may determine to discontinue providing its services with respect to the 2021A Certificates or a portion thereof, at any time by giving written notice of such discontinuance to the District or the Trustee and discharging its responsibilities with respect thereto under applicable law. In such event, the 2021A Certificates will be transferable in accordance with subsection (f) of this Section 2.10. If at any time DTC shall no longer be registered or in good standing under the Securities Exchange Act or other applicable statute or regulation and a successor securities depository is not appointed by the District within 90 days after the District receives notice or becomes aware of such condition, as the case may be, then this Section 2.10 shall no longer be applicable and the Trustee shall execute and deliver certificates representing the 2021A Certificates as provided below. Whenever DTC requests the District and the Trustee to do so, the Trustee and the District will cooperate with DTC in taking appropriate action after reasonable notice to arrange for another securities depository to maintain custody of all certificates evidencing the 2021A Certificates then Outstanding. In such event, the 2021A Certificates will be transferable to such securities depository in accordance with subsection (f) of this Section 2.10, and thereafter, all references in this Trust Agreement to DTC or its nominee shall be deemed to refer to such successor securities depository and its nominee, as appropriate.

(d) Notwithstanding any other provision of this Trust Agreement to the contrary, so long as all Certificates Outstanding are registered in the name of any nominee of DTC, all payments with respect to the principal of and premium, if any, and interest with respect to each such 2021A Certificate and all notices with respect to each such 2021A Certificate shall be made and given, respectively, to DTC as provided in the Representation Letter.

(e) The Trustee is hereby authorized and requested to execute and deliver the Representation Letter and, in connection with any successor nominee for DTC or any successor depository, enter into comparable arrangements, and shall have the same rights with respect to its actions thereunder as it has with respect to its actions under this Trust Agreement.

(f) In the event that any transfer or exchange of 2021A Certificates is authorized under subsection (b) or (c) of this Section 2.10, such transfer or exchange shall be accomplished upon receipt by the Trustee from the registered owner thereof of the 2021A Certificates to be transferred or exchanged and appropriate instruments of transfer to the permitted transferee, all in accordance with the applicable provisions of Sections 2.06 and 2.07. In the event the 2021A Certificates are issued to Owners other than Cede & Co., its successor as nominee for DTC as holder of all the 2021A Certificates, another securities depository as holder of all the 2021A Certificates, or the nominee of

such successor securities depository, the provisions of Sections 2.06 and 2.07 shall also apply to, among other things, the registration, exchange and transfer of the 2021A Certificates and the method of payment of principal, premium, if any, and interest evidenced and represented by the 2021A Certificates.

ARTICLE III

PREPAYMENT OF CERTIFICATES

SECTION 3.01. Prepayment. The 2021A Certificates shall be subject to prepayment prior to their stated maturities only as set forth below:

(a) **Extraordinary Prepayment from Insurance or Condemnation Proceeds.** The 2021A Certificates are subject to extraordinary prepayment by the District on any date prior to their respective Certificate Payment Dates, upon notice as hereinafter provided, as a whole or in part by lot within each Certificate Payment Date, in such order of prepayment as the District may determine, in integral multiples of Authorized Denominations, from payments made by the District from the net proceeds received by the District due to the damage, destruction or condemnation of all or any portion of the Enterprise, at a prepayment price equal to the sum of the principal amount or such part thereof evidenced and represented by the 2021A Certificates to be prepaid, plus accrued interest evidenced and represented thereby to the date fixed for prepayment, without premium.

(b) **Optional Prepayment.** The 2021A Certificates with Certificate Payment Dates on or after August 1, 20__ are subject to optional prepayment prior to their respective Certificate Payment Dates by the District on any date on or after August 1, 20__, upon notice as hereinafter provided, as a whole or in part by lot in such order of maturity as the District may determine, in integral multiples of five thousand dollars (\$5,000), from any source of available funds, at a prepayment price equal to 100% of the principal amount to be prepaid, plus interest, if any, accrued with respect thereto to the date of prepayment, without premium.

SECTION 3.02. Selection of Certificate for Prepayment. If less than all Outstanding Certificates maturing by their terms on any one date are to be prepaid at any one time, and no other method of selection is specified in Section 3.01 above, the Trustee shall select the 2021A Certificates of such maturity date to be prepaid in any manner that it deems appropriate and fair and shall promptly notify the District in writing of the numbers of the 2021A Certificates so selected for prepayment. For purposes of such selection, 2021A Certificates shall be deemed to be composed of \$5,000 multiples and any such multiple may be separately prepaid or redeemed. In the event the term 2021A Certificates are designated for prepayment, the District may designate which sinking account payments are allocated to such prepayment.

SECTION 3.03. Notice of Prepayment. Notice of prepayment shall be given by the Trustee, not less than twenty (20) nor more than sixty (60) days prior to the prepayment date to (i) the respective Owners of the 2021A Certificates designated for prepayment at their addresses appearing on the registration books of the Trustee, (ii) the Securities Depositories and (iii) the Information Services; provided, however, that so long as a book-entry system is used for the 2021A Certificates, the Trustee will send notice of prepayment only to the Securities Depositories and Information Services. Notice of prepayment to the Securities Depositories shall be given by registered mail, other electronically secure means, or any other method agreed upon and notice of prepayment to the Information Services shall be given by mail, other electronically secure means, or

any other method agreed upon. Each notice of prepayment shall state the series, prepayment date, the prepayment price, if any, the CUSIP number (if any) of the maturity or maturities, and, if less than all of any such maturity is to be prepaid, the distinctive certificate numbers of the 2021A Certificates of such maturity to be prepaid and, in the case of 2021A Certificates to be prepaid in part only, the respective portions of the principal amount thereof to be prepaid. Each such notice shall also state that on the prepayment date there will become due and payable on the 2021A Certificates to be prepaid, all of the principal amount thereof on the prepayment date, and that from and after such prepayment date interest evidenced and represented by the 2021A Certificates shall cease to accrue, and shall require that such 2021A Certificates be then surrendered at the address of the Trustee specified in the prepayment notice. Failure by the Trustee to give notice pursuant to this Section to any one or more of the Information Services or Securities Depositories, or the insufficiency of any such notice shall not affect the sufficiency of the proceedings for prepayment. Failure by the Trustee to give notice of prepayment pursuant to this Section to any one or more of the respective Owners of any 2021A Certificates designated for prepayment shall not affect the sufficiency of the proceedings for prepayment with respect to the Owners to whom such notice was given.

In the event of prepayment of 2021A Certificates (other than sinking fund prepayments), the Trustee shall give notice of optional prepayment, other than any notice that refers to 2021A Certificates that are to be prepaid from proceeds of a refunding bond issue, only if sufficient funds have been deposited with the Trustee to pay the applicable prepayment price of the 2021A Certificates to be prepaid. The District shall give the Trustee written notice of its intention to optionally prepay 2021A Certificates at least 30 days prior to the intended Prepayment Date. In the event the District elects to optionally prepay the 2021A Certificates in part, it shall deliver to the Trustee a schedule of revised 2021A Installment Payments and mandatory prepayments.

The District may, at its option, prior to the date fixed for prepayment in any notice of optional prepayment rescind and cancel such notice of prepayment by Written Request of the District and the Trustee shall give notice of such cancellation to the recipients of the notice of prepayment being cancelled.

SECTION 3.04. Effect of Prepayment. If notice of prepayment has been duly given as aforesaid and money for the payment of the prepayment price of the 2021A Certificates called for prepayment is held by the Trustee in Payment Fund, as the case may be, then on the prepayment date designated in such notice, 2021A Certificates shall become due and payable, and from and after the date so designated interest evidenced and represented by the 2021A Certificates so called for prepayment shall cease to accrue, and the Owners of such 2021A Certificates shall have no rights in respect thereof except to receive payment of the prepayment price thereof. Any prepayment of 2021A Certificates pursuant to Section 3.01 hereof shall cause the schedule of 2021A Installment Payments set forth in Exhibit B to the Third Supplemental Installment Purchase Contract to be recalculated by the District in accordance with Section 3.01 of the Third Supplemental Installment Purchase Contract. Such schedule shall be furnished by the District to the Trustee. All Certificates prepaid, pursuant to the provisions of this Article shall be cancelled by the Trustee and shall be delivered to, or upon the order of, the District and shall not be redelivered.

ARTICLE IV

**ESTABLISHMENT OF FUNDS; DEPOSIT
AND APPLICATION OF PROCEEDS**

SECTION 4.01. Establishment of Funds. The Trustee shall establish and maintain the following special trust funds to be held by the Trustee: (i) Costs of Delivery Fund, (ii) the Payment Fund and (iii) the Rebate Fund.

SECTION 4.02. Delivery of Certificates. The Trustee is hereby authorized to execute and deliver the 2021A Certificates to the purchaser thereof upon receipt of a Written Request of the District (concurring in by the Corporation) and upon receipt of the proceeds of sale thereof.

SECTION 4.03. Application of Proceeds. Upon the receipt of the proceeds of the 2021A Certificates when the same shall have been duly executed and delivered, the Trustee shall (i) deposit into the Costs of Delivery Fund the amount of \$_____ and (ii) transfer to the District the amount of \$_____ for deposit in the Improvement Fund. The Trustee may establish a temporary fund or account in its records to facilitate such deposit and transfer.

SECTION 4.04. Application of Costs of Delivery Fund. The moneys in the Costs of Delivery Fund shall be used and withdrawn by the Trustee to pay the Costs of Delivery upon submission of Requisitions of the District stating the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred, that such payment is proper charge against said fund and that payment for such charge has not previously been made. On the six month anniversary of the execution and delivery of the 2021A Certificates, or upon the earlier Written Request of the District, all amounts remaining in the Costs of Delivery Fund shall be transferred by the Trustee to the Payment Fund and the Costs of Delivery Fund shall be closed. Investment earnings on amounts on deposit in the Costs of Delivery Fund shall be retained in the Costs of Delivery Fund.

ARTICLE V

2021A INSTALLMENT PAYMENTS

SECTION 5.01. Pledge of 2021A Installment Payments. All 2021A Installment Payments shall be paid directly by the District to the Trustee and if received by the Corporation at any time shall be deposited by the Corporation with the Trustee within one Business Day after the receipt thereof. All 2021A Installment Payments received by the Trustee shall be held in trust by the Trustee under the terms hereof. The 2021A Installment Payments shall be deposited by the Trustee as and when received in the Payment Fund, which fund the Trustee has established and maintains so long as any 2021A Certificates are Outstanding. All money in the Payment Fund shall be held in trust by the Trustee for the benefit of the Owners of the 2021A Certificates. The District and the Corporation hereby pledge and grant a lien on the Payment Fund to the Trustee for the benefit of the Owners of the 2021A Certificates.

SECTION 5.02. Receipt and Deposit of 2021A Installment Payments.

(a) In order to carry out and effectuate the pledge contained herein, subject to the provisions of Section 5.01, the Trustee shall deposit the 2021A Installment Payments when and as

received in trust in the Payment Fund for the benefit of the Owners of the 2021A Certificates. All 2021A Installment Payments shall be accounted for through and held in trust. All 2021A Installment Payments deposited with the Trustee as herein provided shall nevertheless be allocated, applied and disbursed solely to the purposes and uses hereinafter in this Article set forth, and shall be accounted for separately and apart from all other accounts, funds, money or other resources of the Trustee.

(b) Money in the Payment Fund shall be used and withdrawn by the Trustee for the purpose of paying (i) the interest evidenced and represented by the 2021A Certificates as it shall become due and payable (including accrued interest evidenced and represented by the 2021A Certificates purchased or prepaid prior to maturity), and (ii) the principal evidenced and represented by the 2021A Certificates as it shall become due and payable.

(c) Any moneys which, pursuant to Section 3.01 of the Third Supplemental Installment Purchase Contract, are to be used to prepay the 2021A Certificates pursuant to Section 3.01 hereof shall be deposited by the Trustee in the Payment Fund. The Trustee shall, on the scheduled prepayment date, withdraw from the Payment Fund and pay to the Owners entitled thereto an amount equal to the prepayment price of the 2021A Certificates to be prepaid on such date plus interest evidenced and represented by the 2021A Certificates to the Prepayment Date.

SECTION 5.03. Investment of Moneys in Funds. Moneys in the funds established with the Trustee hereunder shall, in accordance with a Written Request of the District, be invested by the Trustee in Permitted Investments. The Trustee may conclusively rely on any direction contained in a Written Request of the District to invest in investments that such investments are Permitted Investments. In the absence of a Written Request of the District, the Trustee shall invest moneys in clause (g) of the definition of Permitted Investments. The obligations in which moneys in said funds are invested shall mature on or prior to the date on which such moneys are estimated to be required to be paid out hereunder. The Trustee shall sell at the best price obtainable or present for redemption any obligations so purchased whenever it may be necessary to do so in order to provide moneys to meet any payment required under this Trust Agreement. Notwithstanding anything herein to the contrary, the Trustee shall not be responsible for any loss from investments, sales or transfers undertaken in accordance with this Trust Agreement. For purposes of determining the amount of deposit in any fund held hereunder, all Permitted Investments credited to such fund shall be valued at the market value thereof. Except as otherwise provided in this Section, Permitted Investments representing an investment of moneys attributable to any fund and all investment profits or losses thereon shall be deemed at all times to be a part of said fund. To the extent that Permitted Investments are registrable securities, such Permitted Investments shall be registered in the name of the Trustee.

The Trustee may act as principal or agent in the acquisition or disposition of investments and may commingle moneys in funds and accounts for the purpose of investment.

SECTION 5.04. Application of the Rebate Fund.

(a) Absent an opinion of Special Counsel that the exclusion from gross income for federal income tax purposes of interest evidenced and represented by the 2021A Certificates will not be adversely affected, the District shall cause to be deposited in the Rebate Fund such amounts as are required to be deposited therein pursuant to this Section and the Tax Certificate. Within the Rebate Fund, there shall be established two separate accounts designated the “Rebate Account” and the “Alternative Penalty Account.” All money at any time deposited in the Rebate Account or the

Alternative Penalty Account shall be held by the Trustee in trust for payment to the United States Treasury. All amounts on deposit in the Rebate Fund shall be governed by this Section and the Tax Certificate, unless and to the extent that the District delivers to the Trustee an opinion of Special Counsel that the exclusion from gross income for federal income tax purposes of interest evidenced and represented by the 2021A Certificates will not be adversely affected if such requirements are not satisfied.

(b) The following provisions relate to the Rebate Account and the Alternate Penalty Account of the Rebate Fund:

(1) Rebate Account. The following requirements shall be satisfied with respect to the Rebate Account:

(i) Annual Computation. Within 55 days of the end of each Certificate Year, the District shall calculate or cause to be calculated the amount of rebatable arbitrage, in accordance with Section 148(f)(2) of the Code and Section 1.148-3 of the Treasury Regulations (taking into account any applicable exceptions with respect to the computation of the rebatable arbitrage, described, if applicable, in the Tax Certificate (*e.g.*, the temporary investments exceptions of Section 148(f)(4)(B) and (C) of the Code), and taking into account whether the election pursuant to Section 148(f)(4)(C)(vii) of the Code (the “1½% Penalty”) has been made), for this purpose treating the last day of the applicable Certificate Year as a computation date, within the meaning of Section 1.148-1(b) of the Treasury Regulations (the “Rebatable Arbitrage”). The District shall obtain expert advice as to the amount of the Rebatable Arbitrage to comply with this Section.

(ii) Annual Transfer. Within 55 days of the end of each applicable Certificate Year, upon the written direction of a representative of the District, an amount shall be deposited to the Rebate Account by the Trustee from any funds legally available for such purpose (as specified by the District in the aforesaid written direction), if and to the extent required so that the balance in the Rebate Account shall equal the amount of Rebatable Arbitrage so calculated in accordance with (i) of this Subsection (b)(1). In the event that immediately following the transfer required by the previous sentence, the amount then on deposit to the credit of the Rebate Account exceeds the amount required to be on deposit therein, upon written instructions from a representative of the District, the Trustee shall withdraw the excess from the Rebate Account and then credit the excess to the Payment Fund.

(iii) Payment to the Treasury. The Trustee shall pay, as directed in writing by a representative of the District, to the United States Treasury, out of amounts in the Rebate Account,

(X) Not later than 60 days after the end of (A) the fifth Certificate Year, and (B) each applicable fifth Certificate Year thereafter, an amount equal to at least 90% of the Rebatable Arbitrage calculated as of the end of such Certificate Year; and

(Y) Not later than 60 days after the payment of all the 2021A Certificates, an amount equal to 100% of the Rebatable

Arbitrage calculated as of the end of such applicable Certificate Year, and any income attributable to the Rebatable Arbitrage, computed in accordance with Section 148(f) of the Code.

In the event that, prior to the time of any payment required to be made from the Rebate Account, the amount in the Rebate Account is not sufficient to make such payment when such payment is due, the District shall calculate or cause to be calculated the amount of such deficiency and deposit an amount received from any legally available source equal to such deficiency prior to the time such payment is due. Each payment required to be made pursuant to this Subsection (b)(1) shall be made to the Internal Revenue Service Center on or before the date on which such payment is due, and shall be accompanied by Internal Revenue Service Form 8038-T, or shall be made in such other manner as provided under the Code.

(2) Alternative Penalty Account.

(i) **Six-Month Computation.** If the 1½% Penalty has been elected, within 85 days of each particular Six-Month Period, the District shall determine or cause to be determined whether the 1½% Penalty is payable (and the amount of such penalty) as of the close of the applicable Six-Month Period. The District shall obtain expert advice in making such determinations.

(ii) **Six-Month Transfer.** Within 85 days of the close of each Six-Month Period, upon the written direction of a representative of the District, the Trustee shall deposit in the Alternative Penalty Account from any legally available source of funds (as specified by the District in the aforesaid written direction), if and to the extent required, so that the balance in the Alternative Penalty Account equals the amount of 1½% Penalty due and payable to the United States Treasury determined as provided in Subsection (b)(2)(i) above. In the event that immediately following the transfer provided in the previous sentence, the amount then on deposit to the credit of the Alternative Penalty Account exceeds the amount required to be on deposit therein to make the payments required by Subsection (b)(2)(iii) below, the Trustee, at the written direction of a representative of the District, shall withdraw the excess from the Alternative Penalty Account and credit the excess to the Payment Fund.

(iii) **Payment to the Treasury.** The Trustee shall pay, as directed in writing by a representative of the District, to the United States Treasury, out of amounts in the Alternative Penalty Account, not later than 90 days after the close of each Six-Month Period the 1½% Penalty, if applicable and payable, computed in accordance with Section 148(f)(4) of the Code. In the event that, prior to the time of any payment required to be made from the Alternative Penalty Account, the amount in such account is not sufficient to make such payment when such payment is due, the District shall calculate the amount of such deficiency and direct the Trustee to deposit an amount received from any legally available source of funds equal to such deficiency into the Alternative Penalty Account prior to the time such payment is due. Each payment required to be made pursuant to this Subsection (b)(2) shall be made to

the Internal Revenue Service on or before the date on which such payment is due, and shall be accompanied by Internal Revenue Service Form 8038-T or shall be made in such other manner as provided under the Code.

(c) Disposition of Unexpended Funds. Any funds remaining in the Rebate Fund after prepayment and payment of the principal and interest evidenced and represented by the 2021A Certificates, the payments described in Subsection (b)(1)(iii) or (b)(2)(iii) (whichever is applicable), may be withdrawn by the District and utilized in any manner by the District.

(d) Survival of Defeasance. Notwithstanding anything in this Section or this Trust Agreement to the contrary, the obligation to comply with the requirements of this Section shall survive the defeasance of the 2021A Certificates.

(e) Duty of Trustee. The Trustee shall be fully protected and shall be deemed to have complied with the provisions of this Section 5.04 if it complies with the written directions of the District delivered pursuant to this Section 5.04 and the Trustee shall have no responsibility to enforce compliance by the District with the Tax Certificate.

ARTICLE VI

COVENANTS

SECTION 6.01. Compliance with Trust Agreement; Compliance of Laws and Regulations. The Trustee will not execute or deliver any 2021A Certificates in any manner other than in accordance with the provisions hereof; and neither the Corporation nor the District will suffer or permit any default by them to occur hereunder, but each will faithfully observe and perform all the agreements, conditions, covenants and terms contained herein required to be observed and performed by them.

The Corporation and the District will faithfully observe and perform all lawful and valid obligations or regulations now hereafter imposed on them by contract, or prescribed by any state or national law, or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of each and every franchise right or privilege now owned or hereafter acquired by them, including their right to exist and carry on their respective businesses, to the end that such franchises, rights and privileges shall be maintained and preserved and shall not be abandoned, forfeited or in any manner impaired.

SECTION 6.02. Accounting Records and Statements. The Trustee shall keep proper books of record and account in accordance with industry standards in which complete and correct entries shall be made of all transactions made by it relating to the receipt, investment, disbursement, allocation and application of the 2021A Installment Payments and the proceeds of the 2021A Certificates or the obligation which they evidence and represent. Such records shall specify the account or fund to which each investment (or portion thereof) held by the Trustee is to be allocated and shall set forth, in the case of each investment, (a) its purchase price, (b) identifying information, including par amount, coupon rate, and payment dates, (c) the amount received at maturity or its sale price, as the case may be, and (d) the amounts and dates of any payments made with respect thereto. Such records shall be open to inspection by any Owner or his agent duly authorized in writing at reasonable hours and under reasonable conditions and upon reasonable written request during the regular business hours of the Trustee on any Business Day. In addition, the Trustee shall provide the

District with a monthly accounting of the funds and accounts held hereunder; provided, that the Trustee shall not be obligated to provide an accounting for any fund or account that (a) has a balance of \$0.00 and (b) has not had any activity since the last reporting date.

SECTION 6.03. Third Supplemental Installment Purchase Contract and Master Contract. The Corporation will at all times maintain and vigorously enforce all of its rights under the Master Contract, and will promptly collect or cause to be collected all 2021A Installment Payments as the same become due under the Third Supplemental Installment Purchase Contract, and will promptly and vigorously enforce its rights against any person who does not pay such 2021A Installment Payments as they become due under the Master Contract. The Corporation and the District will not do or permit anything to be done, or omit or refrain from doing anything, in any case where any such act done or permitted to be done, or any such omission of or refraining from action, would or might be a ground for cancellation or termination of the Third Supplemental Installment Purchase Contract by the purchaser thereunder.

SECTION 6.04. Prosecution and Defense of Suits. The District will promptly from time to time take or cause to be taken such action as may be necessary or proper to remedy or cure any defect in or cloud upon the title to the Project, whether now existing or hereafter developing, and shall prosecute or cause to be prosecuted all such suits, actions and other proceedings as may be appropriate for such purpose and shall indemnify and hold the Trustee harmless from all loss, cost, damage and expense, including attorney's fees, which it may incur by reason of any such defect, cloud, suit, action or proceeding.

The District will defend against every suit, action or proceeding at any time brought against the Trustee upon any claim arising out of the receipt, application or disbursement of any of the 2021A Installment Payments or involving the rights of the Trustee hereunder; provided that the Trustee at its election may appear in and defend any such suit, action or proceeding.

SECTION 6.05. Further Assurances. Whenever and so often as requested to do so by the Trustee, the District will promptly execute and deliver or cause to be executed and delivered all such other and further assurances, documents or instruments, and promptly do or cause to be done all such other and further things as may be necessary or reasonably required in order to further and more fully vest in the owners all rights, interests, powers, benefits, privileges and advantages conferred or intended to be conferred upon them hereby.

SECTION 6.06. Recordation and Filing. The District will file, record, register, renew, refile and rerecord all such documents, including financing statements (or continuation statements in connection therewith), as may be required by law in order to maintain at all times a security interest in the money in the Payment Fund hereunder in such manner, at such times and in such places as may be required in order to fully perfect, preserve and protect the benefit, protection and security of the respective Owners and the rights of the Trustee hereunder (with copies of each such document being forwarded to the Trustee), and the District will do whatever else may be necessary or be reasonably required in order to perfect and continue the pledge of and lien on the money in the funds herebefore described.

SECTION 6.07. Tax Covenants. Notwithstanding any other provision of this Trust Agreement, and except as may otherwise be approved by an of Special Counsel that the exclusion from gross income of interest on the 2021A Certificates will not be adversely affected for federal income tax purposes, the District covenants to comply with all applicable requirements of the Code

necessary to preserve such exclusion from gross income with respect to the 2021A Certificates and specifically covenants, without limiting the generality of the foregoing, as follows:

(a) Private Activity. The District will take no action or refrain from taking any action or make any use of the proceeds of the 2021A Certificates or of any other moneys or property which would cause the 2021A Certificates to be “private activity bonds” within the meaning of Section 141 of the Code;

(b) Arbitrage. The District will make no use of the proceeds of the 2021A Certificates or of any other amounts or property, regardless of the source, or take any action or refrain from taking any action which will cause the 2021A Certificates to be “arbitrage bonds” within the meaning of Section 148 of the Code;

(c) Federal Guarantee. The District will make no use of the proceeds of the 2021A Certificates or take or omit to take any action that would cause the 2021A Certificates to be “federally guaranteed” within the meaning of Section 149(b) of the Code;

(d) Information Reporting. The District will take or cause to be taken all necessary action to comply with the informational reporting requirement of Section 149(e) of the Code necessary to preserve the exclusion of interest on the 2021A Certificates pursuant to Section 103(a) of the Code;

(e) Hedge Bonds. The District will make no use of the proceeds of the 2021A Certificates or any other amounts or property, regardless of the source, or take any action or refrain from taking any action that would cause the 2021A Certificates to be considered “hedge bonds” within the meaning of Section 149(g) of the Code unless the District takes all necessary action to assure compliance with the requirements of Section 149(g) of the Code to maintain the exclusion from gross income of interest on the 2021A Certificates for federal income tax purposes; and

(f) Miscellaneous. The District will take no action or refrain from taking any action inconsistent with its expectations stated in the Tax Certificate executed by the District in connection with the issuance of the 2021A Certificates and will comply with the covenants and requirements stated therein and incorporated by reference herein.

This Section shall not be applicable to, and nothing contained herein shall be deemed to prevent the District from causing the Trustee to execute and deliver, Certificates the interest with respect to which has been determined by Special Counsel to be subject to federal income taxation.

ARTICLE VII

THE TRUSTEE

SECTION 7.01. Employment and Duties of the Trustee. The Corporation and the District hereby appoint and employ U.S. Bank National Association, in [Los Angeles, California], as Trustee to receive, deposit and disburse the 2021A Installment Payments as provided herein, to prepare, execute, deliver, transfer, exchange and cancel the 2021A Certificates as provided herein, to pay the interest and principal and prepayment premiums, if any, evidenced and represented by the 2021A Certificates to the Owners thereof as provided herein and to perform the other obligations contained herein; all in the manner provided herein and subject to the conditions and terms hereof.

By executing and delivering the Trust Agreement, the Trustee undertakes to perform such obligations (and only such obligations) as are specifically set forth herein, and no implied covenants or obligations shall be read herein against the Trustee.

Prior to any resignation by the Trustee pursuant to Section 7.02, the Trustee will faithfully observe and perform all lawful and valid obligations or regulations now or hereafter imposed on it by contract, or prescribed by any state or federal law, or by any officer, board or commission having jurisdiction or control over the Trustee, as a condition of the continued enjoyment of each and every franchise, right or privilege now owned or hereafter acquired by it, including its right to exist and carry on its business, to the end that such franchises, rights and privileges shall be maintained and preserved and shall not be abandoned, forfeited or in any manner impaired.

Whenever provision is made herein for the cancellation by the Trustee of any 2021A Certificates, the Trustee shall destroy such 2021A Certificates and deliver a certificate of such destruction to the District.

SECTION 7.02. Duties, Immunities and Liabilities of Trustee.

(a) The Trustee shall, prior to an Event of Default, and after the curing or waiver of all Events of Default which may have occurred, perform such duties and only such duties as are specifically set forth in this Trust Agreement and no implied duties or obligations shall be read into this Trust Agreement against the Trustee. The Trustee shall, during the existence of any Event of Default (which has not been cured or waived), exercise such of the rights and powers vested in it by this Trust Agreement, and use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of his own affairs.

(b) So long as no Event of Default has occurred and is continuing, upon thirty (30) days' written notice to the Trustee, the District may remove the Trustee at any time and shall remove the Trustee at any time requested to do so by an instrument or concurrent instruments in writing, or in the case of the 2021A Certificates, the Owners of the 2021A Certificates of not less than a majority in aggregate amount of Certificates then Outstanding (or their attorneys duly authorized in writing) or if at any time the Trustee shall cease to be eligible in accordance with subsection (e) of this Section or shall become incapable of acting, or shall commence a case under any bankruptcy, insolvency or similar law, or a receiver of the Trustee or of its property shall be appointed, or any public officer shall take control or charge of the Trustee or its property or affairs for the purpose of rehabilitation, conservation or liquidation, in each case by giving written notice of such removal to the Trustee, and thereupon shall appoint a successor Trustee by an instrument in writing.

(c) The Trustee may resign by giving written notice of such resignation to the District and by giving notice of such resignation by mail, first class postage prepaid, to the Owners at the addresses listed in the certificate register. Upon receiving such notice of resignation, the District shall promptly appoint a successor Trustee by an instrument in writing.

(d) Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee. If no successor Trustee shall have been appointed and shall have accepted appointment within ninety (90) days of giving notice of removal or notice of resignation as aforesaid, the resigning Trustee, at the expense of the District, or any Owner (on behalf of himself and all other Owners) may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon,

after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under this Trust Agreement shall signify its acceptance of such appointment by executing and delivering to the District and to its predecessor Trustee a written acceptance thereof, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee herein; but, nevertheless, at the written request of the District or of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it under this Trust Agreement and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Upon request of the successor Trustee, the District shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in this subsection, such successor Trustee shall mail a notice of the succession of such Trustee to the trusts hereunder by first class mail, postage prepaid, to the Owners at their addresses listed in the bond register.

(e) Any Trustee appointed under the provisions of this Trust Agreement shall be a trust company or bank having trust powers, having a corporate trust office in California, the combined capital, surplus and undivided profits of such trust company or bank (or in the event that such trust company or bank is a member of a bank holding company system, of its bank holding company) of at least fifty million dollars (\$50,000,000), and subject to supervision or examination by federal or state authority. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this subsection the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this subsection (e), the Trustee shall resign immediately in the manner and with the effect specified in this Section.

(f) No provision in this Trust Agreement shall require the Trustee to risk or expend its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder.

(g) The Trustee shall not be responsible for the sufficiency, timeliness or payment of the 2021A Installment Payments, the maintenance of insurance as required by the Master Contract or reviewing any report or certificate required to be provided hereunder or under the Master Contract.

(h) The Trustee shall not be accountable for the use or application by the District, the Corporation or any other party of any funds which the Trustee has released under this Trust Agreement.

(i) The Trustee may employ attorneys, agents or receivers in the performance of any of its duties hereunder and shall not be answerable for the misconduct of any such attorney, agent or receiver selected by it with reasonable care.

SECTION 7.03. Merger or Consolidation. Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from

any merger, conversion or consolidation to which it shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such company shall be eligible under subsection (e) of Section 7.02, shall succeed to the rights and obligations of such Trustee without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.

SECTION 7.04. Compensation and Indemnification. The District shall pay the Trustee, or cause the Trustee to be paid, reasonable compensation for its services rendered hereunder and shall reimburse the Trustee for reasonable expenses (including reasonable fees and expenses of its attorneys) incurred by the Trustee in the performance of its obligations hereunder.

The District agrees, to the extent permitted by law, to indemnify the Trustee and its respective officers, directors, members, employees, attorneys and agents for, and to hold them harmless against, any loss, liability or expense incurred without negligence or willful misconduct on their part arising out of or in connection with the acceptance or administration of the trusts imposed by this Trust Agreement, including performance of their duties hereunder, including the costs and expenses of defending themselves against any claims or liability in connection with the exercise or performance of any of their powers or duties hereunder. Such indemnity shall survive the termination or discharge of the Trust Agreement and resignation or removal of the Trustee.

SECTION 7.05. Liability of Trustee.

(a) The recitals of facts herein and in the 2021A Certificates contained shall be taken as statements of the District, and the Trustee assumes no responsibility for the correctness of the same, and makes no representations as to the validity or sufficiency of this Trust Agreement, the Master Contract or of the 2021A Certificates, and shall incur no responsibility in respect thereof, other than in connection with the duties or obligations herein or in the 2021A Certificates assigned to or imposed upon it. The Trustee shall, however be responsible for its representations contained in its certificate of execution on the 2021A Certificates. The Trustee shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful misconduct. The Trustee may become the Owner of 2021A Certificates with the same rights it would have if it were not Trustee or and, to the extent permitted by law, may act as depositary for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Owners, whether or not such committee shall represent the Owners of a majority in aggregate amount of 2021A Certificates then Outstanding.

(b) The Trustee shall not be liable for any error of judgment made in good faith by a responsible officer, unless the Trustee shall have been negligent in ascertaining the pertinent facts.

(c) The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of the 2021A Certificates, of not less than 25% in aggregate amount of 2021A Certificates, at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under this Trust Agreement.

(d) The Trustee shall not be liable for any action taken by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Trust Agreement, except for actions arising from the negligence or willful misconduct of the Trustee. The

permissive right of the Trustee to do things enumerated hereunder shall not be construed as a mandatory duty.

(e) The Trustee shall not be deemed to have knowledge of any Event of Default hereunder unless and until it shall have actual knowledge thereof, or shall have received written notice thereof at the Corporate Trust Office of the Trustee. Except as otherwise expressly provided herein, and subject to Section 7.02, the Trustee shall not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements herein or of any of the documents executed in connection with the 2021A Certificates, or as to the existence of an Event of Default hereunder or thereunder. The Trustee shall not be responsible for the validity or effectiveness of any collateral given to or held by it.

(f) The Trustee makes no representations with respect to any information, statement, or recital in, and shall have no liability with respect to, any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the 2021A Certificates.

(g) The immunities extended to the Trustee also extend to its directors, officers, employees and agents.

(h) The permissive right of the Trustee to do things enumerated in this Trust Agreement shall not be construed as a duty.

SECTION 7.06. Right to Rely on Documents. The Trustee shall be protected in acting, and may conclusively rely, upon any notice, resolution, request, requisition, consent, order, certificate, report, opinion, bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties and need not conduct any independent investigation of the matters covered therein. The Trustee may consult with counsel, who may be counsel but need not of or to the District, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith.

Whenever in the administration of the trusts imposed upon it by this Trust Agreement the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a 2021A Certificate of the District, and such 2021A Certificate of the District shall be full warrant to the Trustee for any action taken or suffered in good faith under the provisions of this Trust Agreement in reliance upon such 2021A Certificate of the District, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

SECTION 7.07. Preservation and Inspection of Documents. All documents received by the Trustee under the provisions of this Trust Agreement shall be retained in its possession and shall be subject at all reasonable times to the inspection of the District and any Owner, and their agents and representatives duly authorized in writing, at reasonable hours and under reasonable conditions.

ARTICLE VIII

AMENDMENT OF THE TRUST AGREEMENT

SECTION 8.01. Amendment of the Trust Agreement. (a) This Agreement and the rights and obligations of the District and of the Owners of the 2021A Certificates and of the Trustee may be modified or amended at any time by an amendment hereto which shall become binding when the written consents of the Owners of a majority in aggregate principal amount of the 2021A Certificates then Outstanding, exclusive of 2021A Certificates disqualified as provided in Section 8.02 hereof, shall have been filed, provided, however, that no such modification or amendment shall (1) extend the stated maturities of the 2021A Certificates, or reduce the rate of interest or yields-to-maturity, as the case may be, represented thereby, or extend the time of payment of interest, or reduce the amount of principal represented thereby, or reduce any premium payable on the prepayment thereof, without the consent of the Owner of each 2021A Certificate so affected, or (2) reduce the aforesaid percentage of Owners of 2021A Certificates whose consent is required for the execution of any amendment or modification of this Agreement, or (3) modify any of the rights or obligations of the Trustee or the Corporation without its written consent thereto.

(b) This Agreement and the rights and obligations of the Corporation and the District and of the Owners of the 2021A Certificates may also be modified or amended at any time by an amendment hereto which shall become binding upon adoption, without the consent of the Owners of any 2021A Certificates, but only to the extent permitted by law and only for any one or more of the following purposes —

(1) to add to the covenants and agreements of the Corporation or the District contained in this Agreement other covenants and agreements thereafter to be observed or to surrender any right or power herein reserved to or conferred upon the Corporation or the District, and which shall not adversely affect the interests of the Owners of the 2021A Certificates;

(2) to cure, correct or supplement any ambiguous or defective provision contained in this Agreement or in regard to questions arising under this Agreement, as the Corporation or the District may deem necessary or desirable and which shall not adversely affect the interests of the Owners of the 2021A Certificates; and

(3) to make any other amendments or modifications as may be determined by the District and the Corporation which are not materially adverse to the interests of the Owners of the 2021A Certificates.

SECTION 8.02. Disqualified 2021A Certificates. 2021A Certificates owned or held by or for the account of the Corporation or the District shall not be deemed Outstanding for the purpose of any consent or other action or any calculation of Outstanding 2021A Certificates provided in this article, and shall not be entitled to consent to or take any other action provided in this article.

SECTION 8.03. Endorsement or Replacement of 2021A Certificates After Amendment. After the effective date of any action taken as hereinabove provided, the Corporation may determine that the 2021A Certificates may bear a notation by endorsement in form approved by the Corporation as to such action, and in that case upon demand of the Owner of any Outstanding 2021A Certificates and presentation of his 2021A Certificate for such purpose at the Corporate Trust Office of the Trustee a suitable notation as to such action shall be made on such 2021A Certificate.

If the Corporation or the District shall so determine, new 2021A Certificates so modified as, in the opinion of the Corporation or the District, shall be necessary to conform to such action shall be prepared and executed, and in that case upon demand of the Owner of any Outstanding 2021A Certificate such new 2021A Certificates shall be exchanged at the Corporate Trust Office of the Trustee without cost to each Owner for 2021A Certificates then Outstanding upon surrender of such Outstanding 2021A Certificates.

SECTION 8.04. Amendment by Mutual Consent. The provisions of this article shall not prevent any Owner from accepting any amendment as to the particular 2021A Certificates owned by him, provided that due notation thereof is made on such 2021A Certificates.

ARTICLE IX

EVENTS OF DEFAULT AND REMEDIES OF OWNERS

SECTION 9.01. Notice of Non-Payment. In the event of delinquency in the payment of any 2021A Installment Payments due by the District pursuant to the Third Supplemental Installment Purchase Contract, the Trustee shall, after one business day following the date upon which such delinquent Installment Payment was due, as soon as practicable give written notice of the delinquency and the amount of the delinquency to the District and the Corporation.

SECTION 9.02. Action on Default or Termination. Upon the occurrence of an Event of Default (as that term is defined in the Master Contract), which event shall constitute a default hereunder, and in each and every such case during the continuance of such Event of Default, the Trustee shall be entitled upon notice in writing to the District, to exercise the remedies provided to the Corporation in the Master Contract.

SECTION 9.03. Proceedings by Trustee. Upon the happening and continuance of any Event of Default the Trustee shall do the following:

(a) by mandamus, or other suit, action or proceeding at law or in equity, to enforce its rights against the Corporation or the District or any director, officer or employee of the District, and to compel the Corporation or the District or any such director, officer or employee of the District to observe or perform its or his duties under applicable law and the agreements, conditions, covenants and terms contained herein required to be observed or performed by it or him;

(b) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Owners; and

(c) by suit in equity upon the happening of an Event of Default hereunder to require the Corporation and the District and the directors, officers and employees of the District to account as the trustee of an express trust.

SECTION 9.04. Non-Waiver. A waiver of any default hereunder or breach of any obligation by the Trustee hereunder or by the Corporation or the District under the Master Contract shall not affect any subsequent default hereunder or any subsequent breach of an obligation by the Trustee hereunder or impair any rights or remedies on any such subsequent default hereunder or on any such subsequent breach of an obligation by the Trustee hereunder. No delay or omission by the Trustee to exercise any right or remedy accruing upon any default hereunder shall impair any such

right or remedy or shall be construed to be a waiver of any such default hereunder or an acquiescence therein, and every right or remedy conferred upon the Trustee by applicable law or by this article may be enforced and exercised from time to time and as often as shall be deemed expedient by the Trustee.

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

SECTION 9.05. Application of Funds. All moneys on deposit in the funds and accounts held hereunder (other than the Rebate Fund) and all moneys received by the Trustee pursuant to any right given or action taken under the provisions of this article or of Article IV of the Master Contract shall be deposited in the Payment Fund, and shall be applied by the Trustee in the following order and upon presentation of the several 2021A Certificates and the stamping thereon of the payment if only partially paid, or upon the surrender thereof if fully paid.

First, Costs and Expenses: ratably to the payment of the costs and expenses of the Trustee and then of the Owners in declaring such Event of Default, including reasonable compensation to its or their agents, accountants and counsel;

Second, Interest: to the payment to the persons entitled thereto of all payments of interest evidenced and represented by the 2021A Certificates then due, and, if the amount available shall not be sufficient to pay in full any payment or payments of interest coming due on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

Third, Principal: to the payment to the persons entitled thereto of the unpaid principal evidenced and represented by any 2021A Certificates which shall have become due, whether on the Certificate Payment Date or by call for prepayment, in the order of their due dates, with interest on the overdue principal and interest evidenced and represented by the 2021A Certificates to be paid at a rate equal to the rate or rates of interest then applicable to the 2021A Certificates if paid in accordance with their terms, and, if the amount available shall not be sufficient to pay in full all the amounts due with respect to the 2021A Certificates on any date, together with such interest, then to the payment thereof ratably, according to the amounts of interest, principal and prepayment premiums, if any, due on such date to the persons entitled thereto, without any discrimination or preference.

SECTION 9.06. Remedies Not Exclusive. No remedy conferred herein upon or reserved herein to the Trustee is intended to be exclusive and all remedies shall be cumulative and each remedy shall be in addition to every other remedy given hereunder or now or hereafter existing under applicable law or equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by any other applicable law.

SECTION 9.07. No Liability by the Corporation to the Owners. Except as expressly provided herein, the Corporation shall not have any obligation or liability to the Owners with respect to the payment when due of the 2021A Installment Payments by the District, or with respect to the observance or performance by the District of the other agreements, conditions, covenants and terms contained in the Master Contract or herein required to be observed or performed

by it, or with respect to the performance by the Trustee of any obligation contained herein required to be performed by it.

SECTION 9.08. No Liability by the District to the Owners. Except for the payment when due of the 2021A Installment Payments and the observance and performance of the other agreements, conditions, covenants and terms contained in the Master Contract or herein required to be observed or performed by it, the District shall not have any obligation or liability to the Owners with respect hereto or the preparation, execution, delivery, transfer, exchange or cancellation of the 2021A Certificates or the receipt, deposit or disbursement of the 2021A Installment Payments by the Trustee, or with respect to the performance by the Trustee of any obligation contained herein required to be performed by it.

SECTION 9.09. No Liability by the Trustee to the Owners. Except as expressly provided herein, the Trustee shall not have any obligation or liability to the Owners with respect to the payment when due of the 2021A Installment Payments by the District, or with respect to the observance or performance by the District of the other agreements, conditions, covenants and terms contained in the Master Contract or herein required to be observed and performed by the District. The recitals of facts, covenants and agreements contained herein and in the 2021A Certificates shall be taken as statements, covenants and agreements of the District and the Corporation, and the Trustee neither assumes any responsibility for the accuracy of the same, nor makes any representations as to the validity or sufficiency of the Trust Agreement or of the 2021A Certificates nor shall incur any responsibility in respect thereof, other than in connection with the duties or obligations herein or in the 2021A Certificates assigned to or imposed upon the Trustee.

SECTION 9.10. Actions by the Trustee as Attorney-in-Fact. Any suit, action or proceeding which any Owner shall have the right to bring to enforce any right or remedy hereunder may be brought by the Trustee for the equal benefit and protection of all Owners similarly situated, and the Trustee is hereby appointed (and the successive respective Owners, by taking and holding the same, shall be conclusively deemed so to have appointed the Trustee) the true and lawful attorney-in-fact of the respective Owners for the purpose of bringing any suit, action, or proceeding and to do perform any and all acts and things for and on behalf of the respective Owners, as a class or classes, as may be necessary or advisable in the opinion of the Trustee as such attorney-in-fact; provided, that the Trustee need not institute any such suit, action or proceeding until it shall have been first provided with indemnity adequate to it.

SECTION 9.11. Power of the Trustee to Control Proceedings. In the event that the Trustee, upon the occurrence of an Event of Default, shall have taken any action, by judicial proceedings or otherwise, pursuant to its duties hereunder whether upon its own discretion, it shall have full power, in the exercise of its discretion for the best interests of the Owners of the 2021A Certificates with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action.

ARTICLE X

DEFEASANCE

SECTION 10.01. Discharge of Certificates and Trust Agreement.

(a) If the Trustee shall pay or cause to be paid or there shall otherwise be paid to the Owners of any Outstanding Certificates the interest and principal and prepayment premiums, if any, evidenced and represented thereby at the times and in the manner stipulated herein and therein, then such Owners evidenced and represented thereby shall cease to be entitled to the pledge of and lien on the moneys in the Payment Fund, as provided herein, and all agreements, covenants and other obligations of the Corporation and the District to said Owners hereunder shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee shall execute and deliver to the Corporation and the District all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over or deliver to the District all money or securities held by it pursuant hereto which are not required for the payment of the interest and principal and prepayment premiums, if any, evidenced and represented thereby.

(b) Any Outstanding Certificates shall on their Certificate Payment Dates or their dates of prepayment prior thereto be deemed to have been paid within the meaning of and with the effect expressed in subsection (a) of this section if there shall be on deposit with the Trustee money held in trust for the benefit of the Owners of such 2021A Certificates which is sufficient to pay the interest and principal and prepayment premiums, if any, evidenced and represented by such 2021A Certificates payable on and prior to their Certificate Payment Dates or their dates of prepayment prior thereto.

Any Outstanding 2021A Certificates shall prior to their Certificate Payment Date or prepayment date thereof be deemed to have been paid within the meaning of and with the effect expressed in subsection (a) of this section if (1) in case any of such 2021A Certificates are to be prepaid on any date prior to their respective Certificate Payment Date, the District shall have given to the Trustee in form satisfactory to it irrevocable instructions to mail, on a date in accordance with the provisions of Section 3.03 of this Trust Agreement, notice of prepayment of such 2021A Certificates on said prepayment date, said notice to be given in accordance with Section 3.03 of this Trust Agreement, (2) there shall have been irrevocably deposited with the Trustee either (A) money in an amount which shall be sufficient or (B) Defeasance Securities the interest on and principal of which when paid will provide money which, together with the money, if any, deposited with the Trustee at the same time, shall, as verified by an independent certified public accountant be sufficient to pay when due the interest evidenced and represented by such 2021A Certificates on and prior to their respective Certificate Payment Date or prepayment date thereof, as the case may be, (3) in the event such 2021A Certificates are not by their terms subject to prepayment within the next succeeding sixty (60) days, the District shall have given the Trustee in form satisfactory to it irrevocable instructions to provide as soon as practicable, a notice to the Owners of such 2021A Certificates that the deposit required by clause (2) above has been made with the Trustee and that such 2021A Certificates are deemed to have been paid in accordance with this Section and stating the maturity date or prepayment date upon which money is to be available for the payment of the principal of and prepayment premiums, if any, on such 2021A Certificates, and (4) in the case of Book-Entry Certificates, the Trustee shall give notice to the Depository of the prepayment of all or part of such Book-Entry Certificates on the date proceeds or other funds are deposited in escrow with respect to such Book-Entry Certificates.

SECTION 10.02. Unclaimed Money. Anything contained herein to the contrary notwithstanding, the Trustee shall notify the District and the Corporation of any money held by the Trustee in trust for the payment and discharge of any of the 2021A Certificates which has remained unclaimed for two (2) years after the date when such 2021A Certificates have become due and payable, either at their stated maturity dates or by call for prepayment prior to maturity, if such money was held by the Trustee at such date, or for two (2) years after the date of deposit of such money if deposited with the Trustee. The Trustee shall at the Written Request of the District repay such money to the District as its absolute property free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Owners shall look only to the District for the payment of such 2021A Certificates.

ARTICLE XI

MISCELLANEOUS

SECTION 11.01. Liability of District Limited to 2021A Installment Payments. Notwithstanding anything contained herein to the contrary, the District shall not be required to advance any money derived from any source of income other than the 2021A Installment Payments as provided herein for the payment of the interest or principal or prepayment premiums, if any, evidenced and represented by the 2021A Certificates or for the performance of any agreements or covenants herein contained. The District may, however, advance funds for any such purpose so long as such funds are derived from a source legally available for such purpose.

The 2021A Certificates shall be payable solely from the 2021A Installment Payments and amounts on deposit in the funds established hereunder (other than amounts on deposit in the Rebate Fund created pursuant to Section 5.04). The 2021A Certificates do not constitute a debt or liability of the District or of the State of California and neither the faith and credit of the District nor of the State are pledged to the payment of the principal, or interest evidenced and represented by the 2021A Certificates.

SECTION 11.02. Benefits of the Trust Agreement Limited to Parties. Nothing contained herein, expressed or implied, is intended or shall be construed to confer upon, or to give or grant to, any person or entity other than the Corporation, the District, the Trustee and the Owners any right, remedy or claim under or by reason hereof. Any agreement or covenant required herein to be performed by or on behalf of the Corporation, the District or any member, officer or employee thereof shall be for the sole and exclusive benefit of the Trustee and the Owners.

SECTION 11.03. Successor is Deemed Included in All References to Predecessor. Whenever herein either the Corporation, the District or any member, officer or employee thereof is named or referred to, such reference shall be deemed to include the respective successor to the powers, duties and functions with respect to the administration, control and management of the 2021A Project that are presently vested in the Corporation, the District or such member, officer or employee, and all agreements and covenants required hereby to be performed by or on behalf of the Corporation, the District or any member, officer or employee thereof shall bind and inure to the benefit of the respective successors thereof whether so expressed or not.

SECTION 11.04. Execution of Documents by Owners. Any declaration, request or other instrument which is permitted or required herein to be executed by Owners may be in one or more instruments of similar tenor and may be executed by Owners in person or by their attorneys

appointed in writing. The fact and date of the execution by any owner or his attorney of any declaration, request or other instrument or of any writing appointing such attorney may be proved by the certificate of any notary public or other officer authorized to make acknowledgments of deeds to be recorded in the state or territory in which he purports to act that the person signing such declaration, request or other instrument or writing acknowledged to him the execution thereof, or by an affidavit of a witness of such execution duly sworn before such notary public or other officer. The ownership of any 2021A Certificates and the amount, maturity, number and date of holding the same may be proved by the registration books relating to the 2021A Certificates at the Corporate Trust Office of the Trustee.

Any declaration, request or other instrument or writing of the Owner of any 2021A Certificate shall bind all future Owners of such 2021A Certificate with respect to anything done or suffered to be done by the District in good faith and in accordance therewith.

SECTION 11.05. Waiver of Personal Liability. No member, officer or employee of the District shall be individually or personally liable for the payment of the interest or principal or prepayment premiums, if any, evidenced and represented by the 2021A Certificates by reason of their delivery, but nothing herein contained shall relieve any member, officer or employee of the District from the performance of any official duty provided by any applicable provisions of law or hereby.

SECTION 11.06. Acquisition of Certificates by District. All Certificates acquired by the District, whether by purchase or gift or otherwise, shall be surrendered to the Trustee for cancellation.

SECTION 11.07. Destruction of Cancelled Certificates. Whenever provision is made for the return to the District of any 2021A Certificates which have been cancelled pursuant to the provisions hereof, Trustee shall destroy such 2021A Certificates and furnish to the District a certificate of such destruction.

SECTION 11.08. Funds. Any fund required herein to be established and maintained by the Trustee may be established and maintained in the accounting records of the Trustee either as an account or a fund, and may, for the purposes of such accounting records, any audits thereof and any reports or statements with respect thereto, be treated either as an account or a fund; but all such records with respect to all such accounts and funds shall at all times be maintained in accordance with sound industry practice and with due regard for the protection of the security of the 2021A Certificates and the rights of the Owners. The Trustee may establish such funds and accounts hereunder as it deems necessary or appropriate to perform its obligations under this Trust Agreement.

SECTION 11.09. Article and Section Readings and References. The headings or titles of the several articles and sections hereof and the table of contents appended hereto shall be solely for convenience of reference and shall not affect the meaning, construction or effect hereof. All references herein to “Articles,” “Sections” and other subdivisions or clauses are to the corresponding articles, sections, subdivisions or clauses hereof; and the words “hereby,” “herein,” “hereof,” “hereto,” “herewith,” “hereunder” and other words of similar import refer to the Trust Agreement as a whole and not to any particular article, section, subdivision or clause hereof.

SECTION 11.10. Partial Invalidity. If any one or more of the agreements or covenants or portions thereof required hereby to be performed by or on the part of the District, the

Corporation or the Trustee shall be contrary to law, then such agreement or agreements, such covenant or covenants or such portions thereof shall be null and void and shall be deemed separable from the remaining agreements and covenants or portions thereof and shall in no way affect the validity hereof or of the 2021A Certificates, and the Owners shall retain all the benefit, protection and security afforded to them hereunder or any applicable provisions of law. The District, the Corporation and the Trustee hereby declare that they would have executed and delivered the Trust Agreement and each and every other article, section, paragraph, subdivision, sentence, clause and phrase hereof and would have authorized the delivery of the 2021A Certificates pursuant hereto irrespective of the fact that any one or more articles, sections, paragraphs, subdivisions, sentences, clauses or phrases hereof or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

SECTION 11.11. Execution in Several Counterparts. This Trust Agreement may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts, or as many of them as the District, the Corporation and the Trustee shall preserve undestroyed, shall together constitute but one and the same instrument.

SECTION 11.12. Law Governing. This Trust Agreement shall be governed exclusively by the provisions hereof and by the laws of the State as the same from time to time exist.

SECTION 11.13. Notices. All approvals, authorizations, consents, demands, designations, notices, offers, requests, statements or other communications hereunder by either party to the other shall be in writing and shall be sufficiently given and served upon the other party if delivered personally or if mailed by United States first-class postage prepaid, namely:

If to the Trustee:

U.S. Bank National Association
633 West Fifth Street, 24th Floor
Los Angeles, California 90071
Attention: Fonda Hall, Vice President
Email: fonda.hall@usbank.com
Phone: (213) 615-6023

If to the Corporation:

Vallecitos Water District Financing Corporation
201 Vallecitos De Oro
San Marcos, California 92609
Attention: Finance Manager
Email: wowen@vwd.org
Phone: (760) 744-0460

If to the District:

Vallecitos Water District
201 Vallecitos De Oro
San Marcos, California 92609
Attention: Finance Manager
Email: wowen@vwd.org
Phone: (760) 744-0460

SECTION 11.14. Consent to Amendments Contained in Article IV of the Third Supplemental Installment Purchase Contract. The Trustee hereby provides its written consent to the amendments to the Master Contract set forth in Article IV of the Third Supplemental Installment Purchase Contract for purposes of providing the required consent under Section 7.03 of the Master Contract.

IN WITNESS WHEREOF, the parties hereto have caused this Trust Agreement to be signed by one of their officers thereunder duly authorized, all as of the day and year first above written.

VALLECITOS WATER DISTRICT

By: _____
Authorized Officer

ATTEST:

Secretary of the Board of Directors

VALLECITOS WATER DISTRICT FINANCING CORPORATION

By: _____
President

ATTEST:

Secretary

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By: _____
Authorized Officer

EXHIBIT A

[FORM OF CERTIFICATE OF PARTICIPATION]

No. R-__

\$_____

Revenue Certificate of Participation
Series 2021A
Evidencing and Representing a Proportionate,
Undivided Interest of the Owner Hereof
in Installment Payments to Be Made
by the
VALLECITOS WATER DISTRICT
to the
Vallecitos Water District Financing Corporation
under and pursuant to the
Master Contract

Interest Rate *Maturity Date* *Dated Date* *CUSIP*
_____ % August 1, _____ _____, 2021 _____

REGISTERED OWNER: CEDE & CO.

PRINCIPAL SUM: _____ DOLLARS

THIS IS TO CERTIFY that the Registered Owner (specified above) of this 2021A Certificate of Participation (the "Certificate") is the owner of an undivided interest in the right to receive the 2021A Installment Payments (as defined below) payable by the Vallecitos Water District (the "District") pursuant to the Master Contract (described below) on the maturity date specified above (subject to any right of prior prepayment provided for) the principal sum specified above, together with interest evidenced and represented hereby at the interest rate per annum specified above on February 1, 20__, and on each February 1 and August 1 thereafter (the "Interest Payment Dates") from the Interest Payment Date next preceding the date of execution hereof, unless such date of execution is during the period commencing after the fifteenth day of the month preceding an Interest Payment Date (the "Record Date") through and including the next succeeding Interest Payment Date, in which event this 2021A Certificate shall represent interest from such Interest Payment Date and with respect to the first Interest Payment Date, this 2021A Certificate shall represent interest from the Dated Date until the principal evidenced and represented hereby shall have been paid; provided, however, that if on the date of execution of this 2021A Certificate, interest is then in default on the 2021A Certificates, this 2021A Certificate shall evidence interest from the Interest Payment Date to which interest has previously been paid or made available for payment on the outstanding Certificate.

The principal evidenced and represented by this 2021A Certificate shall be payable (without notice of payment to the registered owner hereof) in lawful money of the United States of America at the Corporate Trust Office (as defined in the Trust Agreement) of U.S. Bank National Association,

(herein, together with any successor as trustee under the hereinafter defined Trust Agreement, called the “Trustee”) upon presentation and surrender of this 2021A Certificate.

Payment of interest evidenced and represented by this 2021A Certificate due on or before the maturity or prior prepayment hereof shall be made to the person in whose name this 2021A Certificate is registered, as of the Record Date preceding the applicable Interest Payment Date, on the registration books kept by the Trustee at its Corporate Trust Office such interest to be paid by check mailed by first class mail by the Trustee on such Interest Payment Date to the registered owner at his address as it appears on such books; provided that upon the written request of an Owner of \$1,000,000 or greater in aggregate principal amount of outstanding 2021A Certificates received by the Trustee prior to the applicable Record Date, interest shall be paid by wire transfer in immediately available funds to an account within the United States of America. Interest evidenced and represented by this 2021A Certificate shall be payable in lawful money of the United States of America. Interest on the 2021A Certificates shall be calculated on the basis of a 360-day year consisting of twelve 30-day months.

This 2021A Certificate is one of a duly authorized issue of Certificates of Participation of the District designated as the “Revenue Certificates of Participation, Series 2021A” in the aggregate principal amount of _____ Dollars (\$_____), all of like tenor and date (except for variations relating to Certificates (as may be required to designate varying numbers, maturities and interest rates), and is executed and delivered under and pursuant to the provisions of a trust agreement, dated as of August 1, 2021 (the “Trust Agreement”), by and among the District, the Vallecitos Water District Financing Corporation (the “Corporation”) and the Trustee (copies of which are on file at the Corporate Trust Office of the Trustee).

The 2021A Certificates are executed and delivered to provide funds for financing public facilities of the District and to reimburse the District for previous amounts expended on the financing of public facilities. The 2021A Certificates are payable solely from installment payments (the “2021A Installment Payments”) paid by the District for the purchase of the Project pursuant to the Master Installment Purchase Contract, dated as of June 15, 2005 (as supplemented and amended, the “Master Contract”), by and between the District and the Corporation, as supplemented by the First Supplemental Installment Purchase Contract, dated June 15, 2005, the Second Supplemental Installment Purchase Contract, dated December 1, 2012 and the Third Supplemental Installment Purchase Contract, dated as of August 1, 2021 (the “Third Supplemental Installment Purchase Contract”), including interest or profits from the investment of money in certain funds established under the Trust Agreement for the payment of the 2021A Certificates (other than amounts on deposit in the Rebate Fund) and amounts on deposit in the funds established under the Trust Agreement (other than amounts on deposit in the Rebate Fund). The 2021A Installment Payments do not constitute a debt or liability of the District or of the State of California in contravention of any constitutional or statutory debt limit and neither the faith and credit of the District nor of the State of California are pledged to the payment of the principal or interest evidenced and represented by the 2021A Certificates.

The 2021A Certificates are subject to extraordinary prepayment by the District on any date prior to their respective Certificate Payment Dates, upon notice as hereinafter provided, as a whole or in part by lot within each Certificate Payment Date, in such order of prepayment as the District may determine, in integral multiples of five thousand dollars (\$5,000) and any integral multiple thereof and from net proceeds of insurance awards or condemnation proceedings received by the District due to the damage, destruction or condemnation of all or any portion of the Enterprise under the

circumstances and upon the conditions and terms prescribed in the Trust Agreement and in the Master Contract, at a prepayment price equal to the sum of the principal amount or such part thereof evidenced and represented by the 2021A Certificates to be prepaid, plus accrued interest evidenced and represented thereby to the date fixed for prepayment, without premium.

The 2021A Certificates with Certificate Payment Dates on or after August 1, 20__ are subject to optional prepayment prior to their respective Certificate Payment Dates by the District on any date on or after August 1, 20__, upon notice as hereinafter provided, as a whole or in part by lot in such order of maturity as the District may determine, in integral multiples of five thousand dollars (\$5,000), from any source of available funds, at a prepayment price equal to 100% of the principal amount to be prepaid, plus interest, if any, accrued with respect thereto to the date of prepayment, without premium.

Notice of prepayment of this 2021A Certificate shall be given by the Trustee not less than twenty (20) days nor more than sixty (60) days prior to the prepayment date to (i) the respective Owners of the 2021A Certificates designated for prepayment at their addresses appearing on the registration books of the Trustee (ii) the Securities Depositories and (iii) the Information Services subject to and in accordance with provisions of the Trust Agreement with respect thereto. If notice of prepayment has been duly given as aforesaid and money for the payment of the above-described prepayment price is held by the Trustee, in the Payment Fund then this 2021A Certificate so called for prepayment shall, on the prepayment date designated in such notice, become due and payable at the above-described prepayment price; and from and after the date so designated, interest evidenced and represented on this 2021A Certificate shall cease to accrue and the registered owner of this 2021A Certificate shall have no rights in respect hereto except to receive payment of the prepayment price hereof.

This 2021A Certificate is transferable only in the books required to be kept for that purpose at the Corporate Trust Office of the Trustee by the registered owner hereof in person or by his duly authorized attorney, upon surrender of this 2021A Certificate together with a duly executed written instrument of transfer in a form approved by the Trustee and thereupon a new fully registered 2021A Certificate or 2021A Certificates will be executed and delivered, by the Trustee of like series and of authorized denominations of the same Certificate Payment Date evidenced and representing the same aggregate principal amount a 2021A Certificate will be issued to the transferee in exchange therefor. This 2021A Certificate may be exchanged at the Corporate Trust Office of the Trustee for the same aggregate principal amount evidenced and represented by a 2021A Certificate of authorized denominations. The Trustee shall not be required to register the transfer of or exchange (i) any 2021A Certificates during the period established by the Trustee for the selection of Certificates for prepayment, or (ii) any 2021A Certificate which has been selected for prepayment in whole or in part.

The Trustee may treat the registered owner hereof as the absolute owner hereof all purposes, whether or not this 2021A Certificate shall be overdue, and the Trustee shall be affected by any notice or knowledge to the contrary; and payment of the interest and principal prepayment premiums and represented by the Certificate shall be made only to such registered owner, which payments shall be valid and effectual to satisfy and discharge liability evidenced and represented by this 2021A Certificate to the extent of the sum or sums so paid.

The Trust Agreement and the rights and obligations of the District, the Corporation and of the registered owners of the 2021A Certificates may be modified or amended at any time in the manner,

to the extent and upon the terms provided in the Trust Agreement, but no such modification or amendment shall (i) extend the maturity of this 2021A Certificate or reduce the rate of interest or yields-to-maturity, as the case may be hereon or extend the time of payment of interest, or reduce the amount of principal hereon, or reduce any premium payable on the prepayment hereon without the consent of the registered owner of this 2021A Certificate, (ii) reduce the percentage of Owners of 2021A Certificates whose consent is required for the execution of any amendment or modification or, (iii) modify any rights or obligations of the Trustee of the Corporation without its prior written assent thereto, all as more fully set forth in the Trust Agreement.

If the Trustee shall pay or cause to be paid or there shall otherwise be paid to the registered owners of any outstanding 2021A Certificates the interest and the principal and the prepayment premiums, if any, evidenced and represented thereby at the times and in the manner stipulated herein and in the Trust Agreement, then the registered owners of such 2021A Certificates shall cease to be entitled to the pledge of and lien on the moneys in the Payment Fund, as provided in the Trust Agreement, and all agreements, covenants and other obligations of the Corporation and the District to the registered owners of such 2021A Certificates under the Trust Agreement shall thereupon cease, terminate and become void and be discharged and satisfied.

This 2021A Certificate shall not be entitled to any benefit, protection or security under the Trust Agreement or become valid or obligatory for any purpose until executed and dated by the Trustee.

The District certified that all acts and proceedings required by law necessary to make this 2021A Certificate, when executed by the Trustee and duly issued, the valid, binding and legal special obligation of the District have been done and taken, and have been in all respects duly authorized.

The Trustee has executed this 2021A Certificate solely in its capacity as Trustee under the Trust Agreement and not in its individual or personal capacity. The Trustee is not liable for the obligations evidenced by the 2021A Certificates except from amounts held by it in its capacity as Trustee under the Trust Agreement.

CONSENT TO AMENDMENTS CONTAINED IN ARTICLE IV OF THE THIRD SUPPLEMENTAL INSTALLMENT PURCHASE CONTRACT

By acceptance of this 2021A Certificate, the owner of this 2021A Certificate hereby consents to the amendments to the Master Contract set forth in Article IV of the Third Supplemental Installment Purchase Contract for all purposes under the Master Contract including but not limited to determining whether owners of a majority in the aggregate principal amount of the Parity Obligations (as defined in the Master Contract) consented to such amendments for purposes of Section 7.03 thereof.

IN WITNESS WHEREOF, this 2021A Certificate has been executed by the manual signature of an authorized officer of the Trustee as of the date set forth below.

Date of Execution: _____, 2021

U.S. BANK NATIONAL ASSOCIATION, as
Trustee

By: _____
Authorized Officer

[FORM OF ASSIGNMENT TO CERTIFICATES]

For value received the undersigned hereby sells, assigns and transfers unto _____

(name, address and social security number or other identifying number)

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

Dated: _____

NOTE: The signature(s) to this Assignment must correspond with the name(s) as written upon the face of the within Certificate in every particular, without alteration or enlargement or any change whatsoever.

Signature Guaranteed:

NOTE: Signature(s) must be guaranteed by an eligible guarantor institution

PURCHASE CONTRACT

\$ _____
VALLECITOS WATER DISTRICT
Revenue Certificates of Participation, Series 2021A

August __, 2021

Vallecitos Water District
201 Vallecitos de Oro
San Marcos, California 92069

Ladies and Gentlemen:

The undersigned, Morgan Stanley & Co. LLC, acting on behalf of itself (the “Underwriter”), and not as an agent or representative of you, offers to enter into this purchase contract (the “Purchase Contract”) with the Vallecitos Water District (the “District”), which will be binding upon the District and the Underwriter upon the acceptance hereof by the District and acknowledgment by the Vallecitos Water District Financing Corporation (“the Corporation”). This offer is made subject to its acceptance by the District by execution of this Purchase Contract and acknowledgment by the Corporation and its delivery to the Underwriter on or before 11:00 p.m., California time, on the date hereof. All capitalized terms used herein and not otherwise defined shall have the meanings given to such terms in the Official Statement (as hereafter defined).

1. Purchase and Sale. Upon the terms and conditions and upon the basis of the representations, warranties and agreements hereinafter set forth, the Underwriter hereby agrees to purchase, and the District hereby agrees to cause to be delivered to the Underwriter, all (but not less than all) of the \$ _____ aggregate principal amount of Vallecitos Water District Revenue Certificates of Participation, Series 2021A (the “Certificates”), at a purchase price of \$ _____ (the par amount of the Certificates, plus \$ _____ of original issue premium and less \$ _____ of Underwriter’s discount).

2. Authorizing Instruments and Law. The Certificates shall be executed and delivered pursuant a Trust Agreement, dated as of August 1, 2021 (the “Trust Agreement”), by and between the District and U.S. Bank National Association, as trustee (the “Trustee”) and a Master Installment Purchase Contract, dated as of June 15, 2005, by and between the District and the Corporation, as amended and supplemented including as amended and supplemented by the Third Supplemental Installment Purchase Contract (the “Third Supplemental Installment Purchase Contract”), dated as of August 1, 2021, by and between the District and the Corporation (collectively, the “Master Contract”).

The Certificates represent a right to receive installment payments (the “Installment Payments”) payable by the District under the Third Supplemental Installment Purchase Contract. The Installment Payments are special limited obligations of the District.

The Certificates shall represent principal maturing on the dates and in the amounts and shall represent interest as set forth on Appendix A hereto and shall be as more particularly described in the Trust Agreement and the Official Statement dated August __, 2021, relating to the Certificates (which, together with all exhibits and appendices included therein or attached thereto and such

amendments or supplements thereto which shall be approved by the Underwriter, is hereinafter called the “Official Statement”).

The Third Supplemental Installment Purchase Contract is being executed and delivered as a Parity Obligation within the meaning of the Master Contract. The Third Supplemental Installment Purchase Contract is secured by a pledge of, and payable from Net Revenues of the District’s Water and Wastewater System.

The District will use the proceeds of the Certificates to (i) to reimburse to the District for the cost of certain improvements to the District’s Water System and Wastewater System and to finance the costs of certain additions, betterments, extensions and improvements to the District’s Water System and Wastewater System; and (ii) pay costs incurred in connection with the execution and delivery of the Certificates.

3. Public Offering. The Underwriter agrees to make an initial public offering of all the Certificates at the public offering prices (or yields) set forth in the Official Statement. Subsequent to the initial public offering, the Underwriter reserves the right to change the public offering prices (or yields) as it deems necessary in connection with the marketing of the Certificates (subject in all cases to Section 4), provided that the Underwriter shall not change the interest rates set forth on Appendix A. The Certificates may be offered and sold to certain dealers at prices lower than such initial public offering price or prices set forth in the Official Statement (subject in all cases to Section 4). The Underwriter also reserves the right (i) to engage in transactions that stabilize, maintain or otherwise affect the market price of the Certificates at a level above that which might otherwise prevail in the open market and (ii) to discontinue such transactions, if commenced, at any time.

4. Issue Price. (a) The Underwriter agrees to assist the District in establishing the issue price of the Certificates and shall execute and deliver to the District at Closing an “issue price” or similar certificate, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Appendix B, with such modifications as may be appropriate or necessary, in the reasonable judgment of the Underwriter, the District and Stradling Yocca Carlson & Rauth, a Professional Corporation, as special counsel (“Special Counsel”), to accurately reflect, as applicable, the sales price or prices or the initial offering price or prices to the public of the Certificates. All actions to be taken by the District under this section to establish the issue price of the Certificates may be taken on behalf of the District by the District’s municipal advisor identified herein and any notice or report to be provided to the District may be provided to the District’s municipal advisor.

(b) [Except as otherwise set forth in Appendix A attached hereto,] the District will treat the first price at which 10% of each maturity of the Certificates (the “10% test”) is sold to the public as the issue price of that maturity. At or promptly after the execution of this Purchase Contract, the Underwriter shall report to the District the price or prices at which it has sold to the public each maturity of Certificates. [If at that time the 10% test has not been satisfied as to any maturity of the Certificates, the Underwriter agrees to promptly report to the District the prices at which it sells the unsold Certificates of that maturity to the public. That reporting obligation shall continue, whether or not the Closing Date has occurred, until either (i) the Underwriter has sold all Certificates of that maturity or (ii) the 10% test has been satisfied as to the Certificates of that maturity, provided that, the Underwriter’s reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the District or Special Counsel.] For purposes of this Section, if

Certificates mature on the same date but have different interest rates, each separate CUSIP number within that maturity will be treated as a separate maturity of the Certificates.

(c) The Underwriter confirms that it has offered the Certificates to the public on or before the date of this Purchase Contract at the offering price or prices (the “initial offering price”), or at the corresponding yield or yields, set forth in Appendix A attached hereto, except as otherwise set forth therein. Appendix A also sets forth, as of the date of this Purchase Contract, the maturities, if any, of the Certificates for which the 10% test has not been satisfied and for which the District and the Underwriter agree that the restrictions set forth in the next sentence shall apply, which will allow the District to treat the initial offering price to the public of each such maturity as of the sale date as the issue price of that maturity (the “hold-the-offering-price rule”). So long as the hold-the-offering-price rule remains applicable to any maturity of the Certificates, the Underwriter will neither offer nor sell unsold Certificates of that maturity to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

- (1) the close of the fifth (5th) business day after the sale date; or
- (2) the date on which the Underwriter has sold at least 10% of that maturity of the Certificates to the public at a price that is no higher than the initial offering price to the public.

The Underwriter will advise the District promptly after the close of the fifth (5th) business day after the sale date whether it has sold 10% of that maturity of the Certificates to the public at a price that is no higher than the initial offering price to the public.

(d) The Underwriter confirms that:

(i) any selling group agreement and any third-party distribution agreement relating to the initial sale of the Certificates to the public, together with the related pricing wires, contains or will contain language obligating each dealer who is a member of the selling group and each broker-dealer that is a party to such third-party distribution agreement, as applicable:

(A)(i) to report the prices at which it sells to the public the unsold Certificates of each maturity allocated to it, whether or not the Closing Date has occurred, until either all Certificates of that maturity allocated to it have been sold or it is notified by the Underwriter that the 10% test has been satisfied as to the Certificates of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Underwriter and (ii) to comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Underwriter,

(B) to promptly notify the Underwriter of any sales of Certificates that, to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Certificates to the public (each such term being used as defined below), and

(C) to acknowledge that, unless otherwise advised by the dealer or broker-dealer, the Underwriter shall assume that each order submitted by the dealer or broker-dealer is a sale to the public.

(ii) any selling group agreement relating to the initial sale of the Certificates to the public, together with the related pricing wires, contains or will contain language obligating each dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Certificates to the public to require each broker-dealer that is a party to such third-party distribution agreement to (A) report the prices at which it sells to the public the unsold Certificates of each maturity allocated to it, whether or not the Closing Date has occurred, until either all Certificates of that maturity allocated to it have been sold or it is notified by the Underwriter or the dealer that the 10% test has been satisfied as to the Certificates of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Underwriter or the dealer, and (B) comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Underwriter or the dealer and as set forth in the related pricing wires.

(e) The District acknowledges that, in making the representations set forth in this section, the Underwriter will rely on (i) in the event a selling group has been created in connection with the initial sale of the Certificates to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the Certificates, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Certificates, as set forth in a selling group agreement and the related pricing wires, and (ii) in the event that a third-party distribution agreement was employed in connection with the initial sale of the Certificates to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the requirements for establishing issue price of the Certificates, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Certificates, as set forth in the third-party distribution agreement and the related pricing wires. The District further acknowledges that the Underwriter shall not be liable for the failure of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a third-party distribution agreement, to comply with its corresponding agreement to comply with the requirements for establishing issue price of the Certificates, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Certificates.

(f) The Underwriter acknowledges that sales of any Certificates to any person that is a related party to an underwriter participating in the initial sale of the Certificates to the public (each such term being used as defined below) shall not constitute sales to the public for purposes of this Section. Further, for purposes of this Section:

(i) “public” means any person other than an underwriter or a related party,

(ii) “underwriter” means (A) any person that agrees pursuant to a written contract with the District (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Certificates to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Certificates to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Certificates to the public),

(iii) a purchaser of any of the Certificates is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (A) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (B) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct

ownership by one partnership of another), or (C) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and

(iv) “sale date” means the date of execution of this Purchase Contract by all parties.

5. Delivery of Official Statement. Pursuant to the authorization of the District, the Underwriter has distributed copies of the Preliminary Official Statement dated August __, 2021, relating to the Certificates, which, together with the cover page and appendices thereto and any amendments or supplements thereto, is herein called the “Preliminary Official Statement.” By its acceptance of this proposal, the District hereby approves and ratifies the distribution and use by the Underwriter of the Preliminary Official Statement. The District agrees to execute and deliver a final Official Statement in substantially the same form as the Preliminary Official Statement with such changes as may be made thereto, with the consent of the District and the Underwriter, and to provide copies thereof to the Underwriter as set forth in Section 7(xiv) hereof. The District hereby authorizes the Underwriter to use and distribute, in connection with the offer and sale of the Certificates: the Preliminary Official Statement, the Official Statement, the Master Contract, the Trust Agreement, and the Continuing Disclosure Agreement (as hereinafter defined) and other documents or contracts to which the District is a party in connection with the transactions contemplated by this Purchase Contract, including this Purchase Contract and all information contained herein, and all other documents, certificates and statements furnished by the District to the Underwriter in connection with the transactions contemplated by this Purchase Contract.

6. The Closing. At 8:00 a.m., California time, on August __, 2021, or at such other time or on such earlier or later business day as shall have been mutually agreed upon by the District and the Underwriter, the District will cause to be executed and delivered (i) the Certificates in book-entry form through the facilities of The Depository Trust Company (“DTC”), or its agent, on behalf of the Underwriter; and (ii) the closing documents hereinafter mentioned at the offices of Special Counsel, in Newport Beach, California, or another place to be mutually agreed upon by the District and the Underwriter. The Underwriter will accept delivery of the Certificates and pay the purchase price of the Certificates as set forth in Section 1 hereof in immediately available funds to the order of the District. This payment for and delivery of the Certificates, together with the execution and delivery of the aforementioned documents, is herein called the “Closing.”

7. District Representations, Warranties and Covenants. The District represents, warrants and covenants to the Underwriter that:

(i) Due Organization, Existence and Authority. The District is a county water district duly organized and existing under and by virtue of the laws of the State of California (the “State”), with full right, power and authority to execute, deliver and perform its obligations under this Purchase Contract, the Master Contract, the Trust Agreement and the Continuing Disclosure Agreement (collectively, the “District Documents”) and to carry out and consummate the transactions contemplated by the District Documents and the Official Statement.

(ii) Due Authorization and Approval. By all necessary official action of the District, the District has duly authorized and approved the execution and delivery of, and the performance by the District of the obligations contained or described in, the Preliminary Official

Statement, the Official Statement and the District Documents and as of the date hereof, such authorizations and approvals are in full force and effect and have not been amended, modified or rescinded. When executed and delivered, and assuming the authorization, execution and delivery by the other parties thereto, each District Document will constitute the legally valid and binding obligation of the District enforceable in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance, or similar laws or equitable principles relating to or affecting creditors' rights generally or by the exercise of judicial discretion in appropriate cases or by limitations on legal remedies against public agencies in the State.

(iii) Official Statement Accurate and Complete. The Preliminary Official Statement was as of its date, and the Official Statement is as of its date, and at all times subsequent to the date of the Official Statement up to and including the Closing will be, true and correct in all material respects, and the Preliminary Official Statement and the Official Statement contain and up to and including the Closing will contain no misstatement of any material fact and do not, and up to and including the Closing will not, omit any statement necessary to make the statements contained therein, in the light of the circumstances in which such statements were made, not misleading (except no representation is made with respect to information relating to DTC or DTC's book-entry system).

(iv) Underwriter's Consent to Amendments and Supplements to Official Statement. The District will advise the Underwriter promptly of any proposal to amend or supplement the Official Statement and will not effect or consent to any such amendment or supplement without the consent of the Underwriter, which consent will not be unreasonably withheld. The District will advise the Underwriter promptly of the institution of any proceedings known to it by any governmental agency prohibiting or otherwise affecting the use of the Official Statement in connection with the offering, sale or distribution of the Certificates.

(v) District Agreement to Amend or Supplement Official Statement. If after the date of this Purchase Contract and until 25 days after the end of the "underwriting period" (as defined in Section 240 15c2-12 in Chapter II of Title 17 of the Code of Federal Regulations ("Rule 15c2-12")), any event occurs as a result of which the Official Statement as then amended or supplemented would include an untrue statement of a material fact, or omit to state any material fact necessary in order to make the statements contained therein, in the light of the circumstances under which they were made, not misleading, and, in the reasonable opinion of the Underwriter, an amended or supplemented Official Statement should be delivered in connection with the offers or sales of the Certificates to reflect such event, the District promptly will prepare at its expense an amendment or supplement which will correct such statement or omission and the District shall promptly furnish to the Underwriter a reasonable number of copies of such amendment or supplement. The Underwriter hereby agrees to deposit the Official Statement with the Municipal Securities Rulemaking Board (the "MSRB"). The Underwriter acknowledges that the end of the "underwriting period" will be the date of Closing.

(vi) No Material Change in Finances. At the time of the Closing, and except as otherwise described in the Official Statement, there shall not have been any material adverse changes in the financial condition of the District since June 30, 2020.

(vii) No Breach or Default. As of the time of acceptance hereof and as of the time of the Closing, (i) the District is not in default, nor has it been in default, as to principal or interest with respect to an obligation issued by the District, and (ii) the District is not and will not, in

any manner which would materially adversely affect the transactions contemplated by the District Documents, be in breach of or in default under any applicable constitutional provision, law or administrative rule or regulation of the State or the United States, or any applicable judgment or decree or any trust agreement, loan agreement, bond, note, resolution, ordinance, agreement or other instrument to which the District is a party or is otherwise subject, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute, in any manner which would materially adversely affect the transactions contemplated by the District Documents, a default or event of default under any such instrument; and, as of such time, the authorization, execution and delivery of the District Documents and compliance with the provisions of each of such agreements or instruments do not and will not, in any manner which would materially adversely affect the transactions contemplated by the District Documents, conflict with or constitute a breach of or default under any applicable constitutional provision, law or administrative rule or regulation of the State or the United States, or any applicable judgment, decree, license, permit, trust agreement, loan agreement, bond, note, resolution, ordinance, agreement or other instrument to which the District (or any of its officers in their respective capacities as such) is subject, or by which it or any of its properties is bound, nor will any such authorization, execution, delivery or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of its assets or properties or under the terms of any such law, regulation or instrument, except as may be provided by the District Documents.

(viii) No Litigation. As of the time of acceptance hereof and as of the date of Closing, no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body, is pending or, to the best knowledge of the District after due investigation, threatened (i) in any way questioning the corporate existence of the District or the titles of the officers of the District to their respective offices; (ii) affecting, contesting or seeking to prohibit, restrain or enjoin the execution or delivery of any of the Certificates, or in any way contesting or affecting the validity of the Certificates or the District Documents or the consummation of the transactions contemplated thereby, or contesting the exclusion of the interest with respect to the Certificates from gross income for federal income tax purposes or contesting the powers of the District to enter into the District Documents; (iii) which, except as described in the Official Statement, may result in any material adverse change to the financial condition of the District or to its ability to pay debt service payments with respect to the Certificates when due; or (iv) contesting the completeness or accuracy of the Preliminary Official Statement or the Official Statement or any supplement or amendment thereto or asserting that the Preliminary Official Statement or the Official Statement contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, and there is no basis for any action, suit, proceeding, inquiry or investigation of the nature described in clauses (i) through (iv) of this sentence.

(ix) No Prior Liens on Revenues. Except for the payments with respect to the Second Supplemental Installment Purchase Contract, dated as of December 1, 2012 (the “Second Supplemental Installment Purchase Contract”), by and between the District and the Corporation and the District’s Water and Wastewater Enterprise 2015 Refunding Revenue Bonds (the “2015 Bonds”), which are secured by a lien on the Net Revenues on a parity with the lien thereon under the Master Contract, the District does not and will not have outstanding any other indebtedness which indebtedness is secured by a lien on the Net Revenues superior to or on a parity with the lien of the Master Contract on the Net Revenues.

(x) Further Cooperation; Blue Sky. The District will furnish such information, execute such instruments and take such other action in cooperation with the Underwriter as the Underwriter may reasonably request in order (i) to qualify the Certificates for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriter may designate and (ii) to determine the eligibility of the Certificates for investment under the laws of such states and other jurisdictions, and will use its best efforts to continue such qualifications in effect so long as required for the distribution of the Certificates; provided, however, that the District shall not be required to execute a general or special consent to service of process or qualify to do business in connection with any such qualification or determination in any jurisdiction.

(xi) Consents and Approvals. All authorizations, approvals, licenses, permits, consents and orders of or filings with any governmental authority, legislative body, board, agency or commission having jurisdiction in the matters which are required for the due authorization of, which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by the District of its obligations in connection with the District Documents have been duly obtained or made, except as may be required under the Blue Sky or securities laws of any state in connection with the offering and sale of the Certificates.

(xii) No Other Obligations. Between the date of this Purchase Contract and the date of Closing, the District will not, without the prior written consent of the Underwriter, offer or issue or incur any bonds, notes or other obligations for borrowed money, or incur any material liabilities, directly or contingently payable from the Net Revenues.

(xiii) Certificates. Any certificate signed by any official of the District and delivered to the Underwriter shall be deemed to be a representation and warranty by the District to the Underwriter as to the statements made therein.

(xiv) Compliance with Rule 15c2-12. The Preliminary Official Statement heretofore delivered to the Underwriter is hereby deemed final by the District as of its date and as of the date hereof, except for the omission of such information as is permitted to be omitted in accordance with paragraph (b)(i) of Rule 15c2-12. The District hereby represents that the Preliminary Official Statement as previously furnished to the Underwriter was “deemed final” by the District as of its date for purposes of Rule 15c2-12. The District hereby covenants and agrees that, within seven business days from the date hereof, the District shall cause a final form of the Official Statement to be delivered to the Underwriter in sufficient quantity to comply with paragraph (b)(4) of Rule 15c2-12 and Rules of the MSRB (as communicated by the Underwriter to the District).

(xv) Continuing Disclosure. Except as otherwise disclosed in the Official Statement, the District is currently and for the previous five years has been in compliance with all continuing disclosure undertakings pursuant to Rule 15c2-12 in all material respects. The District will undertake, pursuant to a Continuing Disclosure Agreement, by and between the District and Fieldman, Rolapp & Associates doing business as Applied Best Practices, LLC (the “Continuing Disclosure Agreement”), to provide annual reports and notices of certain enumerated events in accordance with the requirements of Rule 15c2-12. A form of the Continuing Disclosure Agreement is set forth as Appendix E to the Official Statement.

8. Closing Conditions. The Underwriter has entered into this Purchase Contract in reliance upon the representations, warranties and covenants herein and the performance by the

District of its obligations hereunder, both as of the date hereof and as of the date of the Closing. The Underwriter's obligations under this Purchase Contract are and shall be subject to the following additional conditions:

(a) Bring-Down Representation. The representations, warranties and covenants of the District contained herein shall be true, complete and correct at the date hereof and at the time of the Closing, as if made on the date of the Closing.

(b) Executed Agreements and Performance Thereunder. At the time of the Closing, (i) the District Documents shall be in full force and effect, and shall not have been amended, modified or supplemented except with the written consent of the Underwriter; (ii) the Assignment Agreement, dated as of August 1, 2021, between the Corporation and the Trustee (the "Assignment Agreement") shall be in full force and effect, and shall not have been amended, modified or supplemented except with the written consent of the Underwriter, (iii) there shall be in full force and effect such resolutions (the "Resolutions") as, in the opinion of Special Counsel, shall be necessary in connection with the transactions contemplated by the Official Statement and the District Documents; (iv) the District shall perform or have performed its obligations required or specified in the District Documents to be performed at or prior to Closing; and (v) the Official Statement shall not have been supplemented or amended, except pursuant to Paragraphs 7(vi) and 7(v) hereof or as otherwise may have been agreed to in writing by the Underwriter.

(c) No Default. At the time of the Closing, no default, or any event that with the passage of time would be reasonably likely to result in default, shall have occurred or be existing under the Resolutions, the District Documents, or any other agreement or document pursuant to which any of the District's financial obligations was issued or incurred and the District shall not be in default in the payment of principal or interest on or with respect to any of its financial obligations which default would adversely impact the ability of the District to pay the 2021A Installment Payments.

(d) Termination Events. The Underwriter shall have the right to terminate this Purchase Contract, without liability therefor, by written notification to the District if at any time at or prior to the Closing:

(i) any event shall occur which causes any statement contained in the Official Statement to be materially misleading or results in a failure of the Official Statement to state a material fact necessary to make the statements in the Official Statement, in the light of the circumstances under which they were made, not misleading and, in either such event, (a) the District refuses to permit the Official Statement to be supplemented to supply such statement or information or (b) the effect of the Official Statement as so supplemented is, in the reasonable judgment of the Underwriter, to materially adversely affect the marketability or the market price of the Certificates; or

(ii) the marketability or the market price of the Certificates, in the reasonable opinion of the Underwriter, has been materially adversely affected by an amendment to the Constitution of the United States or by any legislation in or by the Congress of the United States or by the State, or the amendment of legislation pending as of the date of this Purchase Contract in the Congress of the United States, or the recommendation to Congress or endorsement for passage (by press release, other form of notice or otherwise) of legislation by the President of the United States, the Treasury Department of the United States, the Internal Revenue Service or the Chairman

or ranking minority member of the Committee on Finance of the United States Senate or the Committee on Ways and Means of the United States House of Representatives, or the proposal for consideration of legislation by either such Committee or by any member thereof, or the presentment of legislation for consideration as an option by either such Committee, or by the staff of the Joint Committee on Taxation of the Congress of the United States, or the favorable reporting for passage of legislation to either House of the Congress of the United States by a Committee of such House to which such legislation has been referred for consideration, or any decision of any federal or State court or any ruling or regulation (final, temporary or proposed) or official statement on behalf of the United States Treasury Department, the Internal Revenue Service or other federal or State authority materially adversely affecting the federal or State tax status of the District, or the status of the interest on or with respect to bonds or notes or obligations of the general character of the Certificates; or

(iii) any legislation, ordinance, rule or regulation shall be introduced in, or be enacted by any governmental body, department or agency of the State, or a decision by any court of competent jurisdiction within the State or any court of the United States shall be rendered which, in the reasonable opinion of the Underwriter, materially adversely affects the marketability or the market price of the Certificates; or

(iv) legislation shall be enacted by the Congress of the United States, or a decision by a court of the United States shall be rendered, or a stop order, ruling, regulation or official statement by, or on behalf of, the Securities and Exchange Commission or any other governmental agency having jurisdiction of the subject matter shall be issued or made to the effect that the execution, delivery, offering or sale of obligations of the general character of the Certificates, or the execution, delivery, offering or sale of the Certificates, including all underlying obligations, as contemplated hereby or by the Official Statement, is in violation or would be in violation of, or that obligations of the general character of the Certificates, or the Certificates, are not exempt from registration under, any provision of the federal securities laws, including the Securities Act of 1933, as amended and as then in effect, or that the Trust Agreement needs to be qualified under the Trust Indenture Act of 1939, as amended and as then in effect; or

(v) additional material restrictions not in force as of the date hereof shall have been imposed upon trading in securities generally by any United States governmental authority or by any securities exchange in the United States or the extension of credit by, or a charge to the net capital requirements of, underwriters shall have been established by the New York Stock Exchange, the Securities and Exchange Commission, any other federal or State agency or the Congress of the United States, or by Executive Order, which restrictions materially adversely affect the marketability or the market price of the Certificates; or

(vi) a general banking moratorium shall have been established by federal or state authorities or any material disruption in commercial banking or securities settlement or clearance services shall have occurred, which moratorium or disruption materially adversely affects the marketability or the market price of the Certificates; or

(vii) the United States has become engaged in hostilities beyond currently existing hostilities which have resulted in a declaration of war or a national emergency or there has occurred any other outbreak or escalation of currently existing hostilities or a national or international calamity or crises, financial or otherwise, the effect of such outbreak, escalation, calamity or crisis on the financial markets of the United States, being such as, in the reasonable

opinion of the Underwriter, would materially adversely affect the marketability or the market price of the Certificates; or

(viii) any rating of the securities of the District reflecting the creditworthiness of the District shall have been downgraded, suspended or withdrawn by a national rating service, which, in the Underwriter's reasonable opinion, materially adversely affects the marketability or market price of the Certificates; or

(ix) the commencement of any action, suit or proceeding described in Paragraph 7(viii) hereof which, in the reasonable judgment of the Underwriter, materially adversely affects marketability or the market price of the Certificates; or

(x) there shall be in force a general suspension of trading on the New York Stock Exchange or other national stock exchange whether by virtue of a determination by that Exchange or by order of the Securities and Exchange Commission.

(e) Closing Documents. At or prior to the Closing, the Underwriter shall receive with respect to the Certificates the following documents:

(i) Special Counsel Opinion. An approving opinion of Special Counsel, dated the date of the Closing and substantially in the form included as Appendix C to the Official Statement, together with a letter from such counsel, dated the date of the Closing and addressed to the Underwriter, to the effect that the foregoing opinion addressed to the District may be relied upon by the Underwriter to the same extent as if such opinion were addressed to it.

(ii) Supplemental Opinion. A supplemental opinion of Special Counsel, dated the date of the Closing and addressed to the Underwriter substantially in the form attached hereto as Appendix D.

(iii) Disclosure Counsel Negative Assurance Letter. A negative assurance letter of Stradling Yocca Carlson & Rauth, a Professional Corporation, disclosure counsel ("Disclosure Counsel"), dated the date of Closing and addressed to the Underwriter substantially in the form attached hereto as Appendix C.

(iv) District Counsel Opinion. An opinion of Best Best & Krieger LLP, counsel to the District, dated the date of the Closing and addressed to the Underwriter, substantially to the following effect:

(A) The District is a county water district duly organized and validly existing under the constitution and the laws of the State and has all the necessary power and authority to enter into and perform its duties under the District Documents;

(B) The Resolution of the District approving the District Documents has been duly adopted by the District;

(C) Each of the District Documents has been duly authorized, executed and delivered by the District and each constitutes a legal, valid, binding and enforceable obligation of the District; and

(D) Except as otherwise disclosed in the Official Statement, there is no litigation, proceeding, action, suit, or investigation (or any basis therefor) at law or in equity before or by any court, governmental agency or body, pending or, to such counsel's best knowledge, threatened, against the District challenging the creation, organization or existence of the District, or the validity of the District Documents or seeking to restrain or enjoin the payment of principal of and interest with respect to the Certificates or in any way contesting or affecting the validity of the District Documents or any of the transactions referred to therein or contemplated thereby or contesting in any way the completeness or accuracy of the Preliminary Official Statement or the Official Statement, or any amendment or supplement thereto, or contesting the authority of the District to enter into or perform its obligations under any of the District Documents, or under which a determination adverse to the District would have a material adverse effect upon the financial condition or the revenues of the District, or which, in any manner, questions or affects the right or ability of the District to enter into the District Documents or affects in any manner the right or ability of the District to make the payment of principal of and interest with respect to the Certificates; and

(E) The Official Statement has been prepared by, or on behalf of, the District under the supervision of the District's General Manager.

(v) Corporation Counsel Opinion. An opinion of Best Best & Krieger LLP, special counsel to the Corporation, dated the date of Closing and addressed to the Underwriter, substantially to the following effect:

(A) The Corporation is a nonprofit public benefit corporation duly organized and existing under and pursuant to the Constitution and laws of the State of California;

(B) The Trust Agreement, the Master Contract and the Assignment Agreement (collectively, the "Corporation Documents") have been duly authorized, executed and delivered by the Corporation. The Corporation Documents constitute the valid, legal and binding agreements of the Corporation enforceable against the Corporation in accordance with their terms and the Corporation has the power and authority to carry out and consummate all transactions contemplated by the Corporation Documents and the resolution of the Corporation relating to the execution of the Trust Agreement, Third Supplemental Installment Purchase Contract and the Assignment Agreement (the "Corporation Resolution") and the Corporation has complied with the provisions of the Corporation Resolution in all matters relating to such transactions except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or affecting creditors' rights generally, or by the exercise of judicial discretion and the limitations on legal remedies against entities such as the Corporation;

(C) The Corporation Resolution was duly adopted at a meeting of the governing body of the Corporation, which was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout and the Corporation Resolution is in full force and effect and has not been modified, amended or rescinded;

(D) The adoption of the Corporation Resolution and compliance with the provisions thereof and the Corporation Documents, under the circumstances contemplated thereby, do not and will not, in any respect which will have a material adverse impact on the transactions contemplated by the Corporation Resolution and the Corporation Documents, conflict with, or constitute on the part of the Corporation a breach of or default under any material agreement

or other instrument to which the Corporation is a party or by which it is bound or any existing law, regulation, court order or consent decree to which the Corporation is subject;

(E) The adoption of the Corporation Resolution and compliance with the provisions thereof and the Corporation Documents, under the circumstances contemplated thereby, do not and will not, in any respect which will have a material adverse impact on the transactions contemplated by the Corporation Resolution and the Corporation Documents, conflict with or constitute a breach of or default under any term or provision of the Constitution of the State of California or any statute, administrative rule or regulation, judgment, decree, order, license, permit, agreement or instrument to which the Corporation is subject or by which the Corporation or any of its property is bound;

(F) No additional authorization, approval, consent, waiver or any other action by any person, board or body, public or private, not previously obtained is required as of the date hereof for the Corporation to adopt the Corporation Resolution or to perform its obligations thereunder or under the Corporation Documents; and

(G) To the current actual knowledge of such counsel, there is no litigation, proceeding, action, suit, or investigation at law or in equity before or by any court, governmental agency, or body, pending or threatened, against the Corporation challenging the creation, organization or existence of the Corporation, or the validity or the Corporation Documents or seeking to restrain or enjoin adoption of the Corporation Resolution or in any way contesting or affecting the validity of the Corporation Resolution or the Corporation Documents or any of the transactions referred to therein or contemplated thereby or contesting the District of the Corporation to perform its obligations under the Corporation Resolution or the Corporation Documents, under which a determination adverse to the Corporation would have a material adverse effect upon the financial condition or the revenues of the Corporation, or which in any manner, questions or affects the right or the ability of the Corporation to adopt the Corporation Resolution.

(vi) Trustee Counsel Opinion. The opinion of counsel to the Trustee dated the date of the Closing and addressed to the Underwriter to the effect that:

(A) The Trustee is a national banking association, duly organized and validly existing under the laws of the United States of America, having full corporate power to undertake the trust created under the Trust Agreement;

(B) The Trust Agreement and the Assignment Agreement have been duly authorized, executed and delivered by the Trustee and, assuming due authorization, execution and delivery by the other parties thereto, the constitute valid and binding obligations of the Trustee enforceable in accordance with their terms, except as enforcement thereof may be limited by bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally and by the application of equitable principles, if equitable remedies are sought;

(C) The Trustee's actions in executing and delivering the Trust Agreement and the Assignment Agreement are in full compliance with, and do not conflict with any applicable law or governmental regulation and, to the best of such counsel's knowledge, after reasonable inquiry with respect thereto, do not conflict with or violate any contract to which the Trustee is a party or any administrative or judicial decision by which the Trustee is bound; and

(D) No consent, approval, authorization or other action by any governmental or regulatory authority having jurisdiction over the banking or trust powers of the Trustee that has not been obtained is or will be required for the execution and delivery of the Certificates or the consummation by the Trustee of its obligations under the Trust Agreement or the Assignment Agreement.

(vii) Underwriter's Counsel Opinion. An opinion of Nixon Peabody, LLP, Los Angeles, California counsel to the Underwriter ("Underwriter's Counsel"), dated the date of Closing and addressed to the Underwriter in form and substance satisfactory to the Underwriter:

(viii) District Certificate. A certificate of the District, dated the date of the Closing, signed on behalf of the District by the General Manager or other duly authorized officer of the District to the effect that:

(A) The representations, warranties and covenants of the District contained in the Purchase Contract are true and correct in all material respects on and as of the date of the Closing as if made on the date of the Closing and the District has complied with all of the terms and conditions of the Purchase Contract required to be complied with by the District at or prior to the date of the Closing;

(B) No event affecting the District has occurred since the date of the Official Statement which has not been disclosed therein or in any supplement or amendment thereto which event should be disclosed in the Official Statement in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, except no representation is made with respect to information relating to DTC or DTC's book-entry system; and

(C) No event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute an event of default under the District Documents which would materially adversely affect the transactions contemplated by the District Documents.

(ix) Corporation Certificate. A certificate of the Corporation, dated the date of the Closing, signed on behalf of the Corporation by the District to the effect that :

(A) The Corporation is a nonprofit public benefit corporation duly organized and existing under and pursuant to the Constitution and laws of the State of California;

(B) The Corporation Documents have been duly authorized, executed and delivered by the Corporation. The Corporation Documents constitute the valid, legal and binding agreements of the Corporation enforceable against the Corporation in accordance with their terms and the Corporation has the power and authority to carry out and consummate all transactions contemplated by the Corporation Documents and the Corporation Resolution and the Corporation has complied with the provisions of the Corporation Resolution in all matters relating to such transactions except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or affecting creditors' rights generally, or by the exercise of judicial discretion and the limitations on legal remedies against entities such as the Corporation;

(C) The Corporation Resolution was duly adopted at a meeting of the governing body of the Corporation, which was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout and the Corporation Resolution is in full force and effect and has not been modified, amended or rescinded;

(D) The adoption of the Corporation Resolution and compliance with the provisions thereof and the Corporation Documents, under the circumstances contemplated thereby, do not and will not, in any respect which will have a material adverse impact on the transactions contemplated by the Corporation Resolution and the Corporation Documents, conflict with, or constitute on the part of the Corporation a breach of or default under any material agreement or other instrument to which the Corporation is a party or by which it is bound or any existing law, regulation, court order or consent decree to which the Corporation is subject;

(E) The adoption of the Corporation Resolution and compliance with the provisions thereof and the Corporation Documents, under the circumstances contemplated thereby, do not and will not, in any respect which will have a material adverse impact on the transactions contemplated by the Corporation Resolution and the Corporation Documents, conflict with or constitute a breach of or default under any term or provision of the Constitution of the State of California or any statute, administrative rule or regulation, judgment, decree, order, license, permit, agreement or instrument to which the Corporation is subject or by which the Corporation or any of its property is bound;

(F) No additional authorization, approval, consent, waiver or any other action by any person, board or body, public or private, not previously obtained is required as of the date hereof for the Corporation to adopt the Corporation Resolution or to perform its obligations thereunder or under the Corporation Documents;

(G) There is no litigation, proceeding, action, suit, or investigation at law or in equity before or by any court, governmental agency, or body, pending or threatened, against the Corporation challenging the creation, organization or existence of the Corporation, or the validity of the Corporation Documents or seeking to restrain or enjoin adoption of the Corporation Resolution or in any way contesting or affecting the validity of the Corporation Resolution or the Corporation Documents or any of the transactions referred to therein or contemplated thereby or contesting the authority of the Corporation to perform its obligations under the Corporation Resolution or the Corporation Documents, under which a determination adverse to the Corporation would have a material adverse effect upon the financial condition or the revenues of the Corporation, or which in any manner, questions or affects the right or the ability of the Corporation to adopt the Corporation Resolution; and

(H) The information relating to the Corporation contained in the Official Statement is, as of its date and the date of Closing, true and correct in all material respects, and the information relating to the Corporation contained in the Official Statement, as of its date and the date of Closing, contains no misstatement of any material fact and do not omit any statement necessary to make the statements contained therein, in the light of the circumstances in which such statements were made, not misleading.

(x) Trustee's Certificate. A certificate, dated the date of Closing, signed by a duly authorized official of the Trustee satisfactory in form and substance to the Underwriter, to the effect that:

(A) The Trustee is duly organized and existing as a national banking association under the laws of the United States of America, having the full corporate power and authority to enter into and perform its duties under the Trust Agreement and the Assignment Agreement;

(B) The Trustee is duly authorized to enter into the Trust Agreement and the Assignment Agreement and has duly executed and delivered the Trust Agreement and the Assignment Agreement, and assuming due authorization and execution by the other party thereto, the Trust Agreement and the Assignment Agreement are legal, valid and binding upon the Trustee, and enforceable against the Trustee in accordance with their terms;

(C) The Trustee has duly executed and delivered the Certificates under the Trust Agreement and delivered the Certificates to or upon the order of the Underwriter; and

(D) No consent, approval, authorization or other action by any governmental or regulatory authority having jurisdiction over the banking or trust powers of the Trustee that has not been obtained is or will be required for the authentication and delivery of the Certificates or the consummation by the Trustee of its obligations under the Trust Agreement and the Assignment Agreement.

(xi) Transcripts. Two transcripts of all proceedings relating to the authorization, execution and delivery of the Certificates.

(xii) Official Statement. The Official Statement and each supplement or amendment, if any, thereto, executed on behalf of the District by duly authorized officers of the District.

(ii) Issue Price Certificate. A letter and a certificate from the Underwriter with respect to the public offering and "Issue Price" of the Certificates in the form acceptable to Special Counsel, the Underwriter, and Underwriter's Counsel;

(xiii) Documents. An original executed copy of each of the District Documents.

(xiv) District Resolution. Two certified copies of the District Resolution, certified by the District Secretary.

(xv) Corporation Resolution. Two certified copies of the Corporation Resolution, certified by the Corporation Secretary.

(xvi) Trustee Resolution. Two certified copies of the general resolution of the Trustee authorizing the execution and delivery of certain documents by certain officers and employees of the Trustee, which resolution authorizes the execution and delivery of the Trust Agreement and the Assignment Agreement.

(xvii) 8038-G. Evidence that the federal tax information form 8038-G has been prepared for filing.

(xviii) Tax Certificate. A tax certificate of the District in form satisfactory to Special Counsel.

(xix) CDIAC Statements. A copy of the Notices of Sale required to be delivered to the California Debt and Investment Advisory Commission pursuant to Sections 8855(g) and 53583 of the California Government Code.

(xx) 15c2-12 Certificate of the District. A certificate of the District “deeming final” the Preliminary Official Statement for purposes of Rule 15c2-12.

(xxi) Rating. Evidence from Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business (“S&P”) and Fitch Ratings (“Fitch”) that the Certificates have received ratings of “___” and “___,” respectively.

(xxii) Additional Documents. Such additional certificates, instruments and other documents as the Underwriter may reasonably deem necessary.

If the District shall be unable to satisfy the conditions contained in this Purchase Contract, or if the obligations of the Underwriter shall be terminated for any reason permitted by this Purchase Contract, this Purchase Contract shall terminate and neither the Underwriter nor the District shall be under further obligation hereunder, except as further set forth in Section 8 hereof.

9. Expenses. The Underwriter shall be under no obligation to pay and the District shall pay or cause to be paid the expenses incident to the performance of the obligations of the District hereunder including but not limited to (a) the costs of the preparation and printing, or other reproduction (for distribution on or prior to the date hereof) of the District Documents, and the cost of preparing, printing, executing and delivering the Certificates; (b) the fees and disbursements of any counsel, municipal advisors, accountants or other experts or consultants retained by the District; (c) the fees and disbursements of Special Counsel, Disclosure Counsel, District Counsel, and Corporation Counsel; (d) the fees and disbursements of S&P and Fitch; (e) the cost of printing and distributing the Preliminary Official Statement and any supplements and amendments thereto and the cost of printing and distributing the Official Statement and any supplements and amendments thereto, including a reasonable number of copies thereof for distribution by the Underwriter; (f) expenses (included in the expense component of the Underwriter’s spread) incurred on behalf of the District’s officers or employees which are incidental to implementing this Purchase Contract, including, but not limited to, meals, transportation, lodging, and entertainment of those officers or employees; (g) CUSIP Service Bureau fees and charges; and (h) Trustee fees. In addition, the District shall reimburse the Underwriter for amounts paid to CDIAC in connection with the execution and delivery of the Certificates.

The Underwriter shall pay and the District shall be under no obligation to pay all expenses incurred by it in connection with the public offering and distribution of the Certificates, including any advertising expenses, and the Underwriter shall pay any costs and expenses incurred in connection with the preparation and distribution of any blue sky surveys or any legal investment memoranda, and the costs and fees of counsel to the Underwriter.

10. Notice. Any notice or other communication to be given to the District under this Purchase Contract may be given by delivering the same in writing to Vallecitos Water District, 201 Vallecitos de Oro, San Marcos, California 92069, Attention: General Manager.

Any notice or other communication to be given to the Underwriter under this Purchase Contract may be given by delivering the same in writing to Morgan Stanley & Co. LLC, 1999

Avenue of the Stars, Suite 2400, Los Angeles, California 90067, Attention: Dan Kurz, Executive Director.

11. Entire Agreement. This Purchase Contract, when accepted by the District, shall constitute the entire agreement between the District and the Underwriter and is made solely for the benefit of the District and the Underwriter (including the successors of the Underwriter). No other person shall acquire or have any right hereunder by virtue hereof, except as provided herein. All of the District's representations, warranties and agreements in this Purchase Contract shall remain operative and in full force and effect regardless of any investigations made by or on behalf of the Underwriter and shall survive the delivery of and payment for the Certificates.

12. No Advisory or Fiduciary Role. The District acknowledges and agrees that (i) the purchase and sale of the Certificates pursuant to this Purchase Contract is an arm's-length commercial transaction between the District and the Underwriter, (ii) in connection therewith and with the discussions, undertakings and procedures leading up to the consummation of such transaction, the Underwriter is and has been acting solely as a principal and is not acting as the agent, advisor or fiduciary of the District, (iii) the Underwriter has not assumed an advisory or fiduciary responsibility in favor of the District with respect to the offering contemplated hereby or the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriter has provided other services or is currently providing other services to the District on other matters) and the Underwriter has no obligation to the District with respect to the offering contemplated hereby except the obligations expressly set forth in this Purchase Contract, (iv) the Underwriter is not acting as municipal advisor (as defined in Section 15B of the Securities Exchange Act of 1934, as amended), and (v) the District has consulted its own legal, financial and other advisors to the extent it deemed appropriate in connection with the offering of the Certificates. Nothing in this foregoing paragraph is intended to limit the Underwriter's obligation of fair dealing to the District under MSRB Rules G-17 and G-30.

13. Counterparts. This Purchase Contract may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

14. Severability. In case any one or more of the provisions contained herein shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions hereof.

15. Consent to Amendments to the Master Contract. The Underwriter hereby provides its written consent to the amendments to the Master Contract set forth in Article IV of the Third Supplemental Installment Purchase Contract.

16. STATE LAW GOVERNS. THE VALIDITY, INTERPRETATION AND PERFORMANCE OF THIS PURCHASE CONTRACT SHALL BE GOVERNED BY THE LAWS OF THE STATE OF CALIFORNIA.

17. No Assignment. The rights and obligations created by this Purchase Contract shall not be subject to assignment by the Underwriter or the District without the prior written consent of the other party hereto.

MORGAN STANLEY & CO. LLC

By: _____
Executive Director

Accepted as of the date first stated above:

VALLECITOS WATER DISTRICT

By: _____
General Manager

Acknowledged as of the date first stated above:

VALLECITOS WATER DISTRICT FINANCING CORPORATION

By: _____
Executive Director

APPENDIX A

\$ _____

VALLECITOS WATER DISTRICT
Revenue Certificates of Participation, Series 2021A

<i>Maturity (August 1)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Yield</i>	<i>Price</i>	<i>10% Test Used</i>	<i>Hold- the- Offering Price Used</i>
	\$	%	%			

APPENDIX B

FORM OF ISSUE PRICE CERTIFICATE

\$_____

VALLECITOS WATER DISTRICT
Revenue Certificates of Participation, Series 2021A

ISSUE PRICE CERTIFICATE

The undersigned, Morgan Stanley & Co. LLC (the “Morgan Stanley”), hereby certifies as set forth below with respect to the sale and execution and delivery of the Revenue Certificates of Participation, Series 2021A (the “Certificates”) of Vallecitos Water District (the “Issuer”).

1. ***Sale of the General Rule Maturities.*** As of the date of this certificate, for each Maturity of the General Rule Maturities, the first price at which at least 10% of such Maturity was sold to the Public is the respective price listed in Schedule 1 hereto.

2. ***[Initial Offering Price of the Hold-the-Offering-Price Maturities.***

(a) The Underwriter offered the Hold-the-Offering-Price Maturities to the Public for purchase at the respective initial offering prices listed in Schedule 1 hereto (the “Initial Offering Prices”) on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Certificates is attached to this certificate as Schedule 2.

(b) As set forth in the Purchase Contract dated _____, 2021, between the Underwriter and the Issuer, the Underwriter agreed in writing on or prior to the Sale Date that, (i) for each Maturity of the Hold-the-Offering-Price Maturities, the Underwriter would neither offer nor sell any of the unsold Certificates of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the “hold-the-offering-price rule”), and (ii) any selling group agreement will contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement will contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, the Underwriter has not offered or sold any unsold Certificates of any Maturity of the Hold-the-Offering-Price Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of the Certificates during the Holding Period.]

3. ***Defined Terms.***

(a) ***[General Rule Maturities*** means those Maturities of the Certificate listed in Schedule 1 hereto as the “General Rule Maturities.”]

(b) ***[Hold-the-Offering-Price Maturities*** means those Maturities of the Certificates listed in Schedule 1 hereto as the “Hold-the-Offering-Price Maturities” (if any).]

(c) ***[Holding Period*** means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date, or (ii) the date on which Morgan Stanley sold at least 10% of such Hold-the-

Offering-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold-the-Offering-Price Maturity.]

(d) *Maturity* means Certificates with the same credit and payment terms. Certificates with different maturity dates, or Certificates with the same maturity date but different stated interest rates, are treated as separate maturities.

(e) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(f) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Certificates. The Sale Date of the Certificates is _____, 2021.

(g) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Certificates to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Certificates to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Certificates to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Morgan Stanley’s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate with respect to the Certificates and with respect to compliance with the federal income tax rules affecting the Certificates, and by Stradling Yocca Carlson & Rauth, a Professional Corporation, in connection with rendering its opinion that the interest with respect to the Certificates is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Certificates.

IN WITNESS WHEREOF, the undersigned has executed this certificate on this __ day of _____, 2021.

MORGAN STANLEY & CO. LLC

By: _____
Name: _____
Title: _____

SCHEDULE 1 TO EXHIBIT B

SALE PRICES OF THE GENERAL RULE MATURITIES AND
INITIAL OFFERING PRICES OF THE HOLD-THE-OFFERING-PRICE MATURITIES

CERTIFICATES

<u>Maturity Date (August 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>	<u>General Rule Maturities</u>	<u>Hold-the- Offering Price Used</u>
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SCHEDULE 2 TO EXHIBIT B
PRICING WIRE OR EQUIVALENT COMMUNICATION

(Attached)

APPENDIX C

FORM OF DISCLOSURE COUNSEL NEGATIVE ASSURANCE LETTER

Stradling Yocca Carlson & Rauth, a Professional Corporation, as Disclosure Counsel to the District, propose to deliver a negative assurance letter in substantially the following form in connection with the initial execution and delivery of the Certificates.

[Closing Date], 2021

Morgan Stanley & Co. LLC
1999 Avenue of the Stars
Los Angeles, California 90067

Re: Vallecitos Water District Revenue Certificates of Participation, Series 2021A

Ladies and Gentlemen:

We have acted as disclosure counsel for the Vallecitos Water District (the “District”) in connection with the execution and delivery of the above-referenced certificates of participation (the “Certificates”). The Certificates are being purchased by you pursuant to a Purchase Contract, dated _____, 2021 (the “Purchase Contract”), by and between the District and you, as underwriter of the Certificates. All capitalized terms used herein and not defined herein shall have the meanings ascribed thereto in the Purchase Contract.

In rendering the advice contained herein, we have examined originals or copies certified or otherwise identified to our satisfaction of: (i) the Preliminary Official Statement, dated _____, 2021 (excluding any supplements or amendments thereto and any additional information or changes set forth in the Official Statement, the “Preliminary Official Statement”) relating to the Certificates, (ii) the Official Statement, dated _____, 2021 (the “Official Statement”) relating to the Certificates; (iii) the letters, certificates, and opinions delivered to you pursuant to the provisions of the Purchase Contract, including, but not limited to, Section 8(e) thereof; and (iv) such other documents, certificates, instructions and records as we have considered necessary or appropriate as a basis for such advice. We have not reviewed, and we do not assume any responsibility for any printed version of the Preliminary Official Statement or the Official Statement and for all purposes of this letter, we have assumed that any printed version of the Preliminary Official Statement or Official Statement, as applicable, conforms in all respects to the electronic version of the Preliminary Official Statement or Official Statement, as applicable.

The conclusions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such conclusions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform you or any other person, whether any such actions are taken or omitted or whether such events do occur or any other matters come to our attention after the date hereof. We have assumed, but not independently verified, that the signatures on all

documents, letters, opinions and certificates which we have examined are genuine, that all documents submitted to us are authentic and were duly and properly executed by the parties thereto and that all representations made in the documents that we have reviewed are true and accurate. We have assumed, without independent verification, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in any opinions referenced in the Official Statement.

By delivering this letter, we are not expressing any opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in any document referenced in the Official Statement, nor are we expressing any opinion with respect to the state or quality of title to or interest in any assets described in or as subject to the lien of the Master Contract, the Trust Agreement or the Assignment Agreement or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such assets. Our services as disclosure counsel to the District did not involve the rendering of financial or other non-legal advice to you, the District or any other party to the transaction.

Although we have not undertaken to determine independently or verify and are not passing upon and do not assume responsibility for, the accuracy, completeness or fairness of the statements contained in the Official Statement, and are therefore unable to make any representation to you in that regard, we have participated in conferences prior to the date of the Official Statement with your representatives, including separate counsel retained by you, and representatives of the District, including the District's General Counsel, the District's municipal advisor, Fieldman, Rolapp & Associates, and others, during which conferences the contents of the Preliminary Official Statement and the Official Statement and related matters were discussed. Based upon the information made available to us in the course of our participation in such conferences as disclosure counsel to the District, our review of the documents referred to above, our reliance on the oral and written statements of the District and others, the documents, certificates, instructions and records and the opinions of counsel described above and our understanding of applicable law, and subject to the limitations on our role as disclosure counsel to the District, we advise you as a matter of fact but not opinion that no information has come to the attention of the attorneys in the firm representing the District as disclosure counsel on this matter which caused us to believe that the Preliminary Official Statement as of its date or as of the date of the Purchase Contract contained, or the Official Statement as of its date contained or as of the date hereof contains, any untrue statement of a material fact, or, with respect to the Preliminary Official Statement, as of its date and as of the date of the Purchase Contract omitted, or with respect to the Official Statement, as of its date omitted or as of the date hereof omits, to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading in any material respect (except that we express no view with respect to: (i) the expressions of opinion, the assumptions, the projections, estimates and forecasts, the charts, the financial statements or other financial, numerical, economic, demographic or statistical data, or assessed valuations contained in the Preliminary Official Statement or the Official Statement; (ii) any CUSIP numbers or information relating thereto; (iii) any information with respect to The Depository Trust Company and its book-entry system; (iv) any information contained in the appendices to the Preliminary Official Statement or the Official Statement; (v) any information incorporated by reference into the Preliminary Official Statement or the Official Statement; (vi) the District's compliance with its obligations to provide notice of the events described in part (b)(5)(i)(C) of Rule 15c2-12 promulgated under the Securities Act of 1934 ("Rule 15c2-12") or to file annual reports described in part (b)(5)(i)(A) of Rule 15c2-12,

review of which matters we understand has been undertaken by Fieldman, Rolapp & Associates doing business as Applied Best Practices, LLC; (vii) any information with respect to the underwriter or underwriting matters with respect to the Certificates, including but not limited to information under the caption “UNDERWRITING”; (viii) information under the captions “TAX MATTERS” and “LITIGATION”; and (ix) any information with respect to the ratings on the Certificates and the rating agencies referenced therein, including but not limited to information under the caption “RATINGS”. Finally, we advise you that, other than reviewing the various certificates and opinions required by Section 8(e) of the Purchase Contract, we have not taken any steps since the date of the Official Statement to verify the accuracy of the statements contained in the Preliminary Official Statement as of the date of the Purchase Contract or the Official Statement as of the date hereof. No responsibility is undertaken or opinion rendered with respect to any other disclosure document, materials or activity, or as to any information from another document or source referred to by, or incorporated by reference in, the Preliminary Official Statement or the Official Statement.

By acceptance of this letter you recognize and acknowledge that: (i) the negative assurance above is not an opinion and is based on certain limited activities performed by specific attorneys in our firm in our role as disclosure counsel to the District; (ii) the scope of the activities performed by such attorneys in our role as disclosure counsel to the District and for purposes of delivering such negative assurances were inherently limited and do not purport to encompass all activities necessary for compliance by you or others in accordance with applicable state and federal securities laws; and (iii) the activities performed by such attorneys in our role as disclosure counsel to the District rely in part by representations, warranties, certifications and opinions of other parties to the transaction, including representations, warranties and certifications made by the District.

This letter is being furnished to you solely for your benefit in connection with your purchase of the Certificates in accordance with the Purchase Contract and is not to be used, circulated, quoted or otherwise referred to for any other purpose without our prior written consent. No attorney-client relationship has existed or exists between our firm and you in connection with the execution and delivery of the Certificates or by virtue of this letter. We note you were represented by separate counsel retained by you in connection with the transaction described in the Official Statement. This letter is limited to matters governed by the laws of the State of California and federal securities laws, and we assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction.

Our engagement as disclosure counsel to the District terminates as of the date hereof, and we have not undertaken any duty, and expressly disclaim any responsibility, to advise you as to events occurring after the date hereof with respect to the Certificates or other matters discussed in the Official Statement. This letter is not intended to, and may not, be relied upon by owners of the Certificates, the owners of any beneficial ownership interest in the Certificates or by any other party to whom it is not addressed.

Respectfully submitted,

APPENDIX D
FORM OF SUPPLEMENTAL OPINION OF SPECIAL COUNSEL TO THE DISTRICT

Stradling Yocca Carlson & Rauth, a Professional Corporation, as Special Counsel to the District, propose to deliver an opinion in substantially the following form in connection with the initial execution and delivery of the Certificates.

[Closing Date], 2021

Morgan Stanley & Co. LLC
1999 Avenue of the Stars
Los Angeles, California 90067

*Re: \$_____ Vallecitos Water District Revenue Certificates of Participation, Series
 2021A*

Ladies and Gentlemen:

We have acted as Special Counsel to the Vallecitos Water District (the “District”) in connection with the execution and delivery of above-referenced certificates (the “Certificates”). All capitalized terms used herein and not otherwise defined herein shall have the respective meanings given to such terms in the Trust Agreement, dated as of August 1, 2021 (the “Trust Agreement”), by and between the District and U.S. Bank, National Association, as trustee (the “Trustee”). The Certificates have been executed and delivered by the Trustee pursuant to the terms of the Trust Agreement. Capitalized terms used herein and not defined herein shall have the meanings ascribed thereto in the Purchase Contract (defined below), and if not defined therein, in the Official Statement relating to the Certificates dated [_____].

On the date hereof, we delivered to the District an opinion relating to the validity of the Master Contract and the Trust Agreement. You are authorized to rely upon said opinion as if addressed to you.

Based upon the foregoing and our review of such other information, documents and matters of law as we considered necessary and in reliance on the foregoing, as appropriate, we are of the opinion that:

1. The Purchase Contract, dated [_____] (the “Purchase Contract”), by and between the District and Morgan Stanley & Co. LLC, as underwriter (the “Underwriter”) with respect to the Certificates, has been duly authorized, executed and delivered by the District and is a valid and binding agreement of the District enforceable in accordance with its terms.

2. The statements contained in the Official Statement, dated [_____], relating to the Certificates (the “Official Statement”) on the cover page and under the captions “INTRODUCTION,” “THE CERTIFICATES,” “SECURITY FOR THE CERTIFICATES,” “CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES” and “TAX

MATTERS” and in APPENDIX C – “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS,” and APPENDIX E – “FORM OF SPECIAL COUNSEL OPINION,” insofar as such statements purport to summarize certain provisions of the Certificates, the Master Contract, Trust Agreement, State law and our opinion concerning certain federal tax matters relating to the Certificates (but not including any statistical or financial information contained therein or information concerning The Depository Trust Company or the book-entry only system, as to which no opinion is expressed), are accurate as of the date of the Official Statement and as of the date hereof.

3. The Certificates are exempt from registration pursuant to the Securities Act of 1933, as amended, and the Trust Agreement is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended.

The opinions expressed herein are based upon our analysis and interpretation of existing laws, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities. We call attention to the fact that the rights and obligations under the Purchase Contract, the Trust Agreement, the Master Contract, the Continuing Disclosure Agreement and the Certificates are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or transfer and other similar laws affecting creditors’ rights, to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State of California.

By delivering this opinion, we are not expressing any opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the Certificates, the Trust Agreement or the Master Contract, nor are we expressing any opinion with respect to the state or quality of title to or interest in any assets described in or as subject to the lien of the Trust Agreement or the Master Contract or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on any assets thereunder.

This letter is limited to matters governed by the laws of the State of California and federal law, and we assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction. Except as expressly set forth in the Approving Opinion, we express no opinion regarding any tax consequences with respect to the Certificates. We have not been engaged, nor have we undertaken, to advise any party or to opine as to any matters not specifically covered herein, including, but not limited to, matters relating to compliance with any securities laws.

This opinion letter may be relied upon only by you and may not be circulated, quoted from or relied upon by any other party without our prior written consent. This letter is being furnished to you solely for your benefit in connection with your purchase of the Certificates and is not to be used, circulated, quoted or otherwise referred to for any other purpose without our prior written consent. No attorney-client relationship has existed or exists between our firm and you in connection with the execution and delivery of the Certificates or by virtue of this letter. We note you were represented by separate counsel retained by you in connection with the transaction described in the Official Statement.

Our engagement with respect to the Certificates terminates as of the date hereof, and we have not undertaken any duty, and expressly disclaim any responsibility, to advise you as to events

occurring after the date hereof with respect to the Certificates or other matters discussed in the Official Statement. This letter is not intended to, and may not, be relied upon by owners of the Certificates or by any other party to whom it is not addressed other than you.

Respectfully submitted,



Stradling Yocca Carlson & Rauth
A Professional Corporation
660 Newport Center Drive, Suite 1600
Newport Beach, CA 92660
949 725 4106
stradlinglaw.com

Douglas Brown
(949) 500-0855
dbrown@stradlinglaw.com

August __, 2021

Glenn Pruim
General Manager
Vallecitos Water District
201 Vallecitos De Oro
San Marcos, CA 92069

Dear Glenn:

Stradling appreciates the opportunity to continue working with the Vallecitos Water District (the "District") as bond and disclosure counsel in connection with the proposed financing of improvements to the District's water and wastewater system, including reimbursement of certain costs. Attached are our normal Terms of Retention, which is an integral part of our retention agreement

If this letter, including the attached Terms of Retention, accurately reflects your understanding of our relationship, please acknowledge your approval and acceptance of these terms by signing and returning this letter to me. Copies of each are enclosed for your files. I would be pleased to answer any questions you might have.

Very truly yours,

STRADLING YOCCA CARLSON & RAUTH

Douglas S. Brown

Enclosure

The undersigned hereby agrees that the terms and conditions in this letter and the accompanying Terms of Retention shall apply to services rendered by Stradling Yocca Carlson & Rauth.

VALLECITOS WATER DISTRICT

By: _____
General Manager



**TERMS OF RETENTION
OF
STRADLING YOCCA CARLSON & RAUTH**

1. **Fees and Costs.** Stradling Yocca Carlson & Rauth (the “Firm”) is compensated for its services based primarily on the value of the services and the time spent performing them. Such compensation may include the time spent on client conferences, travel, research, drafting documents, and other activities. The amount of fees charged on a statement is determined by the hours expended by the different attorneys and other professional personnel involved and the applicable rates applicable to public agencies. **Notwithstanding the foregoing, as is traditional for bond counsel and disclosure counsel matters, the Firm has agreed to a flat fee of \$75,000 for the bond counsel and disclosure counsel services discussed in Scope of Services in the attached Exhibit A.** Such fees will be payable at the time the transaction closes.

The firm also charges for various costs such as copying, telephone charges, computerized legal research, word processing and/or other computer time, overtime costs, messenger services, travel, filing fees and other costs. Bills for some costs are passed on directly, such as bills for certified shorthand reporters, technical consultants, and other professional fees. **For this bond counsel and disclosure counsel matter, all expenses are included in the flat fee proposal discussed above.**

2. **Termination by Us.** The Firm reserves the absolute right to withdraw from representing you if, among other things, you fail to honor the terms of our agreement, you fail to cooperate fully or follow our advice on a material matter, or any fact or circumstance occurs that would, in our view, render our continuing representation unlawful or unethical. If the Firm elects to withdraw, you will take all steps necessary to free us of any obligation to perform further services, including the execution of any documents necessary to complete our withdrawal, and the Firm will be entitled to be paid at the time of withdrawal for all services rendered and costs and expenses paid or incurred on your behalf. **Notwithstanding the foregoing, no portion of any bond counsel or disclosure counsel fee shall be payable in the event the Firm terminates our representation of you prior to closing of the proposed transaction.** If necessary in connection with litigation, the Firm would request leave of court to withdraw.

3. **Termination by District.** The Firm understands that the Firm serves at the pleasure of the District and this Terms of Retention may be terminated by the District at any time, upon 10 days written notification with or without cause.

4. **Date of Termination.** Our representation of you will be considered terminated at the earlier of (i) your termination of our representation, (ii) our withdrawal from our representation of you, or (iii) the substantial completion of our substantive work for you.

5. **Related Activities.** If any claim or action is brought against us or any personnel or agents of the firm based on your negligence or misconduct, or if the Firm is asked to testify as a result of our representation of you or must defend the confidentiality of your communications in any proceeding, you agree to pay us for any resulting fees, costs, or damages, including our time, even if our representation of you has ended.

6. **No Guarantee of Outcome.** Legal matters are inherently uncertain, and the Firm does not guarantee any particular result. You acknowledge and agree that any comments the Firm makes about potential outcomes, including any timetables, budgets or fee estimates, are expressions of opinion only, are neither promises nor guarantees, and are not binding. If the Firm represents you in a litigation matter, you may be required to pay the other side's fees and costs. Any such payment is your sole responsibility.

7. **Insurance.** The Firm hereby advises you that the Firm maintains professional errors and omissions insurance coverage applicable to the services to be rendered to you. Evidence of such insurance will be provided upon request.

8. **Client.** This Firm's client for the purpose of our representation is only the District. Unless expressly agreed, the Firm is not undertaking the representation of any related or affiliated person or entity, nor any parent, brother-sister, subsidiary, or affiliated corporation or entity, nor any of your or their officers, directors, agents, or employees.

9. **Client File and Retention.** For each matter the Firm maintains a file in which the Firm places certain documents and items, including original documents, that are reasonably necessary to the Firm's representation in the matter. The Firm currently keeps each file for seven years after a matter concludes. The file belongs to the client and, subject to any protective order or non-disclosure agreement, the client may request to take possession of it once the matter concludes. Should all or any portion of the file become the subject of a subpoena, discovery request or other disclosure obligation ("Legal Process") while in the Firm's possession, including after the matter concludes, you agree to pay the Firm's then-prevailing hourly rates and costs that the Firm incurs in connection with the Legal Process.

10. **Payment Notwithstanding Dispute.** In the event of any dispute that relates to the Firm's entitlement to any payment from you, all undisputed amounts shall be paid by you. Any amounts in any client trust account held on your behalf, sufficient to pay the disputed amounts, shall continue to be held in such trust account until the final disposition of the dispute.

11. **Other Clients.** As a law firm with many diverse clients and practice areas, the Firm's seek to retain the ability to accept unrelated matters for all of our clients. The Firm may thus request your informed written consent in the event the Firm seeks to represent any other client in any future matter that is not substantially related to this matter and does not involve material confidential

information the Firm obtained while representing you in this matter. Such matters could arise during the Firm's representation of you in this matter. You may determine to consent or not consent to such request and should feel free to consult your general counsel or other counsel of your choice before deciding whether to grant any consent should it be requested.

The Firm represents various investment banks and underwriters from time-to-time on transactions for public agencies other than the District. The Firm will not represent any investment bank or underwriter on any District's transaction.

The Firm represents various public agencies, including water agencies, groundwater sustainability agencies and other water agencies in San Diego County, as bond and/or disclosure counsel and on other financing matters. The Firm is not representing any such agency in connection with the District's transaction.

12. **Electronic Communication and Storage Technology.** The Firm uses cell phones, email, wireless networks, cloud-based platforms, and other technology to communicate with others and to transmit or store documents and information. Such technology helps the Firm provide efficient and convenient legal services, but may pose confidentiality and security risks. By signing this letter agreement, you consent to the Firm's use of all such technology in connection with this engagement.

13. **Processing Client Personal Information.** In connection with our engagement, you may be required to disclose to the Firm, or the Firm may obtain on your behalf, personal information relating to individuals that the Firm does not otherwise collect for the Firm's own commercial or business purposes ("Client Personal Information"). For example, materials that you provide to the Firm for purposes of due diligence may contain Client Personal Information relating to third parties. You hereby acknowledge, agree and require that the Firm only collect, retain, use, disclose, or otherwise process Client Personal Information as your "service provider" or "data processor," as defined in the California Consumer Privacy Act of 2018 or other data privacy laws, as applicable (collectively, "Data Privacy Laws"), or pursuant to any exception that may apply under Data Privacy Laws regarding the attorney-client relationship. The Firm will not sell Client Personal Information. The Firm will not collect, retain, use, disclose or otherwise process Client Personal Information for any purpose other than for the purpose of performing services to you pursuant to this engagement letter, unless applicable law requires us to do otherwise. The Firm will not collect, retain, use, disclose, or otherwise process Client Personal Information outside of the Firm's direct relationship with you, unless applicable law requires the Firm to do otherwise. The Firm certifies that the Firm understand these restrictions and will comply with them. These restrictions are not intended to reduce or replace our obligations under applicable rules of professional conduct, including but not limited to the Firm's obligation of confidentiality.

14. **Publicity.** You consent to the Firm's use of your name and logo (if applicable) on our web site and in our marketing materials.

15. **Client Communication.** You hereby designate Wes Owen, Finance Manager, to act on your behalf for this matter, and you authorize us to communicate with, and receive directions from, that person and any other person that you may designate in the future.

16. **Authority to Sign.** The person signing this letter on behalf of the District represents that he or she has the full right and authority to do so, and to fully commit and bind the District to this engagement letter.

17. **Miscellaneous.** This letter sets forth the entire agreement between you and the Firm, and there is no other or additional understanding between you and the Firm on these subjects. This agreement supersedes any prior agreements or representations, written or oral, between you and the Firm on these subjects. Any modification or amendment to this agreement must be in a writing signed by you and the Firm. This agreement shall be governed by California law without reference to its conflict of law principles. If any provision of this agreement is found to be invalid or unenforceable, that provision shall be deemed modified or removed so that it is valid and enforceable to the fullest extent of the law, and the other provisions of this agreement shall be unimpaired.

18. **Primary Attorney.** The primary attorney with responsibility for this representation will be Douglas S. Brown. The parties agree that the Firm is being retained based on the unique skill, experience, and expertise of Mr. Brown and no change will be made in the primary attorney without the prior, written consent of the District. The Firm will not substitute another primary attorney without the prior, reasonable, approval of the District.

EXHIBIT A

SCOPE OF SERVICES

A. As bond counsel, Stradling Yocca Carlson & Rauth (the “Firm”) will undertake the following scope of services.

(i) Advise the District with respect to the process for the proposed financing, including but not limited: to advice and consultation with the general manager, finance manager and other staff members, general counsel and the Board of Directors regarding the financing process; prepare all legal proceedings in connection with the proposed financing;

(ii) Draft various resolutions, documents and agreements for consideration by the Board of Directors of the District and the Vallecitos Water District Financing Corporation;

(iii) Participate in meetings, hearings or negotiations with the District staff, Board committees, Board of Directors, financial advisors, underwriters and other financing team members as the circumstances require;

(iv) Render a tax opinion that interest payable with respect to the Certificates of Participation is exempt from State and Federal taxes;

(v) Review and prepare summaries of the major legal documents included in the offering document; and

(vi) Prepare final closing documents to be executed by the District to effect delivery of any financing (including the tax certificate) and coordinate the adoption and execution of all documents and of the closing.

B. As disclosure counsel, the Firm will undertake the following scope of services.

(i) In consultation with District staff, update District disclosure policies and procedures for the District;

(ii) Conduct federal disclosure training for District staff;

(iii) Assist the District in preparation of the preliminary official statement (the “POS”) and official statement (the “OS”);

(iv) Draft the continuing disclosure undertaking for execution by the District in connection with the proposed transaction;

(v) Draft a SEC Rule 15c2-12(the “Rule”) certificate deeming the POS final for the purposes described in the Rule for execution by the District in connection with the posting of the POS; and

(vi) Render a negative assurance letter on behalf of the District to the underwriter with respect to certain sections of the OS, in the Firm's customary form.

DATE: AUGUST 4, 2021
TO: BOARD OF DIRECTORS
SUBJECT: CONSIDERATION OF THE FORMATION OF A CITY OF SAN MARCOS LIAISON COMMITTEE

BACKGROUND:

Liaison committees are often formed to provide a forum for multiple agencies to discuss topics of mutual interest. In the past, Vallecitos Water District and the City of San Marcos have conducted joint meetings of their governing bodies but have not formed official liaison committees. The two agencies have not held a joint meeting in many years.

DISCUSSION:

At the Board meeting on May 19, 2021, Director Boyd-Hodgson requested an item be placed on a future Board agenda to discuss the formation of a liaison committee with the City of San Marcos. This item has been placed on the August 4, 2021, agenda pursuant to that request. General Manager Pruiem contacted San Marcos City Manager Jack Griffin to inform him this item would be on the District's Board agenda.

If the Board is interested in forming such a committee, discussions will need to take place with the City of San Marcos to determine if they have similar interests.

FISCAL IMPACT:

There are no fiscal impacts associated with this discussion item.

RECOMMENDATION:

Discuss the possible formation of a liaison committee with the City of San Marcos. Director Boyd-Hodgson will lead the discussion.

VALLECITOS WATER DISTRICT
Board of Directors Per Diem and Expenses (1)
Paid April 1st, 2021 through June 30th, 2021

Director Meeting/Seminar	Per Diem		Benefits	Meeting			Lodging	Meals	Reimb from Other Agencies	Total
	#	Payments		Registration	Travel					
BOYD-HODGSON, Tiffany										
Paid by VWD:										
VWD Meetings	18	\$ 3,600.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,600.00
AAWA Women in Water	2	400.00	-	-	-	-	-	-	-	400.00
ACWA	1	200.00	-	425.00	-	-	-	-	-	625.00
CSDA - CA Special Districts Assoc	2	400.00	-	175.00	-	-	-	-	-	575.00
EWA	1	200.00	-	-	-	-	-	-	-	200.00
US Water Alliance	2	400.00	-	-	-	-	-	-	-	400.00
Water Education Foundation	2	400.00	-	249.00	-	-	-	-	-	649.00
Group Insurance	-	-	10.50	-	-	-	-	-	-	10.50
	<u>28</u>	<u>\$ 5,600.00</u>	<u>\$ 10.50</u>	<u>\$ 849.00</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,459.50</u>
ELITHARP, CRAIG										
Paid by VWD:										
VWD Meetings	16	\$ 3,200.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,200.00
CASA	3	600.00	-	-	-	-	-	-	-	600.00
SDNEDC	1	200.00	-	-	-	-	-	-	-	200.00
Group Insurance	-	-	272.10	-	-	-	-	-	-	272.10
Paid by VWD - SDCWA pmt differential	-	250.00	-	-	-	-	-	-	-	250.00
Paid by SDCWA **	<u>7</u>	<u>1,050.00</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,050.00</u>
	<u>27</u>	<u>\$ 5,300.00</u>	<u>\$ 272.10</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,572.10</u>
HERNANDEZ, James										
Paid by VWD:										
VWD Meetings	14	\$ 2,800.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,800.00
ACWA	4	800.00	-	375.00	-	-	-	-	-	1,175.00
COWA California Onsite Water Assoc.	1	200.00	-	-	-	-	-	-	-	200.00
CSDA - CA Special Districts Assoc	1	200.00	-	-	-	-	-	-	-	200.00
SDNEDC	1	200.00	-	-	-	-	-	-	-	200.00
Group Insurance	-	-	4,803.51	-	-	-	-	-	-	4,803.51
Paid by EWA - Encina JPA	<u>9</u>	<u>1,956.69</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,956.69</u>
	<u>30</u>	<u>\$ 6,156.69</u>	<u>\$ 4,803.51</u>	<u>\$ 375.00</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,335.20</u>
PENNOCK, James										
Paid by VWD:										
VWD Meetings	11	\$ 2,200.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,200.00
ACWA	2	400.00	-	375.00	-	-	-	-	-	775.00
CSDA - CA Special Districts Assoc	3	600.00	-	175.00	-	-	-	-	-	775.00
SDNEDC	1	200.00	-	-	-	-	-	-	-	200.00
Group Insurance	-	-	6,278.43	-	-	-	-	-	-	6,278.43
	<u>17</u>	<u>\$ 3,400.00</u>	<u>\$ 6,278.43</u>	<u>\$ 550.00</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,228.43</u>
SANNELLA, Mike										
Paid by VWD:										
VWD Meetings	19	\$ 3,800.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,800.00
CSDA - CA Special Districts Assoc	1	200.00	-	-	-	-	-	-	-	200.00
Group Insurance	-	-	6,278.43	-	-	-	-	-	-	6,278.43
Paid by EWA - Encina JPA	<u>7</u>	<u>1,521.87</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,521.87</u>
	<u>27</u>	<u>\$ 5,521.87</u>	<u>\$ 6,278.43</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,800.30</u>
TOTALS ⁽¹⁾	<u>129</u>	<u>\$ 25,978.56</u>	<u>\$ 17,642.97</u>	<u>\$ 1,774.00</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 45,395.53</u>

(1) Includes both expenses paid directly by the Agencies and reimbursements of expenses paid by Board members. Presented in accordance with ordinance number 194, effective 5/17/2015. (Board per Diem, \$200/meeting)

* As of 3rd Qtr 2020- EWA meetings are \$217.41 each - VWD payment differential no longer applies

** SDCWA only required to publish report for Boardmember payments once per year. Fiscal Year End, June 30th

**VWD Director's Compensation for Apr-Jun 2021
Payments from EWA (Encina Wastewater Authority)**

<u>NAME</u>	<u>EWA DATE</u>	<u>CHECK NO</u>	<u>INVOICE NET</u>	<u>DESCRIPTION</u>
MICHAEL A. SANNELLA	04/21/2021	5353	\$217.41	PFC MEETING 04-13-21
MICHAEL A. SANNELLA	05/05/2021	5423	217.41	BOARD MEETING 04-28-21
MICHAEL A. SANNELLA	05/19/2021	5474	217.41	PFC MEETING 05-11-21
MICHAEL A. SANNELLA	05/19/2021	5474	217.41	EWA BOD SPECIAL BOARD MEETING
MICHAEL A. SANNELLA	06/02/2021	5537	217.41	EWA BOD MEETING 05-26-21
MICHAEL A. SANNELLA	06/16/2021	5593	217.41	PFC BOARD MEETING 06/08/21
MICHAEL A. SANNELLA	06/30/2021	5647	217.41	EWA BOD MEETING 06/23/21
		Meetings Only	<u>\$1,521.87</u>	
JIM HERNANDEZ	04/01/2021	190124	\$217.41	BOARD MEETING 04-28-21
JIM HERNANDEZ	04/01/2021	190124	217.41	CIC MEETING 04-21-21
JIM HERNANDEZ	05/01/2021	190170	217.41	EWA BOD SPECIAL BOARD MEETING
JIM HERNANDEZ	05/19/2021	190216	217.41	EWA BOD MEETING 05-26-21
JIM HERNANDEZ	05/19/2021	190216	217.41	CIC BOD MEETING 05-19-21
JIM HERNANDEZ	06/01/2021	190254	217.41	AD HOC COMMITTEE MEETING 06/07
JIM HERNANDEZ	06/16/2021	190300	217.41	EWA BOD MEETING 06/23/21
JIM HERNANDEZ	06/16/2021	190300	217.41	AD HOC COMMITTEE MEETING 06/22
JIM HERNANDEZ	06/16/2021	190300	217.41	CIC BOARD MEETING 06/16/21
		Meetings Only	<u>\$1,956.69</u>	
			\$3,478.56	

VWD Director's Compensation for Apr-Jun 2021
Payments from SDCWA (San Diego County Water Authority)

<u>Director</u>	<u>Check</u>	<u>Chk Date</u>	<u>Per Diem Payments</u>	<u>Mileage</u>	<u>Travel/Other</u>	<u>Total</u>
CRAIG ELITHARP	210761	4/8/2021	\$150.00	\$0.00	\$0.00	\$150.00
CRAIG ELITHARP	211244	5/6/2021	\$450.00	\$0.00	\$0.00	\$450.00
CRAIG ELITHARP	211731	6/3/2021	\$450.00	\$0.00	\$0.00	\$450.00
Total			\$1,050.00	\$0.00	\$0.00	\$1,050.00



Sunday, September 19

Time	RO Concentrate Minimization and Disposal	Panel Discussions
1:00- 1:30	<p>Brine Minimization Maximizes the Potential for Inland Potable Reuse Project.</p> <p>Troy Walker, Hazen and Sawyer</p> <p>Wendie Heie, Rancho California Water District</p>	<p>Alternative Approaches for Chemical and Pathogen Control in CA DPR Projects.</p> <p>Ufuk Erdal, Arcadis</p> <p>Randy Barnard, State Water Resources Control Board Division of Drinking Water</p>
1:30 –2:00	<p>Navigating the Path to Brine Management for Potable Reuse in Arid Regions.</p> <p>Michael Adelman, Stantec</p>	<p>Eric Hoek, University of California, Los Angeles</p> <p>Glen Daigger, University of Michigan</p>
2:00-2:30	<p>Take it to the MAX: Optimizing Closed-Circuit Reverse Osmosis for Brine Recovery in Brackish Groundwater Treatment for Potable Use.</p> <p>Scott Miller, Black & Veatch</p>	
2:30 -3:00	<p>Nature-Based Solutions as an Alternative Form of Treatment for RO Concentrate</p> <p>Medi Sinaki, Valley Water</p> <p>Nastaran Basiri, Valley Water</p>	
3:00-3:30	Break	

	Declining Flows	Panel Discussions
3:30-4:00	<p>From Zero to Ninety – Creative Solutions to Achieve Ninety Percent Water Reuse in the City of Oceanside in Ten Years</p> <p>Adam Hoch, Hoch Consulting</p> <p>Lindsay Leahy, City of Oceanside, Water Utilities Department</p>	<p>Bioanalytical Screening in Recycled Water – Current Status, Challenges, and Opportunities.</p> <p>Claire Waggoner, California State Water Resources Control Board</p> <p>Luciana Pereyra, Trussell Technologies</p> <p>Daniel Schlenk, University of California, Riverside</p>
4:00-4:30	<p>A One Water Approach to Water Augmentation for Las Virgenes-Triunfo Pure Water Project</p> <p>Katie Bollmer, Jacobs</p> <p>Eric Schlageter, Las Virgenes Municipal Water District</p>	<p>Alvina Mehinto, Southern California Coastal Water Research Project</p> <p>Stephanie Guyon, Los Angeles County Sanitation Districts</p> <p>Rick Zimmer, Eurofins</p>
4:30 -5:00	<p>Innovative Strategies to Maximize Water Recycling with Declining Wastewater Flows.</p> <p>Chris Trees, San Elijo Joint Power Authority</p> <p>Michael Thornton, San Elijo Joint Power Authority</p>	
5:30 – 6:30		
Welcome Reception Exhibit Hall		

Monday, September 20

8:30 – 9:30	Opening Session: Water Board Chair E. Joaquin Esquivel Brian Fuchs, US Drought Monitor			
	Direct Potable Reuse	Planning and Implementation	Non-Potable Reuse	
9:30 – 10:00	The Headworks DPR Demonstration Project: Implementing DPR for the City of LA Greg Wetterau, CDM Smith Erik Avila, Los Angeles Department of Water and Power	Equitable Recycled Water Expansion – Through Principles, Policies and Fees Dawn Taffler, Kennedy Jenks John Wuerth, Eastern Municipal Water District	Lessons Learned from a Greenfield Water Resource Recovery Facility in Coastal CA Rick Koon, Cayucos Sanitary District Dylan Wade, Water Systems Consulting	
10:00 – 10:30	Completion of Nevada’s First Ozone-BAC based Advanced Purified Water Demonstration – Perspectives for California DPR Projects in the Future Vijay Sundaram, AECOM Lydia (Peri) Teel, Truckee Meadows Water Authority	Challenges and Success in Planning for a Robust and Flexible Purified Water Program Hossein Ashktorab, Valley Water Nastaran Basiri, Valley Water	Application of Recycled Water in Agriculture: Overcoming Technical and Regulatory Barriers Mohsen Mehran, Rubicon Engineering Corporation	
10:30 – 11:00	Break			

	Potable Reuse Challenges and Solutions	Planning and Implementation	Non-Potable Reuse	Panel Discussions
11:00 – 11:30	<p>Risk Based Analysis of IPR and DPR for the Water Corporation of Western Australia</p> <p>Nick Turner, Water Corporation of Western Australia</p> <p>Andrew Salvesson, Carollo Engineers</p>	<p>How to make a collaborative delivery method work: Hyperion Water Reclamation Plant delivers recycled water to LA's International Airport</p> <p>Christina Jones, LA Sanitation & Environment</p>	<p>The Use of Recycled Water in Firefighting Systems: Safety and Practical Applications</p> <p>Earle Hartling, Los Angeles County Sanitation Districts</p>	<p>Transforming Utilities, Sustaining our Assets – How Advanced Analytics can Guide Better O&M of Water Recycling Systems.</p> <p>Steven Dutschke, Kennedy Jenks</p> <p>Mike McCullough, Monterey One Water</p>
11:30-12:00	<p>Compliance with California's Draft DPR Criteria: Case Study of the City of San Diego's Phase 2 Pure Water Project</p> <p>Brian Pecson, Trussell Technologies</p> <p>Anya Kaufmann, Trussell Technologies</p> <p>Shane Trussell, Trussell Technologies</p> <p>Rhodes Trussell, Trussell Technologies</p> <p>Douglas Owen, Stantec</p> <p>John Stufflebean, City of San Diego</p> <p>Jeffery Pasek, City of San Diego</p>	<p>Water Reuse Results Realized Through Collaboration: A Case Study of OneWater Nevada</p> <p>Lydia (Peri) Teel, Truckee Meadows Water Authority</p> <p>Rick Warner, Warner & Associates</p>	<p>The Economics of Sustainable Industrial Water Use, Reuse, and the Value of Water</p> <p>Thomas Chesnutt, A & N Technical Services</p> <p>Eric Rosenblum, Enviropectives</p>	<p>Mehul Patel, Orange County Water District</p> <p>Jeff Foushee, LyondellBasell</p> <p>Stacey Jones, Aspen Technology</p>

12:00-12:30	IPR vs DPR: Which One Makes More Sense for Your Community Val Frenkel, Greeley Hansen	Old Habits Die Hard: Unexpected Challenges to Integrating Potable Reuse and Existing Water Supplies Carrie Del Boccio, Woodard & Curran	Design Complications Related to Water Recycle and Reuse using a Membrane-based Wastewater Treatment System Behrang Pakzadeh, Kiewit	
12:30-2:00	Awards Luncheon			
	Potable Reuse Challenges and Solutions	Artificial Intelligence and Real-Time Monitoring	Groundwater Replenishment	Panels
2:00-2:30	State Water Board/WRF Research to Advance Reuse in California Julie Minton, The Water Research Foundation Katie Spahr, The Water Research Foundation Keel Robinson, Trussell Technologies	Recycled Water: The Lynchpin to Groundwater Sustainability in Coachella Valley Rosalyn Prickett, Woodard and Curran Jignesh Ladhawala, Coachella Valley Water District Armando Rodriguez, Coachella Valley Water District	Employing an Inventive Communication and Outreach Strategy to Engage by encouraging Advisory Groups for the Hyperion 2035 Program Christina Jones, LA Sanitation and Environment	Multi-Pronged Approach to Make Technology Work for Regulatory Success of DPR Zeynep Erdal, Black & Veatch Heather Collins, Metropolitan Water District of Southern California Dave Pedersen, Las Virgenes Municipal Water District
2:30-3:00	CUWA: Facing Obstacles to Maximizing Water Reuse Hannah Ford, Brown and Caldwell	Water Quality Impacts on AWT Design and Operation Larry Schimmoller, Jacobs Jim Lozier, Jacobs	Tracer Test Plan Development for a Groundwater Replenishment Reuse Project Fred Geringer, Hazen & Sawyer Andrew Han, Los Angeles Department of Water and Power	
3:00-3:30	Break			

3:30-4:00	<p>Climate Resiliency Tool for Future Projects</p> <p>Flor Burrola, City of LA, LA Sanitation and Environment</p> <p>Henry Durand, City of Los Angeles, LA Sanitation and Environment</p>	<p>Validation of Artificial Intelligence for Water Reuse</p> <p>Andrew Salveson, Carollo Engineers</p> <p>Yasuhiro Matsui, Yokogawa</p> <p>Kevin Hardy, National Water Research Institute</p>	<p>A Methodical Approach to Groundwater Protection on the Central Coast</p> <p>Ben Fine, City of Pismo Beach</p> <p>Amos Branch, Carollo Engineers</p>	<p>Same but different – 3 California utilities share what’s most important for reuse projects.</p> <p>Melanie Holmer, Brown and Caldwell</p> <p>Melanie Mow Schumacher, Soquel Creek Water District</p>
4:00 -4:30	<p>EPA’s Water Reuse Action Plan: Latest from EPA and WRF</p> <p>Julie Minton, The Water Research Foundation</p> <p>Rabia Chaudry, US Environmental Protection Agency</p> <p>Erin Parlan, The Water Research Foundation</p>	<p>Wastewater Intelligence: Optimizing wastewater treatment and maximizing the resources available for reuse</p> <p>Max Howels, Kando</p>	<p>Peering into the Unknown: Utilizing aerial geophysics to battle seawater intrusion and design an IPR Injection Well Network</p> <p>Daniel Heimel, Water Systems Consulting</p> <p>Ben Fine, City of Pismo Beach</p>	<p>Christina Becerra Jones, LA Sanitation and Environment</p> <p>Angela Morrow, City of Escondido</p>
4:30-5:00	<p>Potable Reuse Decision Toolbox: Charting an Implementation Pathway for Small to Medium Sized-Agencies</p> <p>Susan Brownstein, Woodard and Curran</p> <p>Tom Richardson, Woodard and Curran</p>	<p>Advancements in Digital Water Quality Monitoring Allow for Optimized Potable Reuse AWTF Operation</p> <p>Mark Donovan, GHD</p> <p>Tyler Abercrombie, GHD</p> <p>Aditi Padhye, KETOS</p>	<p>Groundwater Modeling in Support of Pure Water: Why care? What to know? Real life stories from the Monterey Bay Region</p> <p>Pascual Benito, Montgomery & Associates</p> <p>Hanieh Haeri, Montgomery & Associates</p>	
6:00-7:30	President’s Reception – Poolside			

Tuesday, September 21

8:00-9:30	Gordon Cologne Breakfast (WRCA membership Meeting) Family Feud: N. Cal vs S. Cal Grudge Match		
	Outreach and Communications	Treatment	Panels
9:30-10:00	Break		
10:00-10:30	<p>Redrawing the Potable Reuse Process Flow Chart - How the Rosamond Community Service District Keeps Beneficial Reuse Simple</p> <p>Steve Perez, Rosamond CSD</p> <p>Brian Villacorta, Coombs Hopkins Company</p> <p>Greg Wood, Rosamond CSD</p>	<p>The Rise of UV/Chlorine and the Fall of UV/peroxide in Water Reuse: What is best for Your Facility</p> <p>Christine Cotton, Arcadis</p>	<p>Partnerships for Success with the Regional Recycled Water Program</p> <p>Joyce Lehman, Metropolitan Water District of Southern California</p> <p>Bruce Chalmers, Metropolitan Water District of Southern California</p> <p>Sun Liang, Metropolitan Water District of Southern California</p>
10:30-11:00	<p>Communications: To Construction...And Beyond!!</p> <p>Melanie Schumacher, Soquel Creek Water District</p> <p>Mark Millan, Data Instincts</p>	<p>Ceramic Microfiltration Allows Reuse of Challenging Wastewaters at Two U.S. Location</p> <p>Dave Holland, Aqua-Aerobic Systems</p>	<p>George Di Giovanni, Metropolitan Water District of Southern California</p> <p>Mike Liu, Los Angeles County Sanitation Districts</p> <p>Lysa Gaboudian, Los Angeles County Sanitation Districts</p>
11:00-11:30	<p>Keeping Pure Water "Fluid": How the City of San Diego Has Dynamically Adapted its Outreach Program Over the Last Decade</p> <p>Megan Drummy, Katz & Associates</p> <p>John Stufflebean, City of San Diego Public Utilities Department</p>	<p>East Bayshore Recycled Water Quality Improvements Pilot Study - Recycled Water Use in Cooling Tower</p> <p>An Bartlett, EBMUD</p> <p>John Kenny, Trussell Technologies</p>	<p>Shawn Thompson, Los Angeles County Sanitation Districts</p> <p>Rupam Soni, Metropolitan Water District of Southern California</p>

11:30–12:00	<p>Learning While Educating: A Case Study on Building the ARC Digital Water Museum</p> <p>Jennifer Swart, Water Replenishment District</p>	<p>Role of Water Recycling Facilities in Managing PFAS Circulation through the Water Cycle</p> <p>Christopher Curran, AECOM</p> <p>Vijay Sundaram, AECOM</p>	
12:00 to 1:30	Lunch – LA Water Reuse Future Panel Discussion		
1:30-2:00	Break		
	MBR in IPR Projects	Regulatory and Permitting	Panels
2:00-2:30	<p>Evaluation of MBR-based Approaches to Optimize Indirect Potable Reuse at the Joint Water Pollution Control Plant</p> <p>Colin Fitzgerald, Jacobs</p> <p>Bruce Mansell, Los Angeles County Sanitation Districts</p>	<p>Pure Water in Miramar Reservoir: Tracers and Modeling Close the Loop On Regulatory Approval</p> <p>Jeffery Pasek, City of San Diego Public Utilities Dept</p>	<p>Water Reuse Communications in 2021 and Beyond: Developments and Best Practices.</p> <p>Rupam Soni, Metropolitan Water District of Southern California</p> <p>Patsy Tennyson, Katz & Associates</p>
2:30-3:00	<p>Pathogen Credits for MBR – The Latest from the Water Research Foundation and the First Validated Tier 2 System</p> <p>Larry Morris, KUBOTA Water and Environment R&D Center USA</p>	<p>Initializing the Initial Phase: Permitting Groundwater Replenishment in LA</p> <p>Andrew Han, LADWP</p> <p>Ryan Thiha, LASAN</p> <p>Tracey Dinh, LADWP</p>	<p>Gina Ayala, Orange County Water District</p> <p>Ivonne Castillo, Metropolitan Water District of Southern California</p> <p>Ben Glickstein, East Bay Municipal Utility District</p>
3:00-3:30	<p>Morro Bay Water Reclamation Facility: Expanding the Innovative IPR Portfolio in California</p> <p>Kaitie Gellerman, Black & Veatch</p> <p>Sandeep Sathyamoorthy, Black & Veatch</p> <p>James DeCarolis, Black & Veatch</p>	<p>Maximizing Virus Credit Using the Title 22 Recycled Water Alternative Disinfection Framework for the First Potable Reuse Application</p> <p>Yan Qu, Trussell Technologies</p> <p>Bonita Fan, Inland Empire Utilities Agency</p>	<p>Stephanie Spicer, LADWP</p> <p>Rebecca Rubin, Soquel Creek Water District</p>