



# **CITY COUNCIL/SUCCESSOR AGENCY/PUBLIC FINANCE AUTHORITY MEETING AGENDA**

**February 4, 2021  
6:00 PM**

***The Mission of the City of Coalinga is to provide for the preservation of the community character by delivering quality, responsive City services, in an efficient and cost-effective manner, and to develop, encourage, and promote a diversified economic base in order to ensure the future financial stability of the City for its citizens.***

**Notice is hereby given that the City Council will hold a Regular Meeting, on February 4, 2021 in the City Council Chambers, 155 West Durian Avenue, Coalinga, CA. Persons with disabilities who may need assistance should contact the City Clerk at least 24 hours prior to the meeting at 935-1533 x113. Anyone interested in translation services should contact the City Clerk at least 24 hours prior to the meeting at 935-1533 x113.**

**The Meeting will begin at 6:00 p.m. and the Agenda will be as follows:**

## **ZOOM WEBINAR INFORMATION**

### **DESKTOP OR APP:**

**[https://us02web.zoom.us/j/85044856249?](https://us02web.zoom.us/j/85044856249?pwd=WndFWEdtL0ZrRnlHMzZLZ0QvbVRIQT09)  
[pwd=WndFWEdtL0ZrRnlHMzZLZ0QvbVRIQT09](https://us02web.zoom.us/j/85044856249?pwd=WndFWEdtL0ZrRnlHMzZLZ0QvbVRIQT09)  
Passcode: 979751**

### **TELEPHONE:**

**Dial: 1(669) 900-9128  
Webinar ID: 850 4485 6249  
Passcode: 979751**

## **1. CALL TO ORDER**

- 1. Pledge of Allegiance**
- 2. Changes to the Agenda**
- 3. Council's Approval of Agenda**

**2. AWARDS, PRESENTATIONS, APPOINTMENTS AND PROCLAMATIONS (NONE)**

**3. CITIZEN COMMENTS**

*This section of the agenda allows members of the public to address the City Council on any item within the jurisdiction of the Council. Members of the public, when recognized by the Mayor, should come forward to the lectern, identify themselves and use the microphone. Comments are normally limited to three (3) minutes. In accordance with State Open Meeting Laws, no action will be taken by the City Council this evening and all items will be referred to staff for follow up and a report.*

**4. PUBLIC HEARINGS**

1. Adopt City Council Resolution No. 4007 Approving Proceedings to Finance and Refinance Improvements to the City's Municipal Water System and to Refinance Improvements to the City's Municipal Wastewater System, Approving Issuance of Revenue Bonds by the Coalinga Public Financing Authority for such Purposes and Approving Related Documents and Official Actions and Adopt Coalinga Public Financing Authority Resolution No. PFA 21-01 Authorizing the Issuance and Sale of Revenue Bonds to Finance and Refinance Improvement to the City of Coalinga's Municipal Water System and to Refinance Improvements to the City's Municipal Wastewater System, Approving Related Documents and Official Actions

**5. CONSENT CALENDAR**

1. Approve MINUTES - January 21, 2021
2. Adopt Resolution No. 4005 Approving the City of Coalinga Debt Management and Continuing Disclosure Policies Consistent and Compliant with Section 8855(i) of the California Government Code
3. Authorize City Manager to Execute an Agreement for Remote Video Proceedings with the Superior Court of California, Fresno County for a Three Year Term
4. Direct Staff to Look into Adding a Stop Sign at Pine and Glenn and Repair Flashing Street Crossing Lights in the Area
5. Fire Department Quarterly Report

**6. ORDINANCE PRESENTATION, DISCUSSION AND POTENTIAL ACTION ITEMS**

1. Authorize the Assistant City Manager to Execute Design and Construction Engineering Task Orders with the City Engineer for the Rehabilitation of 7th Street between Forest and E. Elm Ave

**Sean Brewer, Assistant City Manager**

2. Discussion regarding City-Owned Parks

**Marissa Trejo, City Manager**

**7. ANNOUNCEMENTS**

1. City Manager's Announcements
2. Councilmembers' Announcements/Reports
3. Mayor's Announcements

**8. FUTURE AGENDA ITEMS**

## **9. CLOSED SESSION**

1. CONFERENCE WITH LABOR NEGOTIATORS – Government Code 54957.6.  
CITY NEGOTIATORS: City Manager Marissa Trejo and City Attorney Mario Zamora.  
EMPLOYEE (ORGANIZATION): Coalinga Police Officers' Association

## **10. CLOSED SESSION REPORT**

**Closed Session:** A "Closed" or "Executive" Session of the City Council, Successor Agency, or Public Finance Authority may be held as required for items as follows: personnel matters; labor negotiations; security matters; providing instructions to real property negotiators; legal counsel regarding pending litigation; and protection of records exempt from public disclosure. Closed session will be held in the Administration Building at 155 W. Durian Avenue and any announcements or discussion will be held at the same location following Closed Session.

## **11. ADJOURNMENT**

# **STAFF REPORT - CITY COUNCIL/SUCCESSOR AGENCY/PUBLIC FINANCE AUTHORITY**

**Subject:** Adopt City Council Resolution No. 4007 Approving Proceedings to Finance and Refinance Improvements to the City's Municipal Water System and to Refinance Improvements to the City's Municipal Wastewater System, Approving Issuance of Revenue Bonds by the Coalinga Public Financing Authority for such Purposes and Approving Related Documents and Official Actions and Adopt Coalinga Public Financing Authority Resolution No. PFA 21-01 Authorizing the Issuance and Sale of Revenue Bonds to Finance and Refinance Improvement to the City of Coalinga's Municipal Water System and to Refinance Improvements to the City's Municipal Wastewater System, Approving Related Documents and Official Actions

**Meeting Date:** February 4, 2021

**From:** Marissa Trejo, City Manager

**Prepared by:** Jasmin Bains, Financial Services Director

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## **I. RECOMMENDATION:**

Financial Services Director recommends adoption of City Council Resolution No. 4007 and adoption of Coalinga Public Financing Authority Resolution No. PFA 21-01

## **II. BACKGROUND:**

The City, the Redevelopment Agency of the City of Coalinga (the "City"), and the Coalinga-Huron Unified School District have heretofore entered into a joint exercise of powers agreement establishing the Coalinga Public Financing Authority (the "Authority") for the purpose, among others, of issuing its bonds to be used to provide financial assistance to the City.

The Authority has previously issued its \$12,830,000 Coalinga Public Financing Authority Revenue Bonds, Series 2012 (Water and Wastewater Financing Projects) (the "2012 Bonds"), of which \$12,200,000 principal amount is outstanding, to finance and refinance the acquisition and construction of certain improvements and facilities constituting part of the City's municipal water enterprise (the "Water System") and to finance and refinance the acquisition and construction of certain improvements and facilities constituting part of the City's municipal wastewater enterprise (the "Wastewater System").

On July 29, 2020 the City increased water rates pursuant to a 218 procedure to bring its financials into compliance, to fund water enterprise operations, and to provide sufficient revenues to support the issuance of new project bonds.

On October 15, 2020, the City passed Resolution No. 3988 authorizing the commencement of proceedings in connection with the issuance and sale of revenue bonds by the Authority to finance and refinance Water System and Wastewater System improvements. The resolution also retained a Municipal Advisor, Bond Counsel, Disclosure Counsel and an Underwriter to direct this procedure.

The City, with its Advisors, has determined that, due to current prevailing financial market conditions and for other reasons, it is in the best interests of the City to refinance its obligations to make payment with respect to



the 2012 Bonds, to provide for the advance refunding of the 2012 Bonds, and to finance the acquisition and construction of additional improvements and facilities of the Water System (the “Water Improvement Project”).

This action, if approved, will allow the Authority to issue Revenue Bonds, Series 2021A (Water and Wastewater Projects) (Federally Taxable) (the “Series 2021A Bonds”) to refund the 2012 Bonds and Revenue Bonds, Series 2021B (Water Projects) (Tax-Exempt) (the “Series 2021 Bonds” and, with the 2021A Bonds, the “2021 Bonds”) to finance the Water Improvement Project. The Bonds will be payable from and secured by payments to be made by the City under installment sale agreements, similar to the agreements executed in 2012.

### **III. DISCUSSION:**

The financing documents are being presented to the Authority Board and the City Council in near final form, as they cannot be fully completed at this time because certain critical components, such as the interest rates and debt service payments will be determined at the time the transaction is actually priced (when the 2021 Bonds are sold to Oppenheimer & Co., Inc., the Underwriter). This method of approval is the normal method of approving a bond issue in California. The individual financing documents needed to complete the financing are included as attachments and are each briefly described below.

*Acquisition Agreements and Installment Sale Agreements* - In order to provide for the repayment of the 2021 Bonds, (a) the City will sell the Water System to the Authority and the Authority will sell the Water System and the Water Improvement Project to the City pursuant to an installment sale agreement (the “Water Installment Sale Agreement”), under which the City will agree to make installment payments to the Authority payable from the net revenues of the Water System, and (b) the City will sell the Wastewater System to the Authority and the Authority will sell the Wastewater System to the City pursuant to an installment sale agreement (the “Wastewater Installment Sale Agreement”), under which the City will agree to make installment payments to the Authority payable from the net revenues of the Wastewater System. The payments to be made under the Water Installment Sale Agreement and the Wastewater Installment Sale Agreement will be calculated to be sufficient, in time and amount, to enable the Authority to pay the principal of and interest on the Series 2021 Bonds when due.

*Indenture* - Between the Authority and Wells Fargo Bank, National Association, the Trustee, under which the 2021 Bonds will be issued, fund and accounts will be established by the Trustee and payments to be made by the City under the Water Installment Sale Agreement and the Wastewater Installment Sale Agreement will be received by the Trustee and applied to pay the principal of and interest on the Series 2021 Bonds when due.

*Escrow Agreement* - Between the City and U.S. Bank National Association, as escrow bank, under which the escrow bank agrees to hold certain proceeds of the Series 2021A Bonds and to use such proceeds for the payment and redemption of the 2012 Bonds.

*Preliminary Official Statement* - As a necessary prerequisite to the public marketing and selling of the 2021 Bonds, a Preliminary Official Statement has been prepared by the City, with the assistance of disclosure counsel, the City’s municipal advisor and the Underwriter. This document describes the Authority, the City, the refunding, the Water System, the Wastewater System, the 2021 Bonds and the financing documents. Once the 2021 Bonds are priced and the sale is executed, the final details will be used to fill in the blanks of the Preliminary Official Statement, which will then be used as the basis for a final Official Statement.

*Bond Purchase Agreement* - Contains the obligation of the Underwriter to accept and pay for the 2021 Bonds, provided that all of the covenants and representations of the Authority and the City are met and certain other conditions excusing performance by the underwriter do not exist.

*Continuing Disclosure Certificate* - Contains the obligation of the City to provide financial statements and certain operating data to 2021 Bond investors, annually, via the City's appointed Dissemination Agent.

#### **IV. ALTERNATIVES:**

Determine not to adopt the resolutions and to not authorize the issuance of the 2021 Water and Wastewater Bonds.

#### **V. FISCAL IMPACT:**

The Series 2021A Bonds will reduce the debt service associated with the Water System and the Wastewater System through a reduction in interest rates. Both taxable and tax-exempt Interest rates hit all-time lows in 2020.

The refunding portion of the transaction (Series 2021A) is estimated to generate first year savings of approximately \$524,000, second year savings of approximately \$431,000, and thereafter approximately \$100,000 of annual savings through 2048. The refunding is estimated to generate total cash flow savings of approximately \$3,690,000. The net present value of the estimated savings is approximately \$1,188,000. All quoted savings estimates are net of all financing charges and transaction expenses. The City's Debt Management Policy, to be enacted at this meeting, sets a threshold of net present value savings of at least 3% of the bonds being refunded to justify such a refunding. This refunding is projected to exceed that threshold and generate over 9% net present value of savings. The refunding bonds will be taxable and are estimated to sell at an average interest rate of approximately 3.57%. Total debt service on the Series 2021A Bonds is estimated to be in the approximate amount of \$18,820,000 (approximately \$3.690 million less than the total remaining debt service on the 2012 Bonds).

The Water Improvement Project portion of the transaction (Series 2021B) will generate \$7,000,000 in project funds. The new project bonds are tax-exempt and are estimated to sell at an average interest rate of approximately 3.35%. Total Debt Service on the Series 2021B is estimated to be in the approximate amount of \$12,142,000.

#### **ATTACHMENTS:**

File Name	Description
<input type="checkbox"/> Coalinga_2-4_Presentation.pdf	Presentation
<input type="checkbox"/> RESO#PFA_21-01_AuthorityRes_2021_Water_and_Wastewater_Bonds_020421.pdf	Resolution No. PFA 21-01 CPFA Resolution for 2021 Wtr & WW Bonds
<input type="checkbox"/> RESO#4007_CityResolution_for_2021_Water_and_Wastewater_Bonds_020421.pdf	Resolution No. 4007 City Resolution for 2021 Wtr & WW Bonds
<input type="checkbox"/> Water_Acquisition_Agreement.pdf	Water Acquisition Agreement
<input type="checkbox"/> Wastewater_Acquisition_Agreement.pdf	Wastewater Acquisition Agreement
<input type="checkbox"/> Water_Installment_Sale_Agreement.pdf	Water Installment Sale Agreement
<input type="checkbox"/> Wastewater_Installment_Sale_Agreement.pdf	Wastewater Installment Sale Agreement
<input type="checkbox"/> Indenture_of_Trust.pdf	Indenture of Trust
<input type="checkbox"/> Escrow_Agreement.pdf	Escrow Agreement
<input type="checkbox"/> Bond_Purchase_Agreement.pdf	Bond Purchase Agreement
<input type="checkbox"/> Continuing_Disclosure_Certificate.pdf	Continuing Disclosure Certificate
<input type="checkbox"/> Coalinga_Preliminary_Official_Statement.pdf	Preliminary Official Statement

# City of Coalinga



**Coalinga Public Financing Authority  
Revenue Refunding Bonds, Series 2021A  
(Water and Wastewater Financing Projects)  
(Federally Taxable)**

**Coalinga Public Financing Authority  
Revenue Bonds, Series 2021B  
(Water Project)  
(Tax-Exempt)**

*February 4, 2021*

# Background

- Coalinga Public Financing Authority (“the Authority”) is a JPA comprised of the City, the Coalinga-Huron Unified School District, and the Redevelopment Agency of the City of Coalinga
- The purpose of the Authority, among other things, is to issue bonds to support City initiatives
- In 2012, the Authority issued \$12,830,000 in bonds to finance and refinance the acquisition and construction of improvements and facilities for the Water and Wastewater Enterprises
- The Authority can refinance the 2012 Bonds on a taxable basis to achieve interest savings

## Background cont.

- On July 29, 2020, the City increased water and sewer rates pursuant to a 218 procedure (effective November 1, 2021), to bring its financials into compliance, to fund Water and Sewer Enterprise operations, and to provide sufficient revenues to support the issuance of new project bonds to support the Water Enterprise of the City
- The Authority intends to finance \$7 million in new project funds to support Water Enterprise projects with a tax-exempt bond offering
- The Authority can refinance the 2012 Bonds and finance the new project funds as a single bond offering, comprised of a taxable series and a tax-exempt series
- On October 15, 2020, the City passed a resolution authorizing the commencement of proceedings in regards to the financing and refinancing project

# Underwriter Market Update

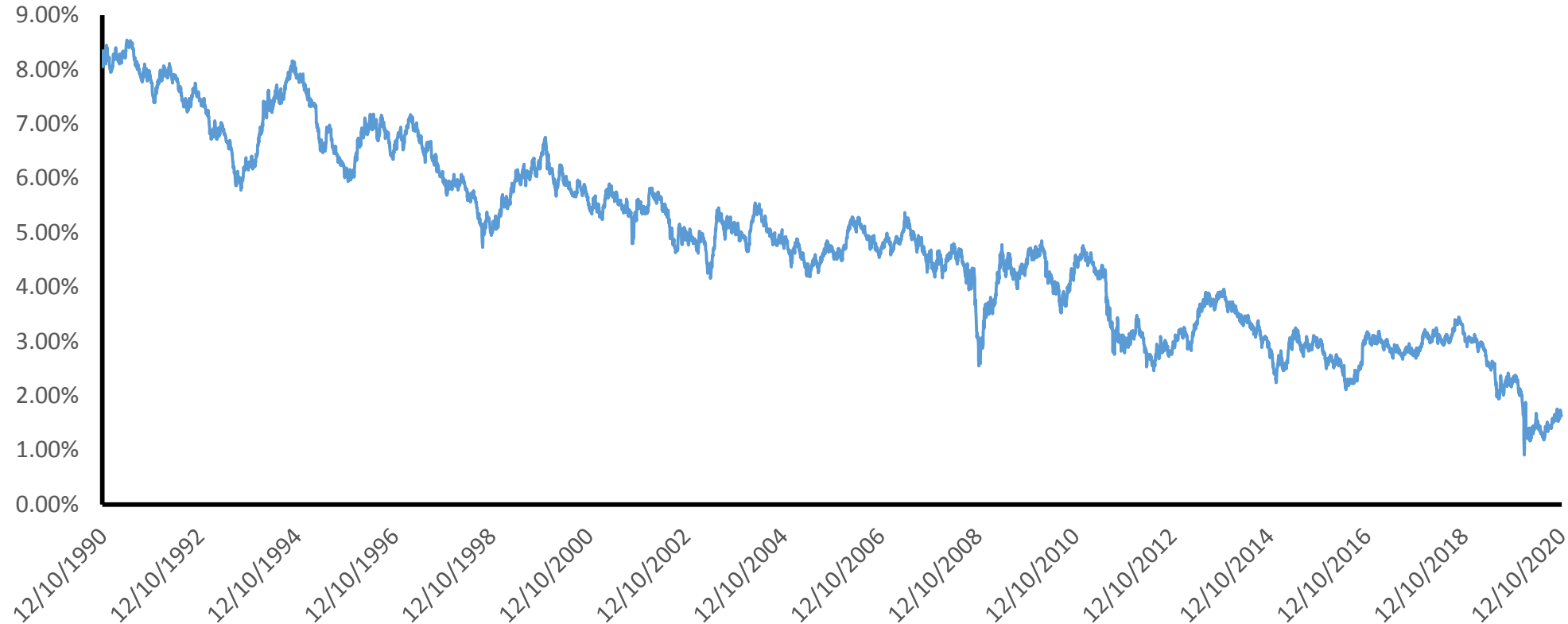
Brandis Tallman, a Division of Oppenheimer & Co. Inc.

# How Municipal Bonds are Priced

- Taxable bonds are priced off of Treasury yields
  - Treasury yield + spread = taxable yield
  - Spread is determined by the credit of the issue and comparable issues being sold at the time
  - i.e., for a 30-year maturity:
    - 1.87% (30-year Treasury yield) + 250bps (spread) = 4.37% yield
- Tax-exempt bonds are priced off of the Municipal Market Data (MMD)
  - MMD is a national average of AAA GO Bond yields
  - MMD + spread = tax-exempt yield
  - Spread is determined by the credit of the issue and comparable issues being sold at the time
  - i.e., for a 30-year maturity:
    - 1.38% (30-year MMD) + 130bps (spread) = 2.68% yield
- Treasury yields and the MMD typically trend in the same direction, but not always

# Market Rates – 30 Year Treasury History

December 1990 to December 2020



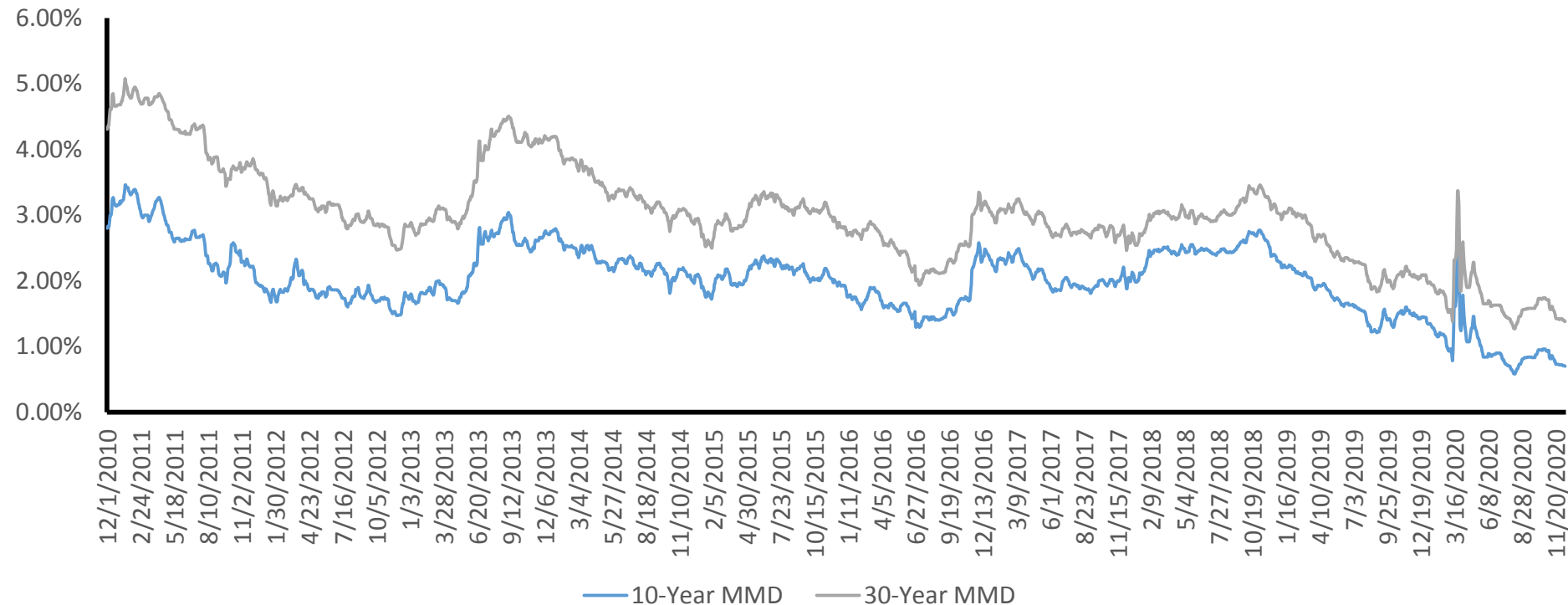
Source: 2020 Thomas Reuters, Municipal Market Data

**Since December 1990, the 30-year UST has been below current levels only 1.06% of the time.**



# Market Rates – 10-Year and 30-Year MMD History

December 2010 to December 2020



	10-Year MMD	30-Year MMD
<b>10-Year Low</b> <b>08/11/2020</b>	0.58%*	1.27%*
<b>10-Year High</b> <b>01/14/2011</b>	3.46%	5.08%
<b>Current Levels</b> <b>(2/2/2021)</b>	0.71%	1.38%

\*All-Time Lows

Source: 2020 Thomas Reuters, Municipal Market Data

# Recent Highlights in the Municipal Bond Market



## Overview of 2020

- Municipal bond market saw a record-breaking \$474 billion come to market in 2020, passing the previous record of \$448 billion set in 2017.
- High volume in 2020 was a result of municipalities wanting to take advantage of the low interest rate environment.
- Net inflows into mutual bond municipal bond funds, a key identifier of demand of municipal bonds, was also strong for most of the year.
- In 2020, Net inflows into municipal bond mutual funds totaled over \$23 billion (inclusive of \$31 billion of outflows in March and April).
- Since the end of April, municipal bond mutual funds have had only three weeks of net outflows.

## 2021 So Far

- In the first month of the year, bond supply has dropped off, whereas inflows into municipal bond mutual funds has increased.
- The dip in bond volume is a result of a lull after such a busy year in 2020. Many issuers rushed to market ahead of the Presidential Election in November, and volume has dragged since then.
- On the other hand, weekly inflows into municipal bond mutual funds have been over \$1 billion for six straight weeks, and over \$2 billion for three straight weeks.
- The rise in demand is a result of municipal bonds becoming more desirable since a Democratic President and Democratic controlled Senate increases the chances of a tax increase on the wealthy.
- The current supply-demand imbalance has been the story of 2021, and have kept MMD yields low.
- Treasury yields on the other hand have increased, as investors believe a Democratic President and Democratic controlled Senate will lead to more fiscal spending.

	10-Year MMD	30-Year MMD	10-Year Treas.	30-Year Treas.
Dec. 31, 2020	0.71%	1.39%	0.92%	1.65%
Feb 2, 2021	0.73%	1.38%	1.10%	1.87%
Change (bps)	+2	-1	+18	+22

# Revenue Bonds, Series 2021B

Water Project Financing



# Series 2021B Bonds – *Sources & Uses*

Coalinga Public Finance Authority Revenue Bonds, Series 2021B (Tax-Exempt)	
Sources & Uses	
	Water Enterprise Project
<b>Sources</b>	
Par Amount	6,375,000
Premium	834,671
<b>Total Sources</b>	<b>7,209,671</b>
<b>Uses</b>	
Project Fund	7,000,000
Cost of Issuance	90,196
Underwriter's Discount	51,000
Bond Insurance & Surety	68,474
	209,671
<b>Total Uses</b>	<b>7,209,671</b>
Dated Date	3/16/2021
Delivery Date	3/16/2021

*Numbers were run on January 19, 2021 at current market rates by Brandis Tallman, a Division of Oppenheimer & Co. Inc.*

*All figures are preliminary, estimated, and subject to change.*

# Series 2021B Bonds – *Estimated Bond Debt Service*

Coalinga Public Financing Authority Revenue Bonds, Series 2021B (Tax-Exempt)					
Estimated New Bonds Debt Service					
Period Ending	Water Enterprise Proejct				
	Principal	Coupon	Yield	Interest	Debt Service
Apr-22	-			265,625	265,625
Apr-23	20,000	4.00%	0.87%	255,000	275,000
Apr-24	80,000	4.00%	0.91%	254,200	334,200
Apr-25	75,000	4.00%	0.97%	251,000	326,000
Apr-26	80,000	4.00%	1.07%	248,000	328,000
Apr-27	85,000	4.00%	1.19%	244,800	329,800
Apr-28	85,000	4.00%	1.35%	241,400	326,400
Apr-29	90,000	4.00%	1.49%	238,000	328,000
Apr-30	90,000	4.00%	1.63%	234,400	324,400
Apr-31	110,000	4.00%	1.74%	230,800	340,800
Apr-32	115,000	4.00%	1.83%	226,400	341,400
Apr-33	120,000	4.00%	1.95%	221,800	341,800
Apr-34	125,000	4.00%	2.09%	217,000	342,000
Apr-35	130,000	4.00%	2.19%	212,000	342,000
Apr-36	135,000	4.00%	2.28%	206,800	341,800
Apr-37	140,000	4.00%	2.32%	201,400	341,400
Apr-38	150,000	4.00%	2.36%	195,800	345,800
Apr-39	155,000	4.00%	2.40%	189,800	344,800
Apr-40	165,000	4.00%	2.44%	183,600	348,600
Apr-41	170,000	4.00%	2.48%	177,000	347,000
Apr-42	175,000	4.00%	2.62%	170,200	345,200
Apr-43	175,000	4.00%	2.62%	163,200	338,200
Apr-44	185,000	4.00%	2.62%	156,200	341,200
Apr-45	195,000	4.00%	2.62%	148,800	343,800
Apr-46	195,000	4.00%	2.62%	141,000	336,000
Apr-47	210,000	4.00%	2.67%	133,200	343,200
Apr-48	220,000	4.00%	2.67%	124,800	344,800
Apr-49	930,000	4.00%	2.67%	116,000	1,046,000
Apr-50	965,000	4.00%	2.67%	78,800	1,043,800
Apr-51	1,005,000	4.00%	2.67%	40,200	1,045,200
<b>Total:</b>	<b>6,375,000</b>			<b>5,767,225</b>	<b>12,142,225</b>

*Numbers were run on January 19, 2021  
at current market rates by Brandis  
Tallman, a Division of Oppenheimer &  
Co. Inc.*

*All figures are preliminary, estimated,  
and subject to change.*



**WULFF, HANSEN & Co.**  
ESTABLISHED 1931

# Revenue Bonds, Series 2021A

Refunding of 2012 Water and Wastewater Bonds

# Series 2021A Bonds – *Sources & Uses*

Coalinga Public Finance Authority Revenue Bonds, Series 2021A (Taxable)	
Sources & Uses	
	Refunding of 2012 Bonds
<b>Sources</b>	
Par Amount	11,945,000
Prior Reserve Fund	826,000
Contrib. of Prior Project Fund	700,000
<b>Total Sources</b>	<b>13,471,000</b>
<b>Uses</b>	
Refunding Escrow Deposit	13,078,192
Cost of Issuance	168,946
Underwriter's Discount	95,560
Bond Insurance & Surety	128,302
	392,808
<b>Total Uses</b>	<b>13,471,000</b>
Dated Date	3/16/2021
Delivery Date	3/16/2021

*Numbers were run on January 19, 2021  
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Tallman, a Division of Oppenheimer &  
Co. Inc.*

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# Series 2021A Bonds – *Estimated Bond Debt Service*

Coalinga Public Financing Authority Revenue Bonds, Series 2021B (Tax-Exempt)				
Estimated New Bonds Debt Service				
Period Ending	Refunding of 2012 Bonds			
	Principal	Yield	Interest	Debt Service
Apr-22	-		394,082	394,082
Apr-23	335,000	1.03%	378,319	713,319
Apr-24	340,000	1.19%	374,868	714,868
Apr-25	350,000	1.51%	370,822	720,822
Apr-26	355,000	1.76%	365,537	720,537
Apr-27	360,000	1.95%	359,289	719,289
Apr-28	370,000	2.16%	352,269	722,269
Apr-29	375,000	2.36%	344,277	719,277
Apr-30	385,000	2.51%	335,427	720,427
Apr-31	380,000	2.61%	325,764	705,764
Apr-32	390,000	2.74%	315,846	705,846
Apr-33	400,000	2.89%	305,160	705,160
Apr-34	410,000	2.99%	293,600	703,600
Apr-35	425,000	3.09%	281,341	706,341
Apr-36	435,000	3.19%	268,208	703,208
Apr-37	450,000	3.59%	254,332	704,332
Apr-38	465,000	3.59%	238,177	703,177
Apr-39	480,000	3.59%	221,483	701,483
Apr-40	495,000	3.59%	204,251	699,251
Apr-41	515,000	3.59%	186,481	701,481
Apr-42	535,000	3.89%	167,992	702,992
Apr-43	560,000	3.89%	147,181	707,181
Apr-44	580,000	3.89%	125,397	705,397
Apr-45	600,000	3.89%	102,835	702,835
Apr-46	630,000	3.89%	79,495	709,495
Apr-47	650,000	4.15%	54,988	704,988
Apr-48	675,000	4.15%	28,013	703,013
<b>Total:</b>	<b>11,945,000</b>		<b>6,875,426</b>	<b>18,820,426</b>

*Numbers were run on January 19, 2021  
at current market rates by Brandis  
Tallman, a Division of Oppenheimer &  
Co. Inc.*

*All figures are preliminary, estimated,  
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**WULFF, HANSEN & Co.**  
ESTABLISHED 1931



# Series 2021A Bonds – *Estimated Savings*

Period Ending	Refunding of 2012 Bonds (Water)			Refunding of 2012 Bonds (Wastewater)			Combined
	2012 Bonds Debt Service (Water)	Estimated New Bond Debt Service (Water)	Estimated Savings	2012 Bonds Debt Service (Wastewater)	Estimated New Bond Debt Service (Wastewater)	Estimated Savings	Combined Estimated Savings
Apr-21	397,278	-	397,278	127,149	-	127,149	524,426
Apr-22	628,180	317,269	310,911	197,235	76,813	120,423	431,333
Apr-23	621,205	574,579	46,627	200,104	138,740	61,364	107,990
Apr-24	623,825	576,798	47,028	197,644	138,071	59,573	106,601
Apr-25	625,750	578,525	47,225	200,094	142,297	57,797	105,022
Apr-26	627,000	579,297	47,703	197,250	141,240	56,010	103,713
Apr-27	626,500	579,281	47,219	199,000	140,008	58,992	106,211
Apr-28	625,500	578,626	46,874	200,500	143,643	56,857	103,731
Apr-29	629,000	582,254	46,746	196,750	137,023	59,727	106,473
Apr-30	626,750	580,056	46,694	198,000	140,371	57,629	104,323
Apr-31	614,000	567,275	46,725	194,000	138,489	55,512	102,237
Apr-32	616,250	569,315	46,936	195,000	136,531	58,469	105,405
Apr-33	612,750	565,684	47,067	195,750	139,476	56,274	103,341
Apr-34	613,750	566,436	47,315	196,250	137,164	59,086	106,401
Apr-35	614,000	566,569	47,432	196,500	139,772	56,728	104,160
Apr-36	613,500	566,063	47,438	196,500	137,146	59,355	106,792
Apr-37	612,250	564,898	47,353	196,250	139,434	56,816	104,169
Apr-38	615,250	566,974	48,277	195,750	136,203	59,547	107,824
Apr-39	612,250	563,511	48,739	195,000	137,972	57,028	105,767
Apr-40	613,500	564,690	48,811	194,000	134,562	59,439	108,249
Apr-41	613,750	565,330	48,421	192,750	136,151	56,599	105,020
Apr-42	613,000	565,431	47,569	196,250	137,561	58,689	106,258
Apr-43	616,250	568,704	47,546	194,250	138,477	55,774	103,320
Apr-44	618,250	571,199	47,051	192,000	134,198	57,803	104,854
Apr-45	614,000	567,916	46,084	194,500	134,919	59,582	105,666
Apr-46	613,750	569,050	44,701	196,500	140,445	56,055	100,756
Apr-47	617,250	569,405	47,845	193,000	135,583	57,418	105,263
Apr-48	614,250	567,618	46,633	194,250	135,395	58,855	105,488
<b>Total</b>	<b>17,088,988</b>	<b>15,152,747</b>	<b>1,936,241</b>	<b>5,422,225</b>	<b>3,667,680</b>	<b>1,754,546</b>	<b>3,690,786</b>

Present Value of Savings: \$2,708,877  
 Net Present Value of Savings: \$1,188,818  
 NPV as % of Refunded Bonds: 9.74%\*

*\*The Debt Management Policy, when approved, suggests minimum of 3% NPV Savings to justify refundings*

*2021 Savings to the Water Enterprise will be used, in combination with existing funds, to purchase water that was previously expected to be financed with additional Bonds*

*Numbers were run on January 19, 2021 at current market rates by Brandis Tallman, a Division of Oppenheimer & Co. Inc.*

*All figures are preliminary, estimated, and subject to change*

# Combined Financing

Series 2021A & 2021B

# Series 2021A & 2021B – *Estimated Combined Debt Service*

Coalinga Public Financing Authority Revenue Bonds, Series 2021A & 2021B			
Estimated New Bonds Debt Service			
Period Ending	Combined Estimated Debt Service		
	Principal	Interest	Debt Service
Apr-22	-	659,707	659,707
Apr-23	355,000	633,319	988,319
Apr-24	420,000	629,068	1,049,068
Apr-25	425,000	621,822	1,046,822
Apr-26	435,000	613,537	1,048,537
Apr-27	445,000	604,089	1,049,089
Apr-28	455,000	593,669	1,048,669
Apr-29	465,000	582,277	1,047,277
Apr-30	475,000	569,827	1,044,827
Apr-31	490,000	556,564	1,046,564
Apr-32	505,000	542,246	1,047,246
Apr-33	520,000	526,960	1,046,960
Apr-34	535,000	510,600	1,045,600
Apr-35	555,000	493,341	1,048,341
Apr-36	570,000	475,008	1,045,008
Apr-37	590,000	455,732	1,045,732
Apr-38	615,000	433,977	1,048,977
Apr-39	635,000	411,283	1,046,283
Apr-40	660,000	387,851	1,047,851
Apr-41	685,000	363,481	1,048,481
Apr-42	710,000	338,192	1,048,192
Apr-43	735,000	310,381	1,045,381
Apr-44	765,000	281,597	1,046,597
Apr-45	795,000	251,635	1,046,635
Apr-46	825,000	220,495	1,045,495
Apr-47	860,000	188,188	1,048,188
Apr-48	895,000	152,813	1,047,813
Apr-49	930,000	116,000	1,046,000
Apr-50	965,000	78,800	1,043,800
Apr-51	1,005,000	40,200	1,045,200
<b>Total:</b>	<b>18,320,000</b>	<b>12,642,651</b>	<b>30,962,651</b>

*Numbers were run on January 19, 2021  
at current market rates by Brandis  
Tallman, a Division of Oppenheimer &  
Co. Inc.*

*All figures are preliminary, estimated,  
and subject to change.*

## 5852.1 Disclosures

True Interest Cost of the Bonds:	3.42%
Financing Charges (Cost of Issuance):	\$593,336.82
Net Proceeds to be Received for the Bonds:	\$18,561,333.98
Total Payment Amount through Maturity:	\$30,962,651.27

# Debt Service Coverage

Water Enterprise

# Debt Service Coverage – *Water Enterprise*

## COALINGA WATER ENTERPRISE FUND

For the Fiscal Years Ending June 30,

	2017	2018	2019	2020	2021	2022	2023	2024	2025
	<u>Audited</u>	<u>Audited</u>	<u>Audited</u>	<u>Preliminary<sup>1</sup></u>	<u>Projected</u>	<u>Projected</u>	<u>Projected</u>	<u>Projected</u>	<u>Projected</u>
<b>Revenues:</b>						See "Rev by Mo" Tab for increases			
Treated Water Production (MG)	1,184	1,219	1,224	1,258	1,250	1,250	1,250	1,250	1,250
Rate-Based Revenues	\$4,345,215	\$4,595,645	\$4,487,270	\$4,495,549	\$4,970,000	\$5,550,000	\$5,990,000	\$6,320,000	\$6,510,000
Untreated Water Sales	124,265	764,252	699,933	1,124,695	447,600	537,600	537,600	537,600	537,600
Acct Services & Misc	158,200	300	563	0	1,000	1,000	1,000	1,000	1,000
Impact Fee Revenue	54,257	170,345	192,301	12,883	-	-	-	-	-
Miscellaneous Revenue	-	750	3,267	8,413	1,500	1,500	1,500	1,500	1,500
Interest Income	2,361	16,687	48,987	33,150	1,000	5,000	5,000	5,000	5,000
Installation Charges	2,775	10,150	20,986	1,575	10,000	10,000	10,000	10,000	10,000
Total Operating Revenue	4,687,073	5,558,129	5,453,307	5,676,265	5,431,100	6,105,100	6,545,100	6,875,100	7,065,100
<b>Operation &amp; Maintenance Expenses:</b>									
PG&E Electricity	727,188	643,174	666,000	708,848	730,000	752,000	775,000	798,000	822,000
Westlands Canal Fees	177,866	118,050	212,500	185,400	385,000	280,000	280,000	280,000	280,000
Contractual Services	412,635	576,546	632,372	830,162	500,000	515,000	530,000	546,000	562,000
Personnel	1,031,102	1,031,380	981,262	1,108,154	1,163,562	1,386,000	1,455,000	1,528,000	1,604,000
Supplies and Material	715,321	725,350	762,481	823,654	974,000	1,003,000	1,033,000	1,064,000	1,096,000
Cost of Wholesale Water	606,223	1,222,594	1,257,876	1,390,000	1,040,000	1,071,000	1,103,000	1,136,000	1,170,000
Bad Debt	49,167	102,226	0	0	75,000	75,000	75,000	75,000	75,000
Total Operating Expenses	3,719,502	4,419,320	4,512,491	5,046,218	4,867,562	5,082,000	5,251,000	5,427,000	5,609,000
<b>Net Revenue Available for Debt Service</b>	<b>967,571</b>	<b>1,138,809</b>	<b>940,816</b>	<b>630,047</b>	<b>563,538</b>	<b>1,023,100</b>	<b>1,294,100</b>	<b>1,448,100</b>	<b>1,456,100</b>
<b>Debt Service</b>									
1993 Bonds	242,784	-	-	-	-	-	-	-	-
2012 Bonds	470,493	625,493	625,610	625,330	227,278	-	-	-	-
2021A Bonds	-	-	-	-	-	317,269	574,579	576,798	578,525
2021B Bonds	-	-	-	-	-	265,625	275,000	334,200	326,000
<b>Total Debt Service</b>	<b>\$713,277</b>	<b>\$625,493</b>	<b>\$625,610</b>	<b>\$625,330</b>	<b>\$227,278</b>	<b>\$582,894</b>	<b>\$849,579</b>	<b>\$910,998</b>	<b>\$904,525</b>
<b>Debt Service Coverage Ratio</b>	<b>1.36</b>	<b>1.82</b>	<b>1.50</b>	<b>1.01</b>	<b>2.48</b>	<b>1.76</b>	<b>1.52</b>	<b>1.59</b>	<b>1.61</b>
<b>Excess Cash After Debt Service</b>	<b>\$254,294</b>	<b>\$513,316</b>	<b>\$315,206</b>	<b>\$4,717</b>	<b>\$336,260</b>	<b>\$440,206</b>	<b>\$444,522</b>	<b>\$537,103</b>	<b>\$551,575</b>

*Debt Service Coverage numbers were prepared by IG Service on February 1, 2021*

# Debt Service Coverage

Wastewater Enterprise

# Debt Service Coverage – *Wastewater Enterprise*

## COALINGA SEWER ENTERPRISE FUND

### Audited Historical Statement of Revenues and Expenses

For the Fiscal Years Ending June 30,

	2016 <u>Audited</u>	2017 <u>Audited</u>	2018 <u>Audited</u>	2019 <u>Audited</u>	2020 <u>Preliminary</u>	2021 <u>Projected</u>	2022 <u>Projected</u>	2023 <u>Projected</u>	2024 <u>Projected</u>	2025 <u>Projected</u>
<b>Revenues:</b>							<i>See "Rev by Mo" Tab for increases</i>			
Total Operating Revenue	1,072,797	\$1,187,091	\$1,191,108	\$1,004,633	\$1,115,346	\$1,362,750	\$1,599,133	\$1,647,106	\$1,696,520	\$1,747,415
Impact Fee Revenue	-	-	454,983	525,796	34,866	-	-	-	-	-
Investment Earnings	1,375	6,340	23,688	14,694	29,483	15,000	15,000	15,000	15,000	15,000
Rental Income & Misc	45,400	22,700	46,863	20,918	11,350	34,000	20,000	20,000	20,000	20,000
Rate Stabilization Fund <sup>1</sup>	-	-	-	-	300,000	-	-	-	-	-
	\$1,119,572	\$1,216,131	\$1,716,642	\$1,566,041	\$1,491,045	\$1,411,750	\$1,634,133	\$1,682,106	\$1,731,520	\$1,782,415
<b>Operation &amp; Maintenance Expenses:</b>										
Contractual Services and Utilities	153,791	206,610	327,218	298,288	308,365	330,000	340,000	350,000	361,000	372,000
Personnel	376,221	382,786	477,267	466,460	542,695	569,830	700,000	735,000	772,000	811,000
Supplies and Material	270,956	124,009	191,955	148,279	190,133	250,000	258,000	266,000	274,000	282,000
Bad Debt	13,866	15,017	45,341	0	0	30,000	30,000	30,000	30,000	30,000
Total Operating Expenses	814,834	728,422	1,041,781	913,027	1,041,193	1,179,830	1,328,000	1,381,000	1,437,000	1,495,000
Net Income Available for Debt Service	304,738	487,709	674,861	653,014	449,852	231,920	306,133	301,106	294,520	287,415
<b>Debt Service</b>										
2012 Bonds	149,285	149,273	199,273	197,698	196,048	72,149	-	-	-	-
2021A Bonds	-	-	-	-	-	-	100,709	153,212	152,393	156,373
Total Debt Service	149,285	149,273	199,273	197,698	196,048	72,149	100,709	153,212	152,393	156,373
Debt Service Coverage Ratio	2.04	3.27	3.39	3.30	2.29	3.21	3.04	1.97	1.93	1.84
Net Revenue After Debt Service	155,453	338,436	475,588	455,316	253,804	159,771	205,424	147,894	142,127	131,043

*Debt Service Coverage numbers were prepared by IG Service on February 1, 2021*

# Next Steps

- February 8<sup>th</sup>
  - Rating call with S&P Global Ratings
- February 19<sup>th</sup>
  - Finalize Rating, Bond Insurance & Surety
- February 23<sup>rd</sup>
  - Mail Preliminary Official Statement
- March 2<sup>nd</sup>
  - Pre-pricing
- March 3<sup>rd</sup>
  - Pricing and signing of purchase agreement
- March 15<sup>th</sup>
  - Pre-close
- March 16<sup>th</sup>
  - Close financing



**RESOLUTION NO. PFA 20-01**

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE COALINGA PUBLIC FINANCING  
AUTHORITY AUTHORIZING THE ISSUANCE AND SALE OF REVENUE BONDS TO FINANCE AND  
REFINANCE IMPROVEMENTS TO THE CITY OF COALINGA'S MUNICIPAL WATER SYSTEM AND TO  
REFINANCE IMPROVEMENTS TO THE CITY'S MUNICIPAL WASTEWATER SYSTEM, APPROVING  
RELATED DOCUMENTS AND OFFICIAL ACTIONS**

**RESOLVED**, by the Board of Directors (the "Board") of the Coalinga Public Financing Authority (the "Authority"), as follows:

**WHEREAS**, the City of Coalinga (the "City"), the Redevelopment Agency of the City of Coalinga and the Coalinga-Huron Unified School District have heretofore entered into a joint exercise of powers agreement establishing the Authority for the purpose, among others, of issuing its bonds to be used to provide financial assistance to the City;

**WHEREAS**, the Authority has previously issued its \$12,830,000 Coalinga Public Financing Authority Revenue Bonds, Series 2012 (Water and Wastewater Financing Projects) (the "2012 Bonds"), of which \$12,200,000 principal amount is outstanding, to finance and refinance the acquisition and construction of certain improvements and facilities constituting part of the City's municipal water enterprise (the "Water System") and to finance and refinance the acquisition and construction of certain improvements and facilities constituting part of the City's municipal wastewater enterprise (the "Wastewater System");

**WHEREAS**, the principal of and interest on the 2012 Bonds are paid from revenues derived from installment payments made by the City under an installment sale agreement secured by a pledge of the net revenues of the Water System and installment payments made by the City under an installment sale agreement secured by a pledge of the net revenues of the Wastewater System;

**WHEREAS**, the City has determined that, due to prevailing financial market conditions and for other reasons, it is in the best interests of the City to (a) refinance its obligations to make payment with respect to the 2012 Bonds and to provide for the advance refunding of the 2012 Bonds, and (b) finance the acquisition and construction of additional improvements and facilities of the Water System (the "Water Improvement Project");

**WHEREAS**, for the purpose of raising funds necessary to provide such financial assistance to the City, the Authority proposes to authorize the issuance of its revenue bonds under the provisions of Article 4 (commencing with section 6584) of Chapter 5 of Division 7 of Title 1 of the California Government Code, designated as the Coalinga Public Financing Authority Revenue Bonds, Series 2021A (Water and Wastewater Financing Projects) (Federally Taxable) (the "Series A Bonds"), and the Coalinga Public Financing Authority Revenue Bonds, Series 2021B (Water Project) (Tax-Exempt) (the "Series B Bonds" and, with the Series A Bonds, the "Bonds"), all pursuant to and secured by an indenture of trust, by and between the Authority and Wells Fargo Bank, National Association, as trustee;

**WHEREAS**, in order to provide for the repayment of the Bonds, (a) the City will sell the Water System to the Authority and the Authority will sell the Water System and the Water Improvement Project to the City pursuant to an installment sale agreement (the "Water Installment Sale Agreement"), under which the City will agree to make installment payments to the Authority payable from the net revenues of the Water System, and (b) the City will sell the Wastewater System to the Authority and the Authority will sell the Wastewater System to the City pursuant to an installment sale agreement (the "Wastewater Installment Sale Agreement"), under which the City will agree to make

installment payments to the Authority payable from the net revenues of the Wastewater System which payments, together with the payments under the Water Installment Sale Agreement, will be calculated to be sufficient, in time and amount, to enable the Authority to pay the principal of and interest and premium (if any) on the Bonds when due and payable;

**WHEREAS**, the form of an official statement (the "Official Statement") describing the Authority, the City, the Water System, the Wastewater System, the Bonds and other matters, to be used in connection with the marketing of the Bonds, has been prepared and presented to the City;

**WHEREAS**, the firm of Oppenheimer & Co., Inc. (the "Underwriter") has proposed to purchase and underwrite the Bonds and has presented to the City a form of bond purchase agreement for the Bonds, to be entered into among the Authority, the City and the Underwriter (the "Bond Purchase Agreement");

**WHEREAS**, the Board has duly considered such transactions and wishes at this time to approve said transactions in the public interests of the Authority; and

**WHEREAS**, pursuant to section 5852.1 of the Government Code, which became effective on January 1, 2018 by the enactment of Senate Bill 450, certain information relating to the Bonds is set forth in Appendix A attached to this Resolution, and such information is hereby disclosed and made public;

**NOW, THEREFORE, it is hereby ORDERED and DETERMINED**, as follows:

Section 1. Issuance of Bonds; Approval of Indenture. The Board hereby authorizes the issuance of the Bonds under and pursuant to the Bond Law and the Indenture in the aggregate principal amount of not to exceed \$21,000,000 for the purpose of providing funds to enable the City to refund the 2012 Bonds, finance the Water Improvement Project so long as (a) the final maturity date of the Bonds is not later than April 1, 2051, and (b) the portion of the Bonds issued to refund the 2012 Bonds produces present value savings of not less than 3.0% as compared to the 2012 Bonds. The Board hereby approves the Indenture in the form on file with the Secretary, together with such additions thereto and changes therein as the Chairperson, the Executive Director or the Treasurer, or any designee thereof (the "Designated Officers") shall deem necessary, desirable or appropriate, the execution of which by the Authority shall be conclusive evidence of the approval of any such additions and changes. The Designated Officers, each acting alone, are hereby authorized and directed to execute, and the Secretary is hereby authorized and directed to attest and affix the seal of the Authority to, the final form of the Indenture for and in the name and on behalf of the Authority. The Board hereby authorizes the delivery and performance of the Indenture.

Section 2. Approval of Acquisition Agreements.

(a) The Board hereby approves an acquisition agreement, by and between the City and the Authority, pursuant to which the City will sell the Water System to the Authority (the "Water Acquisition Agreement"), in the form on file with the Secretary, together with such additions thereto and changes therein as any Designated Officer shall deem necessary, desirable or appropriate, the execution of which by the Authority shall be conclusive evidence of the approval of any such additions and changes. The Designated Officers, each acting alone, are hereby authorized and directed to execute, and the Secretary is hereby authorized and directed to attest to, the final form of the Water Acquisition Agreement for and in the name and on behalf of the Authority. The Board hereby authorizes the delivery and performance of the Water Acquisition Agreement.

(b) The Board hereby approves an acquisition agreement, by and between the City and the Authority, pursuant to which the City will sell the Wastewater System to the Authority (the "Wastewater Acquisition Agreement"), in the form on file with the Secretary, together with such additions thereto and changes therein as any Designated Officer shall deem necessary, desirable or appropriate, the execution of which by the Authority shall be conclusive evidence of the approval of any such additions and changes. The Designated Officers, each acting alone, are hereby authorized

and directed to execute, and the Secretary is hereby authorized and directed to attest to, the final form of the Wastewater Acquisition Agreement for and in the name and on behalf of the Authority. The Board hereby authorizes the delivery and performance of the Wastewater Acquisition Agreement.

Section 3. Approval of Installment Sale Agreements.

(a) The Board hereby approves the Water Installment Sale Agreement in the form on file with the Secretary, together with such additions thereto and changes therein as the Designated Officers shall deem necessary, desirable or appropriate, the execution of which by the Authority shall be conclusive evidence of the approval of any such additions and changes. The Designated Officers, each acting alone, are hereby authorized and directed to execute, and the Secretary is hereby authorized and directed to attest and affix the seal of the Authority to, the final form of the Water Installment Sale Agreement for and in the name and on behalf of the Authority. The Board hereby authorizes the delivery and performance of the Water Installment Sale Agreement.

(b) The Board hereby approves the Wastewater Installment Sale Agreement in the form on file with the Secretary, together with such additions thereto and changes therein as the Designated Officers shall deem necessary, desirable or appropriate, the execution of which by the Authority shall be conclusive evidence of the approval of any such additions and changes. The Designated Officers, each acting alone, are hereby authorized and directed to execute, and the Secretary is hereby authorized and directed to attest and affix the seal of the Authority to, the final form of the Wastewater Installment Sale Agreement for and in the name and on behalf of the Authority. The Board hereby authorizes the delivery and performance of the Wastewater Installment Sale Agreement.

Section 4. Sale of Bonds. The Board hereby approves the sale of the Bonds by the Authority by negotiation with the Underwriter, pursuant to the Bond Purchase Agreement in the form on file with the Secretary, together with such additions thereto and changes therein as any designated Officer shall deem necessary, desirable or appropriate, the execution of which by the Authority shall be conclusive evidence of the approval of any such additions and changes. The Designated Officers, each acting alone, are hereby authorized and directed to execute the final form of the Bond Purchase Agreement for and in the name and on behalf of the Authority upon the submission of an offer by the Underwriter to purchase the Bonds, which offer is acceptable to any designated Officer and consistent with the requirements of this Resolution. The amount of Underwriter's discount for the Bonds shall be not more than 0.80% of the par amount thereof (not taking into account any original issue discount on the sale thereof).

Section 5. Official Statement. The Board hereby approves the preliminary Official Statement in the form on file with the Secretary, together with such additions thereto and changes therein as any designated Officer shall deem necessary, desirable or appropriate. The Designated Officers, each acting alone, are hereby authorized and directed to deem final within the meaning of Rule 15c2-12 of the Securities Exchange Act of 1934 except for permitted omissions, the preliminary form of the Official Statement. Distribution of such preliminary Official Statement is hereby approved. The Designated Officers, each acting alone, are hereby authorized to execute the final form of the Official Statement, including as it may be modified by such additions thereto and changes therein as any Designated Officer shall deem necessary, desirable or appropriate, and the execution of the final Official Statement by the Authority shall be conclusive evidence of the approval of any such additions and changes. The Board hereby authorizes the distribution of the final Official Statement. The final Official Statement shall be executed in the name and on behalf of the Authority by any designated Officer.

Section 6. Official Actions. The Chairperson, the Executive Director, the Treasurer, the Secretary and any and all other officers of the Authority are hereby authorized and directed, for and in the name and on behalf of the Authority, to do any and all things and take any and all actions, including execution and delivery of any and all assignments, certificates, requisitions, agreements, notices, consents, instruments of conveyance, warrants and other documents, including the application to providers of municipal bond insurance for the Bonds, which they, or any of them, may deem necessary or advisable in order to consummate the lawful issuance and sale of the Bonds and the consummation of the transactions as described herein.

*Section 7. Effective Date.* This Resolution shall take effect from and after the date of its passage and adoption.

\* \* \* \* \*

**PASSED AND ADOPTED** by the Board of Directors of the Coalinga Public Financing Authority at a regular meeting held on the **4th day of February, 2021** by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

**APPROVED:**

---

Ron Ramsey, Mayor

**ATTEST:**

---

Shannon Jensen, City Clerk

## APPENDIX A

### GOVERNMENT CODE SECTION 5852.1 DISCLOSURE

The following information consists of estimates that have been provided by the City's municipal advisor which has been represented to have been provided in good faith:

(A) True Interest Cost of the Bonds: \_\_\_\_%

(B) Finance Charges (Costs of Issuance): \$ \_\_\_\_

(C) Net Proceeds to be Received for the Bonds: \$ \_\_\_\_  
(net of finance charges)

(D) Total Payment Amount through Maturity: \$ \_\_\_\_

The foregoing estimates constitute good faith estimates only.

The principal amount of the Bonds, the true interest cost of the Bonds, the finance charges thereof, the amount of proceeds received therefrom and total payment amount with respect thereto may differ from such good faith estimates due to (a) the actual date of the sale of the Bonds being different than the date assumed for purposes of such estimates, (b) the actual principal amount of Bonds sold being different from the estimated amount used for purposes of such estimates, (c) the actual amortization of the Bonds being different than the amortization assumed for purposes of such estimates, (d) the actual market interest rates at the time of sale of the Bonds being different than those estimated for purposes of such estimates, (e) other market conditions, or (f) alterations in the City's financing plan, or a combination of such factors. The actual date of sale of the Bonds and the actual principal amount of Bonds sold will be determined by the City based on the timing of the need for proceeds of the Bonds and other factors. The actual interest rates with respect to the Bonds will depend on market interest rates at the time of sale thereof. The actual amortization of the Bonds will also depend, in part, on market interest rates at the time of sale thereof. Market interest rates are affected by economic and other factors beyond the control of the City.

**RESOLUTION NO. 4007**

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COALINGA APPROVING PROCEEDINGS TO FINANCE AND REFINANCE IMPROVEMENTS TO THE CITY'S MUNICIPAL WATER SYSTEM AND TO REFINANCE IMPROVEMENTS TO THE CITY'S MUNICIPAL WASTEWATER SYSTEM, APPROVING ISSUANCE OF REVENUE BONDS BY THE COALINGA PUBLIC FINANCING AUTHORITY FOR SUCH PURPOSES AND APPROVING RELATED DOCUMENTS AND OFFICIAL ACTIONS**

**RESOLVED**, by the City Council (the "Council") of the City of Coalinga (the "City"), as follows:

**WHEREAS**, the City, the Redevelopment Agency of the City of Coalinga and the Coalinga-Huron Unified School District have heretofore entered into a joint exercise of powers agreement establishing the Coalinga Public Financing Authority (the "Authority") for the purpose, among others, of issuing its bonds to be used to provide financial assistance to the City;

**WHEREAS**, the Authority has previously issued its \$12,830,000 Coalinga Public Financing Authority Revenue Bonds, Series 2012 (Water and Wastewater Financing Projects) (the "2012 Bonds"), of which \$12,200,000 principal amount is outstanding, to finance and refinance the acquisition and construction of certain improvements and facilities constituting part of the City's municipal water enterprise (the "Water System") and to finance and refinance the acquisition and construction of certain improvements and facilities constituting part of the City's municipal wastewater enterprise (the "Wastewater System");

**WHEREAS**, the principal of and interest on the 2012 Bonds are paid from revenues derived from installment payments made by the City under an installment sale agreement secured by a pledge of the net revenues of the Water System and installment payments made by the City under an installment sale agreement secured by a pledge of the net revenues of the Wastewater System;

**WHEREAS**, the City has determined that, due to prevailing financial market conditions and for other reasons, it is in the best interests of the City to (a) refinance its obligations to make payment with respect to the 2012 Bonds and to provide for the advance refunding of the 2012 Bonds, and (b) finance the acquisition and construction of additional improvements and facilities of the Water System (the "Water Improvement Project");

**WHEREAS**, for the purpose of raising funds necessary to provide such financial assistance to the City, the Authority proposes to authorize the issuance of its revenue bonds under the provisions of Article 4 (commencing with section 6584) of Chapter 5 of Division 7 of Title 1 of the California Government Code, designated as the Coalinga Public Financing Authority Revenue Bonds, Series 2021A (Water and Wastewater Financing Projects) (Federally Taxable) (the "Series A Bonds"), and the Coalinga Public Financing Authority Revenue Bonds, Series 2021B (Water Project) (Tax-Exempt) (the "Series B Bonds" and, with the Series A Bonds, the "Bonds"), all pursuant to and secured by an indenture of trust, by and between the Authority and Wells Fargo Bank, National Association, as trustee;

**WHEREAS**, in order to provide for the repayment of the Bonds, (a) the City will sell the Water System to the Authority and the Authority will sell the Water System and the Water Improvement Project to the City pursuant to an installment sale agreement (the "Water Installment Sale Agreement"), under which the City will agree to make installment payments to the Authority payable from the net revenues of the Water System, and (b) the City will sell the Wastewater System to the Authority and the Authority will sell the Wastewater System to the City pursuant to an installment sale agreement (the "Wastewater Installment Sale Agreement"), under which the City will agree to make

installment payments to the Authority payable from the net revenues of the Wastewater System which payments, together with the payments under the Water Installment Sale Agreement, will be calculated to be sufficient, in time and amount, to enable the Authority to pay the principal of and interest and premium (if any) on the Bonds when due and payable;

**WHEREAS**, the form of an official statement (the "Official Statement") describing the Authority, the City, the Water System, the Wastewater System, the Bonds and other matters, to be used in connection with the marketing of the Bonds, has been prepared and presented to the City;

**WHEREAS**, the firm of Oppenheimer & Co., Inc. (the "Underwriter") has proposed to purchase and underwrite the Bonds and has presented to the City a form of bond purchase agreement for the Bonds, to be entered into among the Authority, the City and the Underwriter (the "Bond Purchase Agreement");

**WHEREAS**, the Council approves all of said transactions in furtherance of the public purposes of the City, and wishes at this time to take its action approving the issuance and sale of the Bonds and the financing to be accomplished thereby; and

**WHEREAS**, pursuant to section 5852.1 of the Government Code, which became effective on January 1, 2018 by the enactment of Senate Bill 450, certain information relating to the Bonds is set forth in Appendix A attached to this Resolution, and such information is hereby disclosed and made public;

**NOW, THEREFORE, it is hereby ORDERED and DETERMINED**, as follows:

*Section 1. Approval of Bonds.* The Council hereby approves the issuance of the Bonds by the Authority for the purpose, among others, of providing funds to enable the City to refund the 2012 Bonds and finance the Water Improvement Project so long as (a) the final maturity date of the Bonds is not later than April 1, 2051, and (b) the portion of the Bonds issued to refund the 2012 Bonds produces present value savings of not less than 3.0% as compared to the 2012 Bonds.

*Section 2. Approval of Acquisition Agreements.*

(a) The Council hereby approves an acquisition agreement, by and between the City and the Authority, pursuant to which the City will sell the Water System to the Authority (the "Water Acquisition Agreement"), in the form on file with the City Clerk, together with such additions thereto and changes therein as the Mayor, the City Manager or the Finance Director (the "Designated Officers"), shall deem necessary, desirable or appropriate, the execution of which by the City shall be conclusive evidence of the approval of any such additions and changes. The Designated Officers, each acting alone, are hereby authorized and directed to execute, and the City Clerk is hereby authorized and directed to attest to, the final form of the Water Acquisition Agreement for and in the name and on behalf of the City. The Council hereby authorizes the delivery and performance of the Water Acquisition Agreement.

(b) The Council hereby approves an acquisition agreement, by and between the City and the Authority, pursuant to which the City will sell the Wastewater System to the Authority (the "Wastewater Acquisition Agreement"), in the form on file with the City Clerk, together with such additions thereto and changes therein as the any Designated Officers shall deem necessary, desirable or appropriate, the execution of which by the City shall be conclusive evidence of the approval of any such additions and changes. The Designated Officers, each acting alone, are hereby authorized and directed to execute, and the City Clerk is hereby authorized and directed to attest to, the final form of the Wastewater Acquisition Agreement for and in the name and on behalf of the City. The Council hereby authorizes the delivery and performance of the Wastewater Acquisition Agreement.

Section 3. Approval of Installment Sale Agreements.

(a) The Council hereby approves the Water Installment Sale Agreement in the form on file with the City Clerk, together with such additions thereto and changes therein as any Designated Officer shall deem necessary, desirable or appropriate, the execution of which by the City shall be conclusive evidence of the approval of any such additions and changes. The Designated Officers, each acting alone, are hereby authorized and directed to execute, and the City Clerk is hereby authorized and directed to attest to, the final form of the Water Installment Sale Agreement for and in the name and on behalf of the City. The Council hereby authorizes the delivery and performance of the Water Installment Sale Agreement.

(b) The Council hereby approves the Wastewater Installment Sale Agreement in the form on file with the City Clerk, together with such additions thereto and changes therein as any Designated Officer shall deem necessary, desirable or appropriate, the execution of which by the City shall be conclusive evidence of the approval of any such additions and changes. The Designated Officers, each acting alone, are hereby authorized and directed to execute, and the City Clerk is hereby authorized and directed to attest to, the final form of the Wastewater Installment Sale Agreement for and in the name and on behalf of the City. The Council hereby authorizes the delivery and performance of the Wastewater Installment Sale Agreement.

Section 4. Approval of Escrow Agreement. The Council hereby approves an escrow agreement, by and between the City and U.S. Bank National Association, as trustee for the 2012 Bonds and as escrow bank, providing for the defeasance of the 2012 Bonds (the "Escrow Agreement"), in the form on file with the City Clerk, together with such additions thereto and changes therein as any Designated Officer shall deem necessary, desirable or appropriate, the execution of which by the City shall be conclusive evidence of the approval of any such additions and changes. The Designated Officers, each acting alone, are hereby authorized and directed to execute, and the City Clerk is hereby authorized and directed to attest to, the final form of the Escrow Agreement for and in the name and on behalf of the City. The Council hereby authorizes the delivery and performance of the Escrow Agreement.

Section 5. Approval of Continuing Disclosure Certificate. The Council hereby approves continuing disclosure certificate (the "Continuing Disclosure Certificate"), in the form on file with the City Clerk, together with such additions thereto and changes therein as any Designated Officer shall deem necessary, desirable or appropriate, the execution of which by the City shall be conclusive evidence of the approval of any such additions and changes. The Designated Officers, each acting alone, are hereby authorized and directed to execute the final form of the Continuing Disclosure Certificate for and in the name and on behalf of the City. The Council hereby authorizes the delivery and performance of the Continuing Disclosure Certificate.

Section 6. Sale of Bonds. The Council hereby approves the sale of the Bonds by the Authority by negotiation with the Underwriter pursuant to the Bond Purchase Agreement, in the form on file with the City Clerk, together with such additions thereto and changes therein as any Designated Officer shall deem necessary, desirable or appropriate, the execution of which by the City shall be conclusive evidence of the approval of such additions and changes. The Designated Officers, each acting alone, are hereby authorized and directed to execute the final form of the Bond Purchase Agreement for and in the name and on behalf of the City upon the submission of an offer by the Underwriter to purchase the Bonds, which offer is acceptable to any designated Officer and consistent with the requirements of this Resolution. The amount of Underwriter's discount for the Bonds shall be not more than 0.80% of the par amount thereof (not taking into account any original issue discount on the sale thereof).

Section 7. Official Statement. The Council hereby approves the preliminary Official Statement in the form on file with the City Clerk, together with such additions thereto and changes therein as any designated Officer shall deem necessary, desirable or appropriate. The Designated Officers, each acting alone, are hereby authorized and directed to deem final within the meaning of Rule 15c2-12 of the Securities Exchange Act of 1934 except for permitted omissions, the preliminary form of the Official Statement describing the Bonds. Distribution of such preliminary Official Statement is hereby approved. The Designated Officers, each acting alone, are hereby authorized to execute the final



form of the Official Statement, including as it may be modified by such additions thereto and changes therein as any designated Officer shall deem necessary, desirable or appropriate, and the execution of the final Official Statement by the City shall be conclusive evidence of the approval of any such additions and changes. The Council hereby authorizes the distribution of the final Official Statement by the Underwriter. The final Official Statement shall be executed in the name and on behalf of the City by any designated Officer.

*Section 8. Official Actions.* The Mayor, the City Manager, the Finance Director, the City Clerk and any and all other officers of the City are hereby authorized and directed, for and in the name and on behalf of the City, to do any and all things and take any and all actions, including execution and delivery of any and all assignments, certificates, requisitions, agreements, notices, consents, instruments of conveyance, warrants and other documents, including the application to providers of municipal bond insurance for the Bonds, which they, or any of them, may deem necessary or advisable in order to consummate the lawful issuance and sale of the Bonds and the consummation of the transactions as described herein.

*Section 9. Effective Date.* This Resolution shall take effect from and after the date of its passage and adoption.

\* \* \* \* \*

**PASSED AND ADOPTED** by the City Council of the City of Coalinga at a regular meeting held on the **4th day of February, 2021** by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

**APPROVED:**

\_\_\_\_\_  
Ron Ramsey, Mayor

**ATTEST:**

\_\_\_\_\_  
Shannon Jensen, City Clerk

## APPENDIX A

### GOVERNMENT CODE SECTION 5852.1 DISCLOSURE

The following information consists of estimates that have been provided by the City's municipal advisor which has been represented to have been provided in good faith:

- (A) True Interest Cost of the Bonds: 3.42%
- (B) Finance Charges (Costs of Issuance): \$593,336.82
- (C) Net Proceeds to be Received for the Bonds: \$18,561,333.98  
(net of finance charges)
- (D) Total Payment Amount through Maturity: \$30,962,651.27

The foregoing estimates constitute good faith estimates only.

The principal amount of the Bonds, the true interest cost of the Bonds, the finance charges thereof, the amount of proceeds received therefrom and total payment amount with respect thereto may differ from such good faith estimates due to (a) the actual date of the sale of the Bonds being different than the date assumed for purposes of such estimates, (b) the actual principal amount of Bonds sold being different from the estimated amount used for purposes of such estimates, (c) the actual amortization of the Bonds being different than the amortization assumed for purposes of such estimates, (d) the actual market interest rates at the time of sale of the Bonds being different than those estimated for purposes of such estimates, (e) other market conditions, or (f) alterations in the City's financing plan, or a combination of such factors. The actual date of sale of the Bonds and the actual principal amount of Bonds sold will be determined by the City based on the timing of the need for proceeds of the Bonds and other factors. The actual interest rates with respect to the Bonds will depend on market interest rates at the time of sale thereof. The actual amortization of the Bonds will also depend, in part, on market interest rates at the time of sale thereof. Market interest rates are affected by economic and other factors beyond the control of the City.

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**WATER ACQUISITION AGREEMENT**

**Dated as of March 1, 2021**

**by and between the**

**CITY OF COALINGA, as Seller**

**and the**

**COALINGA PUBLIC FINANCING AUTHORITY, as Purchaser**

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Relating to  
\$ \_\_\_\_\_  
Coalinga Public Financing Authority  
Revenue Bonds, Series 2021A  
(Water and Wastewater Financing Projects)  
(Federally Taxable)  
and  
\$ \_\_\_\_\_  
Coalinga Public Financing Authority  
Revenue Bonds, Series 2021B  
(Water Project)  
(Tax-Exempt)

## WATER ACQUISITION AGREEMENT

THIS WATER ACQUISITION AGREEMENT, dated as of March 1, 2021 (this "Water Acquisition Agreement"), is by and between the CITY OF COALINGA, a municipal corporation and general law city organized and existing under and by virtue of the laws of the State of California (the "City"), as seller, and the COALINGA PUBLIC FINANCING AUTHORITY, a joint exercise of powers authority organized and existing under and by virtue of the laws of the State of California (the "Authority"), as purchaser;

### WITNESSETH:

WHEREAS, the City presently owns certain municipal water system more particularly described in Exhibit A attached hereto and made a part hereof (the "Water System");

WHEREAS, the Authority wishes to acquire the Water System from the City for the purpose of providing moneys to finance and refinance the construction of improvements to the Water System; and

WHEREAS, the Authority proposes to sell the Water System and certain additional municipal water system facilities back to the City pursuant to an installment sale agreement, dated as of March 1, 2021, by and between the Authority and the City (the "Water Installment Sale Agreement"), and to assign its right to receive installment payments under the Water Installment Sale Agreement to Wells Fargo Bank, National Association, as trustee (the "Trustee"), pursuant to that certain Indenture of Trust, dated as of March 1, 2021, by and between the Authority and the Trustee;

NOW, THEREFORE, IT IS HEREBY MUTUALLY AGREED, as follows:

*Section 1. Acquisition of the Water System.* The City hereby grants, conveys and sells to the Authority all right, title and interest of the City in and to the Water System and the Authority hereby acquires all of the right, title and interest of the City in the Water System.

*Section 2. Acquisition Price.* In consideration of the acquisition by the Authority of the City's right, title and interest in the Water System pursuant to Section 1, the Authority hereby agrees to pay to the City the amount of \$1.00. Said purchase price shall be paid by the Authority to the City on the date of execution and delivery of this Water Acquisition Agreement.

*Section 3. Amendment.* This Water Acquisition Agreement may be amended by the parties hereto at any time during the Term of the Agreement (as such term is defined in the Water Installment Sale Agreement).

*Section 4. Waiver of Personal Liability.* All liabilities under this Water Acquisition Agreement on the part of the Authority are solely liabilities of the Authority and the City hereby releases each and every, member, director, officer, employee and agent of the Authority of and from any personal or individual liability under this Water Acquisition Agreement. No member, director, officer, employee or agent of the Authority shall at any time or under any circumstances be individually or personally liable under this Water Acquisition Agreement for anything done or omitted to be done by the Authority hereunder.

*Section 5. Section Headings.* All section headings contained herein are for convenience of reference only and are not intended to define or limit the scope of any provision of this Water Acquisition Agreement.

Section 6. Execution. This Water Acquisition Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original but all together shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the City and the Authority have caused this Water Acquisition Agreement to be executed by their respective officers thereunto duly authorized, all as of the day and year first above written.

CITY OF COALINGA, as Seller

By \_\_\_\_\_  
City Manager

Attest:

\_\_\_\_\_  
City Clerk

COALINGA PUBLIC FINANCING  
AUTHORITY, as Purchaser

By \_\_\_\_\_  
Executive Director

Attest:

\_\_\_\_\_  
Secretary

**EXHIBIT A**  
**WATER SYSTEM DESCRIPTION**

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**WASTEWATER ACQUISITION AGREEMENT**

**Dated as of March 1, 2021**

**by and between the**

**CITY OF COALINGA, as Seller**

**and the**

**COALINGA PUBLIC FINANCING AUTHORITY, as Purchaser**

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Relating to  
\$ \_\_\_\_\_  
Coalinga Public Financing Authority  
Revenue Bonds, Series 2021A  
(Water and Wastewater Financing Projects)  
(Federally Taxable)

## WASTEWATER ACQUISITION AGREEMENT

THIS WASTEWATER ACQUISITION AGREEMENT, dated as of March 1, 2021 (this "Wastewater Acquisition Agreement"), is by and between the CITY OF COALINGA, a municipal corporation and general law city organized and existing under and by virtue of the laws of the State of California (the "City"), as seller, and the COALINGA PUBLIC FINANCING AUTHORITY, a joint exercise of powers authority organized and existing under and by virtue of the laws of the State of California (the "Authority"), as purchaser;

### WITNESSETH:

WHEREAS, the City presently owns certain municipal wastewater system more particularly described in Exhibit A attached hereto and made a part hereof (the "Wastewater System");

WHEREAS, the Authority wishes to acquire the Wastewater System from the City for the purpose of providing moneys to finance and refinance the construction of improvements to the Wastewater System; and

WHEREAS, the Authority proposes to sell the Wastewater System and certain additional municipal wastewater system facilities back to the City pursuant to an installment sale agreement, dated as of March 1, 2021, by and between the Authority and the City (the "Wastewater Installment Sale Agreement"), and to assign its right to receive installment payments under the Wastewater Installment Sale Agreement to Wells Fargo Bank, National Association, as trustee (the "Trustee"), pursuant to that certain Indenture of Trust, dated as of March 1, 2021, by and between the Authority and the Trustee;

NOW, THEREFORE, IT IS HEREBY MUTUALLY AGREED, as follows:

*Section 1. Acquisition of the Wastewater System.* The City hereby grants, conveys and sells to the Authority all right, title and interest of the City in and to the Wastewater System and the Authority hereby acquires all of the right, title and interest of the City in the Wastewater System.

*Section 2. Acquisition Price.* In consideration of the acquisition by the Authority of the City's right, title and interest in the Wastewater System pursuant to Section 1, the Authority hereby agrees to pay to the City the amount of \$1.00. Said purchase price shall be paid by the Authority to the City on the date of execution and delivery of this Wastewater Acquisition Agreement.

*Section 3. Amendment.* This Wastewater Acquisition Agreement may be amended by the parties hereto at any time during the Term of the Agreement (as such term is defined in the Wastewater Installment Sale Agreement).

*Section 4. Waiver of Personal Liability.* All liabilities under this Wastewater Acquisition Agreement on the part of the Authority are solely liabilities of the Authority and the City hereby releases each and every, member, director, officer, employee and agent of the Authority of and from any personal or individual liability under this Wastewater Acquisition Agreement. No member, director, officer, employee or agent of the Authority shall at any time or under any circumstances be individually or personally liable under this Wastewater Acquisition Agreement for anything done or omitted to be done by the Authority hereunder.



*Section 5. Section Headings.* All section headings contained herein are for convenience of reference only and are not intended to define or limit the scope of any provision of this Wastewater Acquisition Agreement.

*Section 6. Execution.* This Wastewater Acquisition Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original but all together shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the City and the Authority have caused this Wastewater Acquisition Agreement to be executed by their respective officers thereunto duly authorized, all as of the day and year first above written.

CITY OF COALINGA, as Seller

By \_\_\_\_\_  
City Manager

Attest:

\_\_\_\_\_  
City Clerk

COALINGA PUBLIC FINANCING  
AUTHORITY, as Purchaser

By \_\_\_\_\_  
Executive Director

Attest:

\_\_\_\_\_  
Secretary

**EXHIBIT A**

**WASTEWATER SYSTEM DESCRIPTION**

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**WATER INSTALLMENT SALE AGREEMENT**

**Dated as of March 1, 2021**

**by and between**

**COALINGA PUBLIC FINANCING AUTHORITY, as Seller**

**and the**

**CITY OF COALINGA, as Purchaser**

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Relating to  
\$ \_\_\_\_\_  
Coalinga Public Financing Authority  
Revenue Bonds, Series 2021A  
(Water and Wastewater Financing Projects)  
(Federally Taxable)  
and  
\$ \_\_\_\_\_  
Coalinga Public Financing Authority  
Revenue Bonds, Series 2021B  
(Water Project)  
(Tax-Exempt)

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## **WATER INSTALLMENT SALE AGREEMENT**

THIS WATER INSTALLMENT SALE AGREEMENT, dated as of March 1, 2021 (this "Water Installment Sale Agreement"), is by and between the COALINGA PUBLIC FINANCING AUTHORITY, a joint powers authority duly organized and existing under the laws of the State of California (the "Authority"), and the CITY OF COALINGA, a general law city and municipal corporation duly organized and existing under the laws of the State of California (the "City"),

### **WITNESSETH:**

WHEREAS, under Article 4 (commencing with section 6584) of Chapter 5 of Division 7 of Title 1 of the California Government Code (the "Bond Law") the Authority is authorized to borrow money for the purpose of financing the acquisition of bonds, notes and other obligations of, or for the purpose of making loans to, public entities including the City, and to provide financing for public capital improvements of public entities including the City; and

WHEREAS, the Authority has previously issued its \$12,830,000 Coalinga Public Financing Authority Revenue Bonds, Series 2012 (Water and Wastewater Financing Projects) (the "2012 Bonds"), of which \$12,200,000 principal amount is outstanding, to finance and refinance the acquisition and construction of certain improvements and facilities constituting part of the City's municipal water enterprise (the "Water System") and to finance and refinance the acquisition and construction of certain improvements and facilities constituting part of the City's municipal wastewater enterprise (the "Wastewater System");

WHEREAS, the principal of and interest on the 2012 Bonds are paid from revenues derived from installment payments made by the City under an installment sale agreement secured by a pledge of the net revenues of the Water System and installment payments made by the City under an installment sale agreement secured by a pledge of the net revenues of the Wastewater System;

WHEREAS, the City has determined that, due to prevailing financial market conditions and for other reasons, it is in the best interests of the City to (a) refinance its obligations to make payment with respect to the 2012 Bonds and to provide for the advance refunding of the 2012 Bonds, and (b) finance the acquisition and construction of additional improvements and facilities of the Water System (the "Water Improvement Project");

WHEREAS, for the purpose of raising funds necessary to provide such financial assistance to the City, the Authority proposes to authorize the issuance of its revenue bonds under the provisions of Article 4 (commencing with section 6584) of Chapter 5 of Division 7 of Title 1 of the California Government Code, designated as the Coalinga Public Financing Authority Revenue Bonds, Series 2021A (Water and Wastewater Financing Projects) (Federally Taxable) (the "Series A Bonds"), and the Coalinga Public Financing Authority Revenue Bonds, Series 2021B (Water Project) (Tax-Exempt) (the "Series B Bonds" and, with the Series A Bonds, the "Bonds"), all pursuant to and secured by an indenture of trust, by and between the Authority and Wells Fargo Bank, National Association, as trustee;

WHEREAS, in order to provide for the repayment of the Bonds, (a) the City will sell the Water System to the Authority and the Authority will sell the Water System and the Water Improvement Project to the City pursuant to this Water Installment Sale Agreement, under which the City will agree to make installment payments to the Authority payable from the net revenues of the Water System, and (b) the City will sell the Wastewater System to the Authority

and the Authority will sell the Wastewater System to the City pursuant to an installment sale agreement (the "Wastewater Installment Sale Agreement"), under which the City will agree to make installment payments to the Authority payable from the net revenues of the Wastewater System which payments, together with the payments under the Water Installment Sale Agreement, will be calculated to be sufficient, in time and amount, to enable the Authority to pay the principal of and interest and premium (if any) on the Bonds when due and payable;

WHEREAS, the Authority and the City have duly authorized the execution and delivery of this Water Installment Sale Agreement;

NOW, THEREFORE, for and in consideration of the premises and the material covenants hereinafter contained, the parties hereto hereby formally covenant, agree and bind themselves as follows:

ARTICLE I  
DEFINITIONS

Section 1.1. Definitions. Unless the context clearly otherwise requires or unless otherwise defined herein, the capitalized terms in this Water Installment Sale Agreement shall have the respective meanings specified in the Indenture.



ARTICLE II  
COVENANTS AND REPRESENTATIONS

Section 2.1. Covenants and Representations of the City. The City makes the following covenants and representations to the Authority that as of the Closing Date:

(a) The City is a general law city and municipal corporation duly organized and validly existing under the laws of the State, has full legal right, power and authority to enter into the Water Acquisition Agreement and this Water Installment Sale Agreement and to carry out and consummate all transactions contemplated hereby, and by proper action has duly authorized the execution and delivery of the Water Acquisition Agreement and this Water Installment Sale Agreement.

(b) The representatives of the City executing this Water Installment Sale Agreement are fully authorized to execute the same.

(c) The Water Acquisition Agreement and this Water Installment Sale Agreement have been duly authorized, executed and delivered by the City, and constitute the legal, valid and binding agreements of the City, enforceable against the City in accordance with their respective terms.

(d) The execution and delivery of the Water Acquisition Agreement and this Water Installment Sale Agreement, the consummation of the transactions therein and herein contemplated and the fulfillment of or compliance with the terms and conditions hereof, will not conflict with or constitute a violation or breach of or default (with due notice or the passage of time or both) under any applicable law or administrative rule or regulation, or any applicable court or administrative decree or order, or any indenture, mortgage, deed of trust, lease, contract or other agreement or instrument to which the City is a party or by which it, the Water System or the Water Improvement Project are otherwise subject or bound, or result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the City, which conflict, violation, breach, default, lien, charge or encumbrance would have consequences that would materially and adversely affect the consummation of the transactions contemplated by the Water Acquisition Agreement and this Water Installment Sale Agreement, or the financial condition, assets, improvements or operations of the Water System.

(e) No consent or approval of any trustee or holder of any indebtedness of the City or of the voters of the City, and no consent, permission, authorization, order or license of, or filing or registration with, any governmental authority, is necessary in connection with the execution and delivery of the Water Acquisition Agreement and this Water Installment Sale Agreement or the consummation of any transaction herein contemplated, except as have been obtained or made and as are in full force and effect.

(f) There is no action, suit, proceeding, inquiry or investigation before or by any court or federal, state, municipal or other governmental authority pending or threatened against or affecting the City or the Water System which, if determined adversely to the City or its interests, would have a material and adverse effect upon the consummation of the transactions contemplated by or the validity of the Water Acquisition Agreement or this Water Installment Sale Agreement or upon the financial condition or operation of the Water System, and the City is not in default with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or other governmental authority, which default might

have consequences that would materially and adversely affect the consummation of the transactions contemplated by the Water Acquisition Agreement or this Water Installment Sale Agreement, or the financial conditions or operations of the Water System.

(g) The City has heretofore established the Water Fund into which the City deposits and will continue to deposit all Water System Gross Revenues, and which the City will maintain throughout the Term of this Water Installment Sale Agreement.

(h) There are no outstanding bonds, notes, loans, leases, installment sale agreements or other obligations which have any security interest in or claim upon the Water System Net Revenues, which security interest or claim is superior to or on a parity with the Water Installment Payments.

Section 2.2. Covenants and Representations of the Authority. The Authority makes the following covenants and representations to the City that as of the Closing Date:

(a) The Authority is a joint powers entity, duly organized and existing under the laws of the State. The Authority has the power to enter into the transactions contemplated by the Water Acquisition Agreement and this Water Installment Sale Agreement and to carry out its obligations hereunder. By proper action of its governing body, the Authority has been duly authorized to execute, deliver and duly perform the Water Acquisition Agreement and this Water Installment Sale Agreement and the Indenture.

(b) To finance the refunding of the 2012 Bonds, the Water Improvement Project and the Costs of Issuance, the Authority will issue the Bonds, which will mature, bear interest and be subject to redemption as set forth in the Indenture.

(c) The Bonds will be issued under and secured by the Indenture, and pursuant thereto, certain of the Authority's interests in this Water Installment Sale Agreement have been assigned to the Trustee as security for payment of a portion of the principal of, premium, if any, and interest on the Bonds.

(d) The Authority is not in default under any of the provisions of the laws of the State, which default would affect its existence or its powers referred to in subsection (a) of this Section 2.2.

### ARTICLE III

#### ISSUANCE OF BONDS; ACQUISITION AND CONSTRUCTION OF WATER IMPROVEMENT PROJECT

Section 3.1. The Bonds. The Authority has authorized the issuance of the Bonds pursuant to the Indenture in the aggregate principal amount of \_\_\_\_\_ dollars (\$\_\_\_\_\_). The Authority agrees that the proceeds of sale of the Bonds shall be paid to the Trustee on the Closing Date for deposit pursuant to the terms and conditions of the Indenture. The City hereby approves the Indenture, the assignment to the Trustee of the rights of the Authority assigned under and pursuant to the Indenture, and the issuance of the Bonds by the Authority under and pursuant to the Indenture.

Section 3.2. Plans and Specifications for the Water Improvement Project. Before any payment is made for the Water Improvement Project or any component thereof from amounts on deposit in the Water Improvement Project Fund, the City shall have filed with the Authority detailed Plans and Specifications relating thereto. The City may from time to time file amendments to such Plans and Specifications with the Authority, and may thereby change or modify the description of the Water Improvement Project or any component thereof.

Section 3.3. Acquisition and Construction of the Water Improvement Project. The Authority hereby agrees with due diligence to supervise and provide for, or cause to be supervised and provided, for the Acquisition and Construction of the Water Improvement Project in accordance with Plans and Specifications, purchase orders, construction contracts and other documents relating thereto and approved by the City pursuant to all applicable requirements of law. Direct payment of the costs of the Water Improvement Project shall be made from amounts on deposit in the Water Improvement Project Fund, pursuant to Section 3.05 of the Indenture. All contracts for, and all work relating to, the Acquisition and Construction of the Water Improvement Project shall be subject to all applicable provisions of law relating to the acquisition and construction of public works by the City. The Authority expects that the Acquisition and Construction of the Water Improvement Project will be completed on or before March 1, 2024; *provided, however*, that the failure to complete the Water Improvement Project by the estimated Completion Date thereof shall not constitute an Event of Default hereunder or a grounds for termination hereof, nor shall such failure result in the diminution, abatement or extinguishment of the obligations of the City hereunder to pay the Water Installment Payments allocable to such Water Improvement Project.

The City shall have the right from time to time in its sole discretion to amend the description of the Water Improvement Project to be financed and sold by the Authority hereunder. In order to exercise such right, the City shall file with the Authority and the Trustee an amended Exhibit C hereto.

Upon the completion of the Acquisition and Construction of the Water Improvement Project, but in any event not later than thirty (30) days following such completion, the Authority Representative or the City Representative shall execute and deliver to the Trustee a Written Certificate which (a) states that the Acquisition and Construction of such Water Improvement Project have been substantially completed; (b) identifies the total cost of the Water Improvement Project thereof; and (c) identifies (i) the amounts, if any, to remain on deposit in the Water Improvement Project Fund for payment of costs of the Water Improvement Project thereafter intended to be requisitioned by the Authority and (ii) the amounts to be transferred to the Bond Fund. Upon the filing with the Trustee of the final Written Requisition for payment

of costs of the Water Improvement Project, the Authority shall direct the Trustee to close the Water Improvement Project Fund.

Section 3.4. Grant of Easements. The City hereby grants to the Authority all necessary easements, rights of way and rights of access in and to all real property or interests therein now or hereafter acquired and owned by the City, as may be necessary or convenient to enable the Authority to acquire, construct and install the Water Improvement Project thereon or thereabouts. The City covenants that it will execute, deliver and record any and all additional documents as may be required to be executed, delivered and recorded to establish such easements, rights of way and rights of access.

Section 3.5. Appointment of City as Agent of Authority. The Authority hereby appoints the City as its agent to carry out all phases of the Acquisition and Construction of the Water Improvement Project pursuant to and in accordance with the provisions hereof. The City hereby accepts such appointment and assumes all rights, liabilities, duties and responsibilities of the Authority regarding the Acquisition and Construction of the Water Improvement Project. The Authority, or the City as agent of the Authority hereunder, shall enter into, administer and enforce all purchase orders or other contracts relating to the Acquisition and Construction of the Water Improvement Project. The City shall submit Written Requisitions of the City to the Trustee from time to time pursuant to and in accordance with the provisions of Section 3.04 and 3.05 of the Indenture for payment, or for reimbursement to the City for payment, of all Water Improvement Project Costs. All contracts for, and all work relating to, the Acquisition and Construction of the Water Improvement Project shall be subject to all applicable provisions of law relating to the acquisition, construction, improvement, and equipping of like property by joint powers entities and by municipal corporations.

## ARTICLE IV

### SALE; WATER INSTALLMENT PAYMENTS

Section 4.1. Sale. The Authority hereby agrees to sell the Water System and the Water Improvement Project to the City, and the City hereby agrees to purchase the Water System and the Water Improvement Project from the Authority, upon the terms and conditions set forth in this Water Installment Sale Agreement.

Section 4.2. Term. The Term of this Water Installment Sale Agreement shall commence on the Closing Date, and shall end on the date on which the City shall have paid all of the Water Installment Payments and all other amounts due and payable hereunder. The provisions of this Section 4.2 are subject in all respects to any other provisions of this Water Installment Sale Agreement relating to the termination hereof with respect to the Water Project or any portion thereof.

Section 4.3. Title. Upon the Completion Date of each component of the Water Improvement Project, title to such component shall be deemed conveyed to and vested in the City. The Authority and the City shall execute, deliver and cause to be recorded any and all documents necessary to convey such title to the City.

#### Section 4.4. Water Installment Payments.

(a) *Obligation to Pay*. The City agrees to pay to the Authority, its successors and assigns, but solely from the Water System Net Revenues and other funds pledged hereunder, as the purchase price of the Water System and the Water Improvement Project the aggregate principal amount of \_\_\_\_\_ dollars (\$\_\_\_\_\_), together with interest on the unpaid principal balance, payable in Water Installment Payments coming due and payable in the respective amounts and on each Water Installment Payment Date specified in Exhibit A. The Water Installment Payments shall be paid by the City to the Trustee, as assignee of the Authority pursuant to the Indenture, in the amounts and at the times as set forth in Section 4.5(b).

(b) *Effect of Prepayment*. In the event that the City prepays all remaining Water Installment Payments in full pursuant to Article IX, the City's obligations under this Water Installment Sale Agreement shall thereupon cease and terminate, including but not limited to the City's obligation to pay Water Installment Payments therefor under this Section 4.4; *provided, however*, that the City's obligations to compensate and indemnify the Trustee pursuant to Sections 4.9 and 6.3 shall survive such prepayment. In the event that the City prepays the Water Installment Payments in part but not in whole pursuant to Section 9.2, the principal component of each succeeding Water Installment Payment shall be reduced as provided in such Sections, and the interest component of each remaining Water Installment Payment shall be reduced by the aggregate corresponding amount of interest which would otherwise be payable on the Bonds thereby redeemed pursuant to the applicable provisions of Section 4.01 of the Indenture.

(c) *Rate on Overdue Payments*. In the event the City should fail to make any of the payments required in this Section 4.4 and Section 4.10, the payment in default shall continue as an obligation of the City until the amount in default shall have been fully paid, and the City agrees to pay the same with interest thereon, from the date of default to the date of payment, at the rate of ten percent (10%) per annum.

(d) *Assignment.* The City understands and agrees that all Water Installment Payments have been assigned by the Authority to the Trustee in trust, pursuant to the Indenture, for the benefit of the Owners of the Bonds, and the City hereby assents to such assignment. The Authority hereby directs the City, and the City hereby agrees, to pay to the Trustee at its Trust Office, all amounts payable by the City pursuant to this Section 4.4 and all amounts payable by the City pursuant to Article IX.

Section 4.5. Application of Water System Gross Revenues; Pledge and Application of Water System Net Revenues.

(a) *Deposits Into Water Fund; Transfers to Make Water Installment Payments.* All of the Water System Gross Revenues shall be deposited by the City immediately upon receipt in the Water Fund.

Upon receipt of Water System Gross Revenues, the City shall segregate such amounts as shall be estimated to be required to pay all Operation and Maintenance Costs for the period beginning on such date and ending on the next anticipated date of receipt of Water System Gross Revenues. Amounts remaining on deposit in the Water Fund shall be the Water System Net Revenues.

The City covenants and agrees that all Water System Net Revenues will be held by the City in the Water Fund in trust for the benefit of the Trustee (as assignee of the rights of the Authority hereunder) and the Bond Owners, and for the benefit of the owners of any Water System Parity Obligations.

(b) *Pledge of Water System Net Revenues; Transfers.* All of the Water System Net Revenues are hereby irrevocably pledged, charged and assigned to the punctual payment of the Water Installment Payments and all Water System Parity Obligations and, except as otherwise provided herein, the Water System Net Revenues shall not be used for any other purpose so long as any of the Water Installment Payments remain unpaid. Such pledge, charge and assignment shall constitute a first lien on the Water System Net Revenues for the payment of the Water Installment Payments and all Water System Parity Obligations in accordance with the terms hereof.

On or before each Installment Payment Date, commencing September 15, 2021, the City shall withdraw from the Water Fund:

(i) and transfer to the Trustee for deposit in the Bond Fund (and transfer on a parity to such similar funds or accounts established for the payment of Water System Parity Obligations such amounts as are required for the payment thereof), an amount (other than amounts resulting from the prepayment of the Water Installment Payments pursuant to Article IX and other than amounts required for payment of principal of or interest on any Bonds which have matured or been called for redemption but which have not been presented for payment), equal to the interest component of the Water Installment Payment coming due and payable on the next succeeding Interest Payment Date, and the principal component of the Water Installment Payment coming due and payable on the next succeeding principal payment date, if any, provided that any amounts on deposit in the Bond Fund representing capitalized interest or on deposit in a similar fund created with respect to Water System Parity Obligations, shall be credited against the City's obligation to make such deposits or transfers therein,

(ii) and transfer to the Trustee for deposit in the Reserve Account (and transfer on a parity to such similar funds or accounts established as reserve funds with respect to

Water System Parity Obligations such amounts as are required for the replenishment thereof), the amount, if any, required to increase the amount on deposit in the Reserve Account to the Reserve Requirement,

(iii) and pay all other amounts, including Water Additional Payments, when and as due and payable under this Water Installment Sale Agreement and under any agreements relating to Water System Parity Obligations, and

(iv) and pay all amounts when and as due and payable with respect to any Subordinate Debt.

(c) *Release from Lien.* Following the transfers described in paragraph (b) of this Section 4.5, excess Water System Net Revenues shall be released from the lien of this Water Installment Sale Agreement and shall be available for any lawful purpose of the City.

Section 4.6. Special Obligation of the City; Obligations Absolute. The City's obligation to pay the Water Installment Payments, the Water Additional Payments, any other amounts coming due and payable hereunder and payments with respect to Water System Parity Obligations shall be a special obligation of the City limited solely to the Water System Net Revenues. Under no circumstances shall the City be required to advance moneys derived from any source of income other than the Water System Net Revenues and other sources specifically identified herein for the payment of the Water Installment Payments, the Water Additional Payments or payments with respect to Water System Parity Obligations, nor shall any other funds or property of the City be liable for the payment of the Water Installment Payments, the Water Additional Payments or payments with respect to Water System Parity Obligations and any other amounts coming due and payable hereunder.

The obligations of the City to make the Water Installment Payments, the Water Additional Payments and payments with respect to Water System Parity Obligations from the Water System Net Revenues and to perform and observe the other agreements contained herein and under agreements with respect to Water System Parity Obligations shall be absolute and unconditional and shall not be subject to any defense or any right of setoff, counterclaim or recoupment arising out of any breach of the City, the Authority or the Trustee of any obligation to the City or otherwise with respect to the Water System, whether hereunder or otherwise, or out of indebtedness or liability at any time owing to the City by the Authority or the Trustee. Until such time as all of the Water Installment Payments, all of the Water Additional Payments and all other amounts coming due and payable hereunder shall have been fully paid or prepaid, the City (a) will not suspend or discontinue payment of any Water Installment Payments, Water Additional Payments, payments with respect to Water System Parity Obligations or such other amounts, (b) will perform and observe all other agreements contained in this Water Installment Sale Agreement and under any agreements with respect to Water System Parity Obligations, and (c) will not terminate the Term of this Water Installment Sale Agreement or such agreements with respect to Water System Parity Obligations for any cause, including, without limiting the generality of the foregoing, the occurrence of any acts or circumstances that may constitute failure of consideration, eviction or constructive eviction, destruction of or damage to the Water System, failure to complete the Acquisition and Construction of the Water Improvement Project by the estimated Completion Date thereof, sale of the Water System, the taking by eminent domain of title to or temporary use of any component of the Water System, commercial frustration of purpose, any change in the tax law or other laws of the United States of America or the State or any political subdivision of either thereof or any failure of the Authority or the Trustee to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with the Indenture, this Water Installment Sale Agreement or agreements with respect to Water System Parity Obligations.

Nothing contained in this Section 4.6 shall be construed to release the Authority or the Trustee from the performance of any of the agreements on its part contained herein or in the Indenture, and in the event the Authority or the Trustee shall fail to perform any such agreements, the City may institute such action against the Authority or the Trustee as the City may deem necessary to compel performance so long as such action does not abrogate the obligations of the City contained in the preceding paragraph. The City may, however, at the City's own cost and expense and in the City's own name or in the name of the Authority prosecute or defend any action or proceeding or take any other action involving third persons which the City deems reasonably necessary in order to secure or protect the City's rights hereunder, and in such event the Authority hereby agrees to cooperate fully with the City and to take such action necessary to effect the substitution of the City for the Authority in such action or proceeding if the City shall so request.

Section 4.7. Rate Covenant.

(a) The City hereby covenants that it shall fix, prescribe and collect rates, fees and charges for the services and facilities of the Water System for each Fiscal Year, which after allowances for contingencies and error in the estimates, shall produce Water System Gross Revenues at least sufficient to pay the following amounts during such Fiscal Year:

- (i) All current Operation and Maintenance Costs;
- (ii) The Water Installment Payments and all payments required with respect to other Water System Parity Obligations;
- (iii) All payments required with respect to all Subordinate Debt;
- (iv) All payments required for compliance with the terms of the Indenture and hereof, including amounts required to replenish the Reserve Account or to reimburse a draw on a Qualified Reserve Account Credit Instrument;
- (v) All payments to meet any other obligations of the City which are charges, liens or encumbrances upon, or payable from, the Water System Gross Revenues; and
- (vi) any other lawful purposes of the Authority, including, but not limited to, deposits to the Water Rate Stabilization Fund in accordance with paragraph (c) of this Section 4.7.

(b) In addition to the requirements of the foregoing subsection (a) of this Section 4.7, the City hereby covenants that it shall fix, prescribe and collect rates, fees and charges for the services and facilities of the Water System for each Fiscal Year so as to yield Water System Net Revenues during such Fiscal Year equal to at least 1.25 times the Water Installment Payments and all payments required with respect to all Water System Parity Obligations in such Fiscal Year.

The City may make or permit to be made adjustments from time to time in such rates, fees and charges and may make or permit to be made such classification thereof as it deems necessary, but shall not reduce or permit to be reduced such rates, fees and charges below those then in effect unless the Water System Gross Revenues from such reduced rates, fees and charges will at all times be sufficient to meet the requirements of this Section 4.7.



(c) There is hereby created a separate fund to be known as the "Water Rate Stabilization Fund," to be held and maintained by the City. The Water Rate Stabilization Fund is not pledged to secure payment of the Water Installment Payments. Amounts in the Water Rate Stabilization Fund shall be applied solely for the uses and purposes set forth in this subsection (c). The City shall have the right to deposit into the Water Rate Stabilization Fund from time to time any amount of funds which are legally available therefor; provided that deposits for each Fiscal Year may be made until (but not after) one hundred eighty (180) days following the end of such Fiscal Year.

For the purpose of computing the amount of Water System Net Revenues for any Fiscal Year for purposes of the preceding subsection (b), the City shall be permitted to transfer amounts on deposit in the Water Rate Stabilization Fund to the Water Fund, such transfers to be made until (but not after) one hundred eighty (180) days after the end of such Fiscal Year. In addition, the City shall be permitted to withdraw amounts on deposit in the Water Rate Stabilization Fund for any other lawful purpose.

Notwithstanding the foregoing, amounts on deposit in the Water Rate Stabilization Fund and transferred to the Water Fund shall be accounted separately from all other amounts deposited in the Water Fund and, if such amounts shall become available to the City in accordance with subparagraph (vi) of paragraph (a) of this Section 4.7, such amounts may not again be deposited in the Water Rate Stabilization Fund.

#### Section 4.8. Limitations on Future Obligations Secured by Water System Net Revenues.

(a) *No Obligations Superior to Water Installment Payments.* In order to protect further the availability of the Water System Net Revenues and the security for the Water Installment Payments and any Water System Parity Obligations, the City hereby agrees that the City shall not, so long as the Water Installment Payments are not fully paid or any Water System Parity Obligations are outstanding, issue or incur any obligations payable from Water System Net Revenues superior to the Water Installment Payments or such Water System Parity Obligations.

(b) *Water System Parity Obligations.* The City further covenants that it will not issue or incur any Water System Parity Obligations unless:

(i) The City is not in default under the terms of this Water Installment Sale Agreement or any agreements relating to then existing Water System Parity Obligations;

(ii) (A) Water System Net Revenues, calculated on sound accounting principles, as shown by the books of the City for the latest Fiscal Year or any twelve (12) month period out of the most recent eighteen months selected by the City ending not more than sixty (60) days prior to the adoption of the resolution pursuant to which such Water System Parity Obligations are authorized to be issued or incurred, as shown by the books of the City, shall have amounted to at least 1.25 times the maximum amount of Water Installment Payments and debt service on all Water System Parity Obligations outstanding immediately subsequent to the incurring of such additional obligations coming due and payable in any future Fiscal Year.

Either or both of the following items may be added to such Water System Net Revenues for the purpose of applying the restriction contained in this subsection (b)(ii)(A):

(1) An allowance for revenues to be derived from any additions to or improvements or extensions of the Water System which, during all or any part of such Fiscal Year or the twelve (12) month period out of the most recent eighteen months selected by the City ending not more than sixty (60) days prior to the adoption of the resolution pursuant to which such Water System Parity Obligations are authorized to be issued or incurred, were not in service, in an amount equal to 100% of the estimated additional average annual Water System Net Revenues to be derived from such additions, improvements and extensions, all as shown by the certificate or opinion of a qualified independent consultant employed by the City.

(2) An allowance for any increase in the charges made for service from the Water System which has become effective prior to the incurring of such Water System Parity Obligations but which, during all or any part of such Fiscal Year or the twelve (12) month period out of the most recent eighteen months selected by the City ending not more than sixty (60) days prior to the adoption of the resolution pursuant to which such Water System Parity Obligations are authorized to be issued or incurred, was not in effect, in an amount equal to 100% of the amount by which the Water System Net Revenues would have been increased if such increase in charges had been in effect during the whole of such Fiscal Year or the twelve (12) month period out of the most recent eighteen months selected by the City ending not more than sixty (60) days prior to the adoption of the resolution pursuant to which such Water System Parity Obligations are authorized to be issued or incurred, as shown by the certificate or opinion of a qualified independent consultant employed by the City;

or

(B) Estimated Water System Net Revenues, based on a report of a qualified independent engineer employed by the City or a report of a qualified independent consultant employed by the City, for each of the five (5) Fiscal Years next following the earlier of (i) the end of the period during which interest on the Water System Parity Obligations proposed to be executed is to be capitalized or, if no interest is capitalized the Fiscal Year in which the proposed Water System Parity Obligations are to be issued, or (ii) the date on which substantially all projects financed with the proposed Water System Parity Obligations are expected to commence operations, shall have amounted to at least 1.3 times the maximum amount of Water Installment Payments and debt service on all Water System Parity Obligations outstanding immediately subsequent to the incurring of such additional obligations coming due and payable in any future Fiscal Year.

Any or all of the following items may be added to such Water System Net Revenues for the purpose of applying the restriction contained in this subsection (b)(ii)(B):

(1) An allowance for revenues that are estimated to be derived from any increase in the rates, fees and charges in effect and being charged or from any increase in the rates, fees and charges that have been approved but are not yet in place; and

(2) An allowance for revenues that are estimated to be derived from customers of the Water System anticipated to be served by the additions, betterments or improvements to the Water System to be financed by the proposed Parity Obligation during such five year period; and

(3) An allowance for a reduction in expenses that are estimated to be realized by the City pursuant to a contractual guarantee from the provider of energy efficiency improvements during such five year period.

(iii) A reserve fund may, but shall not be required to be, funded for such Water System Parity Obligations.

(iv) Interest with respect to such Water System Parity Obligations shall be paid on the Installment Payment Dates.

(v) Principal with respect to such Water System Parity Obligations shall be paid on Match 15.

Notwithstanding the foregoing provisions, there shall be no limitations on the ability of the City to issue or incur Water System Parity Obligations at any time to refund the Water Installment Payments or Water System Parity Obligations for debt service savings.

(c) *Subordinate Debt.* There shall be no limitations on the ability of the City to issue or incur Subordinate Debt so long as the City is not in default under the terms of this Water Installment Sale Agreement, any agreements relating to then existing Water System Parity Obligations or any agreement relating to then existing Subordinate Debt.

(d) *Calculating Debt Service on Variable Rate Debt.* For all purposes, variable rate indebtedness shall be assumed to bear interest at the highest of: (i) the actual rate on the date of calculation, or if the indebtedness is not yet outstanding, the initial rate (if established and binding); (ii) if the indebtedness has been outstanding for at least twelve months, the average rate over the twelve months immediately preceding the date of calculation; or (iii) (A) if interest on the indebtedness is excludable from gross income under the applicable provisions of the Code, the most recently published *Bond Buyer "Revenue Bond Index"* (or comparable index if no longer published), or (B) if interest is not so excludable, the interest rate on direct U.S. Treasury Obligations with comparable maturities plus 50 basis points; *provided, however*, that for purposes of any rate covenant measuring actual debt service coverage during a test period, variable rate indebtedness shall be deemed to bear interest at the actual rate per annum applicable during the test period.

(e) *Calculating Debt Service on Swaps.* If any interest rate swap agreement under which the City is obligated to make payments based on a fixed interest rate is in place with respect to variable rate Water System Parity Obligations, the amount payable by the City with respect to such variable rate Water System Parity Obligations shall be assumed to be the fixed rate payable under such interest rate swap agreement.

Section 4.9. Water Additional Payments. In addition to the Water Installment Payments, the City shall pay when due all costs and expenses incurred by the Authority to comply with the provisions of the Indenture, including without limitation all Costs of Issuance (to the extent not paid from amounts on deposit in the Costs of Issuance Fund, the Water Acquisitions Project Fund or the Water Improvement Project Fund), and shall pay to the Trustee upon request therefor all compensation for fees due to the Trustee and all of its costs and expenses payable as

a result of the performance of and compliance with its duties hereunder or under the Indenture or any related documents, together with all amounts required to indemnify the Trustee pursuant to Section 6.3 hereof or Section 8.12 of the Indenture, and all costs and expenses of attorneys, auditors, engineers and accountants. The rights of the Trustee and the obligations of the City under this Section 4.9 shall survive the termination of this Water Installment Sale Agreement.

Section 4.10. Payments to Reserve Account. In addition to the Water Installment Payments, the City shall pay to the Trustee, from Water System Net Revenues, such amounts as shall be required to replenish the Reserve Account or to reimburse a draw on a Qualified Reserve Account Credit Instrument in the event of a draw therefrom or a valuation determines that a deficiency exists therein, all in accordance with the Indenture.

Section 4.11. Payment of Rebatable Amounts. The City agrees to furnish all information to, and cooperate fully with, the Authority and its officers, employees, agents and attorneys, in order to assure compliance with the provisions of Section 6.07(b) of the Indenture. In the event that the Authority shall determine, pursuant to Section 6.07(b) of the Indenture, that any amounts are due and payable to the United States of America thereunder and that neither the Authority nor the Trustee has on deposit an amount of available moneys (excluding moneys on deposit in the funds and accounts established for the payment of the principal of or interest or redemption premium, if any, on the Bonds) to make such payment, the Authority shall promptly notify the City of such fact. Upon receipt of any such notice, the City shall promptly pay to the Trustee from any source of legally available funds, the amounts determined by the Authority to be due and payable to the United States of America under such Section 6.07(b).

## ARTICLE V

### MAINTENANCE, TAXES, INSURANCE AND OTHER MATTERS

Section 5.1. Maintenance, Utilities, Taxes and Assessments. Throughout the Term of this Water Installment Sale Agreement, all improvement, repair and maintenance of the Water System shall be the responsibility of the City, and the City shall pay for or otherwise arrange for the payment of all utility services supplied to the Water System, which may include, without limitation, janitor service, security, power, gas, telephone, light, heating, water and all other utility services, and shall pay for or otherwise arrange for the payment of the cost of the repair and replacement of the Water System resulting from ordinary wear and tear.

The City shall also pay or cause to be paid all taxes and assessments of any type or nature, if any, charged to the Authority or the City affecting any Water System or the respective interests or estates therein; *provided, however*, that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the City shall be obligated to pay only such installments as are required to be paid during the Term of this Water Installment Sale Agreement as and when the same become due.

The City may, at the City's expense and in its name, in good faith contest any such taxes, assessments, utility and other charges and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless the Authority shall notify the City that, in its opinion, by nonpayment of any such items, the interest of the Authority hereunder or under the Indenture will be materially adversely affected, in which event the City shall promptly pay such taxes, assessments or charges or provide the Authority with full security against any loss which may result from nonpayment, in form satisfactory to the Authority.

Section 5.2. Operation of Water System. The City covenants and agrees to operate or cause to be operated the Water System in an efficient and economical manner and to operate, maintain and preserve or caused to be operated, maintained and preserved the Water System in good repair and working order. The City covenants that, in order to fully preserve and protect the priority and security of the Bonds, the City shall pay from the Water System Gross Revenues and discharge all lawful claims for labor, materials and supplies furnished for or in connection with the Water System which, if unpaid, may become a lien or charge upon the Water System Gross Revenues or the Water System Net Revenues prior or superior to the lien granted hereunder, or which may otherwise impair the ability of the City to pay the Water Installment Payments in accordance herewith.

Section 5.3. Insurance. The City shall maintain or cause to be maintained, throughout the Term of this Water Installment Sale Agreement, but only if and to the extent available at reasonable cost from reputable insurers, liability and casualty insurance in such amounts and against such risks as shall be appropriate for water systems of like size and with similar facilities as the Water System. Such insurance may be maintained as part of or in conjunction with any other insurance carried by the City and may be maintained in whole or in part in the form of self-insurance by the City or in the form of the participation by the City in a joint powers agency or other program providing pooled insurance. All amounts collected from insurance against accident to or destruction of any portion of the Water System shall be used to repair, rebuild or replace such damaged or destroyed portion of the Water System. The proceeds of liability insurance shall be applied toward the extinguishment or satisfaction of the liability with respect to which such proceeds shall have been paid.

Section 5.4. Eminent Domain. Any amounts received as awards as a result of the taking of all or any part of the Water System by the lawful exercise of eminent domain, at the election of the City (evidenced by a Written Certificate of the City filed with the Trustee and the Authority) shall either (a) be used for the acquisition or construction of improvements and extension of the Water System in replacement of the condemned portions thereof, or (b) applied as a credit against the City's obligation to make the Water Installment Payments and payments with respect to any Water System Parity Obligations in accordance with written instructions of the City filed with the Trustee.

Section 5.5. Records and Accounts. The City shall keep proper books of record and accounts of the Water System, separate from all other records and accounts, in which complete and correct entries shall be made of all transactions relating to the Water System. Said books shall, upon prior request, be subject to the reasonable inspection by the Owners of not less than ten percent (10%) in aggregate principal amount of the Outstanding Bonds, or their representatives authorized in writing. The City shall cause the books and accounts of the Water System to be audited annually by an Independent Accountant, not more than one hundred eighty (180) days after the close of each Fiscal Year, and shall make a copy of such report available for inspection by the Bond Owners at the office of the City.

Section 5.6. Continuing Disclosure. The City hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of this Water Installment Sale Agreement, failure of the City to comply with the Continuing Disclosure Certificate shall not constitute an Event of Default hereunder; *provided, however*, that any Participating Underwriter or any Owner or beneficial owner of the Bonds may take such actions as may be necessary and appropriate to compel performance by the City of its obligations under this Section 5.6, including seeking mandate or specific performance by court order.

## ARTICLE VI

### DISCLAIMER OF WARRANTIES; ACCESS

Section 6.1. Disclaimer of Warranties. The Authority and the Trustee make no warranty or representation, either express or implied, as to the value, design, condition, merchantability or fitness for any particular purpose or fitness for the use contemplated by the City of the Water System and the Water Improvement Project, or any other representation or warranty with respect to the Water Project. In no event shall the Authority or the Trustee be liable for incidental, indirect, special or consequential damages in connection with or arising out of this Water Installment Sale Agreement or the Indenture for the existence, furnishing, functioning or City's use of the Water System and the Water Improvement Project.

Section 6.2. Access to the Water System. The City agrees that the Authority and the Trustee, and any duly authorized representative thereof, shall have the right at all reasonable times to enter upon and to examine and inspect the Water System. The City further agrees that the Authority and the Trustee, and any duly authorized representative thereof, shall have such rights of access to the Water System as may be reasonably necessary to cause the proper maintenance of the Water System in the event of failure by the City to perform its obligations hereunder.

Section 6.3. Release and Indemnification Covenants. The City shall and hereby agrees to indemnify and save the Authority and the Trustee and their respective officers, agents, successors and assigns harmless from and against all claims, losses and damages, including legal fees and expenses, arising out of (a) the use, maintenance, condition or management of, or from any work or thing done on the Water System by the City, (b) any breach or default on the part of the City in the performance of any of its obligations under this Water Installment Sale Agreement, (c) any negligence or willful misconduct of the City or of any of its agents, contractors, servants, employees or licensees with respect to the Water System, (d) any act or negligence of any sublessee of the City with respect to the Water System, (e) the Acquisition and Construction of the Water Improvement Project or the authorization of payment of the Water Improvement Project Costs, (f) the performance by the Trustee of its duties and obligations under the Indenture, including any duties referred to in Section 8.12 of the Indenture, (g) the presence on, under or about, or release from, the Water System of any substance, material or waste which is, or which becomes, regulated or classified as hazardous or toxic under State, federal or local law, or (h) the offer, sale and issuance of the Bonds. No indemnification is made under this Section 6.3 or elsewhere in this Water Installment Sale Agreement for adjudicated willful misconduct or negligence by the Authority or the Trustee, or their respective officers, employees, successors or assigns. The rights of the Trustee and the obligations of the City under this Section 6.3 shall survive the termination of this Water Installment Sale Agreement and the resignation or removal of the Trustee.

Section 6.4. Non-Liability of Authority for Water System Obligations. The Authority and its successor and assigns shall have no obligation and shall incur no liabilities or debts whatsoever for the obligations, liabilities and debts of the City incurred in connection with the Water System.

## ARTICLE VII

### ASSIGNMENT, SALE AND AMENDMENT

Section 7.1. Assignment by the City. The obligations of the City under this Water Installment Sale Agreement may not be assigned by the City.

Section 7.2. Sale or Other Disposition of Water System. Except as provided herein, the City covenants that the Water System shall not be encumbered, sold, leased, pledged, any charge placed thereon, or otherwise disposed of, as a whole or substantially as a whole; *provided, however*, the City may lease the Water System to a related public entity that (a) assumes all liabilities of the City with respect to the Water System, and (b) covenants to maintain Water System Gross Revenues sufficient to operate and maintain the Water System and duly provide for the punctual payment of all obligations assumed by such related public entity in connection with such lease including, but not limited to, the Water Installment Payments hereunder. Neither the Water System Net Revenues nor any other funds pledged or otherwise made available to secure payment of the Water Installment Payments shall be mortgaged, encumbered, sold, leased, pledged, any charge placed thereon, or disposed or used except as authorized by the terms of this Water Installment Sale Agreement. The City shall not enter into any agreement which impairs the operation of the Water System or any part of it necessary to secure adequate Water System Net Revenues to pay the Water Installment Payments, or which otherwise would impair the rights of the Bond Owners and the owners of any Water System Parity Obligations with respect to the Water System Net Revenues. If any substantial part of the Water System shall be sold, the payment therefor shall either (a) be used for the acquisition or construction of improvements, extensions or replacements of Water System, or (b) to the extent not so used, be paid to the Trustee to be applied to prepay the Water Installment Payments or any Water System Parity Obligations, in accordance with written instructions of the City filed with the Trustee.

Section 7.3. Amendment of Installment Sale Agreement. The City and the Authority shall have the right to modify or amend this Water Installment Sale Agreement without the consent of any of the Bond Owners or any of the owners of Water System Parity Obligations, but only if such amendment or modification does not cause interest represented by the Bonds to be includable in gross income for federal income tax purposes in the opinion of Bond Counsel, and only if such amendment or modification does not materially adversely affect the interests of the Owners of the Bonds or the owners of any Water System Parity Obligations in the opinion of Bond Counsel, and only if such amendment or modification is for any one or more of the following purposes:

(a) to provide for the issuance of Water System Parity Obligations pursuant to Section 4.8;

(b) to add to the covenants and agreements of the City contained in this Water Installment Sale Agreement, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or power herein reserved to or conferred upon the City;

(c) to cure any ambiguity, or to cure, correct or supplement any defective provision contained herein, or in any other respect whatsoever as the Authority and the City may deem necessary or desirable; or

(d) to amend any provision thereof for the purpose of complying with the applicable requirements of the Tax Code.



ARTICLE VIII  
EVENTS OF DEFAULT

Section 8.1. Events of Default Defined. The following events shall be Events of Default hereunder:

(a) Failure by the City to pay any Water Installment Payment when and as the same become due and payable hereunder.

(b) Failure by the City to pay any Water Additional Payment when due and payable hereunder, and the continuation of such failure for a period of ten (10) days.

(c) Failure by the City to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in the preceding clauses (a) or (b), for a period of thirty (30) days after written notice specifying such failure and requesting that it be remedied has been given to the City by the Authority or the Trustee; *provided, however*, that if the City shall notify the Authority and the Trustee that in its reasonable opinion the failure stated in the notice can be corrected, but not within such thirty (30) day period, such failure shall not constitute an Event of Default hereunder if the City shall commence to cure such failure within such thirty (30) day period and thereafter diligently and in good faith cure such failure in a reasonable period of time.

(d) The filing by the City of a voluntary petition in bankruptcy, or failure by the City promptly to lift any execution, garnishment or attachment, or adjudication of the City as a bankrupt, or assignment by the City for the benefit of creditors, or the entry by the City into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to the City in any proceedings instituted under the provisions of the Federal Bankruptcy Code, as amended, or under any similar acts which may hereafter be enacted.

(e) The occurrence and continuation of any payment event of default under and as defined in the instruments authorizing the issuance of any Water System Parity Obligations.

Section 8.2. Remedies on Default. Whenever any Event of Default shall have happened and be continuing, the Trustee as assignee of the Authority shall have the right, at its option and without any further demand or notice, but subject in all respects to the provisions of Article VII of the Indenture, to:

(a) declare all principal components of the unpaid Water Installment Payments, together with accrued interest thereon at the net effective rate of interest per annum then borne by the Outstanding Bonds from the immediately preceding Interest Payment Date on which payment was made, to be immediately due and payable, whereupon the same shall immediately become due and payable;

(b) take whatever action at law or in equity may appear necessary or desirable to collect the Water Installment Payments then due or thereafter to become due during the Term of this Water Installment Sale Agreement, or enforce performance and observance of any obligation, agreement or covenant of the City under this Water Installment Sale Agreement; and

(c) as a matter of right, in connection with the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and the Bond Owners hereunder, cause

the appointment of a receiver or receivers of the Water System Gross Revenues and other amounts pledged hereunder, with such powers as the court making such appointment shall confer.

The provisions of the preceding clause (a), however, are subject to the condition that if, at any time after the principal components of the unpaid Water Installment Payments shall have been so declared due and payable pursuant to the preceding clause (a), and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the City shall deposit with the Trustee a sum sufficient to pay all principal components of the Water Installment Payments coming due prior to such declaration and all matured interest components (if any) of the Water Installment Payments, with interest on such overdue principal and interest components calculated at the net effective rate of interest per annum then borne by the Outstanding Bonds, and the reasonable expenses of the Trustee (including any fees and expenses of its attorneys), and any and all other defaults known to the Trustee (other than in the payment of the principal and interest components of the Water Installment Payments due and payable solely by reason of such declaration) shall have been made good, then, and in every such case, with the written consent of the Trustee, shall rescind and annul such declaration and its consequences. However, no such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair or exhaust any right or power consequent thereon. As provided in Section 8.6, the Trustee shall be required to exercise the remedies provided herein in accordance with the Indenture.

Section 8.3. No Remedy Exclusive. No remedy herein conferred upon or reserved to the Authority is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Water Installment Sale Agreement or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Authority to exercise any remedy reserved to it in this Article VIII it shall not be necessary to give any notice, other than such notice as may be required in this Article VIII or by law.

Section 8.4. Agreement to Pay Attorneys' Fees and Expenses. In the event either party to this Water Installment Sale Agreement shall default under any of the provisions hereof and the nondefaulting party, the Trustee or the Owner of any Bonds should employ attorneys or incur other expenses for the collection of moneys or the enforcement or performance or observance of any obligation or agreement on the part of the defaulting party herein contained, the defaulting party agrees that it will on demand therefor pay to the nondefaulting party, the Trustee or such Owner, as the case may be, the reasonable fees of such attorneys and such other expenses so incurred.

Section 8.5. No Additional Waiver Implied by One Waiver. In the event any agreement contained in this Water Installment Sale Agreement shall be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

Section 8.6. Trustee and Bond Owners to Exercise Rights. Such rights and remedies as are given to the Authority under this Article VIII have been assigned by the Authority to the Trustee under the Indenture, to which assignment the City hereby consents. Such rights and remedies shall be exercised by the Trustee and the Owners of the Bonds as provided in the Indenture.

Section 8.7. Rights of the Owners of Water System Parity Obligations. Notwithstanding anything in this Article VIII to the contrary, it is hereby acknowledged and agreed that the rights of the Trustee and the Bond Owners hereunder in and to the Water System Net Revenues and the Water System shall be exercised on a parity and proportionate basis with the rights of the owners of any Water System Parity Obligations and any fiduciary acting for the benefit of such owners. The provisions of this Article VIII, and the provisions of any instruments authorizing the issuance of any Water System Parity Obligations, shall be construed in accordance with the foregoing sentence.

## ARTICLE IX

### PREPAYMENT OF WATER INSTALLMENT PAYMENTS

Section 9.1. Security Deposit. Notwithstanding any other provision of this Water Installment Sale Agreement, the City may on any date secure the payment of Water Installment Payments in whole or in part by irrevocably depositing with the Trustee or any other fiduciary an amount of cash which, together with amounts on deposit in the Bond Fund, the accounts therein and the cash on deposit in the Reserve Account, is either (a) sufficient to pay all such Water Installment Payments, including the principal and interest components thereof, in accordance with the Water Installment Payment schedule set forth in Exhibit A, or (b) invested in whole or in part in Federal Securities in such amount as will, in the written opinion of an Independent Accountant, together with interest to accrue thereon and together with any cash which is so deposited, be fully sufficient to pay all such Water Installment Payments when due pursuant to Section 4.4(a) or when due on any optional prepayment date pursuant to Section 9.2, as the City shall instruct at the time of said deposit. In the event of a security deposit pursuant to this Section 9.1 with respect to all of the Water Installment Payments, all obligations of the City under this Water Installment Sale Agreement, and all security provided by this Water Installment Sale Agreement for said obligations, shall cease and terminate, excepting only the obligation of the City to make, or cause to be made, all of such Water Installment Payments from such security deposit, and the obligation of the City to compensate and indemnify the Trustee pursuant to Sections 4.9 and 6.3. Said security deposit shall be deemed to be and shall constitute a special fund for the payment of Water Installment Payments in accordance with the provisions of this Water Installment Sale Agreement.

Section 9.2. Optional Prepayment. The City may exercise its option to prepay the principal components of the Water Installment Payments in whole, or in part in integral multiples of \$5,000, on any date on or after March 25, \_\_\_\_, by paying a prepayment price equal to the aggregate principal components of the Water Installment Payments to be prepaid, together with the interest component of the Water Installment Payment required to be paid on or accrued to such date. Such prepayment price shall be deposited by the Trustee in the Redemption Fund or in another trustee-held fund to be applied to the redemption of Bonds pursuant to Section 4.01(b) of the Indenture. The City shall give the Trustee written notice of its intention to exercise its option not less than forty-five (45) days in advance of the date of exercise.

Section 9.3. Credit for Amounts on Deposit. In the event of prepayment of the principal components of the Water Installment Payments in full under this Article IX, such that the Indenture shall be discharged by its terms as a result of such prepayment, and upon payment in full of all Water Additional Payments and other amounts then due and payable hereunder, all available amounts then on deposit in the funds and accounts established under the Indenture shall be credited towards the amounts then required to be so prepaid.

ARTICLE X  
MISCELLANEOUS

Section 10.1. Further Assurances. The City agrees that it will execute and deliver any and all such further agreements, instruments, financing statements or other assurances as may be reasonably necessary or requested by the Authority or the Trustee to carry out the intention or to facilitate the performance of this Water Installment Sale Agreement, including, without limitation, to perfect and continue the security interests herein intended to be created.

Section 10.2. Notices. Any notice, request, complaint, demand or other communication under this Water Installment Sale Agreement shall be given by first class mail or personal delivery to the party entitled thereto at its address set forth below, or by telecopy, telex or other form of telecommunication, at its number set forth below. Notice shall be effective either (a) upon transmission by telecopy, telex or other form of telecommunication, (b) 48 hours after deposit in the United States mail, postage prepaid, or (c) in the case of personal delivery to any person, upon actual receipt.

If to the Authority:

Coalinga Public Financing Authority  
c/o City of Coalinga  
155 West Durian  
Coalinga, CA 93210  
Attention: Finance Director  
Phone: (661) 792-3091

If to the City:

City of Coalinga  
155 West Durian  
Coalinga, CA 93210  
Attention: Finance Director  
Phone: (661) 792-3091

If to the Trustee:

Wells Fargo Bank, National Association  
333 South Grand Avenue, Fifth Floor  
Los Angeles, CA 90071  
Attention: Corporate Trust  
Phone: (213) 253-7517

The Authority, the City or the Trustee may, by written notice to the other parties, from time to time modify the address or number to which communications are to be given hereunder.

Section 10.3. Third Party Beneficiary. The Trustee shall be and is hereby made a third party beneficiary hereunder with all rights of a third party beneficiary.

Section 10.4. Governing Law. This Water Installment Sale Agreement shall be construed in accordance with and governed by the laws of the State.

Section 10.5. Binding Effect. This Water Installment Sale Agreement shall inure to the benefit of and shall be binding upon the Authority and the City, and their respective successors and assigns, subject, however, to the limitations contained herein.

Section 10.6. Severability of Invalid Provisions. If any one or more of the provisions contained in this Water Installment Sale Agreement shall for any reason be held to be invalid,

illegal or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in this Water Installment Sale Agreement and such invalidity, illegality or unenforceability shall not affect any other provision of this Water Installment Sale Agreement, and this Water Installment Sale Agreement shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The Authority and the City each hereby declares that it would have entered into this Water Installment Sale Agreement and each and every other Section, paragraph, sentence, clause or phrase hereof irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses or phrases of this Water Installment Sale Agreement may be held illegal, invalid or unenforceable.

Section 10.7. Article and Section Headings and References. The headings or titles of the several Articles and Sections hereof, and any table of contents appended to copies hereof, shall be solely for convenience of reference and shall not affect the meaning, construction or effect of this Water Installment Sale Agreement. All references herein to "Articles," "Sections" and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Water Installment Sale Agreement; the words "herein," "hereof," "hereby," "hereunder" and other words of similar import refer to this Water Installment Sale Agreement as a whole and not to any particular Article, Section or subdivision hereof; and words of the masculine gender shall mean and include words of the feminine and neuter genders.

Section 10.8. Execution of Counterparts. This Water Installment Sale Agreement may be executed in any number of counterparts, each of which shall for all purposes be deemed to be an original and all of which shall together constitute but one and the same instrument.

Section 10.9. Waiver of Personal Liability. No member of the City Council, officer, agent or employee of the City shall be individually or personally liable for the payment of Water Installment Payments or Water Additional Payments or be subject to any personal liability or accountability by reason of this Water Installment Sale Agreement; but nothing herein contained shall relieve any such member of the City Council, officer, agent or employee from the performance of any official duty provided by law or by this Water Installment Sale Agreement.

Section 10.10. Limitation of Rights to Parties and Bond Owners. Nothing in this Water Installment Sale Agreement expressed or implied is intended or shall be construed to give to any person other than the Authority, the Trustee, the City and the Owners of the Bonds, any legal or equitable right, remedy or claim under or in respect of this Water Installment Sale Agreement or any covenant, condition or provision therein or herein contained; and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the Authority, the Trustee, the City and the Owners of the Bonds.

Section 10.11. Captions. The captions or headings in this Water Installment Sale Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provisions or Section of this Water Installment Sale Agreement.

IN WITNESS WHEREOF, the Authority and the City have caused this Water Installment Sale Agreement to be executed in their respective names by their duly authorized officers, all as of the date first above written.

COALINGA PUBLIC FINANCING  
AUTHORITY, as Purchaser

By \_\_\_\_\_  
Executive Director

Attest:

\_\_\_\_\_  
Secretary

CITY OF COALINGA, as Seller

By \_\_\_\_\_  
City Manager

Attest:

\_\_\_\_\_  
City Clerk

## EXHIBIT A

### SCHEDULE OF INSTALLMENT PAYMENTS

Installment Payment Date	Allocable to the Series A Bonds			Allocable to the Series B Bonds			Total Installment Payment
	Principal Component	Interest Component	Total	Principal Component	Interest Component	Total	



**EXHIBIT B**

**DESCRIPTION OF THE WATER SYSTEM**

## **EXHIBIT C**

### **DESCRIPTION OF THE WATER IMPROVEMENT PROJECT**

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**WASTEWATER INSTALLMENT SALE AGREEMENT**

**Dated as of March 1, 2021**

**by and between**

**COALINGA PUBLIC FINANCING AUTHORITY, as Seller**

**and the**

**CITY OF COALINGA, as Purchaser**

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Relating to  
\$ \_\_\_\_\_  
Coalinga Public Financing Authority  
Revenue Bonds, Series 2021A  
(Water and Wastewater Financing Projects)  
(Federally Taxable)

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EXHIBIT A	SCHEDULE OF WASTEWATER INSTALLMENT PAYMENTS
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## WASTEWATER INSTALLMENT SALE AGREEMENT

THIS WASTEWATER INSTALLMENT SALE AGREEMENT, dated as of March 1, 2021 (this "Wastewater Installment Sale Agreement"), is by and between the COALINGA PUBLIC FINANCING AUTHORITY, a joint powers authority duly organized and existing under the laws of the State of California (the "Authority"), and the CITY OF COALINGA, a general law city and municipal corporation duly organized and existing under the laws of the State of California (the "City"),

### WITNESSETH:

WHEREAS, under Article 4 (commencing with section 6584) of Chapter 5 of Division 7 of Title 1 of the California Government Code (the "Bond Law") the Authority is authorized to borrow money for the purpose of financing the acquisition of bonds, notes and other obligations of, or for the purpose of making loans to, public entities including the City, and to provide financing for public capital improvements of public entities including the City; and

WHEREAS, the Authority has previously issued its \$12,830,000 Coalinga Public Financing Authority Revenue Bonds, Series 2012 (Water and Wastewater Financing Projects) (the "2012 Bonds"), of which \$12,200,000 principal amount is outstanding, to finance and refinance the acquisition and construction of certain improvements and facilities constituting part of the City's municipal wastewater enterprise (the "Wastewater System") and to finance and refinance the acquisition and construction of certain improvements and facilities constituting part of the City's municipal water enterprise (the "Water System");

WHEREAS, the principal of and interest on the 2012 Bonds are paid from revenues derived from installment payments made by the City under an installment sale agreement secured by a pledge of the net revenues of the Wastewater System and installment payments made by the City under an installment sale agreement secured by a pledge of the net revenues of the Water System;

WHEREAS, the City has determined that, due to prevailing financial market conditions and for other reasons, it is in the best interests of the City to (a) refinance its obligations to make payment with respect to the 2012 Bonds and to provide for the advance refunding of the 2012 Bonds, (b) finance the acquisition of water (the "Water Acquisition Project"), and (c) finance the acquisition and construction of additional improvements and facilities of the Water System (the "Water Improvement Project");

WHEREAS, for the purpose of raising funds necessary to provide such financial assistance to the City, the Authority proposes to authorize the issuance of its revenue bonds under the provisions of Article 4 (commencing with section 6584) of Chapter 5 of Division 7 of Title 1 of the California Government Code, designated as the Coalinga Public Financing Authority Revenue Bonds, Series 2021A (Water and Wastewater Financing Projects) (Federally Taxable) (the "Series A Bonds"), and the Coalinga Public Financing Authority Revenue Bonds, Series 2021B (Water Project) (Tax-Exempt) (the "Series B Bonds" and, with the Series A Bonds, the "Bonds"), all pursuant to and secured by an indenture of trust, by and between the Authority and Wells Fargo Bank, National Association, as trustee;

WHEREAS, in order to provide for the repayment of the Bonds, (a) the City will sell the Wastewater System to the Authority and the Authority will sell the Wastewater System, the Water Acquisition Project and the Water Improvement Project to the City pursuant to an installment sale agreement (the "Water Installment Sale Agreement"), under which the City will

agree to make installment payments to the Authority payable from the net revenues of the Water System, and (b) the City will sell the Wastewater System to the Authority and the Authority will sell the Wastewater System to the City pursuant to an installment sale agreement this Wastewater Installment Sale Agreement, under which the City will agree to make installment payments to the Authority payable from the net revenues of the Wastewater System which payments, together with the payments under the Water Installment Sale Agreement, will be calculated to be sufficient, in time and amount, to enable the Authority to pay the principal of and interest and premium (if any) on the Bonds when due and payable;

WHEREAS, the Authority and the City have duly authorized the execution and delivery of this Wastewater Installment Sale Agreement;

NOW, THEREFORE, for and in consideration of the premises and the material covenants hereinafter contained, the parties hereto hereby formally covenant, agree and bind themselves as follows:

ARTICLE I  
DEFINITIONS

Section 1.1. Definitions. Unless the context clearly otherwise requires or unless otherwise defined herein, the capitalized terms in this Wastewater Installment Sale Agreement shall have the respective meanings specified in the Indenture.



ARTICLE II  
COVENANTS AND REPRESENTATIONS

Section 2.1. Covenants and Representations of the City. The City makes the following covenants and representations to the Authority that as of the Closing Date:

(a) The City is a general law city and municipal corporation duly organized and validly existing under the laws of the State, has full legal right, power and authority to enter into the Wastewater Acquisition Agreement and this Wastewater Installment Sale Agreement and to carry out and consummate all transactions contemplated hereby, and by proper action has duly authorized the execution and delivery of the Wastewater Acquisition Agreement and this Wastewater Installment Sale Agreement.

(b) The representatives of the City executing this Wastewater Installment Sale Agreement are fully authorized to execute the same.

(c) The Wastewater Acquisition Agreement and this Wastewater Installment Sale Agreement have been duly authorized, executed and delivered by the City, and constitute the legal, valid and binding agreements of the City, enforceable against the City in accordance with their respective terms.

(d) The execution and delivery of the Wastewater Acquisition Agreement and this Wastewater Installment Sale Agreement, the consummation of the transactions therein and herein contemplated and the fulfillment of or compliance with the terms and conditions hereof, will not conflict with or constitute a violation or breach of or default (with due notice or the passage of time or both) under any applicable law or administrative rule or regulation, or any applicable court or administrative decree or order, or any indenture, mortgage, deed of trust, lease, contract or other agreement or instrument to which the City is a party or by which it, the Wastewater System are otherwise subject or bound, or result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the City, which conflict, violation, breach, default, lien, charge or encumbrance would have consequences that would materially and adversely affect the consummation of the transactions contemplated by the Wastewater Acquisition Agreement and this Wastewater Installment Sale Agreement, or the financial condition, assets, improvements or operations of the Wastewater System.

(e) No consent or approval of any trustee or holder of any indebtedness of the City or of the voters of the City, and no consent, permission, authorization, order or license of, or filing or registration with, any governmental authority, is necessary in connection with the execution and delivery of the Wastewater Acquisition Agreement and this Wastewater Installment Sale Agreement or the consummation of any transaction herein contemplated, except as have been obtained or made and as are in full force and effect.

(f) There is no action, suit, proceeding, inquiry or investigation before or by any court or federal, state, municipal or other governmental authority pending or threatened against or affecting the City or the Wastewater System which, if determined adversely to the City or its interests, would have a material and adverse effect upon the consummation of the transactions contemplated by or the validity of the Wastewater Acquisition Agreement or this Wastewater Installment Sale Agreement or upon the financial condition or operation of the Wastewater System, and the City is not in default with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or other governmental authority,

which default might have consequences that would materially and adversely affect the consummation of the transactions contemplated by the Wastewater Acquisition Agreement or this Wastewater Installment Sale Agreement, or the financial conditions or operations of the Wastewater System.

(g) The City has heretofore established the Wastewater Fund into which the City deposits and will continue to deposit all Wastewater System Gross Revenues, and which the City will maintain throughout the Term of this Wastewater Installment Sale Agreement.

(h) There are no outstanding bonds, notes, loans, leases, installment sale agreements or other obligations which have any security interest in or claim upon the Wastewater System Net Revenues, which security interest or claim is superior to or on a parity with the Wastewater Installment Payments.

Section 2.2. Covenants and Representations of the Authority. The Authority makes the following covenants and representations to the City that as of the Closing Date:

(a) The Authority is a joint powers entity, duly organized and existing under the laws of the State. The Authority has the power to enter into the transactions contemplated by the Wastewater Acquisition Agreement and this Wastewater Installment Sale Agreement and to carry out its obligations hereunder. By proper action of its governing body, the Authority has been duly authorized to execute, deliver and duly perform the Wastewater Acquisition Agreement and this Wastewater Installment Sale Agreement and the Indenture.

(b) To finance the refunding of the 2012 Bonds and the Costs of Issuance, the Authority will issue the Bonds, which will mature, bear interest and be subject to redemption as set forth in the Indenture.

(c) The Bonds will be issued under and secured by the Indenture, and pursuant thereto, certain of the Authority's interests in this Wastewater Installment Sale Agreement have been assigned to the Trustee as security for payment of a portion of the principal of, premium, if any, and interest on the Bonds.

(d) The Authority is not in default under any of the provisions of the laws of the State, which default would affect its existence or its powers referred to in subsection (a) of this Section 2.2.

### ARTICLE III

#### ISSUANCE OF BONDS

Section 3.1. The Bonds. The Authority has authorized the issuance of the Bonds pursuant to the Indenture in the aggregate principal amount of \_\_\_\_\_ dollars (\$\_\_\_\_\_). The Authority agrees that the proceeds of sale of the Bonds shall be paid to the Trustee on the Closing Date for deposit pursuant to the terms and conditions of the Indenture. The City hereby approves the Indenture, the assignment to the Trustee of the rights of the Authority assigned under and pursuant to the Indenture, and the issuance of the Bonds by the Authority under and pursuant to the Indenture.

## ARTICLE IV

### SALE; WASTEWATER INSTALLMENT PAYMENTS

Section 4.1. Sale. The Authority hereby agrees to sell the Wastewater System, to the City, and the City hereby agrees to purchase the Wastewater System, from the Authority, upon the terms and conditions set forth in this Wastewater Installment Sale Agreement.

Section 4.2. Term. The Term of this Wastewater Installment Sale Agreement shall commence on the Closing Date, and shall end on the date on which the City shall have paid all of the Wastewater Installment Payments and all other amounts due and payable hereunder.

Section 4.3. Title. On the Closing Date, title to the Wastewater System shall be deemed conveyed to and vested in the City.

#### Section 4.4. Wastewater Installment Payments.

(a) *Obligation to Pay*. The City agrees to pay to the Authority, its successors and assigns, but solely from the Wastewater System Net Revenues and other funds pledged hereunder, as the purchase price of the Wastewater System the aggregate principal amount of \_\_\_\_\_ dollars (\$\_\_\_\_\_), together with interest on the unpaid principal balance, payable in Wastewater Installment Payments coming due and payable in the respective amounts and on each Wastewater Installment Payment Date specified in Exhibit A. The Wastewater Installment Payments shall be paid by the City to the Trustee, as assignee of the Authority pursuant to the Indenture, in the amounts and at the times as set forth in Section 4.5(b).

(b) *Effect of Prepayment*. In the event that the City prepays all remaining Wastewater Installment Payments in full pursuant to Article IX, the City's obligations under this Wastewater Installment Sale Agreement shall thereupon cease and terminate, including but not limited to the City's obligation to pay Wastewater Installment Payments therefor under this Section 4.4; *provided, however*, that the City's obligations to compensate and indemnify the Trustee pursuant to Sections 4.9 and 6.3 shall survive such prepayment. In the event that the City prepays the Wastewater Installment Payments in part but not in whole pursuant to Section 9.2, the principal component of each succeeding Wastewater Installment Payment shall be reduced as provided in such Sections, and the interest component of each remaining Wastewater Installment Payment shall be reduced by the aggregate corresponding amount of interest which would otherwise be payable on the Bonds thereby redeemed pursuant to the applicable provisions of Section 4.01 of the Indenture.

(c) *Rate on Overdue Payments*. In the event the City should fail to make any of the payments required in this Section 4.4 and Section 4.10, the payment in default shall continue as an obligation of the City until the amount in default shall have been fully paid, and the City agrees to pay the same with interest thereon, from the date of default to the date of payment, at the rate of ten percent (10%) per annum.

(d) *Assignment*. The City understands and agrees that all Wastewater Installment Payments have been assigned by the Authority to the Trustee in trust, pursuant to the Indenture, for the benefit of the Owners of the Bonds, and the City hereby assents to such assignment. The Authority hereby directs the City, and the City hereby agrees, to pay to the Trustee at its Trust Office, all amounts payable by the City pursuant to this Section 4.4 and all amounts payable by the City pursuant to Article IX.

Section 4.5. Application of Wastewater System Gross Revenues; Pledge and Application of Wastewater System Net Revenues.

(a) *Deposits Into Wastewater Fund; Transfers to Make Wastewater Installment Payments.* All of the Wastewater System Gross Revenues shall be deposited by the City immediately upon receipt in the Wastewater Fund.

Upon receipt of Wastewater System Gross Revenues, the City shall segregate such amounts as shall be estimated to be required to pay all Operation and Maintenance Costs for the period beginning on such date and ending on the next anticipated date of receipt of Wastewater System Gross Revenues. Amounts remaining on deposit in the Wastewater Fund shall be the Wastewater System Net Revenues.

The City covenants and agrees that all Wastewater System Net Revenues will be held by the City in the Wastewater Fund in trust for the benefit of the Trustee (as assignee of the rights of the Authority hereunder) and the Bond Owners, and for the benefit of the owners of any Wastewater System Parity Obligations.

(b) *Pledge of Wastewater System Net Revenues; Transfers.* All of the Wastewater System Net Revenues are hereby irrevocably pledged, charged and assigned to the punctual payment of the Wastewater Installment Payments and all Wastewater System Parity Obligations and, except as otherwise provided herein, the Wastewater System Net Revenues shall not be used for any other purpose so long as any of the Wastewater Installment Payments remain unpaid. Such pledge, charge and assignment shall constitute a first lien on the Wastewater System Net Revenues for the payment of the Wastewater Installment Payments and all Wastewater System Parity Obligations in accordance with the terms hereof.

On or before each Installment Payment Date, commencing September 15, 2021, the City shall withdraw from the Wastewater Fund:

(i) and transfer to the Trustee for deposit in the Bond Fund (and transfer on a parity to such similar funds or accounts established for the payment of Wastewater System Parity Obligations such amounts as are required for the payment thereof), an amount (other than amounts resulting from the prepayment of the Wastewater Installment Payments pursuant to Article IX and other than amounts required for payment of principal of or interest on any Bonds which have matured or been called for redemption but which have not been presented for payment), equal to the interest component of the Wastewater Installment Payment coming due and payable on the next succeeding Interest Payment Date, and the principal component of the Wastewater Installment Payment coming due and payable on the next succeeding principal payment date, if any, provided that any amounts on deposit in the Bond Fund representing capitalized interest or on deposit in a similar fund created with respect to Wastewater System Parity Obligations, shall be credited against the City's obligation to make such deposits or transfers therein,

(ii) and transfer to the Trustee for deposit in the Reserve Account (and transfer on a parity to such similar funds or accounts established as reserve funds with respect to Wastewater System Parity Obligations such amounts as are required for the replenishment thereof), the amount, if any, required to increase the amount on deposit in the Reserve Account to the Reserve Requirement,

(iii) and pay all other amounts, including Wastewater Additional Payments, when and as due and payable under this Wastewater Installment Sale Agreement and under any agreements relating to Wastewater System Parity Obligations, and

(iv) and pay all amounts when and as due and payable with respect to any Subordinate Debt.

(c) *Release from Lien.* Following the transfers described in paragraph (b) of this Section 4.5, excess Wastewater System Net Revenues shall be released from the lien of this Wastewater Installment Sale Agreement and shall be available for any lawful purpose of the City.

Section 4.6. Special Obligation of the City; Obligations Absolute. The City's obligation to pay the Wastewater Installment Payments, the Wastewater Additional Payments, any other amounts coming due and payable hereunder and payments with respect to Wastewater System Parity Obligations shall be a special obligation of the City limited solely to the Wastewater System Net Revenues. Under no circumstances shall the City be required to advance moneys derived from any source of income other than the Wastewater System Net Revenues and other sources specifically identified herein for the payment of the Wastewater Installment Payments, the Wastewater Additional Payments or payments with respect to Wastewater System Parity Obligations, nor shall any other funds or property of the City be liable for the payment of the Wastewater Installment Payments, the Wastewater Additional Payments or payments with respect to Wastewater System Parity Obligations and any other amounts coming due and payable hereunder.

The obligations of the City to make the Wastewater Installment Payments, the Wastewater Additional Payments and payments with respect to Wastewater System Parity Obligations from the Wastewater System Net Revenues and to perform and observe the other agreements contained herein and under agreements with respect to Wastewater System Parity Obligations shall be absolute and unconditional and shall not be subject to any defense or any right of setoff, counterclaim or recoupment arising out of any breach of the City, the Authority or the Trustee of any obligation to the City or otherwise with respect to the Wastewater System, whether hereunder or otherwise, or out of indebtedness or liability at any time owing to the City by the Authority or the Trustee. Until such time as all of the Wastewater Installment Payments, all of the Wastewater Additional Payments and all other amounts coming due and payable hereunder shall have been fully paid or prepaid, the City (a) will not suspend or discontinue payment of any Wastewater Installment Payments, Wastewater Additional Payments, payments with respect to Wastewater System Parity Obligations or such other amounts, (b) will perform and observe all other agreements contained in this Wastewater Installment Sale Agreement and under any agreements with respect to Wastewater System Parity Obligations, and (c) will not terminate the Term of this Wastewater Installment Sale Agreement or such agreements with respect to Wastewater System Parity Obligations for any cause, including, without limiting the generality of the foregoing, the occurrence of any acts or circumstances that may constitute failure of consideration, eviction or constructive eviction, destruction of or damage to the Wastewater System, sale of the Wastewater System, the taking by eminent domain of title to or temporary use of any component of the Wastewater System, commercial frustration of purpose, any change in the tax law or other laws of the United States of America or the State or any political subdivision of either thereof or any failure of the Authority or the Trustee to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with the Indenture, this Wastewater Installment Sale Agreement or agreements with respect to Wastewater System Parity Obligations.

Nothing contained in this Section 4.6 shall be construed to release the Authority or the Trustee from the performance of any of the agreements on its part contained herein or in the Indenture, and in the event the Authority or the Trustee shall fail to perform any such agreements, the City may institute such action against the Authority or the Trustee as the City may deem necessary to compel performance so long as such action does not abrogate the obligations of the City contained in the preceding paragraph. The City may, however, at the City's own cost and expense and in the City's own name or in the name of the Authority prosecute or defend any action or proceeding or take any other action involving third persons which the City deems reasonably necessary in order to secure or protect the City's rights hereunder, and in such event the Authority hereby agrees to cooperate fully with the City and to take such action necessary to effect the substitution of the City for the Authority in such action or proceeding if the City shall so request.

Section 4.7. Rate Covenant.

(a) The City hereby covenants that it shall fix, prescribe and collect rates, fees and charges for the services and facilities of the Wastewater System for each Fiscal Year, which after allowances for contingencies and error in the estimates, shall produce Wastewater System Gross Revenues at least sufficient to pay the following amounts during such Fiscal Year:

- (i) All current Operation and Maintenance Costs;
- (ii) The Wastewater Installment Payments and all payments required with respect to other Wastewater System Parity Obligations;
- (iii) All payments required with respect to all Subordinate Debt;
- (iv) All payments required for compliance with the terms of the Indenture and hereof, including amounts required to replenish the Reserve Account or to reimburse a draw on a Qualified Reserve Account Credit Instrument;
- (v) All payments to meet any other obligations of the City which are charges, liens or encumbrances upon, or payable from, the Wastewater System Gross Revenues; and
- (vi) any other lawful purposes of the Authority, including, but not limited to, deposits to the Wastewater Rate Stabilization Fund in accordance with paragraph (c) of this Section 4.7.

(b) In addition to the requirements of the foregoing subsection (a) of this Section 4.7, the City hereby covenants that it shall fix, prescribe and collect rates, fees and charges for the services and facilities of the Wastewater System for each Fiscal Year so as to yield Wastewater System Net Revenues during such Fiscal Year equal to at least 1.25 times the Wastewater Installment Payments and all payments required with respect to all Wastewater System Parity Obligations in such Fiscal Year.

The City may make or permit to be made adjustments from time to time in such rates, fees and charges and may make or permit to be made such classification thereof as it deems necessary, but shall not reduce or permit to be reduced such rates, fees and charges below those then in effect unless the Wastewater System Gross Revenues from such reduced rates, fees and charges will at all times be sufficient to meet the requirements of this Section 4.7.

(c) There is hereby created a separate fund to be known as the "Wastewater Rate Stabilization Fund," to be held and maintained by the City. The Wastewater Rate Stabilization Fund is not pledged to secure payment of the Wastewater Installment Payments. Amounts in the Wastewater Rate Stabilization Fund shall be applied solely for the uses and purposes set forth in this subsection (c). The City shall have the right to deposit into the Wastewater Rate Stabilization Fund from time to time any amount of funds which are legally available therefor; provided that deposits for each Fiscal Year may be made until (but not after) one hundred eighty (180) days following the end of such Fiscal Year.

For the purpose of computing the amount of Wastewater System Net Revenues for any Fiscal Year for purposes of the preceding subsection (b), the City shall be permitted to transfer amounts on deposit in the Wastewater Rate Stabilization Fund to the Wastewater Fund, such transfers to be made until (but not after) one hundred eighty (180) days after the end of such Fiscal Year. In addition, the City shall be permitted to withdraw amounts on deposit in the Wastewater Rate Stabilization Fund for any other lawful purpose.

Notwithstanding the foregoing, amounts on deposit in the Wastewater Rate Stabilization Fund and transferred to the Wastewater Fund shall be accounted separately from all other amounts deposited in the Wastewater Fund and, if such amounts shall become available to the City in accordance with subparagraph (vi) of paragraph (a) of this Section 4.7, such amounts may not again be deposited in the Wastewater Rate Stabilization Fund.

Section 4.8. Limitations on Future Obligations Secured by Wastewater System Net Revenues.

(a) *No Obligations Superior to Wastewater Installment Payments.* In order to protect further the availability of the Wastewater System Net Revenues and the security for the Wastewater Installment Payments and any Wastewater System Parity Obligations, the City hereby agrees that the City shall not, so long as the Wastewater Installment Payments are not fully paid or any Wastewater System Parity Obligations are outstanding, issue or incur any obligations payable from Wastewater System Net Revenues superior to the Wastewater Installment Payments or such Wastewater System Parity Obligations.

(b) *Wastewater System Parity Obligations.* The City further covenants that it will not issue or incur any Wastewater System Parity Obligations unless:

(i) The City is not in default under the terms of this Wastewater Installment Sale Agreement or any agreements relating to then existing Wastewater System Parity Obligations;

(ii) (A) Wastewater System Net Revenues, calculated on sound accounting principles, as shown by the books of the City for the latest Fiscal Year or any twelve (12) month period out of the most recent eighteen months selected by the City ending not more than sixty (60) days prior to the adoption of the resolution pursuant to which such Wastewater System Parity Obligations are authorized to be issued or incurred, as shown by the books of the City, shall have amounted to at least 1.25 times the maximum amount of Wastewater Installment Payments and debt service on all Wastewater System Parity Obligations outstanding immediately subsequent to the incurring of such additional obligations coming due and payable in any future Fiscal Year.



Either or both of the following items may be added to such Wastewater System Net Revenues for the purpose of applying the restriction contained in this subsection (b)(ii)(A):

(1) An allowance for revenues to be derived from any additions to or improvements or extensions of the Wastewater System which, during all or any part of such Fiscal Year or the twelve (12) month period out of the most recent eighteen months selected by the City ending not more than sixty (60) days prior to the adoption of the resolution pursuant to which such Wastewater System Parity Obligations are authorized to be issued or incurred, were not in service, in an amount equal to 100% of the estimated additional average annual Wastewater System Net Revenues to be derived from such additions, improvements and extensions, all as shown by the certificate or opinion of a qualified independent consultant employed by the City.

(2) An allowance for any increase in the charges made for service from the Wastewater System which has become effective prior to the incurring of such Wastewater System Parity Obligations but which, during all or any part of such Fiscal Year or the twelve (12) month period out of the most recent eighteen months selected by the City ending not more than sixty (60) days prior to the adoption of the resolution pursuant to which such Wastewater System Parity Obligations are authorized to be issued or incurred, was not in effect, in an amount equal to 100% of the amount by which the Wastewater System Net Revenues would have been increased if such increase in charges had been in effect during the whole of such Fiscal Year or the twelve (12) month period out of the most recent eighteen months selected by the City ending not more than sixty (60) days prior to the adoption of the resolution pursuant to which such Wastewater System Parity Obligations are authorized to be issued or incurred, as shown by the certificate or opinion of a qualified independent consultant employed by the City;

or

(B) Estimated Wastewater System Net Revenues, based on a report of a qualified independent engineer employed by the City or a report of a qualified independent consultant employed by the City, for each of the five (5) Fiscal Years next following the earlier of (i) the end of the period during which interest on the Wastewater System Parity Obligations proposed to be executed is to be capitalized or, if no interest is capitalized the Fiscal Year in which the proposed Wastewater System Parity Obligations are to be issued, or (ii) the date on which substantially all projects financed with the proposed Wastewater System Parity Obligations are expected to commence operations, shall have amounted to at least 1.3 times the maximum amount of Wastewater Installment Payments and debt service on all Wastewater System Parity Obligations outstanding immediately subsequent to the incurring of such additional obligations coming due and payable in any future Fiscal Year.

Any or all of the following items may be added to such Wastewater System Net Revenues for the purpose of applying the restriction contained in this subsection (b)(ii)(B):

(1) An allowance for revenues that are estimated to be derived from any increase in the rates, fees and charges in effect and being charged or from any increase in the rates, fees and charges that have been approved but are not yet in place; and

(2) An allowance for revenues that are estimated to be derived from customers of the Wastewater System anticipated to be served by the additions, betterments or improvements to the Wastewater System to be financed by the proposed Parity Obligation during such five year period; and

(3) An allowance for a reduction in expenses that are estimated to be realized by the City pursuant to a contractual guarantee from the provider of energy efficiency improvements during such five year period.

(iii) A reserve fund may, but shall not be required to be, funded for such Wastewater System Parity Obligations.

(iv) Interest with respect to such Wastewater System Parity Obligations shall be paid on the Installment Payment Dates.

(v) Principal with respect to such Wastewater System Parity Obligations shall be paid on Match 15.

Notwithstanding the foregoing provisions, there shall be no limitations on the ability of the City to issue or incur Wastewater System Parity Obligations at any time to refund the Wastewater Installment Payments or Wastewater System Parity Obligations for debt service savings.

(c) *Subordinate Debt.* There shall be no limitations on the ability of the City to issue or incur Subordinate Debt so long as the City is not in default under the terms of this Wastewater Installment Sale Agreement, any agreements relating to then existing Wastewater System Parity Obligations or any agreement relating to then existing Subordinate Debt.

(d) *Calculating Debt Service on Variable Rate Debt.* For all purposes, variable rate indebtedness shall be assumed to bear interest at the highest of: (i) the actual rate on the date of calculation, or if the indebtedness is not yet outstanding, the initial rate (if established and binding); (ii) if the indebtedness has been outstanding for at least twelve months, the average rate over the twelve months immediately preceding the date of calculation; or (iii) (A) if interest on the indebtedness is excludable from gross income under the applicable provisions of the Code, the most recently published *Bond Buyer "Revenue Bond Index"* (or comparable index if no longer published), or (B) if interest is not so excludable, the interest rate on direct U.S. Treasury Obligations with comparable maturities plus 50 basis points; *provided, however*, that for purposes of any rate covenant measuring actual debt service coverage during a test period, variable rate indebtedness shall be deemed to bear interest at the actual rate per annum applicable during the test period.

(e) *Calculating Debt Service on Swaps.* If any interest rate swap agreement under which the City is obligated to make payments based on a fixed interest rate is in place with respect to variable rate Wastewater System Parity Obligations, the amount payable by the City with respect to such variable rate Wastewater System Parity Obligations shall be assumed to be the fixed rate payable under such interest rate swap agreement.

Section 4.9. Wastewater Additional Payments. In addition to the Wastewater Installment Payments, the City shall pay when due all costs and expenses incurred by the Authority to comply with the provisions of the Indenture, including without limitation all Costs of Issuance (to the extent not paid from amounts on deposit in the Costs of Issuance Fund), and shall pay to the Trustee upon request therefor all compensation for fees due to the Trustee and all of its costs and expenses payable as a result of the performance of and compliance with its duties hereunder or under the Indenture or any related documents, together with all amounts required to indemnify the Trustee pursuant to Section 6.3 hereof or Section 8.12 of the Indenture, and all costs and expenses of attorneys, auditors, engineers and accountants. The rights of the Trustee and the obligations of the City under this Section 4.9 shall survive the termination of this Wastewater Installment Sale Agreement.

Section 4.10. Payments to Reserve Account. In addition to the Wastewater Installment Payments, the City shall pay to the Trustee, from Wastewater System Net Revenues, such amounts as shall be required to replenish the Reserve Account or to reimburse a draw on a Qualified Reserve Account Credit Instrument in the event of a draw therefrom or a valuation determines that a deficiency exists therein, all in accordance with the Indenture.

Section 4.11. Payment of Rebatable Amounts. The City agrees to furnish all information to, and cooperate fully with, the Authority and its officers, employees, agents and attorneys, in order to assure compliance with the provisions of Section 6.07(b) of the Indenture. In the event that the Authority shall determine, pursuant to Section 6.07(b) of the Indenture, that any amounts are due and payable to the United States of America thereunder and that neither the Authority nor the Trustee has on deposit an amount of available moneys (excluding moneys on deposit in the funds and accounts established for the payment of the principal of or interest or redemption premium, if any, on the Bonds) to make such payment, the Authority shall promptly notify the City of such fact. Upon receipt of any such notice, the City shall promptly pay to the Trustee from any source of legally available funds, the amounts determined by the Authority to be due and payable to the United States of America under such Section 6.07(b).

## ARTICLE V

### MAINTENANCE, TAXES, INSURANCE AND OTHER MATTERS

Section 5.1. Maintenance, Utilities, Taxes and Assessments. Throughout the Term of this Wastewater Installment Sale Agreement, all improvement, repair and maintenance of the Wastewater System shall be the responsibility of the City, and the City shall pay for or otherwise arrange for the payment of all utility services supplied to the Wastewater System, which may include, without limitation, janitor service, security, power, gas, telephone, light, heating, wastewater and all other utility services, and shall pay for or otherwise arrange for the payment of the cost of the repair and replacement of the Wastewater System resulting from ordinary wear and tear.

The City shall also pay or cause to be paid all taxes and assessments of any type or nature, if any, charged to the Authority or the City affecting any Wastewater System or the respective interests or estates therein; *provided, however*, that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the City shall be obligated to pay only such installments as are required to be paid during the Term of this Wastewater Installment Sale Agreement as and when the same become due.

The City may, at the City's expense and in its name, in good faith contest any such taxes, assessments, utility and other charges and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless the Authority shall notify the City that, in its opinion, by nonpayment of any such items, the interest of the Authority hereunder or under the Indenture will be materially adversely affected, in which event the City shall promptly pay such taxes, assessments or charges or provide the Authority with full security against any loss which may result from nonpayment, in form satisfactory to the Authority.

Section 5.2. Operation of Wastewater System. The City covenants and agrees to operate or cause to be operated the Wastewater System in an efficient and economical manner and to operate, maintain and preserve or caused to be operated, maintained and preserved the Wastewater System in good repair and working order. The City covenants that, in order to fully preserve and protect the priority and security of the Bonds, the City shall pay from the Wastewater System Gross Revenues and discharge all lawful claims for labor, materials and supplies furnished for or in connection with the Wastewater System which, if unpaid, may become a lien or charge upon the Wastewater System Gross Revenues or the Wastewater System Net Revenues prior or superior to the lien granted hereunder, or which may otherwise impair the ability of the City to pay the Wastewater Installment Payments in accordance herewith.

Section 5.3. Insurance. The City shall maintain or cause to be maintained, throughout the Term of this Wastewater Installment Sale Agreement, but only if and to the extent available at reasonable cost from reputable insurers, liability and casualty insurance in such amounts and against such risks as shall be appropriate for wastewater systems of like size and with similar facilities as the Wastewater System. Such insurance may be maintained as part of or in conjunction with any other insurance carried by the City and may be maintained in whole or in part in the form of self-insurance by the City or in the form of the participation by the City in a joint powers agency or other program providing pooled insurance. All amounts collected from insurance against accident to or destruction of any portion of the Wastewater System shall be used to repair, rebuild or replace such damaged or destroyed portion of the Wastewater

System. The proceeds of liability insurance shall be applied toward the extinguishment or satisfaction of the liability with respect to which such proceeds shall have been paid.

Section 5.4. Eminent Domain. Any amounts received as awards as a result of the taking of all or any part of the Wastewater System by the lawful exercise of eminent domain, at the election of the City (evidenced by a Written Certificate of the City filed with the Trustee and the Authority) shall either (a) be used for the acquisition or construction of improvements and extension of the Wastewater System in replacement of the condemned portions thereof, or (b) applied as a credit against the City's obligation to make the Wastewater Installment Payments and payments with respect to any Wastewater System Parity Obligations in accordance with written instructions of the City filed with the Trustee.

Section 5.5. Records and Accounts. The City shall keep proper books of record and accounts of the Wastewater System, separate from all other records and accounts, in which complete and correct entries shall be made of all transactions relating to the Wastewater System. Said books shall, upon prior request, be subject to the reasonable inspection by the Owners of not less than ten percent (10%) in aggregate principal amount of the Outstanding Bonds, or their representatives authorized in writing. The City shall cause the books and accounts of the Wastewater System to be audited annually by an Independent Accountant, not more than one hundred eighty (180) days after the close of each Fiscal Year, and shall make a copy of such report available for inspection by the Bond Owners at the office of the City.

Section 5.6. Continuing Disclosure. The City hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of this Wastewater Installment Sale Agreement, failure of the City to comply with the Continuing Disclosure Certificate shall not constitute an Event of Default hereunder; *provided, however*, that any Participating Underwriter or any Owner or beneficial owner of the Bonds may take such actions as may be necessary and appropriate to compel performance by the City of its obligations under this Section 5.6, including seeking mandate or specific performance by court order.

## ARTICLE VI

### DISCLAIMER OF WARRANTIES; ACCESS

Section 6.1. Disclaimer of Warranties. The Authority and the Trustee make no warranty or representation, either express or implied, as to the value, design, condition, merchantability or fitness for any particular purpose or fitness for the use contemplated by the City of the Wastewater System, or any other representation or warranty with respect to the Wastewater System. In no event shall the Authority or the Trustee be liable for incidental, indirect, special or consequential damages in connection with or arising out of this Wastewater Installment Sale Agreement or the Indenture for the existence, furnishing, functioning or City's use of the Wastewater System.

Section 6.2. Access to the Wastewater System. The City agrees that the Authority and the Trustee, and any duly authorized representative thereof, shall have the right at all reasonable times to enter upon and to examine and inspect the Wastewater System. The City further agrees that the Authority and the Trustee, and any duly authorized representative thereof, shall have such rights of access to the Wastewater System as may be reasonably necessary to cause the proper maintenance of the Wastewater System in the event of failure by the City to perform its obligations hereunder.

Section 6.3. Release and Indemnification Covenants. The City shall and hereby agrees to indemnify and save the Authority and the Trustee and their respective officers, agents, successors and assigns harmless from and against all claims, losses and damages, including legal fees and expenses, arising out of (a) the use, maintenance, condition or management of, or from any work or thing done on the Wastewater System by the City, (b) any breach or default on the part of the City in the performance of any of its obligations under this Wastewater Installment Sale Agreement, (c) any negligence or willful misconduct of the City or of any of its agents, contractors, servants, employees or licensees with respect to the Wastewater System, (d) any act or negligence of any sublessee of the City with respect to the Wastewater System, (e) the performance by the Trustee of its duties and obligations under the Indenture, including any duties referred to in Section 8.12 of the Indenture, (f) the presence on, under or about, or release from, the Wastewater System of any substance, material or waste which is, or which becomes, regulated or classified as hazardous or toxic under State, federal or local law, or (g) the offer, sale and issuance of the Bonds. No indemnification is made under this Section 6.3 or elsewhere in this Wastewater Installment Sale Agreement for adjudicated willful misconduct or negligence by the Authority or the Trustee, or their respective officers, employees, successors or assigns. The rights of the Trustee and the obligations of the City under this Section 6.3 shall survive the termination of this Wastewater Installment Sale Agreement and the resignation or removal of the Trustee.

Section 6.4. Non-Liability of Authority for Wastewater System Obligations. The Authority and its successor and assigns shall have no obligation and shall incur no liabilities or debts whatsoever for the obligations, liabilities and debts of the City incurred in connection with the Wastewater System.

## ARTICLE VII

### ASSIGNMENT, SALE AND AMENDMENT

Section 7.1. Assignment by the City. The obligations of the City under this Wastewater Installment Sale Agreement may not be assigned by the City.

Section 7.2. Sale or Other Disposition of Wastewater System. Except as provided herein, the City covenants that the Wastewater System shall not be encumbered, sold, leased, pledged, any charge placed thereon, or otherwise disposed of, as a whole or substantially as a whole; *provided, however*, the City may lease the Wastewater System to a related public entity that (a) assumes all liabilities of the City with respect to the Wastewater System, and (b) covenants to maintain Wastewater System Gross Revenues sufficient to operate and maintain the Wastewater System and duly provide for the punctual payment of all obligations assumed by such related public entity in connection with such lease including, but not limited to, the Wastewater Installment Payments hereunder. Neither the Wastewater System Net Revenues nor any other funds pledged or otherwise made available to secure payment of the Wastewater Installment Payments shall be mortgaged, encumbered, sold, leased, pledged, any charge placed thereon, or disposed or used except as authorized by the terms of this Wastewater Installment Sale Agreement. The City shall not enter into any agreement which impairs the operation of the Wastewater System or any part of it necessary to secure adequate Wastewater System Net Revenues to pay the Wastewater Installment Payments, or which otherwise would impair the rights of the Bond Owners and the owners of any Wastewater System Parity Obligations with respect to the Wastewater System Net Revenues. If any substantial part of the Wastewater System shall be sold, the payment therefor shall either (a) be used for the acquisition or construction of improvements, extensions or replacements of the Wastewater System, or (b) to the extent not so used, be paid to the Trustee to be applied to prepay the Wastewater Installment Payments or any Wastewater System Parity Obligations, in accordance with written instructions of the City filed with the Trustee.

Section 7.3. Amendment of Installment Sale Agreement. The City and the Authority shall have the right to modify or amend this Wastewater Installment Sale Agreement without the consent of any of the Bond Owners or any of the owners of Wastewater System Parity Obligations, but only if such amendment or modification does not cause interest represented by the Bonds to be includable in gross income for federal income tax purposes in the opinion of Bond Counsel, and only if such amendment or modification does not materially adversely affect the interests of the Owners of the Bonds or the owners of any Wastewater System Parity Obligations in the opinion of Bond Counsel, and only if such amendment or modification is for any one or more of the following purposes:

(a) to provide for the issuance of Wastewater System Parity Obligations pursuant to Section 4.8;

(b) to add to the covenants and agreements of the City contained in this Wastewater Installment Sale Agreement, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or power herein reserved to or conferred upon the City;

(c) to cure any ambiguity, or to cure, correct or supplement any defective provision contained herein, or in any other respect whatsoever as the Authority and the City may deem necessary or desirable; or

(d) to amend any provision thereof for the purpose of complying with the applicable requirements of the Tax Code.



ARTICLE VIII  
EVENTS OF DEFAULT

Section 8.1. Events of Default Defined. The following events shall be Events of Default hereunder:

(a) Failure by the City to pay any Wastewater Installment Payment when and as the same become due and payable hereunder.

(b) Failure by the City to pay any Wastewater Additional Payment when due and payable hereunder, and the continuation of such failure for a period of ten (10) days.

(c) Failure by the City to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in the preceding clauses (a) or (b), for a period of thirty (30) days after written notice specifying such failure and requesting that it be remedied has been given to the City by the Authority or the Trustee; *provided, however*, that if the City shall notify the Authority and the Trustee that in its reasonable opinion the failure stated in the notice can be corrected, but not within such thirty (30) day period, such failure shall not constitute an Event of Default hereunder if the City shall commence to cure such failure within such thirty (30) day period and thereafter diligently and in good faith cure such failure in a reasonable period of time.

(d) The filing by the City of a voluntary petition in bankruptcy, or failure by the City promptly to lift any execution, garnishment or attachment, or adjudication of the City as a bankrupt, or assignment by the City for the benefit of creditors, or the entry by the City into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to the City in any proceedings instituted under the provisions of the Federal Bankruptcy Code, as amended, or under any similar acts which may hereafter be enacted.

(e) The occurrence and continuation of any payment event of default under and as defined in the instruments authorizing the issuance of any Wastewater System Parity Obligations.

Section 8.2. Remedies on Default. Whenever any Event of Default shall have happened and be continuing, the Trustee as assignee of the Authority shall have the right, at its option and without any further demand or notice, but subject in all respects to the provisions of Article VII of the Indenture, to:

(a) declare all principal components of the unpaid Wastewater Installment Payments, together with accrued interest thereon at the net effective rate of interest per annum then borne by the Outstanding Bonds from the immediately preceding Interest Payment Date on which payment was made, to be immediately due and payable, whereupon the same shall immediately become due and payable;

(b) take whatever action at law or in equity may appear necessary or desirable to collect the Wastewater Installment Payments then due or thereafter to become due during the Term of this Wastewater Installment Sale Agreement, or enforce performance and observance of any obligation, agreement or covenant of the City under this Wastewater Installment Sale Agreement; and

(c) as a matter of right, in connection with the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and the Bond Owners hereunder, cause the appointment of a receiver or receivers of the Wastewater System Gross Revenues and other amounts pledged hereunder, with such powers as the court making such appointment shall confer.

The provisions of the preceding clause (a), however, are subject to the condition that if, at any time after the principal components of the unpaid Wastewater Installment Payments shall have been so declared due and payable pursuant to the preceding clause (a), and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the City shall deposit with the Trustee a sum sufficient to pay all principal components of the Wastewater Installment Payments coming due prior to such declaration and all matured interest components (if any) of the Wastewater Installment Payments, with interest on such overdue principal and interest components calculated at the net effective rate of interest per annum then borne by the Outstanding Bonds, and the reasonable expenses of the Trustee (including any fees and expenses of its attorneys), and any and all other defaults known to the Trustee (other than in the payment of the principal and interest components of the Wastewater Installment Payments due and payable solely by reason of such declaration) shall have been made good, then, and in every such case, with the written consent of the Trustee, shall rescind and annul such declaration and its consequences. However, no such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair or exhaust any right or power consequent thereon. As provided in Section 8.6, the Trustee shall be required to exercise the remedies provided herein in accordance with the Indenture.

Section 8.3. No Remedy Exclusive. No remedy herein conferred upon or reserved to the Authority is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Wastewater Installment Sale Agreement or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Authority to exercise any remedy reserved to it in this Article VIII it shall not be necessary to give any notice, other than such notice as may be required in this Article VIII or by law.

Section 8.4. Agreement to Pay Attorneys' Fees and Expenses. In the event either party to this Wastewater Installment Sale Agreement shall default under any of the provisions hereof and the nondefaulting party, the Trustee or the Owner of any Bonds should employ attorneys or incur other expenses for the collection of moneys or the enforcement or performance or observance of any obligation or agreement on the part of the defaulting party herein contained, the defaulting party agrees that it will on demand therefor pay to the nondefaulting party, the Trustee or such Owner, as the case may be, the reasonable fees of such attorneys and such other expenses so incurred.

Section 8.5. No Additional Waiver Implied by One Waiver. In the event any agreement contained in this Wastewater Installment Sale Agreement shall be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

Section 8.6. Trustee and Bond Owners to Exercise Rights. Such rights and remedies as are given to the Authority under this Article VIII have been assigned by the Authority to the Trustee under the Indenture, to which assignment the City hereby consents. Such rights and remedies shall be exercised by the Trustee and the Owners of the Bonds as provided in the Indenture.

Section 8.7. Rights of the Owners of Wastewater System Parity Obligations. Notwithstanding anything in this Article VIII to the contrary, it is hereby acknowledged and agreed that the rights of the Trustee and the Bond Owners hereunder in and to the Wastewater System Net Revenues and the Wastewater System shall be exercised on a parity and proportionate basis with the rights of the owners of any Wastewater System Parity Obligations and any fiduciary acting for the benefit of such owners. The provisions of this Article VIII, and the provisions of any instruments authorizing the issuance of any Wastewater System Parity Obligations, shall be construed in accordance with the foregoing sentence.

## ARTICLE IX

### PREPAYMENT OF WASTEWATER INSTALLMENT PAYMENTS

Section 9.1. Security Deposit. Notwithstanding any other provision of this Wastewater Installment Sale Agreement, the City may on any date secure the payment of Wastewater Installment Payments in whole or in part by irrevocably depositing with the Trustee or any other fiduciary an amount of cash which, together with amounts on deposit in the Bond Fund, the accounts therein and the cash on deposit in the Reserve Account, is either (a) sufficient to pay all such Wastewater Installment Payments, including the principal and interest components thereof, in accordance with the Wastewater Installment Payment schedule set forth in Exhibit A, or (b) invested in whole or in part in Federal Securities in such amount as will, in the written opinion of an Independent Accountant, together with interest to accrue thereon and together with any cash which is so deposited, be fully sufficient to pay all such Wastewater Installment Payments when due pursuant to Section 4.4(a) or when due on any optional prepayment date pursuant to Section 9.2, as the City shall instruct at the time of said deposit. In the event of a security deposit pursuant to this Section 9.1 with respect to all of the Wastewater Installment Payments, all obligations of the City under this Wastewater Installment Sale Agreement, and all security provided by this Wastewater Installment Sale Agreement for said obligations, shall cease and terminate, excepting only the obligation of the City to make, or cause to be made, all of such Wastewater Installment Payments from such security deposit, and the obligation of the City to compensate and indemnify the Trustee pursuant to Sections 4.9 and 6.3. Said security deposit shall be deemed to be and shall constitute a special fund for the payment of Wastewater Installment Payments in accordance with the provisions of this Wastewater Installment Sale Agreement.

Section 9.2. Optional Prepayment. The City may exercise its option to prepay the principal components of the Wastewater Installment Payments in whole, or in part in integral multiples of \$5,000, on any date on or after March 25, \_\_\_\_, by paying a prepayment price equal to the aggregate principal components of the Wastewater Installment Payments to be prepaid, together with the interest component of the Wastewater Installment Payment required to be paid on or accrued to such date. Such prepayment price shall be deposited by the Trustee in the Redemption Fund or in another trustee-held fund to be applied to the redemption of Bonds pursuant to Section 4.01(b) of the Indenture. The City shall give the Trustee written notice of its intention to exercise its option not less than forty-five (45) days in advance of the date of exercise.

Section 9.3. Credit for Amounts on Deposit. In the event of prepayment of the principal components of the Wastewater Installment Payments in full under this Article IX, such that the Indenture shall be discharged by its terms as a result of such prepayment, and upon payment in full of all Wastewater Additional Payments and other amounts then due and payable hereunder, all available amounts then on deposit in the funds and accounts established under the Indenture shall be credited towards the amounts then required to be so prepaid.

ARTICLE X  
MISCELLANEOUS

Section 10.1. Further Assurances. The City agrees that it will execute and deliver any and all such further agreements, instruments, financing statements or other assurances as may be reasonably necessary or requested by the Authority or the Trustee to carry out the intention or to facilitate the performance of this Wastewater Installment Sale Agreement, including, without limitation, to perfect and continue the security interests herein intended to be created.

Section 10.2. Notices. Any notice, request, complaint, demand or other communication under this Wastewater Installment Sale Agreement shall be given by first class mail or personal delivery to the party entitled thereto at its address set forth below, or by telecopy, telex or other form of telecommunication, at its number set forth below. Notice shall be effective either (a) upon transmission by telecopy, telex or other form of telecommunication, (b) 48 hours after deposit in the United States mail, postage prepaid, or (c) in the case of personal delivery to any person, upon actual receipt.

If to the Authority:	Coalinga Public Financing Authority c/o City of Coalinga 155 West Durian Coalinga, CA 93210 Attention: Finance Director Phone: (661) 792-3091
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If to the City:	City of Coalinga 155 West Durian Coalinga, CA 93210 Attention: Finance Director Phone: (661) 792-3091
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If to the Trustee:	Wells Fargo Bank, National Association 333 South Grand Avenue, Fifth Floor Los Angeles, CA 90071 Attention: Corporate Trust Phone: (213) 253-7517
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The Authority, the City or the Trustee may, by written notice to the other parties, from time to time modify the address or number to which communications are to be given hereunder.

Section 10.3. Third Party Beneficiary. The Trustee shall be and is hereby made a third party beneficiary hereunder with all rights of a third party beneficiary.

Section 10.4. Governing Law. This Wastewater Installment Sale Agreement shall be construed in accordance with and governed by the laws of the State.

Section 10.5. Binding Effect. This Wastewater Installment Sale Agreement shall inure to the benefit of and shall be binding upon the Authority and the City, and their respective successors and assigns, subject, however, to the limitations contained herein.

Section 10.6. Severability of Invalid Provisions. If any one or more of the provisions contained in this Wastewater Installment Sale Agreement shall for any reason be held to be

invalid, illegal or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in this Wastewater Installment Sale Agreement and such invalidity, illegality or unenforceability shall not affect any other provision of this Wastewater Installment Sale Agreement, and this Wastewater Installment Sale Agreement shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The Authority and the City each hereby declares that it would have entered into this Wastewater Installment Sale Agreement and each and every other Section, paragraph, sentence, clause or phrase hereof irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses or phrases of this Wastewater Installment Sale Agreement may be held illegal, invalid or unenforceable.

Section 10.7. Article and Section Headings and References. The headings or titles of the several Articles and Sections hereof, and any table of contents appended to copies hereof, shall be solely for convenience of reference and shall not affect the meaning, construction or effect of this Wastewater Installment Sale Agreement. All references herein to "Articles," "Sections" and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Wastewater Installment Sale Agreement; the words "herein," "hereof," "hereby," "hereunder" and other words of similar import refer to this Wastewater Installment Sale Agreement as a whole and not to any particular Article, Section or subdivision hereof; and words of the masculine gender shall mean and include words of the feminine and neuter genders.

Section 10.8. Execution of Counterparts. This Wastewater Installment Sale Agreement may be executed in any number of counterparts, each of which shall for all purposes be deemed to be an original and all of which shall together constitute but one and the same instrument.

Section 10.9. Waiver of Personal Liability. No member of the City Council, officer, agent or employee of the City shall be individually or personally liable for the payment of Wastewater Installment Payments or Wastewater Additional Payments or be subject to any personal liability or accountability by reason of this Wastewater Installment Sale Agreement; but nothing herein contained shall relieve any such member of the City Council, officer, agent or employee from the performance of any official duty provided by law or by this Wastewater Installment Sale Agreement.

Section 10.10. Limitation of Rights to Parties and Bond Owners. Nothing in this Wastewater Installment Sale Agreement expressed or implied is intended or shall be construed to give to any person other than the Authority, the Trustee, the City and the Owners of the Bonds, any legal or equitable right, remedy or claim under or in respect of this Wastewater Installment Sale Agreement or any covenant, condition or provision therein or herein contained; and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the Authority, the Trustee, the City and the Owners of the Bonds.

Section 10.11. Captions. The captions or headings in this Wastewater Installment Sale Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provisions or Section of this Wastewater Installment Sale Agreement.

IN WITNESS WHEREOF, the Authority and the City have caused this Wastewater Installment Sale Agreement to be executed in their respective names by their duly authorized officers, all as of the date first above written.

COALINGA PUBLIC FINANCING  
AUTHORITY, as Purchaser

By \_\_\_\_\_  
Executive Director

Attest:

\_\_\_\_\_  
Secretary

CITY OF COALINGA, as Seller

By \_\_\_\_\_  
City Manager

Attest:

\_\_\_\_\_  
City Clerk

## EXHIBIT A

### SCHEDULE OF INSTALLMENT PAYMENTS

<u>Installment Payment Date</u>	<u>Principal Component</u>	<u>Interest Component</u>	<u>Total</u>	<u>Installment Payment</u>
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**EXHIBIT B**

**DESCRIPTION OF THE WASTEWATER SYSTEM**

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**INDENTURE OF TRUST**

**Dated as of March 1, 2021**

**by and between the**

**COALINGA PUBLIC FINANCING AUTHORITY**

**and**

**WELLS FARGO BANK, NATIONAL ASSOCIATION, as Trustee**

---

**Authorizing the Issuance of**  
**\$ \_\_\_\_\_**  
**Coalinga Public Financing Authority**  
**Revenue Bonds, Series 2021A**  
**(Water and Wastewater Financing Projects)**  
**(Federally Taxable)**  
**and**  
**\$ \_\_\_\_\_**  
**Coalinga Public Financing Authority**  
**Revenue Bonds, Series 2021B**  
**(Water Project)**  
**(Tax-Exempt)**

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## ARTICLE XII

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EXHIBIT A	FORM OF SERIES A BOND
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## INDENTURE OF TRUST

THIS INDENTURE OF TRUST, made and entered into and dated as of March 1, 2021, is by and between the COALINGA PUBLIC FINANCING AUTHORITY, a joint exercise of powers entity duly organized and existing under and by virtue of the laws of the State of California (the "Authority"), and WELLS FARGO BANK, NATIONAL ASSOCIATION, a national banking association organized and existing under the laws of the United States of America with a corporate trust office in Los Angeles, California, being qualified to accept and administer the trusts hereby created (the "Trustee");

### WITNESSETH:

WHEREAS, the Authority is a joint powers authority duly organized and existing under and pursuant to that certain Joint Exercise of Powers Agreement, dated March 17, 1991, by and between the City of Coalinga (the "City"), the former Redevelopment Agency of the City of Coalinga and the Coalinga-Huron Unified School District; and

WHEREAS, under Article 4 (commencing with section 6584) of Chapter 5 of Division 7 of Title 1 of the California Government Code (the "Bond Law") the Authority is authorized to borrow money for the purpose of financing the acquisition of bonds, notes and other obligations of, or for the purpose of making loans to, public entities including the City, and to provide financing for public capital improvements of public entities including the City; and

WHEREAS, the Authority has previously issued its \$12,830,000 Coalinga Public Financing Authority Revenue Bonds, Series 2012 (Water and Wastewater Financing Projects) (the "2012 Bonds"), of which \$12,200,000 principal amount is outstanding, to finance and refinance the acquisition and construction of certain improvements and facilities constituting part of the City's municipal water enterprise (the "Water System") and to finance and refinance the acquisition and construction of certain improvements and facilities constituting part of the City's municipal wastewater enterprise (the "Wastewater System");

WHEREAS, the principal of and interest on the 2012 Bonds are paid from revenues derived installment payments made by the City under an installment sale agreement secured by a pledge of the net revenues of the Water System and installment payments made by the City under an installment sale agreement secured by a pledge of the net revenues of the Wastewater System;

WHEREAS, the City has determined that, due to prevailing financial market conditions and for other reasons, it is in the best interests of the City to (a) refinance its obligations to make payment with respect to the 2012 Bonds and to provide for the advance refunding of the 2012 Bonds, and (b) finance the acquisition and construction of additional improvements and facilities of the Water System (the "2012 Water Improvement Project");

WHEREAS, for the purpose of raising funds necessary to provide such financial assistance to the City, the Authority proposes to authorize the issuance of its revenue bonds under the provisions of Article 4 (commencing with section 6584) of Chapter 5 of Division 7 of Title 1 of the California Government Code, designated as the Coalinga Public Financing Authority Revenue Bonds, Series 2021A (Water and Wastewater Financing Projects) (Federally Taxable) (the "Series A Bonds"), and the Coalinga Public Financing Authority Revenue Bonds, Series 2021B (Water Project) (Tax-Exempt) (the "Series B Bonds" and, with the Series A Bonds,

the "Bonds"), all pursuant to and secured by an indenture of trust, by and between the Authority and the Trustee;

WHEREAS, in order to provide for the repayment of the Bonds, (a) the City will sell the Water System to the Authority and the Authority will sell the Water System and the Water Improvement Project to the City pursuant to an installment sale agreement (the "Water Installment Sale Agreement"), under which the City will agree to make installment payments to the Authority payable from the net revenues of the Water System, and (b) the City will sell the Wastewater System to the Authority and the Authority will sell the Wastewater System to the City pursuant to an installment sale agreement (the "Wastewater Installment Sale Agreement"), under which the City will agree to make installment payments to the Authority payable from the net revenues of the Wastewater System which payments, together with the payments under the Water Installment Sale Agreement, will be calculated to be sufficient, in time and amount, to enable the Authority to pay the principal of and interest and premium (if any) on the Bonds when due and payable;

WHEREAS, the Authority has determined that in order to provide for the authentication and delivery of the Bonds, to establish and declare the terms and conditions upon which the Bonds are to be issued and secured and to secure the payment of the principal thereof and interest and premium (if any) thereon, the Authority has authorized the execution and delivery of this Indenture; and

WHEREAS, the Authority hereby certifies that all acts and proceedings required by law necessary to make the Bonds, when executed by the Authority, authenticated and delivered by the Trustee, and duly issued, the valid, binding and legal special obligations of the Authority, and to constitute this Indenture a valid and binding agreement for the uses and purposes herein set forth in accordance with its terms, have been done and taken, and the execution and delivery of the Indenture have been in all respects duly authorized;

NOW, THEREFORE, THIS INDENTURE WITNESSETH, that in order to secure the payment of the principal of and the interest and premium (if any) on all Bonds at any time issued and outstanding under this Indenture, according to their tenor, and to secure the performance and observance of all the covenants and conditions therein and herein set forth, and to declare the terms and conditions upon and subject to which the Bonds are to be issued and received, and in consideration of the premises and of the mutual covenants herein contained and of the purchase and acceptance of the Bonds by the owners thereof, and for other valuable considerations, the receipt whereof is hereby acknowledged, the Authority does hereby covenant and agree with the Trustee, for the benefit of the respective owners from time to time of the Bonds, as follows:

## ARTICLE I

### DEFINITIONS; CONTENT OF CERTIFICATES AND OPINIONS

Section 1.01. Definitions. Unless the context otherwise requires, the terms defined in this Section 1.01 shall, for all purposes of this Indenture and of any indenture supplemental hereto and of any certificate, opinion or other document herein mentioned, have the meanings herein specified, to be equally applicable to both the singular and plural forms of any of the terms herein defined. In addition, all capitalized terms used herein and not otherwise defined in this Section 1.01 shall have the respective meanings given such terms in the Water Installment Sale Agreement.

*“Acquisition and Construction”* means, with respect to any portion of the Water Improvement Project, the acquisition, construction, improvement, equipping, renovation, remodeling or reconstruction thereof.

*“Act”* means Articles 1 through 4 (commencing with section 6500) of Chapter 5, Division 7, Title 1 of the California Government Code, as in existence on the Closing Date or as thereafter amended from time to time.

*“Additional Payments”* means the payments so designated and required to be paid by the City pursuant to Sections 4.9, 4.10 and 4.11 of the Water Installment Sale Agreement and the Wastewater Installment Sale Agreement.

*“Agency”* means the former Redevelopment Agency of the City of Coalinga, a public body corporate and politic organized under the laws of the State, and any successor thereto.

*“Agreement”* means that certain Joint Exercise of Powers Agreement, dated March 17, 1991, by and among the City, the Agency and the District, creating the Authority, together with any amendments thereof and supplements thereto.

*“Authority”* means the Coalinga Public Financing Authority, a joint powers entity duly organized and existing under the laws of the State.

*“Authorized Representative”* means: (a) with respect to the Authority, its Chairman, Vice Chairman, Executive Director, Assistant Executive Director, Treasurer or any other person designated as an Authorized Representative of the Authority by a Written Certificate of the Authority signed by its Chairman and filed with the City and the Trustee; and (b) with respect to the City, its Mayor, City Manager, Treasurer, Finance Director or any other person designated as an Authorized Representative of the City by a Written Certificate of the City signed by its Mayor and filed with the Trustee.

*“Board of Directors”* means the governing body of the Authority.

*“Bond Counsel”* means (a) Quint & Thimmig LLP, or (b) any other attorney or firm of attorneys appointed by or acceptable to the Authority of nationally-recognized experience in the issuance of obligations the interest on which is excludable from gross income for federal income tax purposes under the Code.

*“Bond Fund”* means the fund by that name established and held by the Trustee pursuant to Section 5.01.



*“Bond Law”* means the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 (commencing with section 6584) of Chapter 5 of Division 7 of Title 1 of the California Government Code, as in existence on the Closing Date or as thereafter amended from time to time.

*“Bond Year”* means each twelve-month period extending from April 2 in one calendar year to April 1 of the succeeding calendar year, both dates inclusive; provided that the first Bond Year shall begin on the Closing Date and shall end on April 1, 2021.

*“Bonds”* means, collectively, the Series A Bonds and the Series B Bonds.

*“Business Day”* means any day, other than a Saturday or Sunday or a day on which commercial banks in New York, New York, Los Angeles, California, or San Francisco, California, are required or authorized by law to close or a day on which the New York Stock Exchange is closed.

*“City”* means the City of Coalinga, a municipal corporation organized under the laws of the State.

*“Closing Date”* means March 16, 2021, being the date of delivery of the Bonds to the Underwriter.

*“Code”* means the Internal Revenue Code of 1986 as in effect on the date of issuance of the Bonds or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the date of issuance of the Bonds, together with applicable proposed, temporary and final regulations promulgated under the Code.

*“Completion Date”* means, with respect to any component of the Water Improvement Project, the date on which the Authority files a Written Certificate with the City and the Trustee stating that the Acquisition and Construction of such component of the Water Improvement Project has been completed pursuant to Article III.

*“Continuing Disclosure Certificate”* means that certain Continuing Disclosure Certificate executed by the City and dated the Closing Date, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

*“Costs of Issuance”* means all expenses incurred in connection with the authorization, issuance, sale and delivery of the Bonds and the application of the proceeds of the Bonds, including but not limited to all compensation, fees and expenses (including but not limited to fees and expenses for legal counsel) of the Authority, initial fees and expenses of the Trustee and its counsel, title insurance premiums, appraisal fees, compensation to any financial consultants or underwriters, legal fees and expenses, filing and recording costs, rating agency fees, the premiums for the Municipal Bond Insurance Policies and the Reserve Policy, costs of preparation and reproduction of documents and costs of printing.

*“Costs of Issuance Fund”* means the fund by that name established and held by the Trustee pursuant to Section 3.03.

*“County”* means the County of Fresno, a public body corporate and politic organized under the laws of the State.

*“Debt Service”* means, during any period of computation, the amount obtained for such period by totaling the following amounts: (a) the principal amount of all Outstanding Serial

Bonds coming due and payable by their terms in such period; (b) the minimum principal amount of all Outstanding Term Bonds scheduled to be redeemed by operation of mandatory sinking fund deposits in such period; and (c) the interest which would be due during such period on the aggregate principal amount of Bonds which would be Outstanding in such period if the Bonds are retired as scheduled, but deducting and excluding from such aggregate amount the amount of Bonds no longer Outstanding and any interest on deposit in the Interest Account and available for the payment of interest on the Bonds.

*"Defeasance Obligations"* means (a) cash, (b) non-callable direct obligations of the United States of America ("Treasuries"), (c) 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, (d) subject to the prior written consent of the Municipal Bond Insurer, pre-refunded municipal obligations rated "AAA" and "Aaa" by S&P and Moody's, respectively, or (e) subject to the prior written consent of the Municipal Bond Insurer, securities eligible for "AAA" defeasance under then existing criteria of S&P.

*"District"* means the Coalinga-Huron Unified School District, a school district organized under the laws of the State, and any successor thereto.

*"Engineer's Report"* means a report prepared and signed by an Independent Engineer.

*"Event of Default"* means, (a) with respect to the Bonds, any of the events described in Section 7.01 of this Indenture, (b) with respect to the Water Installment Sale Agreement, any of the events described in Section 8.1 of the Water Installment Sale Agreement; and (b) with respect to the Wastewater Installment Sale Agreement, any of the events described in Section 8.1 of the Wastewater Installment Sale Agreement.

*"Fair Market Value"* means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm's length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of section 1273 of the Code) and, otherwise, the term "Fair Market Value" means the acquisition price in a bona fide arm's length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Code, (iii) the investment is a United States Treasury Security--State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or (iv) the investment is the Local Agency Investment Fund of the State but only if at all times during which the investment is held its yield is reasonably expected to be equal to or greater than the yield on a reasonably comparable direct obligation of the United States.

*"Federal Securities"* means (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 United States or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the United States including: (i) United States treasury obligations, (ii) all direct or fully guaranteed obligations, (iii) Farmers Home Administration, (iv) General

Services Administration, (v) Guaranteed Title XI financing, (vi) Government National Mortgage Association (GNMA), and (vii) State and Local Government Series.

*"Fiscal Year"* means any twelve-month period extending from July 1 in one calendar year to June 30 of the succeeding calendar year, both dates inclusive, or any other twelve-month period selected and designated by the Authority as its official fiscal year period.

*"Indenture"* means this Indenture of Trust, as originally executed or as it may from time to time be supplemented, modified or amended by any Supplemental Indenture pursuant to the provisions hereof.

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

*"Independent Counsel"* means an attorney duly admitted to the practice of law before the highest court of the state in which such attorney maintains an office and who is not an employee of the Authority, the Trustee or the City.

*"Independent Engineer"* means any registered engineer or firm of such registered engineers, of national reputation, appointed by the City and who, or each of whom: (a) is judged by the City to have experience in matters relating to the engineering matters relating to wastewater system enterprises; (b) is in fact independent and not under domination of the Authority or the City; (c) does not have any substantial interest, direct or indirect, with the Authority or the City other than as purchaser of the Bonds, any Water System Parity Obligations or any Wastewater System Parity Obligations; and (d) is not connected with the Authority or the City as an officer or employee of the Authority or the City, but who may be regularly retained to make reports to the Authority or the City.

*"Information Services"* means the Electronic Municipal Market Access System (referred to as "EMMA"), a facility of the Municipal Securities Rulemaking Board (at <http://emma.msrb.org>) or, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other national information services providing information with respect to called bonds as the Authority may designate in a Certificate of the Authority delivered to the Trustee.

*"Installment Payment Date"* means the fifteenth (15th) day of each March and September during the Term of the Water Installment Sale Agreement and the Term of the Wastewater Installment Sale Agreement, commencing September 15, 2021.

*"Insurance Agreement"* means that certain Insurance Agreement, dated as of March 1, 2021, by and among the Authority, the City and the Municipal Bond Insurer, relating to the Reserve Policy, as originally executed and as it may from time to time be supplemented, modified or amended in accordance with the terms thereof.

*"Interest Account"* means the account by that name established in the Bond Fund pursuant to Section 5.02.

*"Interest Payment Date"* means each April 1 and October 1, commencing October 1, 2021.

*"Late Payment Rate"* means the lesser of (a) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank at its principal office in the City of New York, as its prime or base lending rate ("Prime Rate") (any change in such Prime Rate to be effective on the date such changes are announced by JPMorgan Chase Bank) plus 3%, and (ii) the then applicable highest rate of interest on the Bonds, and (b) the maximum rate permissible under applicable usury or similar laws limiting interest rates. The Late Payment Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days. In the event JPMorgan Chase Bank ceases to announce its Prime Rate publicly, Prime Rate shall be the publicly announced prime or base lending rate of such bank, banking association or trust company bank as the Municipal Bond Insurer in its sole and absolute discretion shall specify.

*"Moody's"* means Moody's Investors Service, its successors and assigns.

*"Municipal Bond Insurance Policies"* means, collectively, the Series A Municipal Bond Insurance Policy and the Series B Municipal Bond Insurance Policy.

*"Municipal Bond Insurer"* means \_\_\_\_\_ or any successor thereto or assigns thereof.

*"Outstanding,"* when used as of any particular time with reference to Bonds, means (subject to the provisions of Section 12.10) all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under this Indenture except: (a) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (b) Bonds with respect to which all liability of the Authority shall have been discharged in accordance with Section 10.02, including Bonds (or portions thereof) described in Section 12.10; and (c) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee pursuant to this Indenture.

*"Owner,"* whenever used herein with respect to a Bond, means the person in whose name the ownership of such Bond is registered on the Registration Books.

*"Permitted Investments"* means any of the following which at the time of investment are legal investments under the laws of the State for the moneys proposed to be invested therein, but only to the extent that the same are acquired at Fair Market Value (provided the Trustee may rely upon the Request of the Authority directing investment under this Indenture as a determination that such investment is a Permitted Investment):

- (a) Treasuries;
- (b) Federal Housing Administration debentures;
- (c) The following listed obligations government-sponsored agencies which are not backed by the full faith and credit of the United States of America:
  - (i) Federal Home Loan Mortgage Corporation (FHLMC) senior debt obligations and participation certificates (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts),
  - (ii) Farm Credit System (formerly Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives) consolidated system-wide bonds and notes,

(iii) Federal Home Loan Banks (FHL Banks) consolidated debt obligations,

(iv) Federal National Mortgage Association (FNMA) senior debt obligations and mortgage-backed securities (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts),

(v) Financing Corporation (FICO) debt obligations, and

(vi) Resolution Funding Corporation (REFCORP) debt obligations;

(d) U.S. dollar denominated deposit accounts, federal funds or bankers acceptances with domestic commercial banks having a rating on their short term certificates of deposit on the date of purchase of "P-1" by Moody's and "A-1" or "A-1+" by S&P 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);

(e) Deposits the aggregate amount of which are fully insured by the Federal Deposit Insurance Corporation (FDIC), in banks which have capital and surplus of at least \$5 million;

(f) Commercial paper (having original maturities of not more than 30 days) rated "A-1+" by S&P and "Prime-1" by Moody's;

(g) Money market funds rated in the highest rating category by S&P and Moody's including such funds for which the Trustee or an affiliate provides investment advice or other services;

(h) "State Obligations," which means:

(i) Direct general obligations of any state of the United States of America or any subdivision of agency thereof to which is pledged the full faith and credit of a state the unsecured general obligation debt of which is rated "A3" by Moody's and "A" by S&P, or better, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured general obligation debt is so rated,

(ii) Direct general short-term obligations of any state agency or subdivision or agency thereof described in (i) above and rated "A-1+" by S&P and "MIG-1" by Moody's, and

(iii) Special Revenue Bonds (as defined in the United States Bankruptcy Code) of any state or state agency described in (i) above and rated "AA" or better by S&P and "Aa" or better by Moody's;

(i) Pre-refunded municipal obligations rated "AAA" by S&P and "Aaa" by Moody's meeting the following requirements:

(i) the municipal obligations are (A) not subject to redemption prior to maturity or (B) the trustee for the municipal obligations has been given irrevocable instructions concerning their call and redemption and the issuer of the municipal obligations has covenanted not to redeem such municipal obligations other than as set forth in such instructions,

(ii) the municipal obligations are secured by cash or U.S. Treasury Obligations which may be applied only to payment of the principal of, interest and premium on such municipal obligations,

(iii) the principal of and interest on the U.S. Treasury Obligations (plus any cash in the escrow) has been verified by the report of independent certified public accountants to be sufficient to pay in full all principal of, interest, and premium, if any, due and to become due on the municipal obligations ("Verification"),

(iv) the cash or U.S. Treasury Obligations serving as security for the municipal obligations are held by an escrow agent or trustee in trust for owners of the municipal obligations

(v) no substitution of a U.S. Treasury Obligation shall be permitted except with another U.S. Treasury Obligation and upon delivery of a new Verification, and

(vi) the cash or U.S. Treasury Obligations are not available to satisfy any other claims, including those by or against the trustee or escrow agent;

(j) Repurchase agreements with

(i) any domestic bank, or domestic branch of a foreign bank, the long term debt of which is rated at least "AA" by S&P and Moody's, or

(ii) any broker-dealer with "retail customers" or a related affiliate thereof which broker-dealer has, or the parent company (which guarantees the provider) of which has, long-term debt rated at least "AA" by S&P and Moody's, which broker-dealer falls under the jurisdiction of the Securities Investors Protection Corporation, or

(iii) any other entity rated "AA" or better by S&P and Moody's and acceptable to the Municipal Bond Insurer, provided that:

(A) The market value of the collateral is maintained at levels and upon such conditions as would be acceptable to S & P and Moody's to maintain an "A" rating in an "A" rated structured financing (with a market value approach),

(B) The Trustee or a third party acting solely as agent therefor or for the District (the "Holder of the Collateral") has possession of the collateral or the collateral has been transferred to the Holder of the Collateral in accordance with applicable state and federal laws (other than by means of entries on the transferor's books),

(C) The repurchase agreement shall state and an opinion of counsel shall be rendered at the time such collateral is delivered that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession),

(D) All other requirements of S&P in respect of repurchase agreements shall be met, and

(E) The repurchase agreement shall provide that if during its term the provider's rating by either Moody's or S&P is withdrawn or suspended or falls

below "A-" by S&P or "A3" by Moody's, as appropriate, the provider must, at the direction of the District or the Trustee (who shall give such direction if so directed by the Municipal Bond Insurer), within 10 days of receipt of such direction, repurchase all collateral and terminate the agreement, with no penalty or premium to the District or Trustee.

Notwithstanding the above, if a repurchase agreement has a term of 270 days or less (with no evergreen provision), collateral levels need not be as specified in (A) above, so long as such collateral levels are 103% or better and the provider is rated at least "A" by S&P and Moody's, respectively.

(k) Investment agreements with a domestic or foreign bank or corporation (other than a life or property casualty insurance company) the long-term debt of which, or, in the case of a guaranteed corporation the long-term debt is rated at least "AA" (stable) by S&P and "Aa" (stable) by Moody's, or, in the case of a monoline municipal bond insurance company, claims paying ability of the guarantor is rated at least "AAA" (stable) by S&P and "Aaa" (stable) by Moody's; provided that, by the terms of the investment agreement:

(i) interest payments are to be made to the Trustee at times and in amounts as necessary to pay debt service with respect to the Bonds;

(ii) the invested funds are available for withdrawal without penalty or premium, at any time upon not more than seven days' prior notice; the District and the Trustee hereby agree to give or cause to be given notice in accordance with the terms of the investment agreement so as to receive funds thereunder with no penalty or premium paid;

(iii) the investment agreement shall state that is the unconditional and general obligation of, and is not subordinated to any other obligation of, the provider thereof or, if the provider is a bank, the agreement or the opinion of counsel shall state that the obligation of the provider to make payments thereunder ranks *pari passu* with the obligations of the provider to its other depositors and its other unsecured and unsubordinated creditors;

(iv) the District and the Trustee receives the opinion of domestic counsel (which opinion shall be addressed to the District, the Trustee and the Municipal Bond Insurer) that such investment agreement is legal, valid, binding and enforceable upon the provider in accordance with its terms and of foreign counsel (if applicable) in form and substance acceptable, and addressed to, the District, the Trustee and the Municipal Bond Insurer;

(v) the investment agreement shall provide that if during its term:

(A) the provider's rating by either S&P or Moody's falls below "AA-" or "Aa3", respectively, the provider shall, at its option, within 10 days of receipt of publication of such downgrade, either (i) collateralize the investment agreement by delivering or transferring in accordance with applicable state and federal laws (other than by means of entries on the provider's books) to the District, the Trustee or a third party acting solely as agent therefor (the "Holder of the Collateral") collateral free and clear of any third-party liens or claims the market value of which collateral is maintained at levels and upon such conditions as would be acceptable to S & P and Moody's to maintain an "A" rating in an "A"

rated structured financing (with a market value approach); or (ii) repay the principal of and accrued but unpaid interest on the investment, and

(B) the provider's rating by either S&P or Moody's is withdrawn or suspended or falls below "A-" or "A3", respectively, the provider must, at the direction of the District or the Trustee (who shall give such direction if so directed by the Municipal Bond Insurer), within 10 days of receipt of such direction, repay the principal of and accrued but unpaid interest on the investment, in either case with no penalty or premium to the District or Trustee, and

(vi) the investment agreement shall state and an opinion of counsel shall be rendered, in the event collateral is required to be pledged by the provider under the terms of the investment agreement, at the time such collateral is delivered, that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession); and

(vii) the investment agreement must provide that if during its term:

(A) the provider shall default in its payment obligations, the provider's obligations under the investment agreement shall, at the direction of the District or the Trustee (who shall give such direction if so directed by the Municipal Bond Insurer), be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the District or Trustee, as appropriate, and

(B) the provider shall become insolvent, not pay its debts as they become due, be declared or petition to be declared bankrupt, etc. ("event of insolvency"), the provider's obligations shall automatically be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the District or Trustee, as appropriate.

(l) The Local Agency Investment Fund of the State, created pursuant to section 16429.1 of the California Education Code, to the extent the Trustee is authorized to register such investment in its name.

(m) other forms of investments approved in writing by the Municipal Bond Insurer.

*"Plans and Specifications"* means, with respect to the Water Improvement Project or any component thereof, the plans and specifications relating thereto filed by the City with the Authority pursuant to Section 3.2 of the Water Installment Sale Agreement, as such plans and specifications may be revised from time to time by the City pursuant to Section 3.2 of the Water Installment Sale Agreement.

*"Principal Account"* means the account by that name established in the Bond Fund pursuant to Section 5.02.

*"Record Date"* means, with respect to any Interest Payment Date, the fifteenth (15th) calendar day of the month preceding such Interest Payment Date.

*"Redemption Fund"* means the fund by that name established pursuant to Section 5.07.



*“Registration Books”* means the records maintained by the Trustee pursuant to Section 2.05 for the registration and transfer of ownership of the Bonds.

*“Reserve Account”* means the account by that name in the Bond Fund established pursuant to Section 5.02.

*“Reserve Policy”* means the Municipal Bond Insurance Policy issued by the Municipal Bond Insurer for deposit in the Reserve Account in an amount equal to the Reserve Requirement.

*“Reserve Requirement”* means, as of the Closing Date, an amount equal to the least of (a) maximum amount of annual Debt Service coming due and payable in the current or any future Bond Year, (b) 125% of average annual Debt Service, and (c) 10% of the par amount of the Bonds. As of the Closing date, the Reserve Requirement is \$\_\_\_\_\_.

*“Revenues”* means (a) all amounts received by the Authority or the Trustee pursuant or with respect to the Water Installment Sale Agreement, including, without limiting the generality of the foregoing, all of the Water Installment Payments (including both timely and delinquent payments, any late charges, and whether paid from any source) and prepayments, (b) all amounts received by the Authority or the Trustee pursuant or with respect to the Wastewater Installment Sale Agreement, including, without limiting the generality of the foregoing, all of the Wastewater Installment Payments (including both timely and delinquent payments, any late charges, and whether paid from any source) and prepayments, and (c) all interest, profits or other income derived from the investment of amounts in any fund or account established pursuant to this Indenture; but excluding any Additional Payments.

*“S&P”* means S&P Global Ratings, a Standard & Poor's Financial Services LLC business, and its successors.

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

*“Serial Bonds”* means the Series A Bonds maturing on April 1 in each of the years \_\_\_\_\_ through \_\_\_\_\_, inclusive, and the Series B Bonds maturing on April 1 in each of the years \_\_\_\_\_ through \_\_\_\_\_, inclusive.

*“Series A Bonds”* means the \$\_\_\_\_\_ aggregate principal amount of Coalinga Public Financing Authority Revenue Bonds, Series 2021A (Water and Wastewater Financing Projects) (Federally Taxable), authorized by and at any time Outstanding pursuant to the Bond Law and this Indenture.

*“Series A Municipal Bond Insurance Policy”* means the municipal bond insurance policy issued by the Municipal Bond Insurer guaranteeing the payment, when due, of the principal and interest with respect to the Series A Bonds.

*“Series B Bonds”* means the \$\_\_\_\_\_ aggregate principal amount of Coalinga Public Financing Authority Revenue Bonds, Series 2021B (Water Project) (Tax-Exempt), authorized by and at any time Outstanding pursuant to the Bond Law and this Indenture.

*“Series B Municipal Bond Insurance Policy”* means the municipal bond insurance policy issued by the Municipal Bond Insurer guaranteeing the payment, when due, of the principal and interest with respect to the Series B Bonds.

*“Sinking Account”* means the account by that name established in the Bond Fund pursuant to Section 5.02.

*“State”* means the State of California.

*“Supplemental Indenture”* means any indenture hereafter duly authorized and entered into between the Authority and the Trustee, supplementing, modifying or amending this Indenture; but only if and to the extent that such Supplemental Indenture is specifically authorized hereunder.

*“Term Bonds”* means the Series A Bonds maturing on April 1, \_\_\_, and the Series B Bonds maturing on April 1, \_\_\_\_.

*“Term of the Wastewater Installment Sale Agreement”* means the time during which the Wastewater Installment Sale Agreement is in effect, as provided in Section 4.2 of the Wastewater Installment Sale Agreement.

*“Term of the Water Installment Sale Agreement”* means the time during which the Water Installment Sale Agreement is in effect, as provided in Section 4.2 of the Water Installment Sale Agreement.

*“Trust Office”* means the corporate trust office of the Trustee at 333 South Grand Avenue, Fifth Floor, Los Angeles, CA 90071, or at such other or additional offices as may be specified in writing to the Authority and the City, except that with respect to presentation of Bonds for payment or for registration of transfer and exchange such term shall mean the office or agency of the Trustee at which, at any particular time, its corporate trust agency business shall be conducted.

*“Trustee”* means Wells Fargo Bank, National Association, a national banking association organized and existing under the laws of the United States of America, or its successor, as Trustee hereunder as provided in Section 8.01.

*“2012 Bonds”* means the Coalinga Public Financing Authority Revenue Bonds, Series 2012 (Water and Wastewater Financing Projects).

*“Underwriter”* means Oppenheimer & Co, Incorporated, the original purchaser of the Bonds upon their delivery by the Trustee on the Closing Date.

*“Wastewater Acquisition Agreement”* means that certain Wastewater Acquisition Agreement, dated as of March 1, 2021, by and between the City, as seller, and the Authority, as purchaser, pursuant to which the City will sell the Wastewater System to the Authority for re-sale to the City under the Wastewater Installment Sale Agreement, as originally executed and as it may from time to time be supplemented, modified or amended in accordance with the terms thereof.

*“Wastewater Fund”* means the City’s existing wastewater enterprise fund, established and held by the City with respect to the Wastewater System.

*“Wastewater Installment Payments”* means the amounts payable by the City pursuant to Section 4.4 of the Wastewater Installment Sale Agreement, including any prepayments thereof pursuant to Article IX of the Wastewater Installment Sale Agreement.

*“Wastewater Installment Sale Agreement”* means that certain Wastewater Installment Sale Agreement, dated as of March 1, 2021, by and between the Authority, as seller, and the City, as purchaser, of the Wastewater System, as originally executed and as it may from time to time be supplemented, modified or amended in accordance with the terms thereof and of this Indenture.

*“Wastewater Rate Stabilization Fund”* means the fund by that name established pursuant to Section 4.7 of the Wastewater Installment Sale Agreement.

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

*“Wastewater System Gross Revenues”* means all user fee charges derived by the City from, the ownership and operation of the Wastewater System, including but not limited to investment earnings thereon.

*“Wastewater System Net Revenues”* means, for any period, an amount equal to all of the Wastewater System Gross Revenues received during such period minus the amount required to pay all Wastewater System Operation and Maintenance Costs becoming payable during such period.

*“Wastewater System Operation and Maintenance Costs”* means the reasonable and necessary costs and expenses paid by the City for maintaining and operating the Wastewater System, including but not limited to (a) costs of electricity and other forms of energy supplied to the Wastewater System, (b) the reasonable expenses of management and repair and other costs and expenses necessary to maintain and preserve the Wastewater System in good repair and working order, and (c) the reasonable administrative costs of the City attributable to the operation and maintenance of the Wastewater System; but in all cases excluding (i) debt service payable on obligations incurred by the City with respect to the Wastewater System including but not limited to the Wastewater Installment Payments and any Wastewater System Parity Obligations, (ii) depreciation, replacement and obsolescence charges or reserves therefor, and (iii) amortization of intangibles or other bookkeeping entries of a similar nature.

*“Wastewater System Parity Obligations”* means any leases, loan agreements, installment sale agreements, bonds, notes, interest rate swap agreements, currency swap agreements, forward payment agreements, futures, or contracts providing for payments based on levels of, or changes in, interest rates, currency exchange rates, stock or other indices, or contracts to exchange cash flows or a series of payments, or contracts, including, without limitation, interest rate floors or caps, options, puts or calls to hedge payment, currency, rate, spread, or similar exposure (except termination payments relating thereto which shall be payable on a subordinate basis) or other obligations of the City payable from and secured by a pledge of and lien upon any of the Wastewater Net Revenues on a parity with the Wastewater Installment Payments, entered into or issued pursuant to and in accordance with Section 4.8 of the Wastewater Installment Sale Agreement.

*“Wastewater System Subordinate Debt”* means any obligations of the City payable from and secured by a pledge of and lien upon any of the Wastewater Net Revenues subordinate to the Wastewater Installment Payments and any Wastewater System Parity Obligations, entered into or issued pursuant to and in accordance with Section 4.8 of the Wastewater Installment Sale Agreement.

*“Water Acquisition Agreement”* means that certain Water Acquisition Agreement, dated as of March 1, 2021, by and between the City, as seller, and the Authority, as purchaser, pursuant to which the City will sell the Water System to the Authority for re-sale to the City under the Water Installment Sale Agreement, as originally executed and as it may from time to time be supplemented, modified or amended in accordance with the terms thereof.

*“Water Fund”* means the City’s existing water enterprise fund, established and held by the City with respect to the Wastewater System.

*“Water Installment Payments”* means the amounts payable by the City pursuant to Section 4.4 of the Water Installment Sale Agreement, including any prepayments thereof pursuant to Article IX of the Water Installment Sale Agreement.

*“Water Installment Sale Agreement”* means that certain Water Installment Sale Agreement, dated as of March 1, 2021, by and between the Authority, as seller, and the City, as purchaser, of the Water Project, as originally executed and as it may from time to time be supplemented, modified or amended in accordance with the terms thereof and of this Indenture.

*“Water Rate Stabilization Fund”* means the fund by that name established pursuant to Section 4.7 of the Water Installment Sale Agreement.

*“Water System”* means all land and facilities used and useful by the City for the production, storage, conveyance, treatment and distribution of water now owned by the City, together with all additions, betterments, extensions or improvements to such facilities or any part thereof hereafter acquired or constructed by the City and other real or personal property useful in connection therewith.

*“Water System Gross Revenues”* means all user fee charges derived by the City from, the ownership and operation of the Water System, including but not limited to investment earnings thereon.

*“Water System Net Revenues”* means, for any period, an amount equal to all of the Water System Gross Revenues received during such period minus the amount required to pay all Water System Operation and Maintenance Costs becoming payable during such period.

*“Water System Operation and Maintenance Costs”* means the reasonable and necessary costs and expenses paid by the City for maintaining and operating the Water System, including but not limited to (a) costs of electricity and other forms of energy supplied to the Water System, (b) the reasonable expenses of management and repair and other costs and expenses necessary to maintain and preserve the Water System in good repair and working order, and (c) the reasonable administrative costs of the City attributable to the operation and maintenance of the Water System; but in all cases excluding (i) debt service payable on obligations incurred by the City with respect to the Water System including but not limited to the Water Installment Payments and any Water System Parity Obligations, (ii) depreciation, replacement and obsolescence charges or reserves therefor, and (iii) amortization of intangibles or other bookkeeping entries of a similar nature.

*“Water System Parity Obligations”* means any leases, loan agreements, installment sale agreements, bonds, notes, interest rate swap agreements, currency swap agreements, forward payment agreements, futures, or contracts providing for payments based on levels of, or changes in, interest rates, currency exchange rates, stock or other indices, or contracts to exchange cash flows or a series of payments, or contracts, including, without limitation, interest rate floors or caps, options, puts or calls to hedge payment, currency, rate, spread, or similar exposure (except termination payments relating thereto which shall be payable on a subordinate basis) or other obligations of the City payable from and secured by a pledge of and lien upon any of the Water Net Revenues on a parity with the Water Installment Payments, entered into or issued pursuant to and in accordance with Section 4.8 of the Water Installment Sale Agreement.

*“Water System Subordinate Debt”* means any obligations of the City payable from and secured by a pledge of and lien upon any of the Water Net Revenues subordinate to the Water Installment Payments and any Water System Parity Obligations, entered into or issued pursuant to and in accordance with Section 4.8 of the Water Installment Sale Agreement.

*“Written Certificate,” “Written Request”* and *“Written Requisition”* of the Authority or the City mean, respectively, a written certificate, request or requisition signed in the name of the Authority or the City by its Authorized Representative. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument.

#### Section 1.02. Interpretation.

(a) Unless the context otherwise indicates, words expressed in the singular shall include the plural and vice versa and the use of the neuter, masculine, or feminine gender is for convenience only and shall be deemed to include the neuter, masculine or feminine gender, as appropriate.

(b) Headings of articles and sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and shall not affect the meaning, construction or effect hereof.

(c) All references herein to “Articles,” “Sections” and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Indenture; the words “herein,” “hereof,” “hereby,” “hereunder” and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or subdivision hereof.

ARTICLE II  
THE BONDS

Section 2.01. Authorization of Bonds.

(a) The Authority hereby authorizes the issuance hereunder of the Bonds, which shall constitute special obligations of the Authority, for the purpose of providing funds to enable the City to refund the 2012 Bonds and finance the Water Improvement Project.

(b) The Series A Bonds are hereby designated the "Coalinga Public Financing Authority Revenue Bonds, Series 2021A (Water and Wastewater Financing Projects) (Federally Taxable)." The aggregate principal amount of Series A Bonds initially issued and Outstanding under this Indenture shall equal \_\_\_\_\_ dollars (\$\_\_\_\_\_).

(c) The Series B Bonds are hereby designated the "Coalinga Public Financing Authority Revenue Bonds, Series 2021B (Water Project) (Tax-Exempt)." The aggregate principal amount of Series B Bonds initially issued and Outstanding under this Indenture shall equal \_\_\_\_\_ dollars (\$\_\_\_\_\_).

(d) This Indenture constitutes a continuing agreement with the Trustee and the Owners from time to time of the Bonds to secure the full payment of the principal of and interest and premium (if any) on all the Bonds, subject to the covenants, provisions and conditions herein contained.

Section 2.02. Terms of the Bonds.

(a) The Bonds shall be issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple thereof.

(b) The Series A Bonds shall mature on April 1 in each of the years and in the amounts set forth below and shall bear interest on each Interest Payment Date at the rates set forth below:

Maturity Date (April 1)	Principal Amount	Interest Rate
_____	_____	_____

(c) The Series B Bonds shall mature on April 1 in each of the years and in the amounts set forth below and shall bear interest on each Interest Payment Date at the rates set forth below:

Maturity Date	Principal	Interest
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<u>(April 1)</u>	<u>Amount</u>	<u>Rate</u>
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(d) Interest on the Bonds shall be payable semi-annually calculated based on a 360-day year of twelve (12) thirty-day months on each Interest Payment Date to the person whose name appears on the Registration Books as the Owner thereof as of the Record Date immediately preceding each such Interest Payment Date, such interest to be paid by check of the Trustee mailed on the applicable Interest Payment Date by first class mail to the Owner at the address of such Owner as it appears on the Registration Books; provided however, that payment of interest may be by wire transfer in immediately available funds to an account in the United States of America to any Owner of Bonds in the aggregate principal amount of \$1,000,000 or more who shall furnish written wire instructions to the Trustee at least five (5) days before the applicable Record Date. Subject to Section 2.10, principal of any Bond and any premium upon redemption shall be paid by check of the Trustee upon presentation and surrender thereof at the Trust Office. Principal of and interest and premium (if any) on the Bonds shall be payable in lawful money of the United States of America.

Each Bond shall be dated the Closing Date and shall bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless (a) it is authenticated after a Record Date and on or before the following Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or (b) unless it is authenticated on or before September 15, 2021, in which event it shall bear interest from the Closing Date; *provided, however,* that if, as of the date of authentication of any Bond, interest thereon is in default, such Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

Section 2.03. Transfer of Bonds. Any Bond may, in accordance with its terms, be transferred on the Registration Books by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form approved by the Trustee. Transfer of any Bond shall not be permitted by the Trustee during the period established by the Trustee for selection of Bonds for redemption or if such Bond has been selected for redemption pursuant to Article IV. Whenever any Bonds or Bonds shall be surrendered for transfer, the Authority shall execute and the Trustee shall authenticate and shall deliver a new Bond or Bonds for a like aggregate principal amount and of like maturity. The Trustee may require the Bond Owner requesting such transfer to pay any tax or other governmental charge required to be paid with respect to such transfer.

Section 2.04. Exchange of Bonds. Any Bond may be exchanged at the Trust Office for a like aggregate principal amount of Bonds of other authorized denominations and of like maturity. Exchange of any Bond shall not be permitted during the period established by the Trustee for selection of Bonds for redemption or if such Bond has been selected for redemption pursuant to Article IV. The Trustee shall require the Bond Owner requesting such exchange to pay any tax or other governmental charge required to be paid with respect to such exchange.

Section 2.05. Registration Books. The Trustee will keep or cause to be kept, at the Trust Office, sufficient records for the registration and transfer of ownership of the Bonds, which shall at all reasonable times with reasonable prior notice be open to inspection during regular business hours by the Authority, the City and the Owners; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on such records, the ownership of the Bonds as hereinbefore provided.

Section 2.06. Form and Execution of Bonds. The Bonds shall be signed in the name and on behalf of the Authority with the manual or facsimile signatures of its Chairman or its Executive Director and attested with the manual or facsimile signature of its Secretary or any assistant duly appointed by the Board of Directors, under the printed seal of the Authority, and shall be delivered to the Trustee for authentication by it. In case any officer of the Authority who shall have signed any of the Bonds shall cease to be such officer before the Bonds so signed shall have been authenticated or delivered by the Trustee or issued by the Authority, such Bonds may nevertheless be authenticated, delivered and issued and, upon such authentication, delivery and issue, shall be as binding upon the Authority as though the individual who signed the same had continued to be such officer of the Authority. Also, any Bond may be signed on behalf of the Authority by any individual who on the actual date of the execution of such Bond shall be the proper officer although on the nominal date of such Bond such individual shall not have been such officer.

Only such of the Series A Bonds as shall bear thereon a certificate of authentication in substantially the form set forth in Exhibit A, manually executed by the Trustee, shall be valid or obligatory for any purpose or entitled to the benefits of this Indenture, and such certificate of the Trustee shall be conclusive evidence that the Bonds so authenticated have been duly authenticated and delivered hereunder and are entitled to the benefits of this Indenture. Only such of the Series B Bonds as shall bear thereon a certificate of authentication in substantially the form set forth in Exhibit B, manually executed by the Trustee, shall be valid or obligatory for any purpose or entitled to the benefits of this Indenture, and such certificate of the Trustee shall be conclusive evidence that the Bonds so authenticated have been duly authenticated and delivered hereunder and are entitled to the benefits of this Indenture.

Section 2.07. Temporary Bonds. The Bonds may be issued in temporary form exchangeable for definitive Bonds when ready for delivery. Any temporary Bonds may be printed, lithographed or typewritten, shall be of such denominations as may be determined by the Authority, shall be in fully registered form without coupons and may contain such reference to any of the provisions of this Indenture as may be appropriate. Every temporary Bond shall be executed by the Authority and authenticated by the Trustee upon the same conditions and in substantially the same manner as the definitive Bonds. If the Authority issues temporary Bonds it will execute and deliver definitive Bonds as promptly thereafter as practicable, and thereupon the temporary Bonds may be surrendered, for cancellation, at the Trust Office and the Trustee shall authenticate and deliver in exchange for such temporary Bonds an equal aggregate principal amount of definitive Bonds of authorized denominations. Until so exchanged, the temporary Bonds shall be entitled to the same benefits under this Indenture as definitive Bonds authenticated and delivered hereunder.

Section 2.08. Bonds Mutilated, Lost, Destroyed or Stolen. If any Bond shall become mutilated, the Authority, at the expense of the Owner of said Bond, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like tenor in exchange and substitution for the Bond so mutilated, but only upon surrender to the Trustee of the Bond so mutilated. Every mutilated Bond so surrendered to the Trustee shall be canceled by it and



delivered to, or upon the order of, the Authority. If any Bond 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 it and indemnity satisfactory to it shall be given, the Authority, at the expense of the Owner of such lost, destroyed or stolen Bond, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like tenor in lieu of and in substitution for the Bond so lost, destroyed or stolen (or if any such Bond shall have matured or shall have been called for redemption, instead of issuing a substitute Bond, the Trustee may pay the same without surrender thereof). The Authority may require payment by the Owner of a sum not exceeding the actual cost of preparing each new Bond issued under this Section 2.08 and of the expenses which may be incurred by the City, the Authority and the Trustee in the premises. Any Bond issued under the provisions of this Section 2.08 in lieu of any Bond alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the Authority whether or not the Bond so alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and shall be entitled to the benefits of this Indenture with all other Bonds secured by this Indenture.

Section 2.09. CUSIP Numbers. The Trustee and the Authority shall not be liable for any defect or inaccuracy in the CUSIP number that appears on any Bond or in any redemption notice. The Trustee may, in its discretion, include in any redemption notice a statement to the effect that the CUSIP numbers on the Bonds have been assigned by an independent service and are included in such notice solely for the convenience of the Owners and that neither the Trustee nor the Authority shall be liable for any inaccuracies in such numbers.

Section 2.10. Book-Entry System. Notwithstanding any provision of this Indenture to the contrary:

(a) The Bonds shall be initially issued registered in the name of "Cede & Co.," as nominee of The Depository Trust Company, and shall be evidenced by one securities certificate maturing on each of the maturity dates set forth in Section 2.02 hereof to be in a denomination corresponding to the total principal therein designated to mature on such date. Registered ownership of such Bonds, or any portions thereof, may not thereafter be transferred except:

(i) to any successor of The Depository Trust Company or its nominee, or of any substitute depository designated pursuant to paragraph (ii) of this subsection (a) ("substitute depository"); provided that any successor of The Depository Trust Company or substitute depository shall be qualified under any applicable laws to provide the service proposed to be provided by it;

(ii) to any substitute depository designated in a written request of the Authority, upon (A) the resignation of The Depository Trust Company or its successor (or any substitute depository or its successor) from its functions as depository or (B) a determination by the Authority that The Depository Trust Company or its successor is no longer able to carry out its functions as depository; provided that any such substitute depository shall be qualified under any applicable laws to provide the services proposed to be provided by it; or

(iii) to any person as provided below, upon (A) the resignation of The Depository Trust Company or its successor (or any substitute depository or its successor) from its functions as depository or (B) a determination by the Authority that The Depository Trust Company or its successor is no longer able to carry out its functions as depository; provided that no substitute depository which is not objected to by the Authority or the Trustee can be obtained.

(b) In the case of any transfer pursuant to paragraph (i) or paragraph (ii) of subsection (a) of this Section 2.10, upon receipt of all Outstanding Bonds by the Trustee, together with a written request of an Authorized Representative of the Authority to the Trustee, a single new Bond shall be issued, authenticated and delivered for each maturity of such Bond then outstanding, registered in the name of such successor or such substitute depository or their nominees, as the case may be, all as specified in such written request of an Authorized Representative of the Authority. In the case of any transfer pursuant to paragraph (iii) of subsection (a) of this Section 2.10, upon receipt of all Outstanding Bonds by the Trustee together with a written request of an Authorized Representative of the Authority, new Bonds shall be issued, authenticated and delivered in such denominations and registered in the names of such persons as are requested in a written request of the Authority provided the Trustee shall not be required to deliver such new Bonds within a period less than sixty (60) days from the date of receipt of such a written request of an Authorized Representative of the Authority.

(c) In the case of partial redemption or an advance refunding of any Bonds evidencing all of the principal maturing in a particular year, The Depository Trust Company shall, at the Authority's expense, deliver the Bonds to the Trustee for cancellation and re-registration to reflect the amounts of such reduction in principal.

(d) The Authority and the Trustee shall be entitled to treat the person in whose name any Bond is registered as the absolute Owner thereof for all purposes of this Indenture and any applicable laws, notwithstanding any notice to the contrary received by the Trustee or the Authority; and the Authority and the Trustee shall have no responsibility for transmitting payments to, communication with, notifying or otherwise dealing with any beneficial owners of the Bonds. Neither the Authority nor the Trustee will have any responsibility or obligations, legal or otherwise, to the beneficial owners or to any other party including The Depository Trust Company or its successor (or substitute depository or its successor), except for the registered owner of any Bond.

(e) So long as all outstanding Bonds are registered in the name of Cede & Co. or its registered assign, the Authority and the Trustee shall reasonably cooperate with Cede & Co., as sole registered Owner, or its registered assign in effecting payment of the principal and redemption premium, if any, and interest due with respect to the Bonds by arranging for payment in such manner that funds for such payments are properly identified and are made immediately available on the date they are due.

(f) So long as all Outstanding Bonds are registered in the name of Cede & Co. or its registered assigns (hereinafter, for purposes of this paragraph (f), the "Owner"):

(i) All notices and payments addressed to the Owners shall contain the Bonds' CUSIP number.

(ii) Notices to the Owner shall be forwarded in the manner set forth in the form of blanket issuer letter of representations (prepared by The Depository Trust Company) executed by the Authority and received and accepted by The Depository Trust Company.

### ARTICLE III

#### ISSUANCE OF BONDS; APPLICATION OF PROCEEDS; ADDITIONAL BONDS

Section 3.01. Issuance of the Bonds. At any time after the execution of this Indenture, the Authority may execute and the Trustee shall authenticate and, upon the Written Request of the Authority, deliver Series A Bonds in the aggregate principal amount of \_\_\_\_\_ dollars (\$\_\_\_\_\_) and Series B Bonds in the aggregate principal amount of \_\_\_\_\_ dollars (\$\_\_\_\_\_).

#### Section 3.02. Application of Proceeds of the Bonds.

(a) *Series A Bonds*. The proceeds received from the sale of the Series A Bonds (\$\_\_\_\_\_), being the principal amount of the Series A Bonds of \$\_\_\_\_\_.00, less Underwriter's discount of \$\_\_\_\_\_, less \$\_\_\_\_\_ paid to the Municipal Bond Insurer being the premium for the Series A Municipal Bond Insurance Policy and less \$\_\_\_\_\_ being a portion of the premium paid to the Municipal Bond Insurer for the Reserve Policy, shall be deposited or transferred by the Trustee as follows:

(i) The Trustee shall transfer the sum of \$\_\_\_\_\_ to the Escrow Bank for deposit in the Escrow Fund to provide for the refunding of the 2012 Bonds; and

(ii) The Trustee shall deposit the amount of \$\_\_\_\_\_ in the Series A Account of the Costs of Issuance Fund.

(b) *Series B Bonds*. The proceeds received from the sale of the Series B Bonds (\$\_\_\_\_\_), being the principal amount of the Series B Bonds of \$\_\_\_\_\_.00, less Underwriter's discount of \$\_\_\_\_\_, plus an original issue premium of \$\_\_\_\_\_, less \$\_\_\_\_\_ paid to the Municipal Bond Insurer being the premium for the Series B Municipal Bond Insurance Policy and less \$\_\_\_\_\_ being a portion of the premium paid to the Municipal Bond Insurer for the Reserve Policy, shall be deposited by the Trustee as follows:

(i) The Trustee shall deposit the amount of \$\_\_\_\_\_ in the Series B Account of the Costs of Issuance Fund; and

(ii) The Trustee shall deposit the amount of \$\_\_\_\_\_ in the Water Improvement Project Fund to be applied as provided in Section 3.05; and

(c) The Trustee may, in its discretion, establish a temporary fund or account to facilitate the foregoing transfers.

#### Section 3.03. Establishment and Application of Costs of Issuance Fund.

(a) The Trustee shall establish, maintain and hold in trust a separate fund designated as the "Costs of Issuance Fund." Within the Costs of Issuance Fund there shall be established a Series A Account and a Series B Account.

(b) There shall be deposited in the Series A Account of the Costs of Issuance Fund the amounts indicated in Section 3.02(a)(ii) of this Indenture. The moneys in the Series A Account of the Costs of Issuance Fund shall be used and withdrawn by the Trustee to pay the Costs of Issuance of the Series A Bonds upon submission of Written Requisitions of the Authority stating the person to whom payment is to be made, the amount to be paid, the purpose for which the

obligation was incurred and that such payment is a proper charge against said account. On May 25, 2021, or upon the earlier Written Request of the Authority, all amounts remaining in the Series A Account of the Costs of Issuance Fund shall be transferred by the Trustee to the Series A Account of the Costs of Issuance Fund shall be closed.

(c) There shall be deposited in the Series B Account of the Costs of Issuance Fund the amounts indicated in Section 3.02(b)(i) of this Indenture. The moneys in the Series B Account of the Costs of Issuance Fund shall be used and withdrawn by the Trustee to pay the Costs of Issuance of the Series B Bonds upon submission of Written Requisitions of the Authority stating the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred and that such payment is a proper charge against said account. On May 25, 2021, or upon the earlier Written Request of the Authority, all amounts remaining in the Series B Account of the Costs of Issuance Fund shall be transferred by the Trustee to the Water Improvement Project Fund and the Series B Account of the Costs of Issuance Fund shall be closed.

#### Section 3.04. Water Improvement Project Fund.

(a) The Trustee shall establish, maintain and hold in trust a separate fund to be known as the "Water Improvement Project Fund." There shall be deposited in the Water Improvement Project Fund the amounts indicated in Section 3.02(b)(ii) of this Indenture.

(b) Except as otherwise provided herein, moneys in the Water Improvement Project Fund shall be used solely for the payment of the Water Improvement Project Costs. The Trustee shall disburse moneys in the Water Improvement Project Fund from time to time to pay Water Improvement Project Costs (or to reimburse the Authority or the City for payment of Water Improvement Project Costs) upon receipt by the Trustee of a Written Requisition of the Authority or the City which: (A) states with respect to each disbursement to be made (i) the requisition number, (ii) the name and address of the person, firm or corporation to whom payment will be made, (iii) the amount to be disbursed, (iv) that each obligation mentioned therein is a proper charge against the Water Improvement Project Fund and has not previously been disbursed by the Trustee from amounts in the Water Improvement Project Fund, (v) that all conditions precedent set forth in the Wastewater Installment Sale Agreement with respect to such disbursement have been satisfied, and (vi) that the amount of such disbursement is for a Water Improvement Project Cost as defined in the Wastewater Installment Sale Agreement; (B) specifies in reasonable detail the nature of the obligation; and (C) is accompanied by a bill or statement of account (if any) for each obligation. The Trustee may conclusively rely on the information contained in any Written Requisition and shall have no responsibility with respect to the application of any funds disbursed in accordance with such Written Requisitions. Upon the filing with the Trustee of a Written Certificate of the Authority stating that the Water Improvement Project have been completed or that all Written Requisitions intended to be filed by the Authority and the City have been filed, the Trustee shall withdraw all amounts then on deposit in the Water Improvement Project Fund and transfer such amounts to the Bond Fund and the Water Improvement Project Fund shall be closed.

(c) Notwithstanding the foregoing provisions of this Section 3.05, upon the occurrence and continuation of an Event of Default under and as defined in Section 7.01(a) or (b), the Trustee shall immediately withdraw all amounts then on deposit in the Water Improvement Project Fund and apply such amounts in accordance with the provisions of Section 7.03.

Section 3.05. Validity of Bonds. The validity of the authorization and issuance of the Bonds is not dependent on and shall not be affected in any way by any proceedings taken by the Authority or the Trustee with respect to or in connection with the Water Installment Sale

Agreement. The recital contained in the Bonds that the same are issued pursuant to the Constitution and laws of the State shall be conclusive evidence of their validity and of compliance with the provisions of law in their issuance.

## ARTICLE IV

### REDEMPTION OF BONDS

#### Section 4.01. Terms of Redemption.

##### (a) *Sinking Account Redemption.*

(i) **Series A Term Bonds.** The Series A Term Bonds are subject to mandatory redemption, in part by lot, from Sinking Account payments set forth in the following schedule on April 1, \_\_\_\_, and on April 1 in each year thereafter to and including April 1, \_\_\_\_, at a redemption price equal to the principal amount thereof to be redeemed (without premium), together with interest accrued thereon to the date fixed for redemption; *provided, however*, that if some but not all of the Series A Term Bonds have been redeemed pursuant to subsection (b)(i) below, the total amount of Sinking Account payments to be made subsequent to such redemption shall be reduced in an amount equal to the principal amount of the Series A Term Bonds so redeemed by reducing each such future Sinking Account payment as shall be determined by the City and, in lieu of such determination, on a *pro rata* basis (as nearly as practicable) in integral multiples of \$5,000, as shall be designated pursuant to written notice filed by the Authority with the Trustee.

Redemption Date (April 1)	Principal Amount
_____	_____

\_\_\_\_\_  
† Maturity.

(ii) **Series B Term Bonds.** The Series B Term Bonds are subject to mandatory redemption, in part by lot, from Sinking Account payments set forth in the following schedule on April 1, \_\_\_\_, and on April 1 in each year thereafter to and including April 1, \_\_\_\_, at a redemption price equal to the principal amount thereof to be redeemed (without premium), together with interest accrued thereon to the date fixed for redemption; *provided, however*, that if some but not all of the Series B Term Bonds have been redeemed pursuant to subsection (b)(ii) below, the total amount of Sinking Account payments to be made subsequent to such redemption shall be reduced in an amount equal to the principal amount of the Series B Term Bonds so redeemed by reducing each such future Sinking Account payment as shall be determined by the City and, in lieu of such determination, on a *pro rata* basis (as nearly as practicable) in integral multiples of \$5,000, as shall be designated pursuant to written notice filed by the Authority with the Trustee.

Redemption Date  
(April 1)

Principal  
Amount

† Maturity.

(b) *Optional Redemption.*

(i) **Series A Bonds.** The Series A Bonds maturing on or before April 1, \_\_\_\_, shall not be subject to optional redemption prior to maturity. The Series A Bonds maturing on or after April 1, \_\_\_\_, shall be subject to redemption, at the option of the City on any date on or after April 1, \_\_\_\_, as a whole or in part, by such maturities as shall be determined by the City, and by lot within a maturity, from any available source of funds, from prepayments of the Water Installment Payments made at the option of the City pursuant to Section 9.2 of the Water Installment Sale Agreement, and/or from prepayments of the Wastewater Installment Payments made at the option of the City pursuant to Section 9.2 of the Wastewater Installment Sale Agreement, at a redemption price equal to the principal amount of the Series A Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium.

(ii) **Series B Bonds.** The Series B Bonds maturing on or before April 1, \_\_\_\_, shall not be subject to optional redemption prior to maturity. The Series B Bonds maturing on or after April 1, \_\_\_\_, shall be subject to redemption, at the option of the City on any date on or after April 1, \_\_\_\_, as a whole or in part, by such maturities as shall be determined by the City, and by lot within a maturity, from any available source of funds, from prepayments of the Water Installment Payments made at the option of the City pursuant to Section 9.2 of the Water Installment Sale Agreement, and/or from prepayments of the Wastewater Installment Payments made at the option of the City pursuant to Section 9.2 of the Wastewater Installment Sale Agreement, at a redemption price equal to the principal amount of the Series B Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium.

(c) *Purchase of Bonds In Lieu of Redemption.* In lieu of redemption of Bonds as provided in paragraphs (a) and (b) of this Section 4.01, amounts held by the Trustee for such redemption may also be used on any Interest Payment Date, upon receipt by the Trustee at least ninety (90) days prior to the next scheduled Interest Payment Date of the written request of an Authorized Representative of the City, for the purchase of Bonds at public or private sale as and when and at such prices (including brokerage, accrued interest and other charges) as the City may in its discretion direct, but not to exceed the redemption price which would be payable if such Bonds were redeemed; *provided, however*, that no Bonds shall be purchased in lieu of redemption with a trade settlement date less than seventy-five (75) days prior to the relevant redemption date. Such purchases may be affected through the investment department of the Trustee or of an affiliate of the Trustee. The aggregate principal amount of Bonds of the same maturity purchased in lieu of redemption pursuant to this paragraph shall not exceed the aggregate principal amount of Bonds of such maturity which would otherwise be subject to such redemption. The exercise of any provision of this Indenture which permits the purchase of Bonds in lieu of redemption shall require prior written approval of the Municipal Bond Insurer wherein any Bond so purchased is not extinguished.

Section 4.02. Selection of Bonds for Redemption. Whenever provision is made in this Indenture for the redemption of less than all of the Bonds of a particular maturity, the Trustee shall select the Bonds to be redeemed from all Bonds of such maturity or such given portion thereof not previously called for redemption, by lot in any manner which the Trustee in its sole discretion shall deem appropriate. For purposes of such selection, the Trustee shall treat each Bond as consisting of separate \$5,000 portions and each such portion shall be subject to redemption as if such portion were a separate Bond. If less than all the Outstanding Bonds are called for redemption from proceeds of eminent domain or insurance at any one time, the Authority shall specify to the Trustee a principal amount in each maturity to be redeemed which, to the extent practicable, results in approximately equal annual debt service on the Bonds Outstanding following such redemption. If less than all Outstanding Bonds are called for redemption from proceeds of eminent domain or insurance at any one time, the Authority shall designate the maturity or maturities of the Bonds to be redeemed. Upon the occurrence of an redemption in part, the maturities to be redeemed shall be subject to the approval of the Municipal Bond Insurer.

Section 4.03. Notice of Redemption. Notice of redemption shall be mailed by first class mail, postage prepaid, not less than thirty (30) nor more than sixty (60) days before any redemption date, to the respective Owners of any Bonds designated for redemption at their addresses appearing on the Registration Books, to the Securities Depositories and to the Information Services. Each notice of redemption shall state the date of the notice, the redemption date, the place or places of redemption, whether less than all of the Bonds (or all Bonds of a single maturity) are to be redeemed, the CUSIP numbers and Bond numbers of the Bonds to be redeemed, the maturity or maturities of the Bonds to be redeemed and in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice shall also state that on the redemption date there will become due and payable on each of said Bonds the redemption price thereof, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such Bonds be then surrendered. Neither the failure to receive any notice nor any defect therein shall affect the proceedings for such redemption or the cessation of accrual of interest from and after the redemption date. Notice of redemption of Bonds shall be given by the Trustee, at the expense of the Authority, for and on behalf of the Authority.

Notice of any redemption of Bonds (other than redemptions pursuant to Section 4.01(a)) shall either (i) explicitly state that the proposed redemption is conditioned on there being on deposit in the applicable fund or account on the redemption date sufficient money to pay the full redemption price of the Bonds to be redeemed, or (ii) be sent only if sufficient money to pay the full redemption price of the Bonds to be redeemed is on deposit in the applicable fund or account.

Section 4.04. Partial Redemption of Bonds. Upon surrender of any Bonds redeemed in part only, the Authority shall execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the Authority, a new Bond or Bonds of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Bonds surrendered.

Section 4.05. Effect of Redemption. Notice of redemption having been duly given as aforesaid, and moneys for payment of the redemption price of, together with interest accrued to the date fixed for redemption on, the Bonds (or portions thereof) so called for redemption being held by the Trustee, on the redemption date designated in such notice, the Bonds (or portions thereof) so called for redemption shall become due and payable, interest on the Bonds so called for redemption shall cease to accrue, said Bonds (or portions thereof) shall cease to be entitled to



any benefit or security under this Indenture, and the Owners of said Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof.

All Bonds redeemed pursuant to the provisions of this Article shall be canceled by the Trustee upon surrender thereof and destroyed.

## ARTICLE V

### REVENUES; FUNDS AND ACCOUNTS; PAYMENT OF PRINCIPAL AND INTEREST

#### Section 5.01. Pledge and Assignment; Bond Fund.

(a) Subject only to the provisions of this Indenture permitting the application thereof for the purposes and on the terms and conditions set forth herein, all of the Revenues and any other amounts (including proceeds of the sale of the Bonds) held in any fund or account established pursuant to this Indenture are hereby pledged to secure the payment of the principal of and interest on the Bonds in accordance with their terms and the provisions of this Indenture. Said pledge shall constitute a lien on and security interest in such assets and shall attach, be perfected and be valid and binding from and after the Closing Date, without any physical delivery thereof or further act.

(b) The Authority hereby transfers in trust, grants a security interest in and assigns to the Trustee, for the benefit of the Owners from time to time of the Bonds, all of the Revenues and all of the rights of the Authority in the Water Installment Sale Agreement (other than the rights of the Authority under Sections 4.9, 6.3 and 8.4 thereof) and in the Wastewater Installment Sale Agreement (other than the rights of the Authority under Sections 4.9, 6.3 and 8.4 thereof). The Trustee shall be entitled to and shall collect and receive all of the Revenues, and any Revenues collected or received by the Authority shall be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee and shall forthwith be paid by the Authority to the Trustee. The Trustee also shall be entitled to and shall, subject to the provisions of Article VIII, take all steps, actions and proceedings which the Trustee determines to be reasonably necessary in its judgment to enforce, either jointly with the Authority or separately, all of the rights of the Authority and all of the obligations of the City under the Water Installment Sale Agreement and under the Wastewater Installment Sale Agreement.

The assignment of the Water Installment Sale Agreement and the Wastewater Installment Sale Agreement to the Trustee is solely in its capacity as Trustee under this Indenture and the duties, powers and liabilities of the Trustee in acting thereunder shall be subject to the provisions of this Indenture, including, without limitation, the provisions of Article VIII hereof. The Trustee shall not be responsible for any representations, warranties, covenants or obligations of the Authority.

(c) Subject to Section 5.08, all Revenues shall be promptly deposited by the Trustee upon receipt thereof in a special fund designated as the "Bond Fund" which the Trustee shall establish, maintain and hold in trust; except that all moneys received by the Trustee and required hereunder, under the Water Installment Sale Agreement or under the Wastewater Installment Sale Agreement to be deposited in the Redemption Fund shall be promptly deposited in such Fund. All Revenues deposited with the Trustee shall be held, disbursed, allocated and applied by the Trustee only as provided in this Indenture.

(d) The Trustee shall provide written notice to the City, at least ten Business Days preceding each Interest Payment Date, of the amount of Revenues, derived from Water Installment Payments as required by the Water Installment Sale Agreement, and derived from Wastewater Installment Payments as required by the Wastewater Installment Sale Agreement, due to the Trustee on such Interest Payment Date, taking into account any investment earnings which shall be applied as a credit against such required payment. If, on the 5th Business Day preceding each Interest Payment Date, the Trustee is not in receipt of the total amount due to

the Trustee on such Interest Payment Date, the Trustee shall provide a second similar notice to the City and promptly notify the Director of Finance/City Treasurer by telephone. Notwithstanding the foregoing, the failure of the Trustee to provide either of such notices shall in no way relieve the City of its obligation to make all Water Installment Payments as required by the Water Installment Sale Agreement and all Wastewater Installment Payments as required by the Wastewater Installment Sale Agreement.

Section 5.02. Allocation of Revenues. On each date on which principal of or interest on the Bonds becomes due and payable, the Trustee shall transfer from the Bond Fund and deposit into the following respective accounts (each of which the Trustee shall establish and maintain within the Bond Fund), the following amounts in the following order of priority, the requirements of each such account (including the making up of any deficiencies in any such account resulting from lack of Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account subsequent in priority:

(a) The Trustee shall deposit in the Interest Account an amount required to cause the aggregate amount on deposit in the Interest Account to be at least equal to the amount of interest becoming due and payable on such date on all Bonds then Outstanding.

(b) The Trustee shall deposit in the Principal Account an amount required to cause the aggregate amount on deposit in the Principal Account to equal the principal amount of the Bonds coming due and payable on such date.

(c) The Trustee shall deposit in the Sinking Account an amount equal to the aggregate principal amount of the Term Bonds required to be redeemed on such date, if any, pursuant to Section 4.01(a).

(d) Subject to the provisions of Section 5.06, the Trustee shall deposit in the Reserve Account an amount, if any, required to cause the amount on deposit in the Reserve Account to be equal to the Reserve Requirement, but shall only be required if the Reserve Account Municipal Bond Insurance policy is no longer in effect.

(e) If the then applicable Interest Payment Date is October 1, all remaining moneys shall be held by the Trustee in the Bond Fund and applied for the next succeeding April 1 Interest Payment Date deposits. If the then applicable Interest Payment Date is April 1, and payment of any applicable fees and expenses to the Trustee and payment of any amounts owed to the Municipal Bond Insurer, or provision for such redemption or payment having been made to the satisfaction of the Trustee, all remaining moneys may be treated as surplus and applied for any lawful purpose.

Section 5.03. Application of Interest Account. All amounts in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity pursuant to this Indenture).

Section 5.04. Application of Principal Account. All amounts in the Principal Account shall be used and withdrawn by the Trustee solely to pay the principal amount of the Bonds at their respective maturity dates.

Section 5.05. Application of Sinking Account. All moneys on deposit in the Sinking Account shall be used and withdrawn by the Trustee for the sole purpose of redeeming or purchasing (in lieu of redemption) Term Bonds pursuant to Sections 4.01(a) and 4.01(b).

Section 5.06. Application of Reserve Account.

(a) In lieu of cash funding the Reserve Account, on the Closing Date, the Municipal Bond Insurer will deliver the Reserve Policy to the Trustee.

(b) If, on any Interest Payment Date, the moneys available in the Bond Fund do not equal the amount of the principal and interest with respect to the Bonds then coming due and payable, the Trustee shall apply the moneys available in the Reserve Account to make delinquent amounts by transferring the amount necessary for this purpose to the Bond Fund or shall draw on the Reserve Policy and apply amounts received from such draw to make delinquent amounts by transferring the amount necessary for this purpose to the Bond Fund.

(c) With respect to the Reserve Policy, notwithstanding anything to the contrary set forth in this Indenture and the Installment Sale Agreement, the City, the Authority and the Trustee agree to comply with the following provisions:

(i) The City shall, as an Additional Payment under the Installment Sale Agreement, repay any draws under the Reserve Policy and pay all related reasonable expenses incurred by the Municipal Bond Insurer. Interest shall accrue and be payable on such draws and expenses from the date of payment by the Municipal Bond Insurer at the Late Payment Rate.

(ii) Repayment of draws and payment of expenses and accrued interest thereon at the Late Payment Rate (collectively, the "Policy Costs") shall commence in the first month following each draw, and each such monthly payment, shall be in an amount at least equal to 1/12 of the aggregate of Policy Costs related to such draw.

(iii) Amounts in respect of Policy Costs paid to the Municipal Bond Insurer shall be credited first to interest due, then to the expenses due and then to principal due. As and to the extent that payments are made to the Municipal Bond Insurer on account of principal due, the coverage under the Reserve Policy will be increased by a like amount, subject to the terms of the Reserve Policy.

(iv) All cash and investments in the Reserve Account and all other available amounts in any funds available to pay amounts due with respect to the Bonds shall be applied to the payment of debt service on the Bonds before any drawing may be made on the Reserve Policy.

(v) Payment of any Policy Cost shall be made prior to replenishment of any cash amounts in the Reserve Account. For the avoidance of doubt, "available coverage" means the coverage then available for disbursement pursuant to the terms of the Reserve Policy without regard to the legal or financial ability or willingness of the Municipal Bond Insurer to honor a claim or draw thereon or the failure of the Municipal Bond Insurer to honor any such claim or draw.

(d) Draws under the Reserve Policy may only be used to make payments on Bonds covered under the Reserve Policy.

(e) If the City shall fail to pay any Policy Costs in accordance with the requirements of paragraph (a) above, the Municipal Bond Insurer shall be entitled to exercise any and all legal and equitable remedies available to it, including those provided under the Installment Sale Agreement and this Indenture.

(f) The Installment Sale Agreement and this Indenture shall not be discharged until all Policy Costs owing to the Municipal Bond Insurer shall have been paid in full. The City's obligation to pay such amount shall expressly survive payment in full of the Bonds.

(g) The Trustee shall ascertain the necessity for a claim upon the Reserve Policy in accordance with the provisions of paragraph (b) hereof and provide notice to the Municipal Bond Insurer at least three Business Days prior to each date upon which interest or principal is due on the Bonds.

(h) Any amendment, supplement, modification to, or waiver of any of this Indenture and the Installment Sale Agreement that requires the consent of the Owners of the Bonds or adversely affects the rights or interest of the Municipal Bond Insurer shall be subject to the prior written consent of the Municipal Bond Insurer.

(i) The Municipal Bond Insurer is recognized as and shall be deemed to be a third party beneficiary of this Indenture and the Installment Sale Agreement and may enforce the provisions of this Indenture and the Installment Sale Agreement as if it were a party thereto.

(j) The City shall be obligated to pay as an Additional Payment to the Trustee for deposit to the Reserve Account an amount equal to the debt service reserve replenishment under this Indenture, including amounts required in order to repay draws and Policy Costs under the Reserve Policy.

Section 5.07. Application of Redemption Fund. The Trustee shall establish and maintain the Redemption Fund, amounts in which shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Bonds to be redeemed pursuant to Section 4.01(b); *provided, however*, that at any time prior to giving notice of redemption of any such Bonds, the Trustee may apply such amounts to the purchase of Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as shall be directed pursuant to a Written Request of the Authority, except that the purchase price (exclusive of accrued interest) may not exceed the redemption price then applicable to the Bonds.

Section 5.08. Investments. All moneys in any of the funds or accounts established with the Trustee pursuant to this Indenture shall be invested by the Trustee solely in Permitted Investments maturing or available on or before the date on which they are anticipated to be used. Such investments shall be directed by the Authority pursuant to a Written Request of the Authority filed with the Trustee at least two (2) Business Days in advance of the making of such investments (which directions shall be promptly confirmed in writing). In the absence of any such directions from the Authority, the Trustee shall invest any such moneys in the money market fund set forth in the letter of authorization and direction executed by the Authority and delivered to the Trustee. If no specific money market fund had been specified by the Authority, the Trustee shall make a request to the Authority for investment directions and, if no investment directions are provided, such amount shall be held in cash, uninvested until specific investment directions are provided by the Authority to the Trustee. Permitted Investments purchased as an investment of moneys in any fund shall be deemed to be part of such fund or account. To the extent investments are registrable, such investments shall be registered in the name of the Trustee.

All interest or gain derived from the investment of amounts in Water Improvement Project Fund shall be retained therein. All interest or gain derived from the investment of amounts in Costs of Issuance Fund shall be retained therein. All interest or gain derived from the investment of the amount in the Reserve Account shall be retained therein to the extent

required to maintain the Reserve Requirement. Reserve Account investments may not have maturities extending beyond five years, except for the Reserve Policy and investment agreements or repurchase agreements approved by the Municipal Bond Insurer. To the extent that any investment agreement requires the payment of fees, such fees shall be paid from available moneys in the Bond Fund after the deposit of moneys described in Section 5.02 (a) through (c) above. For purposes of acquiring any investments hereunder, the Trustee may commingle funds held by it hereunder. The Trustee or any of its affiliates may act as principal or agent in the acquisition or disposition of any investment and may impose its customary charges therefor. The Trustee or its affiliates may act as sponsor or depository with respect to any Permitted Investment. To the extent that any Permitted Investment purchased by the Trustee are registrable securities such Permitted Investment shall be registered in the name of the Trustee on behalf of the Owners. The Trustee shall incur no liability for losses arising from any investments made pursuant to this Section 5.08.

The Trustee shall furnish the Authority periodic cash transaction statements which include detail for all investment transactions effected by the Trustee or brokers selected by the Authority. Upon the Authority's election, such statements will be delivered via the Trustee's online service and upon electing such service, paper statements will be provided only upon request. The Authority waives the right to receive brokerage confirmations of security transactions effected by the Trustee as they occur, to the extent permitted by law. The Authority further understands that trade confirmations for securities transactions effected by the Trustee will be available upon request and at no additional cost and other trade confirmations may be obtained from the applicable broker.

Such investments shall be valued by the Trustee not less often than quarterly, at the market value thereof, exclusive of accrued interest. Deficiencies in the amount on deposit in any fund or account resulting from a decline in market value shall be restored no later than the succeeding valuation date. Investments purchased with funds on deposit in the Reserve Account shall have a term to maturity of not greater than five years, unless invested in Permitted Investments described in paragraph (k) of the definition thereof.

The Trustee may utilize securities pricing services that may be available to it making such valuations, including those within its accounting system with respect to the Bonds, and conclusively rely thereon.

Section 5.09. Valuation and Disposition of Investments. All moneys held by the Trustee shall be held in trust, but need not be segregated from other funds unless specifically required by this Indenture. Except as specifically provided in this Indenture, the Trustee shall not be liable to pay interest on any moneys received by it, but shall be liable only to account to the Authority for earnings derived from funds that have been invested.

The Authority covenants that all investments of amounts deposited in any fund or account created by or pursuant to this Indenture, or otherwise containing gross proceeds of the Series B Bonds (within the meaning of section 148 of the Code) shall be acquired, disposed of, and valued (as of the date that valuation is required by this Indenture or the Code) at Fair Market Value.

Investments in the Reserve Account shall be valued at fair market value and the Trustee shall be deemed to have complied with such valuation to the extent it utilized an automated pricing service through its trust accounting system. Investments in funds or accounts (or portions thereof) that are subject to a yield restriction under applicable provisions of the Code and (unless valuation is undertaken at least annually) investments in the Reserve Account shall

be valued by the Authority at their present value (within the meaning of section 148 of the Code).

ARTICLE VI  
PARTICULAR COVENANTS

Section 6.01. Punctual Payment. The Authority shall punctually pay or cause to be paid the principal of and interest and premium (if any) on all the Bonds in strict conformity with the terms of the Bonds and of this Indenture, according to the true intent and meaning thereof, but only out of Revenues and other assets pledged for such payment as provided in this Indenture.

Section 6.02. Extension of Payment of Bonds. The Authority shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase of such Bonds or by any other arrangement, and in case the maturity of any of the Bonds or the time of payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default hereunder, to the benefits of this Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest thereon which shall not have been so extended. Nothing in this Section 6.02 shall be deemed to limit the right of the Authority to issue Bonds for the purpose of refunding any Outstanding Bonds, and such issuance shall not be deemed to constitute an extension of maturity of the Bonds.

Section 6.03. Against Encumbrances. The Authority shall not create, or permit the creation of, any pledge, lien, charge or other encumbrance upon the Revenues and other assets pledged or assigned under this Indenture while any of the Bonds are Outstanding, except the pledge and assignment created by this Indenture. Subject to this limitation, the Authority expressly reserves the right to enter into one or more other indentures for any of its corporate purposes, and reserves the right to issue other obligations for such purposes.

Section 6.04. Power to Issue Bonds and Make Pledge and Assignment. The Authority is duly authorized pursuant to law to issue the Bonds and to enter into this Indenture and to pledge and assign the Revenues and other assets purported to be pledged and assigned, respectively, under this Indenture in the manner and to the extent provided in this Indenture. The Bonds and the provisions of this Indenture are and will be the legal, valid and binding special obligations of the Authority in accordance with their terms, and the Authority and the Trustee shall at all times, subject to the provisions of Article VIII and to the extent permitted by law, defend, preserve and protect said pledge and assignment of Revenues and other assets and all the rights of the Bond Owners under this Indenture against all claims and demands of all persons whomsoever.

Section 6.05. Accounting Records and Financial Statements. The Trustee shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with corporate trust industry standards, in which complete and accurate entries shall be made of all transactions made by it relating to the proceeds of Bonds, the Revenues, the Water Installment Sale Agreement, the Wastewater Installment Sale Agreement and all funds and accounts established pursuant to this Indenture. Such books of record and account shall be available for inspection by the Authority and the City, during business hours and under reasonable circumstances. The Trustee shall deliver a monthly accounting of all funds and accounts except for any fund or account which has a balance of \$0.00 and has not had any activity since the last reporting date. The Trustee shall establish such other funds and accounts as it deems necessary to carry out its duties under the Indenture.



Section 6.06. No Additional Obligations. The Authority covenants that no additional bonds, notes or other indebtedness shall be issued or incurred which are payable out of the Revenues in whole or in part.

Section 6.07. Tax Covenants.

(a) *No Arbitrage.* The Authority shall not take, or permit to be taken by the Trustee, the City or otherwise, any action with respect to the proceeds of the Series B Bonds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the date of issuance of the Series B Bonds would have caused the Series B Bonds to be “arbitrage bonds” within the meaning of section 148 of the Code.

(b) *Rebate Requirement.* The Authority shall cause the City to take any and all actions necessary to assure compliance with section 148(f) of the Code, relating to the rebate of excess investments earnings, if any, to the federal government, to the extent that such section is applicable to the Series B Bonds.

(c) *Private Activity Bond Limitation.* The Authority shall assure that the proceeds of the Series B Bonds are not so used as to cause the Series B Bonds to satisfy the private business tests of section 141(c) of the Code or the private loan financing test of section 141(b) of the Code.

(d) *Federal Guarantee Prohibition.* The Authority shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause any of the Series B Bonds to be “federally guaranteed” within the meaning of section 149(b) of the Code.

(e) *Maintenance of Tax Exemption.* The Authority shall take any and all actions necessary to assure the exclusion of interest on the Series B Bonds from the gross income of the Owners of the Series B Bonds to the same extent as such interest is permitted to be excluded from gross income under the Code as in effect on the date of issuance of the Series B Bonds.

Section 6.08. Installment Sale Agreements. The Trustee shall promptly collect all amounts due from the City pursuant to the Water Installment Sale Agreement and all amounts due from the City pursuant to the Wastewater Installment Sale Agreement. Subject to the provisions of Article VIII, the Trustee shall enforce, and take all steps, actions and proceedings which the Trustee determines to be reasonably necessary for the enforcement of all of its rights thereunder as assignee of the Authority and for the enforcement of all of the obligations of the City under the Water Installment Sale Agreement and under the Wastewater Installment Sale Agreement.

Section 6.09. Waiver of Laws. The Authority shall not at any time insist upon or plead in any manner whatsoever, or claim or take the benefit or advantage of, any stay or extension law now or at any time hereafter in force that may affect the covenants and agreements contained in this Indenture or in the Series B Bonds, and all benefit or advantage of any such law or laws is hereby expressly waived by the Authority to the extent permitted by law.

Section 6.10. Continuing Disclosure. Pursuant to Section 5.6 of the Water Installment Sale Agreement and Section 5.6 of the Wastewater Installment Sale Agreement, the City has undertaken all responsibility for compliance with continuing disclosure requirements and the Authority shall have no liability to the holders of the Bonds or any other person with respect to such disclosure matters. Notwithstanding any other provision of this Indenture, failure of the City to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default, however, any holder or beneficial owner of the Bonds may take such actions as may be

necessary and appropriate to compel performance, including seeking mandate or specific performance by court order.

Section 6.11. Further Assurances. The Authority will make, execute and deliver any and all such further indentures, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Indenture and for the better assuring and confirming unto the Owners of the Bonds of the rights and benefits provided in this Indenture.

## ARTICLE VII

### EVENTS OF DEFAULT AND REMEDIES

Section 7.01. Events of Default. The following events shall be Events of Default hereunder:

(a) Default in the due and punctual payment of the principal of any Bonds when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by acceleration, or otherwise.

(b) Default in the due and punctual payment of any installment of interest on any Bonds when and as the same shall become due and payable.

(c) Default by the Authority in the observance of any of the other covenants, agreements or conditions on its part in this Indenture or in the Bonds contained, if such default shall have continued for a period of thirty (30) days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the Authority by the Trustee; *provided, however*, that if in the reasonable opinion of the Authority the default stated in the notice can be corrected, but not within such thirty (30) day period, such default shall not constitute an Event of Default hereunder if the Authority shall commence to cure such default within such thirty (30) day period and thereafter diligently and in good faith cure such failure in a reasonable period of time.

(d) The occurrence and continuation of an event of default under and as defined in the Water Installment Sale Agreement.

(e) The occurrence and continuation of an event of default under and as defined in the Wastewater Installment Sale Agreement.

Section 7.02. Remedies Upon Event of Default. If any Event of Default shall occur, then, and in each and every such case during the continuance of such Event of Default, the Trustee may, and shall at the written direction of the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding, upon notice in writing to the Authority and the City, declare the principal of all of the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in this Indenture or in the Bonds contained to the contrary notwithstanding.

Any such declaration is subject to the condition that if, at any time after such declaration and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the Authority or the City shall deposit with the Trustee a sum sufficient to pay all the principal of and installments of interest on the Bonds payment of which is overdue, with interest on such overdue principal at the rate borne by the respective Bonds to the extent permitted by law, and the reasonable fees, charges and expenses (including those of its attorneys) of the Trustee, and any and all other Events of Default known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then, and in every such case, the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding, by written notice to the Authority, the City and the Trustee, or the Trustee if such declaration was made by the Trustee, may, on behalf of the Owners of all of the

Bonds, rescind and annul such declaration and its consequences and waive such Event of Default; but no such rescission and annulment shall extend to or shall affect any subsequent Event of Default, or shall impair or exhaust any right or power consequent thereon.

Section 7.03. Application of Revenues and Other Funds After Default. If an Event of Default shall occur and be continuing, all Revenues and any other funds then held or thereafter received by the Trustee under any of the provisions of this Indenture shall be applied by the Trustee as follows and in the following order:

(a) To the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the Owners of the Bonds and payment of reasonable fees, charges and expenses of the Trustee (including reasonable fees and disbursements of its counsel) incurred in and about the performance of its powers and duties under this Indenture;

(b) To the payment of the principal of and interest then due on the Bonds (upon presentation of the Bonds to be paid, and stamping or otherwise noting thereon of the payment if only partially paid, or surrender thereof if fully paid) in accordance with the provisions of this Indenture, as follows:

*First:* To the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing 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

*Second:* To the payment to the persons entitled thereto of the unpaid principal of any Bonds which shall have become due, whether at maturity or by acceleration or redemption, with interest on the overdue principal at the rate borne by the respective Bonds (to the extent permitted by law), and, if the amount available shall not be sufficient to pay in full all the Bonds, together with such interest, then to the payment thereof ratably, according to the amounts of principal due on such date to the persons entitled thereto, without any discrimination or preference.

*Third:* To the payment of amounts due to the Municipal Bond Insurer not payable pursuant to *First* or *Second* above.

Section 7.04. Trustee to Represent Bond Owners. The Trustee is hereby irrevocably appointed (and the successive respective Owners of the Bonds, by taking and holding the same, shall be conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney-in-fact of the Owners of the Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Owners under the provisions of the Bonds, this Indenture and applicable provisions of any law. Upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the Trustee to represent the Bond Owners, the Trustee in its discretion may, and upon the written request of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, and upon being indemnified to its satisfaction therefor, shall, proceed to protect or enforce its rights or the rights of such Owners by such appropriate action, suit, mandamus or other proceedings as it shall deem most effectual to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained herein, or in aid of the execution of any power herein granted, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Trustee or in such Owners under the Bonds, this Indenture or any other law; and upon instituting such proceeding, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver of the Revenues and other assets pledged

under this Indenture, pending such proceedings. All rights of action under this Indenture or the Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in the name of the Trustee for the benefit and protection of all the Owners of such Bonds, subject to the provisions of this Indenture.

Section 7.05. Bond Owners' Direction of Proceedings. Anything in this Indenture to the contrary notwithstanding, the Owners of a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, and upon indemnification of the Trustee to its reasonable satisfaction, to direct the method of conducting all remedial proceedings taken by the Trustee hereunder, provided that such direction shall not be otherwise than in accordance with law and the provisions of this Indenture, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would expose it to liability.

Section 7.06. Limitation on Bond Owners' Right to Sue. Notwithstanding any other provision hereof, no Owner of any Bonds shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under this Indenture, the Water Installment Sale Agreement, the Wastewater Installment Sale Agreement or any other applicable law with respect to such Bonds, unless (a) such Owner shall have given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of a majority in aggregate principal amount of the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such suit, action or proceeding in its own name; (c) such Owner or Owners shall have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; (d) the Trustee shall have failed to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee; and (e) no direction inconsistent with such written request shall have been given to the Trustee during such sixty (60) day period by the Owners of a majority in aggregate principal amount of the Bonds then Outstanding.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Owner of Bonds of any remedy hereunder or under law; it being understood and intended that no one or more Owners of Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of this Indenture or the rights of any other Owners of Bonds, or to enforce any right under the Bonds, this Indenture, the Water Installment Sale Agreement, the Wastewater Installment Sale Agreement or other applicable law with respect to the Bonds, except in the manner herein provided, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner herein provided and for the benefit and protection of all Owners of the Outstanding Bonds, subject to the provisions of this Indenture.

Section 7.07. Absolute Obligation of Authority. Nothing in Section 7.06 or in any other provision of this Indenture or in the Bonds contained shall affect or impair the obligation of the Authority, which is absolute and unconditional, to pay the principal of and interest and premium (if any) on the Bonds to the respective Owners of the Bonds at their respective dates of maturity, or upon call for redemption, as herein provided, but only out of the Revenues and other assets herein pledged therefor, or affect or impair the right of such Owners, which is also absolute and unconditional, to enforce such payment by virtue of the contract embodied in the Bonds.

Section 7.08. Termination of Proceedings. In case any proceedings taken by the Trustee or any one or more Bond Owners on account of any Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or the Bond Owners, then in every such case the Authority, the Trustee and the Bond Owners, subject to any determination in such proceedings, shall be restored to their former positions and rights hereunder, severally and respectively, and all rights, remedies, powers and duties of the Authority, the Trustee and the Bond Owners shall continue as though no such proceedings had been taken.

Section 7.09. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Trustee or to the Owners of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, shall be cumulative and in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or otherwise.

Section 7.10. No Waiver of Default. No delay or omission of the Trustee or of any Owner of the Bonds to exercise any right or power arising upon the occurrence of any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or an acquiescence therein; and every power and remedy given by this Indenture to the Trustee or the Owners of the Bonds may be exercised from time to time and as often as may be deemed expedient.

Section 7.11. Parties Interested Herein. Nothing in this Indenture expressed or implied is intended or shall be construed to confer upon, or to give to, any person or entity, other than the City, the Authority, the Municipal Bond Insurer or the Trustee, their officers, employees and agents, and the Owners any right, remedy or claim under or by reason of this Indenture, or any covenant, condition or stipulation hereof, and all covenants, stipulations, promises and agreements in this Indenture contained by and on behalf of the Authority shall be for the sole and exclusive benefit of the City, the Authority, the Municipal Bond Insurer or the Trustee, their officers, employees and agents, and the Owners.

## ARTICLE VIII

### THE TRUSTEE

Section 8.01. Appointment of Trustee. Wells Fargo Bank, National Association, a national banking association organized and existing under and by virtue of the laws of the United States of America, is hereby appointed Trustee by the Authority for the purpose of receiving all moneys required to be deposited with the Trustee hereunder and to allocate, use and apply the same as provided in this Indenture. The Authority agrees that it will maintain a Trustee having a corporate trust office in the State, with (or if a member of a bank holding company system, its parent holding company shall have) a combined capital and surplus of at least fifty million dollars (\$50,000,000), and subject to supervision or examination by federal or State authority, so long as any Bonds are Outstanding. If such national banking association, 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 Section 8.01 the combined capital and surplus of such national banking association, bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

The Trustee is hereby authorized to pay the principal of and interest and maturity amount and redemption premium (if any) on the Bonds when duly presented for payment at maturity, or on redemption or purchase prior to maturity, and to cancel all Bonds upon payment thereof. The Trustee shall keep accurate records of all funds administered by it and of all Bonds paid and discharged.

Section 8.02. Acceptance of Trustee. The Trustee hereby accepts the trusts imposed upon it by this Indenture, and agrees to perform said trusts, but only upon and subject to the following express terms and conditions:

(a) The Trustee, prior to the occurrence of an Event of Default and after curing or waiving of all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in this Indenture. In case an Event of Default hereunder has occurred (which has not been cured or waived), the Trustee may exercise such of the rights and powers vested in it by this Indenture, and shall use the same degree of care and skill and diligence in their exercise, as a prudent person would use in the conduct of its own affairs.

(b) The Trustee may execute any of the trusts or powers hereof and perform the duties required of it hereunder by or through attorneys, agents, or receivers, and shall be entitled to advice of counsel concerning all matters of trust and its duty hereunder. The Trustee shall not be responsible for any misconduct or negligence on the part of any agent, receiver or attorney appointed with due care by it hereunder. The Trustee may conclusively rely upon an opinion of counsel as full and complete protection for any action taken or suffered by it hereunder.

(c) The Trustee shall not be responsible for any recital herein, or in the Bonds, or for any of the supplements thereto or instruments of further assurance, or for the sufficiency of the security for the Bonds issued hereunder or intended to be secured hereby and the Trustee shall not be bound to ascertain or inquire as to the observance or performance of any covenants, conditions or agreements on the part of the Authority hereunder.

(d) Except as provided in Section 3.02, the Trustee shall not be accountable for the use of any proceeds of sale of the Bonds delivered hereunder. The Trustee may become the Owner of

Bonds secured hereby with the same rights which it would have if not the Trustee; may acquire and dispose of other bonds or evidences of indebtedness of the Authority with the same rights it would have if it were not the Trustee; and may act as a depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Owners of Bonds, whether or not such committee shall represent the Owners of the majority of the Bonds.

(e) The Trustee shall be protected in acting, in good faith and without negligence, upon any notice, request, consent, certificate, order, affidavit, letter, telegram, requisition, facsimile transmission, electronic mail or other paper or document believed by it to be genuine and correct and to have been signed or sent by the proper person or persons. Any action taken or omitted to be taken by the Trustee in good faith and without negligence pursuant to this Indenture upon the request or authority or consent of any person who at the time of making such request or giving such authority or consent is the Owner of any Bond, shall be conclusive and binding upon all future Owners of the same Bond and upon Bonds issued in exchange therefor or in place thereof. The Trustee shall not be bound to recognize any person as an Owner of any Bond or to take any action at his request unless the ownership of such Bond by such person shall be reflected on the Registration Books.

(f) As to the existence or non-existence of any fact or as to the sufficiency or validity of any instrument, paper or proceeding, the Trustee shall be entitled to rely upon a Written Certificate of the Authority as sufficient evidence of the facts therein contained and prior to the occurrence of an Event of Default hereunder of which the Trustee has been given notice or is deemed to have notice, as provided in Section 8.02(h) hereof, shall also be at liberty to accept a Written Certificate of the Authority to the effect that any particular dealing, transaction or action is necessary or expedient, but may at its discretion secure such further evidence deemed by it to be necessary or advisable, but shall in no case be bound to secure the same.

(g) The permissive right of the Trustee to do things enumerated in this Indenture shall not be construed as a duty and it shall not be answerable for other than its negligence or willful misconduct. The immunities and exceptions from liability of the Trustee shall extend to its officers, directors, employees and agents.

(h) The Trustee shall not be required to take notice or be deemed to have notice of any Event of Default hereunder, under the Water Installment Sale Agreement or under the Wastewater Installment Sale Agreement, except failure by the Authority to make any of the payments to the Trustee required to be made by the Authority pursuant hereto or failure by the Authority to file with the Trustee any document required by this Indenture to be so filed subsequent to the issuance of the Bonds, unless the Trustee shall be specifically notified in writing of such default by the Authority, and all notices or other instruments required by this Indenture to be delivered to the Trustee must, in order to be effective, be delivered at the Trust Office of the Trustee, and in the absence of such notice so delivered the Trustee may conclusively assume there is no Event of Default hereunder except as aforesaid.

(i) At any and all reasonable times the Trustee and its duly authorized agents, attorneys, experts, accountants and representatives, shall have the right (but not any duty) fully to inspect all books, papers and records of the Authority pertaining to the Bonds, and to make copies of any of such books, papers and records such as may be desired but which is not privileged by statute or by law.

(j) The Trustee shall not be required to give any bond or surety in respect of the execution of the said trusts and powers or otherwise in respect of the premises hereof.



(k) Notwithstanding anything elsewhere in this Indenture with respect to the execution of any Bonds, the withdrawal of any cash, the release of any property, or any action whatsoever within the purview of this Indenture, the Trustee shall have the right, but shall not be required, to demand any showings, certificates, opinions, appraisals or other information, or corporate action or evidence thereof, as may be deemed desirable for the purpose of establishing the right of the Authority to the execution of any Bonds, the withdrawal of any cash, or the taking of any other action by the Trustee.

(l) Before taking any action under Article VII hereof or this Article VIII at the request or direction of the Owners, the Trustee may require payment or reimbursement of its fees and expenses, including fees and expenses of counsel and receipt of an indemnity bond satisfactory to it from the Owners to protect it against all liability, except liability which is adjudicated to have resulted from its own negligence or willful misconduct in connection with any action so taken. Before being required to take any action, the Trustee may require an opinion of Independent Counsel acceptable to the Trustee, which opinion shall be made available to the other parties hereto upon request, which counsel may be counsel to any of the parties hereto, or a verified certificate of any party hereto, or both, concerning the proposed action. If it does so in good faith, the Trustee shall be absolutely protected in relying thereon.

(m) All moneys received by the Trustee shall, until used or applied or invested as herein provided, be held in trust for the purposes for which they were received but need not be segregated from other funds except to the extent required by law.

(n) The Trustee shall not be liable for any error of judgment made in good faith by a responsible officer, unless it shall be provided that the Trustee was negligent in ascertaining the pertinent facts.

Whether or not therein expressly so provided, every provision of this Indenture, the Water Installment Sale Agreement and the Wastewater Installment Sale Agreement relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Article.

The Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, coupon or other paper or document.

(o) The Trustee shall have no responsibility for or liability in connection with assuring that all of the procedures or conditions to closing set forth in the contract for purchase of the Bonds have been met on the closing date or, that all documents required to be delivered on the Closing Date to the parties are actually delivered, except its own responsibility to receive the proceeds of the sale, deliver the Bonds or other certificates expressly required to be delivered by it and its counsel.

The Trustee may assume that parties to the contract for purchase of the Bonds have waived their rights to receive documents or to require the performance of procedures if the parties to whom such documents are to be delivered or for whom such procedures are to be performed do not require delivery or performance on or prior to the Closing Date.

(p) The Trustee shall have no responsibility with respect to any information, statement or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Bonds.

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

(r) 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 certificate of the Authority or City, and such certificate shall be full warrant to the Trustee for any action taken or suffered in good faith under the provisions of this Indenture in reliance upon such certificate, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as it may deem reasonable.

Section 8.03. Fees, Charges and Expenses of Trustee. The Trustee shall be entitled to payment and reimbursement for, and the City shall pay, reasonable fees for its services rendered hereunder and all advances, counsel fees (including expenses) and other expenses reasonably and necessarily made or incurred by the Trustee in connection with such services. Upon the occurrence of an Event of Default hereunder, but only upon an Event of Default, the Trustee shall have a first lien with right of payment prior to payment of any Bond upon the amounts held hereunder for the foregoing fees, charges and expenses incurred by it respectively.

Section 8.04. Notice to Bond Owners of Default. If an Event of Default hereunder occurs with respect to any Bonds of which the Trustee has been given or is deemed to have notice, as provided in Section 8.02(h) hereof, then the Trustee shall immediately give written notice thereof, by first-class mail to the Owner of each such Bond, unless such Event of Default shall have been cured before the giving of such notice; *provided, however*, that unless such Event of Default consists of the failure by the Authority to make any payment when due, the Trustee shall, within thirty (30) days of the Trustee’s knowledge thereof, give such notice to the Bond Owners unless the Trustee in good faith determines that it is in the best interests of the Bond Owners not to give such notice.

Section 8.05. Intervention by Trustee. In any judicial proceeding to which the Authority is a party which, in the opinion of the Trustee and its counsel, has a substantial bearing on the interests of the Owners of any of the Bonds, the Trustee may intervene on behalf of such Bond Owners, and subject to Section 8.02(l) hereof, shall do so if requested in writing by the Owners of at least twenty-five percent (25%) of the Bonds.

Section 8.06. Removal of Trustee. The Owners of a majority of the Bonds may at any time, and the Authority may, so long as no Event of Default shall have occurred and then be continuing, remove the Trustee initially appointed, and any successor thereto, by an instrument or concurrent instruments in writing delivered to the Trustee, whereupon the Authority (with the written consent of the City) or such Owners, as the case may be, shall appoint a successor or

successors thereto; provided that any such successor shall be a bank or trust company meeting the requirements set forth in Section 8.01.

Section 8.07. Resignation by Trustee. The Trustee and any successor Trustee may at any time give written notice of its intention to resign as Trustee hereunder, such notice to be given to the Authority and the City by first class mail. Upon receiving such notice of resignation, the Authority (with the written approval of the City) shall promptly appoint a successor Trustee. Any resignation or removal of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee. Upon such acceptance, the Authority shall cause notice thereof to be given by first class mail, postage prepaid, to the Bond Owners at their respective addresses set forth on the Registration Books.

Section 8.08. Appointment of Successor Trustee. In the event of the removal or resignation of the Trustee pursuant to Sections 8.06 or 8.07, respectively, and if the Owners shall not have approved a successor Trustee, then, with the prior written consent of the City, the Authority shall promptly appoint a successor Trustee. In the event the Authority shall for any reason whatsoever fail to appoint a successor Trustee within sixty (60) days following the delivery to the Trustee of the instrument described in Section 8.06 or within sixty (60) days following the receipt of notice by the Authority pursuant to Section 8.07, the Trustee may, at the expense of the Authority, apply to a court of competent jurisdiction for the appointment of a successor Trustee meeting the requirements of Section 8.01 hereof. Any such successor Trustee appointed by such court shall become the successor Trustee hereunder notwithstanding any action by the Authority purporting to appoint a successor Trustee following the expiration of such ninety-day period.

Within sixty (60) days following the appointment of a successor Trustee hereunder, the former Trustee shall deliver to such successor Trustee (a) all funds and accounts held by the former Trustee hereunder, and (b) any and all information and documentation as may be required or reasonably requested by the Authority or such successor Trustee in connection with the transfer to such successor Trustee of all the duties and functions of the Trustee hereunder. The Authority shall pay the reasonable costs and expenses of such former Trustee incurred in connection with such transfer.

Section 8.09. Merger or Consolidation. Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided that such company shall meet the requirements set forth in Section 8.01, shall be the successor to the Trustee and vested with all of the title to the trust estate and all of the trusts, powers, discretions, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any paper or further act, anything herein to the contrary notwithstanding.

Section 8.10. Concerning any Successor Trustee. Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to its predecessor and also to the Authority an instrument in writing accepting such appointment hereunder and thereupon such successor, without any further act, deed or conveyance, shall become fully vested with all the estates, properties, rights, powers, trusts, duties and obligations of its predecessors; but such predecessor shall, nevertheless, on the Request of the Authority, or of the Trustee's successor, execute and deliver an instrument transferring to such successor all the estates, properties, rights, powers and trusts of such predecessor hereunder; and every predecessor Trustee shall deliver all securities and moneys held by it as the Trustee hereunder to its successor. Should any instrument in writing from the Authority be required by any successor Trustee for more fully and certainly vesting in such successor the estate, rights, powers and duties hereby vested

or intended to be vested in the predecessor Trustee, any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by the Authority.

Section 8.11. Appointment of Co-Trustee. It is the purpose of this Indenture that there shall be no violation of any law of any jurisdiction (including particularly the law of the State) denying or restricting the right of banking corporations or associations to transact business as Trustee in such jurisdiction. It is recognized that in the case of litigation under this Indenture, and in particular in case of the enforcement of the rights of the Trustee on default, or in the case the Trustee deems that by reason of any present or future law of any jurisdiction it may not exercise any of the powers, rights or remedies herein granted to the Trustee or hold title to the properties, in trust, as herein granted, or take any other action which may be desirable or necessary in connection therewith, it may be necessary that the Trustee appoint an additional individual or institution as a separate co-trustee. The following provisions of this Section 8.11 are adopted to these ends.

In the event that the Trustee appoints an additional individual or institution as a separate or co-trustee, each and every remedy, power, right, claim, demand, cause of action, immunity, estate, title, interest and lien expressed or intended by this Indenture to be exercised by or vested in or conveyed to the Trustee with respect thereto shall be exercisable by and vest in such separate or co-trustee but only to the extent necessary to enable such separate or co-trustee to exercise such powers, rights and remedies, and every covenant and obligation necessary to the exercise thereof by such separate or co-trustee shall run to and be enforceable by either of them.

Should any instrument in writing from the Authority be required by the separate trustee or co-trustee so appointed by the Trustee for more fully and certainly vesting in and confirming to it such properties, rights, powers, trusts, duties and obligations, any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by the Authority. In case any separate trustee or co-trustee, or a successor to either, shall become incapable of acting, resign or be removed, all the estates, properties, rights, powers, trusts, duties and obligations of such separate trustee or co-trustee, so far as permitted by law, shall vest in and be exercised by the Trustee until the appointment of a new trustee or successor to such separate trustee or co-trustee.

Section 8.12. Indemnification; Limited Liability of Trustee. The Authority further covenants and agrees to indemnify and save the Trustee and its officers, directors, agents and employees, harmless against any loss, expense, including legal fees and expenses, and liabilities which it may incur arising out of or in the exercise and performance of its powers and duties hereunder, including the reasonable costs and expenses of defending against any claim of liability or arising out of any untrue statement or alleged untrue statement of any material fact or omission or alleged omission to state a material fact necessary to make the statements made, in light of the circumstances under which they were made, not misleading in any official statement or other disclosure utilized in connection with the sale of the Bonds, but excluding any and all losses, expenses and liabilities which are due to the negligence or misconduct of the Trustee, its officers, directors, agents or employees. No provision in this Indenture shall require the Trustee to risk or expend its own funds or otherwise incur any financial liability hereunder if repayment of such funds or adequate indemnity against such liability or risk is not assured to it. The Trustee shall not be liable for any action taken or omitted to be taken by it in accordance with the direction of the Owners of at least a majority of the principal amount of the Bonds relating to the time, method and place of exercising any trust or power or conducting any proceeding or remedy available to the Trustee under this Indenture of for any special, indirect, consequential or punitive damages. The obligations of the Authority hereunder shall survive the resignation or removal of the Trustee, or the discharge of this Indenture.

## ARTICLE IX

### MODIFICATION OR AMENDMENT OF THIS INDENTURE

#### Section 9.01. Amendments Permitted.

(a) This Indenture and the rights and obligations of the Authority and of the Owners of the Bonds and of the Trustee may be modified or amended from time to time and at any time by an indenture or indentures supplemental thereto, which the Authority and the Trustee may enter into. No such modification or amendment shall (i) extend the fixed maturity of any Bonds, or reduce the amount of principal thereof or extend the time of payment, or change the method of computing the rate of interest thereon, or extend the time of payment of interest thereon, without the consent of the Owner of each Bond so affected, or (ii) reduce the aforesaid percentage of Bonds the consent of the Owners of which is required to effect any such modification or amendment, or permit the creation of any lien on the Revenues and other assets pledged under this Indenture prior to or on a parity with the lien created by this Indenture except as permitted herein, or deprive the Owners of the Bonds of the lien created by this Indenture on such Revenues and other assets (except as expressly provided in this Indenture), without the consent of the Owners of all of the Bonds then Outstanding. It shall not be necessary for the consent of the Bond Owners to approve the particular form of any Supplemental Indenture, but it shall be sufficient if such consent shall approve the substance thereof.

(b) This Indenture and the rights and obligations of the Authority, of the Trustee and the Owners of the Bonds may also be modified or amended from time to time and at any time by a Supplemental Indenture, which the Authority and the Trustee may enter into without the consent of any Bond Owners, if the Trustee has been furnished an opinion of counsel that the provisions of such Supplemental Indenture shall not materially adversely affect the interests of the Owners of the Bonds, including, without limitation, for any one or more of the following purposes:

(i) to add to the covenants and agreements of the Authority in this Indenture contained other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power herein reserved to or conferred upon the Authority;

(ii) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in this Indenture, or in regard to matters or questions arising under this Indenture, as the Authority may deem necessary or desirable;

(iii) to modify, amend or supplement this Indenture in such manner as to permit the qualification hereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute;

(iv) to modify, amend or supplement this Indenture in such manner as to cause interest on the Bonds to remain excludable from gross income under the Code;

(v) to facilitate the issuance of Water System Parity Obligations by the City pursuant to the Water Installment Sale Agreement; or

(vi) to facilitate the issuance of Wastewater Parity Obligations by the City pursuant to the Wastewater Installment Sale Agreement.

(c) The Trustee may in its discretion, but shall not be obligated to, enter into any such Supplemental Indenture authorized by subsections (a) or (b) of this Section 9.01 which materially adversely affects the Trustee's own rights, duties or immunities under this Indenture or otherwise.

(d) Prior to the Trustee entering into any Supplemental Indenture hereunder, there shall be delivered to the Trustee an opinion of Bond Counsel stating, in substance, that such Supplemental Indenture has been adopted in compliance with the requirements of this Indenture and that the adoption of such Supplemental Indenture will not, in and of itself, adversely affect the exclusion from gross income for purposes of federal income taxes of interest on the Bonds.

(e) Notice of any modification hereof or amendment hereto shall be given by the Authority to each rating agency which then maintains a rating on the Bonds, at least fifteen (15) days prior to the effective date of the related Supplemental Indenture.

Section 9.02. Effect of Supplemental Indenture. Upon the execution of any Supplemental Indenture pursuant to this Article IX, this Indenture shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under this Indenture of the Authority, the Trustee and all Owners of Bonds Outstanding shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modification and amendment, and all the terms and conditions of any such Supplemental Indenture shall be deemed to be part of the terms and conditions of this Indenture for any and all purposes.

Section 9.03. Endorsement of Bonds; Preparation of New Bonds. Bonds delivered after the execution of any Supplemental Indenture pursuant to this Article may, and if the Trustee so determines shall, bear a notation by endorsement or otherwise in form approved by the Authority and the Trustee as to any modification or amendment provided for in such Supplemental Indenture, and, in that case, upon demand on the Owner of any Bonds Outstanding at the time of such execution and presentation of his Bonds for the purpose at the Trust Office or at such additional offices as the Trustee may select and designate for that purpose, a suitable notation shall be made on such Bonds. If the Supplemental Indenture shall so provide, new Bonds so modified as to conform, in the opinion of the Authority and the Trustee, to any modification or amendment contained in such Supplemental Indenture, shall be prepared and executed by the Authority and authenticated by the Trustee, and upon demand on the Owners of any Bonds then Outstanding shall be exchanged at the Trust Office, without cost to any Bond Owner, for Bonds then Outstanding, upon surrender for cancellation of such Bonds, in equal aggregate principal amount of the same Bond and maturity.

Section 9.04. Amendment of Particular Bonds. The provisions of this Article IX shall not prevent any Bond Owner from accepting any amendment as to the particular Bonds held by him.

ARTICLE X  
DEFEASANCE

Section 10.01. Discharge of Indenture. Any or all of the Outstanding Bonds may be paid by the Authority in any of the following ways, provided that the Authority also pays or causes to be paid any other sums payable hereunder by the Authority:

(a) by paying or causing to be paid the principal of and interest and premium (if any) on such Bonds, as and when the same become due and payable;

(b) by depositing with the Trustee, in trust, at or before maturity, money or securities in the necessary amount (as provided in Section 10.03) to pay or redeem such Bonds; or

(c) by delivering to the Trustee, for cancellation by it, all of such Bonds.

If the Authority shall also pay or cause to be paid all other sums payable hereunder by the Authority, then and in that case, at the election of the Authority (evidenced by a Written Certificate of the Authority, filed with the Trustee, signifying the intention of the Authority to discharge all such indebtedness and this Indenture), and notwithstanding that any of such Bonds shall not have been surrendered for payment, this Indenture and the pledge of Revenues and other assets made under this Indenture with respect to such Bonds and all covenants, agreements and other obligations of the Authority under this Indenture with respect to such Bonds shall cease, terminate, become void and be completely discharged and satisfied. In such event, upon the Written Request of the Authority, the Trustee shall execute and deliver to the Authority all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over, transfer, assign or deliver to the City all moneys or securities or other property held by it pursuant to this Indenture which are not required for the payment or redemption of any of such Bonds not theretofore surrendered for such payment or redemption.

Section 10.02. Discharge of Liability on Bonds. Upon the deposit with the Trustee, in trust, at or before maturity, of money or securities in the necessary amount (as provided in Section 10.03) to pay or redeem any Outstanding Bonds (whether upon or prior to the maturity or the redemption date of such Bonds), provided that, if such Bonds are to be redeemed prior to maturity, notice of such redemption shall have been given as provided in Article IV or provision satisfactory to the Trustee shall have been made for the giving of such notice, then all liability of the Authority in respect of such Bonds shall cease, terminate and be completely discharged, and the Owners thereof shall thereafter be entitled only to payment out of such money or securities deposited with the Trustee as aforesaid for their payment, subject, however, to the provisions of Section 10.04.

The Authority may at any time surrender to the Trustee for cancellation by it any Bonds previously issued and delivered, which the Authority may have acquired in any manner whatsoever, and such Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired.

Section 10.03. Deposit of Money or Securities with Trustee. Whenever in this Indenture it is provided or permitted that there be deposited with or held in trust by the Trustee money or securities in the necessary amount to pay or redeem any Bonds, the money or securities so to be deposited or held may include money or securities held by the Trustee in the funds and accounts established pursuant to this Indenture and shall be:

(a) lawful money of the United States of America in an amount equal to the principal amount of such Bonds and all unpaid interest thereon to maturity, except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption shall have been given as provided in Article IV or provision satisfactory to the Trustee shall have been made for the giving of such notice, the amount to be deposited or held shall be the principal amount of such Bonds and all unpaid interest thereon to the redemption date; or

(b) Defeasance Obligations, the principal of and interest on which when due will, in the written opinion of an Independent Accountant filed with the City, the Authority and the Trustee, provide money sufficient to pay the principal of and interest and premium (if any) on the Bonds to be paid or redeemed, as such principal, interest and premium become due, provided that in the case of Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as provided in Article IV or provision satisfactory to the Trustee shall have been made for the giving of such notice;

provided, in each case, that (i) the Trustee shall have been irrevocably instructed (by the terms of this Indenture or by Written Request of the Authority) to apply such money to the payment of such principal, interest and premium (if any) with respect to such Bonds, and (ii) the Authority shall have delivered to the Trustee an opinion of Bond Counsel to the effect that such Bonds have been discharged in accordance with this Indenture (which opinion may rely upon and assume the accuracy of the Independent Accountant's opinion referred to above).

Section 10.04. Unclaimed Funds. Notwithstanding any provisions of this Indenture, and subject to applicable provisions of State law, any moneys held by the Trustee in trust for the payment of the principal of, or interest on, any Bonds and remaining unclaimed for a period ending on the earlier of 10 days prior to the date unclaimed funds would escheat to the state or (a) two (2) years after the principal of all of the Bonds has become due and payable (whether at maturity or upon call for redemption or by acceleration as provided in this Indenture), if such moneys were so held at such date, or (b) two (2) years after the date of deposit of such moneys if deposited after said date when all of the Bonds became due and payable, shall be repaid to the City free from the trusts created by this Indenture, and all liability of the Trustee with respect to such moneys shall thereupon cease; *provided, however*, that before the repayment of such moneys to the City as aforesaid, the Trustee may (at the cost of the City) first mail to the Owners of Bonds which have not yet been paid, at the addresses shown on the Registration Books, a notice, in such form as may be deemed appropriate by the Trustee with respect to the Bonds so payable and not presented and with respect to the provisions relating to the repayment to the Authority of the moneys held for the payment thereof.



ARTICLE XI

PROVISIONS RELATING TO THE MUNICIPAL BOND INSURER AND THE MUNICIPAL  
BOND INSURANCE POLICIES

[TO COME]

ARTICLE XII  
MISCELLANEOUS

Section 12.01. Liability of Authority Limited to Revenues. Notwithstanding anything in this Indenture or in the Bonds contained, the Authority shall not be required to advance any moneys derived from any source other than the Revenues and other assets pledged under this Indenture for any of the purposes in this Indenture mentioned, whether for the payment of the principal of or interest on the Bonds or for any other purpose of this Indenture. Nevertheless, the Authority may, but shall not be required to, advance for any of the purposes hereof any funds of the Authority which may be made available to it for such purposes.

Section 12.02. Limitation of Rights to Parties and Bond Owners. Nothing in this Indenture or in the Bonds expressed or implied is intended or shall be construed to give to any person other than the Authority, the Trustee, the City and the Owners of the Bonds, any legal or equitable right, remedy or claim under or in respect of this Indenture or any covenant, condition or provision therein or herein contained; and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the Authority, the Trustee, the City and the Owners of the Bonds.

Section 12.03. Funds and Accounts. Any fund or account required by this Indenture to be established and maintained by the Trustee may be established and maintained in the accounting records of the Trustee, either as a fund or an account, and may, for the purposes of such records, any audits thereof and any reports or statements with respect thereto, be treated either as a fund or as an account; but all such records with respect to all such funds and accounts shall at all times be maintained in accordance with corporate trust industry standards to the extent practicable, and with due regard for the requirements of Section 6.05 and for the protection of the security of the Bonds and the rights of every Owner thereof.

Section 12.04. Waiver of Notice; Requirement of Mailed Notice. Whenever in this Indenture the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the person entitled to receive such notice and in any such case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver. Whenever in this Indenture any notice shall be required to be given by mail, such requirement shall be satisfied by the deposit of such notice in the United States mail, postage prepaid, by first class mail.

Section 12.05. Destruction of Bonds. Whenever in this Indenture provision is made for the cancellation by the Trustee and the delivery to the Authority of any Bonds, the Trustee may in lieu of such cancellation and delivery, destroy such Bonds and deliver a certificate of such destruction to the Authority.

Section 12.06. Severability of Invalid Provisions. If any one or more of the provisions contained in this Indenture or in the Bonds shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in this Indenture and such invalidity, illegality or unenforceability shall not affect any other provision of this Indenture, and this Indenture shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The Authority hereby declares that it would have entered into this Indenture and each and every other Section, paragraph, sentence, clause or phrase hereof and authorized the issuance of the Bonds pursuant thereto irrespective of the fact that any one or more Sections,

paragraphs, sentences, clauses or phrases of this Indenture may be held illegal, invalid or unenforceable.

Section 12.07. Notices. All written notices to be given under this Indenture shall be given by first class mail or personal delivery to the party entitled thereto at its address set forth below, or at such address as the party may provide to the other party in writing from time to time. Notice shall be effective either (a) upon transmission by facsimile transmission or other form of telecommunication, (b) 48 hours after deposit in the United States mail, postage prepaid, or (c) in the case of personal delivery to any person, upon actual receipt. The Authority, the City or the Trustee may, by written notice to the other parties, from time to time modify the address or number to which communications are to be given hereunder.

If to the Authority:	Coalinga Public Financing Authority c/o City of Coalinga 155 West Durian Coalinga, CA 93210 Attention: Finance Director Phone: (661) 792-3091
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If to the City:	City of Coalinga 155 West Durian Coalinga, CA 93210 Attention: Finance Director Phone: (661) 792-3091
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If to the Trustee:	Wells Fargo Bank, National Association 333 South Grand Avenue, Fifth Floor Los Angeles, CA 90071 Attention: Corporate Trust Phone: (213) 253-7517
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If to the Municipal Bond Insurer:	See Section 11.01
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The City, the Authority, the Municipal Bond Insurer and the Trustee, by notice given hereunder, may designate different addresses to which subsequent notices, certificates or other communications will be sent.

Section 12.08. Evidence of Rights of Bond Owners. Any request, consent or other instrument required or permitted by this Indenture to be signed and executed by Bond Owners may be in any number of concurrent instruments of substantially similar tenor and shall be signed or executed by such Bond Owners in person or by an agent or agents duly appointed in writing. Proof of the execution of any such request, consent or other instrument or of a writing appointing any such agent, or of the holding by any person of Bonds transferable by delivery, shall be sufficient for any purpose of this Indenture and shall be conclusive in favor of the Trustee and the Authority if made in the manner provided in this Section 11.08.

The fact and date of the execution by any person of any such request, consent or other instrument or writing may be proved by the certificate of any notary public or other officer of any jurisdiction, authorized by the laws thereof to take acknowledgments of deeds, certifying that the person signing such request, consent or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer.

The ownership of Bonds shall be proved by the Registration Books.

Any request, consent, or other instrument or writing of the Owner of any Bond shall bind every future Owner of the same Bond and the Owner of every Bond issued in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or the Authority in accordance therewith or reliance thereon.

Section 12.09. Disqualified Bonds. In determining whether the Owners of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent or waiver under this Indenture, Bonds which are known by the Trustee to be owned or held by or for the account of the Authority or the City, or by any other obligor on the Bonds, or by any person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Authority or the City or any other obligor on the Bonds, shall be disregarded and deemed not to be Outstanding for the purpose of any such determination. Bonds so owned which have been pledged in good faith may be regarded as Outstanding for the purposes of this Section 11.09 if the pledgee shall establish to the satisfaction of the Trustee the pledgee's right to vote such Bonds and that the pledgee is not a person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Authority or the City or any other obligor on the Bonds. In case of a dispute as to such right, any decision by the Trustee taken upon the advice of counsel shall be full protection to the Trustee. Upon request of the Trustee, the Authority and the City shall specify in a certificate to the Trustee those Bonds disqualified pursuant to this Section 11.09 and the Trustee may conclusively rely on such certificate.

Section 12.10. Money Held for Particular Bonds. The money held by the Trustee for the payment of the interest or principal due on any date with respect to particular Bonds (or portions of Bonds in the case of Bonds redeemed in part only) shall, on and after such date and pending such payment, be set aside on its books and held in trust by it for the Owners of the Bonds entitled thereto, subject, however, to the provisions of Section 10.04 hereof but without any liability for interest thereon.

Section 12.11. Waiver of Personal Liability. No member, officer, agent or employee of the Authority shall be individually or personally liable for the payment of the principal or interest or premium (if any) on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof; but nothing herein contained shall relieve any such member, officer, agent or employee from the performance of any official duty provided by law or by this Indenture.

Section 12.12. Successor Is Deemed Included in All References to Predecessor. Whenever in this Indenture either the Authority or the Trustee is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Indenture contained by or on behalf of the Authority or the Trustee shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Section 12.13. Execution in Several Counterparts. This Indenture 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 Authority and the Trustee shall preserve undestroyed, shall together constitute but one and the same instrument.

Section 12.14. Governing Law. This Indenture shall be governed by and construed in accordance with the laws of the State.

IN WITNESS WHEREOF, the COALINGA PUBLIC FINANCING AUTHORITY has caused this Indenture to be signed in its name by its Executive Director and attested to by its Secretary, and WELLS FARGO BANK, NATIONAL ASSOCIATION, in token of its acceptance of the trusts created hereunder, has caused this Indenture to be signed in its corporate name by its officers thereunto duly authorized, all as of the day and year first above written.

COALINGA PUBLIC FINANCING  
AUTHORITY

By \_\_\_\_\_  
Executive Director

Attest:

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

WELLS FARGO BANK, NATIONAL  
ASSOCIATION, as Trustee

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

**EXHIBIT A**  
**FORM OF SERIES A BOND**

UNITED STATES OF AMERICA  
STATE OF CALIFORNIA  
FRESNO COUNTY

**COALINGA PUBLIC FINANCING AUTHORITY**  
**Revenue Bond, Series 2021A**  
**(Water and Wastewater Financing Projects)**  
**(Federally Taxable)**

INTEREST RATE	MATURITY DATE	ORIGINAL ISSUE DATE	CUSIP
_____%	April 1, ____	March 16, 2021	_____

REGISTERED OWNER: CEDE & CO.

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

The COALINGA PUBLIC FINANCING AUTHORITY, a joint exercise of powers authority, duly organized and existing under the laws of the State of California (the "Authority"), for value received, hereby promises to pay to the Registered Owner specified above or registered assigns (the "Registered Owner"), on the Maturity Date specified above (subject to any right of prior redemption hereinafter provided for), the Principal Amount specified above, in lawful money of the United States of America, and to pay interest thereon in like lawful money from the Interest Payment Date (as hereinafter defined) next preceding the date of authentication of this Bond unless (i) this Bond is authenticated on or before an Interest Payment Date and after the close of business on the fifteenth day of the month preceding such interest payment date, in which event it shall bear interest from such Interest Payment Date, or (ii) this Bond is authenticated on or before September 15, 2021, in which event it shall bear interest from the Original Issue Date specified above; provided, however, that if at the time of authentication of this Bond, interest is in default on this Bond, this Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment on this Bond, at the Interest Rate per annum specified above, payable semiannually on April 1 and October 1 in each year, commencing October 1, 2021 (collectively, the "Interest Payment Dates"), calculated on the basis of a 360-day year composed of twelve 30-day months. Principal hereof and premium, if any, upon early redemption hereof are payable upon presentation and surrender hereof at the corporate trust office (the "Trust Office") of Wells Fargo Bank, National Association, as trustee (the "Trustee"), in Los Angeles, California, or such other place as designated by the Trustee. Interest hereon is payable by check of the Trustee mailed on the applicable Interest Payment Date to the Registered Owner hereof at the Registered Owner's address as it appears on the registration books of the Trustee as of the close of business on the fifteenth day of the month preceding each Interest Payment Date (a "Record Date"), or, upon written request filed with the Trustee at least five days prior to such Record

Date by a Registered Owner of at least \$1,000,000 in aggregate principal amount of Bonds, by wire transfer in immediately available funds to an account in the United States designated by such Registered Owner in such written request.

This Bond is not a debt of the City of Coalinga (the "City"), Fresno County, the State of California, or any of its political subdivisions, and neither the City, said County, said State, nor any of its political subdivisions, is liable hereon nor in any event shall this Bond be payable out of any funds or properties of the Authority other than the Revenues.

This Bond is one of a duly authorized issue of bonds of the Authority designated as the "Coalinga Public Financing Authority Revenue Bonds, Series 2021A (Water and Wastewater Financing Projects) (Federally Taxable)" (the "Bonds"), in an aggregate principal amount of \_\_\_\_\_ dollars (\$ \_\_\_\_\_), all of like tenor and date (except for such variation, if any, as may be required to designate varying numbers, maturities, interest rates or redemption provisions) and all issued pursuant to the provisions of Article 4 of Chapter 5 of Division 7 of Title 1 (commencing with section 6584) of the California Government Code (the "Bond Law"), and pursuant to an Indenture of Trust, dated as of March 1, 2021, by and between the Authority and the Trustee (the "Indenture"), and a resolution of the Board of Directors of the Authority adopted on February 4, 2021, authorizing the issuance of the Bonds. Reference is hereby made to the Indenture (copies of which are on file at the office of the Authority) and all supplements thereto for a description of the terms on which the Bonds are issued, the provisions with regard to the nature and extent of the Revenues, and the rights thereunder of the owners of the Bonds and the rights, duties and immunities of the Trustee and the rights and obligations of the Authority thereunder, to all of the provisions of which the Registered Owner of this Bond, by acceptance hereof, assents and agrees.

The Bonds have been issued by the Authority to refund, on and advance basis, the outstanding Coalinga Public Financing Authority Revenue Bonds, Series 2012 (Water and Wastewater Financing Projects) issued to finance and refinance the acquisition and construction of certain improvements and facilities constituting part of the City's municipal water enterprise (the "Water System") and to finance and refinance the acquisition and construction of certain improvements and facilities constituting part of the City's municipal wastewater enterprise (the "Wastewater System").

In order to provide for the repayment of the Bonds, (a) the City will sell the Water System to the Authority and the Authority will sell the Water System to the City pursuant to an installment sale agreement (the "Water Installment Sale Agreement"), under which the City will agree to make installment payments to the Authority payable from the net revenues of the Water System, and (b) the City will sell the Wastewater System to the Authority and the Authority will sell the Wastewater System to the City pursuant to an installment sale agreement (the "Wastewater Installment Sale Agreement"), under which the City will agree to make installment payments to the Authority payable from the net revenues of the Wastewater System which payments, together with the payments under the Water Installment Sale Agreement, will be calculated to be sufficient, in time and amount, to enable the Authority to pay the principal of and interest and premium (if any) on the Bonds when due and payable;

This Bond and the interest and premium, if any, hereon and all other Bonds and the interest and premium, if any, thereon (to the extent set forth in the Indenture) are special obligations of the Authority, and are payable from, and are secured by a charge and lien on the Revenues as defined in the Indenture, consisting primarily of installment payments to be made by the City under the Water Installment Sale Agreement and installment payments to be made by the City under the Wastewater Installment Sale Agreement. As and to the extent set forth in the Indenture, all of the Revenues are exclusively and irrevocably pledged in accordance with

the terms hereof and the provisions of the Indenture, to the payment of the principal of and interest and premium (if any) on the Bonds.

The rights and obligations of the Authority and the owners of the Bonds may be modified or amended at any time in the manner, to the extent and upon the terms provided in the Indenture, but no such modification or amendment shall extend the fixed maturity of any Bonds, or reduce the amount of principal thereof or premium (if any) thereon, or extend the time of payment, or change the method of computing the rate of interest thereon, or extend the time of payment of interest thereon, without the consent of the owner of each Bond so affected.

The Bonds maturing on or before April 1, \_\_\_\_, are not subject to optional redemption prior to maturity. The Bonds maturing on or after April 1, \_\_\_\_, shall be subject to redemption, at the option of the City on any date on or after April 1, \_\_\_\_, as a whole or in part, by such maturities as shall be determined by the City, and by lot within a maturity, from any available source of funds, at a redemption price equal to the principal amount of the Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium.

The Bonds maturing on April 1, \_\_\_\_, are also subject to mandatory redemption from sinking account payments made by the Authority, in part by lot, on April 1, \_\_\_\_, and on April 1 in each year thereafter to and including April 1, \_\_\_\_, at a redemption price equal to the principal amount thereof to be redeemed together with accrued interest thereon to the redemption date, without premium, as set forth in the following table:

<u>Redemption Date</u> <u>(April 1)</u>	<u>Principal</u> <u>Amount</u>
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\_\_\_\_\_  
† Maturity.

As provided in the Indenture, notice of redemption shall be mailed by the Trustee by first class mail not less than thirty (30) nor more than sixty (60) days prior to the redemption date to the respective owners of any Bonds designated for redemption at their addresses appearing on the registration books of the Trustee, but neither failure to receive such notice nor any defect in the notice so mailed shall affect the sufficiency of the proceedings for redemption or the cessation of accrual of interest thereon from and after the date fixed for redemption.

If this Bond is called for redemption and payment is duly provided therefor as specified in the Indenture, interest shall cease to accrue hereon from and after the date fixed for redemption.

If an Event of Default, as defined in the Indenture, shall occur, the principal of all Bonds may be declared due and payable upon the conditions, in the manner and with the effect provided in the Indenture, but such declaration and its consequences may be rescinded and annulled as further provided in the Indenture.

This Bond is transferable by the Registered Owner hereof, in person or by his attorney duly authorized in writing, at the Trust Office of the Trustee or such other place as designated by the Trustee, but only in the manner, subject to the limitations and upon payment of the charges provided in the Indenture, and upon surrender and cancellation of this Bond. Upon



registration of such transfer, a new Bond or Bonds, of authorized denomination or denominations, for the same aggregate principal amount and of the same maturity will be issued to the transferee in exchange herefor. This Bond may be exchanged at the Trust Office of the Trustee for Bonds of the same tenor, aggregate principal amount, interest rate and maturity, of other authorized denominations.

The Authority and the Trustee may treat the Registered Owner hereof as the absolute owner hereof for all purposes, and the Authority and the Trustee shall not be affected by any notice to the contrary.

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

It is hereby certified that all of the things, conditions and acts required to exist, to have happened or to have been performed precedent to and in the issuance of this Bond do exist, have happened or have been performed in due and regular time, form and manner as required by the Bond Law and the laws of the State of California and that the amount of this Bond, together with all other indebtedness of the Authority, does not exceed any limit prescribed by the Bond Law or any laws of the State of California, and is not in excess of the amount of Bonds permitted to be issued under the Indenture.

This Bond shall not be entitled to any benefit under the Indenture or become valid or obligatory for any purpose until the certificate of authentication hereon endorsed shall have been signed by the Trustee.

IN WITNESS WHEREOF, the Coalinga Public Financing Authority, has caused this Bond to be executed in its name and on its behalf with the facsimile signature of its Executive Director and attested to by the facsimile signature of its Secretary, all as of the Original Issue Date.

COALINGA PUBLIC FINANCING  
AUTHORITY

By \_\_\_\_\_  
Executive Director

Attest:

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

**TRUSTEE'S CERTIFICATE OF AUTHENTICATION**

This is one of the Bonds described in the within-mentioned Indenture.

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

WELLS FARGO BANK, NATIONAL  
ASSOCIATION, as Trustee

By \_\_\_\_\_  
Authorized Signatory

## FORM OF ASSIGNMENT

For value received, the undersigned do(es) hereby sell, assign and transfer unto

(Name, Address and Tax Identification or Social Security Number of Assignee)

the within Bond and do(es) hereby irrevocably constitute(s) and appoint(s)

attorney, to transfer the same on the registration books of the Trustee with full power of substitution in the premises.

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

Signature Guaranteed:

Notice: Signature guarantee shall be made by a guarantor institution participating in the Securities Transfer Agents Medallion Program or in such other guarantee program acceptable to the Trustee.

Notice: The signature on this assignment must correspond with the name(s) as written on the face of the within Bond in every particular without alteration or enlargement or any change whatsoever."

## STATEMENT OF INSURANCE

[TO COME]

**EXHIBIT B**  
**FORM OF SERIES B BOND**

UNITED STATES OF AMERICA  
STATE OF CALIFORNIA  
FRESNO COUNTY

**COALINGA PUBLIC FINANCING AUTHORITY**  
**Revenue Bond, Series 2021B**  
**(Water Project)**  
**(Tax Exempt)**

INTEREST RATE	MATURITY DATE	ORIGINAL ISSUE DATE	CUSIP
_____%	April 1, ____	March 16, 2021	_____

REGISTERED OWNER: CEDE & CO.

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

The COALINGA PUBLIC FINANCING AUTHORITY, a joint exercise of powers entity, duly organized and existing under the laws of the State of California (the "Authority"), for value received, hereby promises to pay to the Registered Owner specified above or registered assigns (the "Registered Owner"), on the Maturity Date specified above (subject to any right of prior redemption hereinafter provided for), the Principal Amount specified above, in lawful money of the United States of America, and to pay interest thereon in like lawful money from the Interest Payment Date (as hereinafter defined) next preceding the date of authentication of this Bond unless (i) this Bond is authenticated on or before an Interest Payment Date and after the close of business on the fifteenth day of the month preceding such interest payment date, in which event it shall bear interest from such Interest Payment Date, or (ii) this Bond is authenticated on or before September 15, 2021, in which event it shall bear interest from the Original Issue Date specified above; provided, however, that if at the time of authentication of this Bond, interest is in default on this Bond, this Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment on this Bond, at the Interest Rate per annum specified above, payable semiannually on April 1 and October 1 in each year, commencing October 1, 2021 (collectively, the "Interest Payment Dates"), calculated on the basis of a 360-day year composed of twelve 30-day months. Principal hereof and premium, if any, upon early redemption hereof are payable upon presentation and surrender hereof at the corporate trust office (the "Trust Office") of Wells Fargo Bank, National Association, as trustee (the "Trustee"), in Los Angeles, California, or such other place as designated by the Trustee. Interest hereon is payable by check of the Trustee mailed on the applicable Interest Payment Date to the Registered Owner hereof at the Registered Owner's address as it appears on the registration books of the Trustee as of the close of business on the fifteenth day of the month preceding each Interest Payment Date (a "Record Date"), or, upon written request filed with the Trustee at least five days prior to such Record Date by a

Registered Owner of at least \$1,000,000 in aggregate principal amount of Bonds, by wire transfer in immediately available funds to an account in the United States designated by such Registered Owner in such written request.

This Bond is not a debt of the City of Coalinga (the "City"), Fresno County, the State of California, or any of its political subdivisions, and neither the City, said County, said State, nor any of its political subdivisions, is liable hereon nor in any event shall this Bond be payable out of any funds or properties of the Authority other than the Revenues.

This Bond is one of a duly authorized issue of bonds of the Authority designated as the "Coalinga Public Financing Authority Revenue Bonds, Series 2021B (Water Project) (Tax-Exempt)" (the "Bonds"), in an aggregate principal amount of \_\_\_\_\_ dollars (\$\_\_\_\_\_), all of like tenor and date (except for such variation, if any, as may be required to designate varying numbers, maturities, interest rates or redemption provisions) and all issued pursuant to the provisions of Article 4 of Chapter 5 of Division 7 of Title 1 (commencing with section 6584) of the California Government Code (the "Bond Law"), and pursuant to an Indenture of Trust, dated as of March 1, 2021, by and between the Authority and the Trustee (the "Indenture"), and a resolution of the Board of Directors of the Authority adopted on February 4, 2021, authorizing the issuance of the Bonds. Reference is hereby made to the Indenture (copies of which are on file at the office of the Authority) and all supplements thereto for a description of the terms on which the Bonds are issued, the provisions with regard to the nature and extent of the Revenues, and the rights thereunder of the owners of the Bonds and the rights, duties and immunities of the Trustee and the rights and obligations of the Authority thereunder, to all of the provisions of which the Registered Owner of this Bond, by acceptance hereof, assents and agrees.

The Bonds have been issued by the Authority to finance and refinance the acquisition and construction of certain improvements and facilities constituting part of the City's municipal water enterprise (the "Water System") and to finance and refinance the acquisition and construction of certain improvements (the "Water Improvement Project").

In order to provide for the repayment of the Bonds, (a) the City will sell the Water System to the Authority and the Authority will sell the Water System and the Water Improvement Project to the City pursuant to an installment sale agreement (the "Water Installment Sale Agreement"), under which the City will agree to make installment payments to the Authority payable from the net revenues of the Water System, and (b) the City will sell the Wastewater System to the Authority and the Authority will sell the Wastewater System to the City pursuant to an installment sale agreement (the "Wastewater Installment Sale Agreement"), under which the City will agree to make installment payments to the Authority payable from the net revenues of the Wastewater System which payments, together with the payments under the Water Installment Sale Agreement, will be calculated to be sufficient, in time and amount, to enable the Authority to pay the principal of and interest and premium (if any) on the Bonds when due and payable;

This Bond and the interest and premium, if any, hereon and all other Bonds and the interest and premium, if any, thereon (to the extent set forth in the Indenture) are special obligations of the Authority, and are payable from, and are secured by a charge and lien on the Revenues as defined in the Indenture, consisting primarily of installment payments to be made by the City under the Water Installment Sale Agreement and installment payments to be made by the City under the Wastewater Installment Sale Agreement. As and to the extent set forth in the Indenture, all of the Revenues are exclusively and irrevocably pledged in accordance with the terms hereof and the provisions of the Indenture, to the payment of the principal of and interest and premium (if any) on the Bonds.

The rights and obligations of the Authority and the owners of the Bonds may be modified or amended at any time in the manner, to the extent and upon the terms provided in the Indenture, but no such modification or amendment shall extend the fixed maturity of any Bonds, or reduce the amount of principal thereof or premium (if any) thereon, or extend the time of payment, or change the method of computing the rate of interest thereon, or extend the time of payment of interest thereon, without the consent of the owner of each Bond so affected.

The Bonds maturing on or before April 1, \_\_\_\_, are not subject to optional redemption prior to maturity. The Bonds maturing on or after April 1, \_\_\_\_, shall be subject to redemption, at the option of the City on any date on or after April 1, \_\_\_\_, as a whole or in part, by such maturities as shall be determined by the City, and by lot within a maturity, from any available source of funds, at a redemption price equal to the principal amount of the Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium.

The Bonds maturing on April 1, \_\_\_\_, are also subject to mandatory redemption from sinking account payments made by the Authority, in part by lot, on April 1, \_\_\_\_, and on April 1 in each year thereafter to and including April 1, \_\_\_\_, at a redemption price equal to the principal amount thereof to be redeemed together with accrued interest thereon to the redemption date, without premium, as set forth in the following table:

<u>Redemption Date</u> <u>(April 1)</u>	<u>Principal</u> <u>Amount</u>
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\_\_\_\_\_  
† Maturity.

As provided in the Indenture, notice of redemption shall be mailed by the Trustee by first class mail not less than thirty (30) nor more than sixty (60) days prior to the redemption date to the respective owners of any Bonds designated for redemption at their addresses appearing on the registration books of the Trustee, but neither failure to receive such notice nor any defect in the notice so mailed shall affect the sufficiency of the proceedings for redemption or the cessation of accrual of interest thereon from and after the date fixed for redemption.

If this Bond is called for redemption and payment is duly provided therefor as specified in the Indenture, interest shall cease to accrue hereon from and after the date fixed for redemption.

If an Event of Default, as defined in the Indenture, shall occur, the principal of all Bonds may be declared due and payable upon the conditions, in the manner and with the effect provided in the Indenture, but such declaration and its consequences may be rescinded and annulled as further provided in the Indenture.

This Bond is transferable by the Registered Owner hereof, in person or by his attorney duly authorized in writing, at the Trust Office of the Trustee or such other place as designated by the Trustee, but only in the manner, subject to the limitations and upon payment of the charges provided in the Indenture, and upon surrender and cancellation of this Bond. Upon registration of such transfer, a new Bond or Bonds, of authorized denomination or denominations, for the same aggregate principal amount and of the same maturity will be

issued to the transferee in exchange herefor. This Bond may be exchanged at the Trust Office of the Trustee for Bonds of the same tenor, aggregate principal amount, interest rate and maturity, of other authorized denominations.

The Authority and the Trustee may treat the Registered Owner hereof as the absolute owner hereof for all purposes, and the Authority and the Trustee shall not be affected by any notice to the contrary.

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

It is hereby certified that all of the things, conditions and acts required to exist, to have happened or to have been performed precedent to and in the issuance of this Bond do exist, have happened or have been performed in due and regular time, form and manner as required by the Bond Law and the laws of the State of California and that the amount of this Bond, together with all other indebtedness of the Authority, does not exceed any limit prescribed by the Bond Law or any laws of the State of California, and is not in excess of the amount of Bonds permitted to be issued under the Indenture.

This Bond shall not be entitled to any benefit under the Indenture or become valid or obligatory for any purpose until the certificate of authentication hereon endorsed shall have been signed by the Trustee.



IN WITNESS WHEREOF, the Coalinga Public Financing Authority, has caused this Bond to be executed in its name and on its behalf with the facsimile signature of its Executive Director and attested to by the facsimile signature of its Secretary, all as of the Original Issue Date.

COALINGA PUBLIC FINANCING  
AUTHORITY

By \_\_\_\_\_  
Executive Director

Attest:

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

**TRUSTEE'S CERTIFICATE OF AUTHENTICATION**

This is one of the Bonds described in the within-mentioned Indenture.

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

WELLS FARGO BANK, NATIONAL  
ASSOCIATION, as Trustee

By \_\_\_\_\_  
Authorized Signatory

## FORM OF ASSIGNMENT

For value received, the undersigned do(es) hereby sell, assign and transfer unto

(Name, Address and Tax Identification or Social Security Number of Assignee)

the within Bond and do(es) hereby irrevocably constitute(s) and appoint(s)

attorney, to transfer the same on the registration books of the Trustee with full power of substitution in the premises.

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

Signature Guaranteed:

Notice: Signature guarantee shall be made by a guarantor institution participating in the Securities Transfer Agents Medallion Program or in such other guarantee program acceptable to the Trustee.

Notice: The signature on this assignment must correspond with the name(s) as written on the face of the within Bond in every particular without alteration or enlargement or any change whatsoever."

## STATEMENT OF INSURANCE

[TO COME]

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**ESCROW AGREEMENT**

**Dated March 16, 2021**

**by and between the**

**CITY OF COALINGA**

**and**

**U.S. BANK NATIONAL ASSOCIATION, as Escrow Bank**

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Relating to the Refunding of the outstanding  
Coalinga Public Financing Authority  
Revenue Bonds, Series 2012  
(Water and Wastewater Financing Projects)

## ESCROW AGREEMENT

This ESCROW AGREEMENT (this "Escrow Agreement") is dated this 16th day of March, 2021, by and between the CITY OF COALINGA, a municipal corporation and general law city duly organized and existing under the laws of the State of California (the "City"), and U.S. BANK NATIONAL ASSOCIATION, a national banking association duly organized and existing under the laws of the United States of America, as escrow bank and as 2012 Trustee (as defined herein)(the "Escrow Bank");

### WITNESSETH:

WHEREAS, the Coalinga Public Financing Authority (the "Authority") has heretofore issued its Coalinga Public Financing Authority Revenue Bonds, Series 2012 (Water and Wastewater Financing Projects) (the "2012 Bonds"), the proceeds of which were used to finance and refinance the costs of the acquisition, construction, installation and equipping of improvements to the City's municipal water enterprise and the City's municipal wastewater enterprise;

WHEREAS, the 2012 Bonds were issued pursuant to the terms of an Indenture, dated as of April 1, 2012 (the "2012 Indenture"), by and between the Authority and U.S. Bank National Association, as trustee (the "2012 Trustee");

WHEREAS, in order to provide for the repayment of the 2012 Bonds, the Authority sold certain property to the City pursuant to an installment sale agreement, dated as of April 1, 2012 (the "2012 Water Installment Sale Agreement"), under which the City agreed to make installment payments to the Authority (the "2012 Water Installment Payments") and the Authority sold certain property to the City pursuant to an installment sale agreement, dated as of April 1, 2012 (the "2012 Wastewater Installment Sale Agreement"), under which the City agreed to make installment payments to the Authority (the "2012 Wastewater Installment Payments") in sufficient amounts in each year to pay the full amount of principal of and interest on the 2012 Bonds;

WHEREAS, the City has determined that, as a result of favorable financial market conditions and for other reasons, it is in the best interests of the City at this time to refinance the City's obligation to make the 2012 Water Installment Payments and the 2012 Wastewater Installment Payments and, as a result thereof, to provide for the payment of the principal of and interest on the 2012 Bonds to and including April 1, 2022, and for the redemption of all outstanding 2012 Bonds on April 1, 2022, at a redemption price equal to 100% of the principal amount thereof, and to that end, the City proposes to enter into an installment sale agreement, dated as of March 1, 2021 (the "2021 Water Installment Sale Agreement"), under which the City agreed to make installment payments to the Authority (the "2021 Water Installment Payments") and the City proposes to enter into an installment sale agreement, dated as of March 1, 2021 (the "2021 Wastewater Installment Sale Agreement"), under which the City agreed to make installment payments to the Authority (the "2021 Wastewater Installment Payments");

WHEREAS, the City proposes to provide for the payments described above and to appoint the Escrow Bank as its agent for the purpose of applying said deposit to provide for the prepayment of the 2012 Water Installment Payments and the 2012 Wastewater Installment Payments in accordance with the instructions provided by this Escrow Agreement and of applying said 2012 Water Installment Payments and 2012 Wastewater Installment Payments to

the payment and redemption of the 2012 Bonds and the Escrow Bank desires to accept said appointment;

WHEREAS, the City wishes to provide for the payment described above and to enter into this Escrow Agreement for the purpose of providing the terms and conditions for the deposit and application of amounts so deposited;

WHEREAS, the Authority has agreed to issue its \$\_\_\_\_\_ Coalinga Financing Authority Revenue Bonds, Series 2021A (Water and Wastewater Financing Projects) (Federally Taxable) (the "Bonds"), pursuant to the terms of an indenture, dated as March 1, 2021 (the "Indenture"), by and between the Authority and Wells Fargo Bank, National Association, as trustee thereunder (the "Trustee"), and has determined to use a portion of the proceeds of the Bonds to provide for the payment of the principal of and interest on the 2012 Bonds to and including April 1, 2022, and for the redemption of all outstanding 2012 Bonds on April 1, 2022 (the "Redemption Date"), at a redemption price equal to 100% of the principal amount thereof (the "Redemption Price"); and

WHEREAS, the Escrow Bank has full powers to act with respect to the escrow and trust created herein and to perform the duties and obligations to be undertaken pursuant to this Escrow Agreement.

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

*Section 1. Definitions.* Capitalized terms used, but not otherwise defined, herein, shall have the meanings ascribed thereto in the 2012 Indenture.

*Section 2. Appointment of Escrow Bank.* The City hereby appoints the Escrow Bank as escrow bank for all purposes of this Escrow Agreement and in accordance with the terms and provisions of this Escrow Agreement, and the Escrow Bank hereby accepts such appointment.

*Section 3. Establishment of Escrow Fund.* There is hereby created by the City with, and to be held by, the Escrow Bank as security for the payment and redemption of the 2012 Bonds as hereinafter set forth, an irrevocable escrow to be maintained by the Escrow Bank on behalf of the City and for the benefit of the owners of the 2012 Bonds, said escrow to be designated the "Escrow Fund." All moneys deposited in the Escrow Fund shall be held as a special fund for the payment and redemption of the 2012 Bonds in accordance with the provisions of this Escrow Agreement.

*Section 4. Deposit into Escrow Fund; Investment of Amounts.*

(a) Concurrently with delivery of the Bonds, the City shall cause to be transferred to the Escrow Bank for deposit into the Escrow Fund the amount of \$\_\_\_\_\_, in immediately available funds, derived as follows:

- (i) \$\_\_\_\_\_ from the proceeds of the sale of the Bonds;
- (ii) \$\_\_\_\_\_ from amounts on deposit in the reserve fund established for the 2012 Bonds (the "2012 Reserve Fund"); and
- (iii) \$\_\_\_\_\_ from amounts on deposit in the project fund established for the 2012 Bonds (the "2012 Project Fund").

(b) The Escrow Bank shall invest \$\_\_\_\_\_ of the moneys deposited into the Escrow Fund pursuant to the preceding paragraph in the securities set forth in Exhibit A attached hereto and by this reference incorporated herein (the "Escrowed Federal Securities") and shall hold the remaining \$\_\_\_\_\_ in cash, uninvested. The Escrowed Federal Securities and such cash shall be deposited with and held by the Escrow Bank in the Escrow Fund solely for the uses and purposes set forth herein.

If the Escrow Bank learns that the Department of the Treasury or the Bureau of Public Debt will not, for any reason, accept a SLGS subscription, the Escrow Bank shall promptly request alternative written investment instructions from the City with respect to escrowed funds which were to be invested in the Escrowed Federal Securities. The Escrow Bank shall follow such instructions and, upon the maturity of any such alternative investment, the Escrow Bank shall hold funds uninvested and without liability for interest until receipt of further written instructions from the City. In the absence of investment instructions from the City the Escrow Bank shall not be responsible for the investment of such funds or interest thereon. The Escrow Bank may conclusively rely upon the City selection of an alternative investment as a determination of the alternative investment's legality and suitability and shall not be liable for any losses related to the alternative investments or for compliance with any yield restriction applicable thereto.

(c) The Escrow Bank may rely upon the conclusion of Robert Thomas CPA, LLC, as contained in its opinion and accompanying schedules (the "Report") dated February 25, 2021, that the Escrowed Federal Securities mature and bear interest payable in such amounts and at such times as, together with cash on deposit in the Escrow Fund, will be sufficient to pay the principal of and interest on the 2012 Bonds to and including April 1, 2022, and to redeem the outstanding 2012 Bonds in full on the Redemption Date at the Redemption Price.

(d) The Escrow Bank shall not be liable or responsible for any loss resulting from its full compliance with the provisions of this Escrow Agreement.

(e) Any money left on deposit in the Escrow Fund after payment in full of the 2012 Bonds, and the payment of all amounts due to the Escrow Bank hereunder, shall be applied to the payment of debt service on the Bonds.

(f) If at any time the Escrow Bank shall receive actual knowledge that the moneys in the Escrow Fund will not be sufficient to make any payment required hereunder, the Escrow Bank shall notify the City of such fact and the City shall immediately cure such deficiency. The Escrow Bank shall have no liability or responsibility for such insufficiency.

#### Section 5. Instructions as to Application of Deposit.

(a) The moneys deposited in the Escrow Fund pursuant to Section 4 shall be applied by the Escrow Bank for the sole purpose of paying the principal of and interest on the 2012 Bonds to and including April 1, 2022, and redeeming the outstanding 2012 Bonds in full on the Redemption Date at the Redemption Price, as set forth in Exhibit B attached hereto and by this reference incorporated herein.

(b) The Escrow Bank, in its capacity as 2012 Trustee, is hereby requested, and the Escrow Bank, in its capacity as 2012 Trustee, hereby agrees to give notice of the defeasance of the 2012 Bonds in the form of defeasance notice attached hereto as Exhibit C.

(c) The Escrow Bank, in its capacity as 2012 Trustee, is hereby requested, and the Escrow Bank, in its capacity as 2012 Trustee, hereby agrees to give notice of the redemption of the 2012

Bonds in accordance with the applicable provisions of the 2012 Indenture and the form of redemption notice attached hereto as Exhibit D.

Section 6. Investment of Any Remaining Moneys. The Escrow Bank shall invest and reinvest the proceeds received from any of the Escrowed Federal Securities, and the cash originally deposited into the Escrow Fund, for a period ending not later than the next succeeding interest payment date relating to the 2012 Bonds, in Defeasance Obligations pursuant to written directions of the City; *provided, however*, that (a) such written directions of the City shall be accompanied by (i) a certification of an independent certified public accountant or firm of certified public accountants of favorable national reputation experienced in the refunding of obligations of political subdivisions that the Escrowed Federal Securities then to be so deposited in the Escrow Fund, together with the cash then on deposit in the Escrow Fund, together with the interest to be derived therefrom, shall be in an amount at all times at least sufficient to make the payments specified in Section 5 hereof, and (ii) an opinion of nationally recognized bond counsel ("Bond Counsel") that investment in accordance with such directions will not affect, for Federal income tax purposes, the exclusion from gross income of interest due with respect to the 2012 Bonds, and (b) if the City directs such investment or reinvestment to be made in United States Treasury Securities-State and Local Government Series, the City shall, at its cost, cause to be prepared all necessary subscription forms therefor in sufficient time to enable the Escrow Bank to acquire such securities. In the event that the City shall fail to file any such written directions with the Escrow Bank concerning the reinvestment of any such proceeds, such proceeds shall be held uninvested by the Escrow Bank. Any interest income resulting from investment or reinvestment of moneys pursuant to this Section 6 and not required for the purposes set forth in Section 5, as indicated by such verification, shall, promptly upon the receipt of such interest income by the Escrow Bank, be paid to the City and shall be applied to the payment of debt service on the Bonds.

Section 7. Substitution or Withdrawal of Federal Securities. The City may, at any time, direct the Escrow Bank in writing to substitute Defeasance Obligations for any or all of the Escrowed Federal Securities then deposited in the Escrow Fund, or to withdraw and transfer to the City any portion of the Escrowed Federal Securities then deposited in the Escrow Fund, provided that any such direction and substitution or withdrawal shall be simultaneous and shall be accompanied by (a) a certification of an independent certified public accountant or firm of certified public accountants of favorable national reputation experienced in the refunding of obligations of political subdivisions that the Defeasance Obligations then to be so deposited in the Escrow Fund together with interest to be derived therefrom, or in the case of withdrawal, the Escrowed Federal Securities to be remaining in the Escrow Fund following such withdrawal together with the interest to be derived therefrom, together with the cash then on deposit in the Escrow Fund, shall be in an amount at all times at least sufficient to make the payments specified in Section 5 hereof; and (b) an opinion of Bond Counsel that the substitution or withdrawal will not affect, for Federal income tax purposes, the exclusion from gross income of interest on the 2012 Bonds. In the event that, following any such substitution of Escrowed Federal Securities pursuant to this Section 7, there is an amount of moneys or Escrowed Federal Securities in excess of an amount sufficient to make the payments required by Section 5 hereof, as indicated by such verification, such excess shall be paid to the City and shall be applied to the payment of debt service on the Bonds.

Section 8. Application of 2012 Bond Moneys. On the date of original delivery of the Bonds and the deposit of a portion of the proceeds thereof in the Escrow Fund pursuant to Section 4, the Escrow Bank, as 2012 Trustee, is hereby directed to (i) withdraw \$\_\_\_\_\_ on deposit in the 2012 Reserve Fund and transfer such sum to the Escrow Fund and (ii) withdraw \$\_\_\_\_\_ on deposit in the 2012 Project Fund and transfer such sum to the Escrow Fund. Any amounts remaining on deposit in any fund or account established under the 2012 Indenture for



the 2012 Bonds, including any investment earnings received after the date of original delivery of the Bonds, shall be transferred by the Escrow Bank to the Trustee and applied to the payment of debt service on the Bonds.

*Section 9. Compensation to Escrow Bank.* The City shall pay the Escrow Bank full compensation for its duties under this Escrow Agreement, including out-of-pocket costs such as publication costs, prepayment or redemption expenses, legal fees and other costs and expenses relating hereto. Under no circumstances shall amounts deposited in the Escrow Fund be deemed to be available for said purposes.

*Section 10. Liabilities and Obligations of Escrow Bank.* The Escrow Bank shall have no obligation to make any payment or disbursement of any type or incur any financial liability in the performance of its duties under this Escrow Agreement unless the City shall have deposited sufficient funds with the Escrow Bank. The Escrow Bank may rely and shall be protected in acting upon the written instructions of the City or its agents relating to any matter or action as Escrow Bank under this Escrow Agreement. The Escrow Bank shall have the same rights and protections hereunder as afforded to it as 2012 Trustee under the 2012 Indenture.

The Escrow Bank and its respective successors, assigns, agents and servants shall not be held to any personal liability whatsoever, in tort, contract, or otherwise, in connection with the execution and delivery of this Escrow Agreement, the establishment of the Escrow Fund, the acceptance of the moneys or any securities deposited therein, the purchase of the securities to be purchased pursuant hereto, the retention of such securities or the proceeds thereof, the sufficiency of the securities or any uninvested moneys held hereunder to accomplish the purposes set forth in Section 5 hereof, or any payment, transfer or other application of moneys or securities by the Escrow Bank in accordance with the provisions of this Escrow Agreement or by reason of any non-negligent act, non-negligent omission or non-negligent error of the Escrow Bank made in good faith in the conduct of its duties. The recitals of fact contained in the "whereas" clauses herein shall be taken as the statement of the City, and the Escrow Bank assumes no responsibility for the correctness thereof. The Escrow Bank makes no representations as to the sufficiency of the securities to be purchased pursuant hereto and any uninvested moneys to accomplish the purposes set forth in Section 5 hereof or to the validity of this Escrow Agreement as to the City and, except as otherwise provided herein, the Escrow Bank shall incur no liability in respect thereof. The Escrow Bank shall not be liable in connection with the performance of its duties under this Escrow Agreement except for its own negligence or willful misconduct, and the duties and obligations of the Escrow Bank shall be determined by the express provisions of this Escrow Agreement, and no implied covenants or obligations shall be read into this Escrow Agreement against the Escrow Bank. The Escrow Bank may consult with counsel, who may or may not be counsel to the City, and in reliance upon the written opinion of such counsel shall have full and complete authorization and protection in respect of any action taken, suffered or omitted by it in good faith in accordance therewith. Whenever the Escrow Bank shall deem it necessary or desirable that a matter be proved or established prior to taking, suffering, or omitting any action under this Escrow Agreement, such matter (except the matters set forth herein as specifically requiring a certificate of a nationally recognized firm of independent certified public accountants or an opinion of counsel) may be deemed to be conclusively established by a written certification of the City.

Anything in this Escrow Agreement to the contrary notwithstanding, in no event shall the Escrow Bank be liable for special, indirect, punitive or consequential loss or damage of any kind whatsoever (including but not limited to lost profits), even if the Escrow Bank has been advised of the likelihood of such loss or damage and regardless of the form of action.

The Escrow Bank shall have the right to accept and act upon instructions, including funds transfer instructions ("Instructions") given pursuant to this Escrow Agreement and delivered using Electronic Means ("Electronic Means" means mean the following communications methods: e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Escrow Bank, or another method or system specified by the Escrow Bank as available for use in connection with its services hereunder); provided, however, that the City shall provide to the Escrow Bank an incumbency certificate listing officers with the authority to provide such Instructions ("Authorized Officers") and containing specimen signatures of such Authorized Officers, which incumbency certificate shall be amended by the City whenever a person is to be added or deleted from the listing. If the City elects to give the Escrow Bank Instructions using Electronic Means and the Escrow Bank in its discretion elects to act upon such Instructions, the Escrow Bank's understanding of such Instructions shall be deemed controlling. The City understands and agrees that the Escrow Bank cannot determine the identity of the actual sender of such Instructions and that the Escrow Bank shall conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Escrow Bank have been sent by such Authorized Officer. The City shall be responsible for ensuring that only Authorized Officers transmit such Instructions to the Escrow Bank and that the City and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the City. The Escrow Bank shall not be liable for any losses, costs or expenses arising directly or indirectly from the Escrow Bank's reliance upon and compliance with such Instructions notwithstanding such directions conflict or are inconsistent with a subsequent written instruction. The City agrees: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Escrow Bank, including without limitation the risk of the Escrow Bank acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Escrow Bank and that there may be more secure methods of transmitting Instructions than the method(s) selected by the City; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Escrow Bank immediately upon learning of any compromise or unauthorized use of the security procedures.

The Escrow Bank may at any time resign by giving 30 days written notice of resignation to the City. Upon receiving such notice of resignation, the City shall promptly appoint a successor and, upon the acceptance by the successor of such appointment, release the resigning Escrow Bank from its obligations hereunder by written instrument, a copy of which instrument shall be delivered to each of the City, the resigning Escrow Bank and the successor. If no successor shall have been so appointed and have accepted appointment within 30 days after the giving of such notice of resignation, the resigning Escrow Bank may petition any court of competent jurisdiction for the appointment of a successor.

The City hereby assumes liability for, and hereby agrees (whether or not any of the transactions contemplated hereby are consummated), to the extent permitted by law, to indemnify, protect, save and hold harmless the Escrow Bank and its respective directors, officers, employees, successors, assigns, agents and servants from and against any and all liabilities, obligations, losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements (including legal fees and disbursements) of whatsoever kind and nature which may be imposed on, incurred by, or asserted against, at any time, the Escrow Bank (whether or not also indemnified against by any other person under any other agreement or instrument) and in any way relating to or arising out of the execution and delivery of this Escrow Agreement, the establishment of the Escrow Fund, the retention of the moneys therein and any

payment, transfer or other application of moneys or securities by the Escrow Bank in accordance with the provisions of this Escrow Agreement, or as may arise by reason of any act, omission or error of the Escrow Bank made in good faith in the conduct of its duties; provided, however, that the City shall not be required to indemnify the Escrow Bank against its own negligence or willful misconduct. The indemnities contained in this Section 9 shall survive the termination of this Escrow Agreement or the resignation or removal of the Escrow Bank.

*Section 11. Amendment.* This Escrow Agreement may be modified or amended at any time by a supplemental agreement which shall become effective when the written consents of the owners of one hundred percent (100%) in aggregate principal amount of the 2012 Bonds shall have been filed with the Escrow Bank. This Escrow Agreement may be modified or amended at any time by a supplemental agreement, without the consent of any such owners, but only (1) to add to the covenants and agreements of any party, other covenants to be observed, or to surrender any right or power herein or therein reserved to the City, (2) to cure, correct or supplement any ambiguous or defective provision contained herein, (3) in regard to questions arising hereunder or thereunder, as the parties hereto or thereto may deem necessary or desirable and which, in the opinion of counsel, shall not materially adversely affect the interests of the owners of the 2012 Bonds, and that such amendment will not cause interest on the 2012 Bonds to become subject to federal income taxation. In connection with any contemplated amendment or revocation of this Escrow Agreement, prior written notice thereof and draft copies of the applicable legal documents shall be provided by the City to each rating agency then rating the 2012 Bonds.

*Section 12. Severability.* If any section, paragraph, sentence, clause or provision of this Escrow Agreement shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, sentence clause or provision shall not affect any of the remaining provisions of this Escrow Agreement. Notice of any such invalidity or unenforceability shall be provided to each rating agency then rating the 2012 Bonds.

*Section 13. Notice of Escrow Bank and City.* Any notice to or demand upon the Escrow Bank may be served and presented, and such demand may be made, at the Principal Corporate Trust Office of the Escrow Bank as specified by the Escrow Bank as 2012 Trustee in accordance with the provisions of the 2012 Indenture. Any notice to or demand upon the City shall be deemed to have been sufficiently given or served for all purposes by being mailed by first class mail, and deposited, postage prepaid, in a post office letter box, addressed to such party as provided in the 2012 Installment Sale Agreement (or such other address as may have been filed in writing by the City with the Escrow Bank).

*Section 14. Merger or Consolidation of Escrow Bank.* Any company into which the Escrow Bank 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 Escrow Bank may sell or transfer all or substantially all of its corporate trust business, provided such company shall be eligible to act as trustee under the 2012 Indenture, shall be the successor hereunder to the Escrow Bank without the execution or filing of any paper or any further act.

*Section 15. Governing Law.* This Escrow Agreement shall be governed by the laws of the State of California.

IN WITNESS WHEREOF, the City and the Escrow Bank have each caused this Escrow Agreement to be executed by their duly authorized officers all as of the date first above written.

CITY OF COALINGA, CALIFORNIA

By \_\_\_\_\_  
City Manager

ATTEST:

\_\_\_\_\_  
City Clerk

U.S. BANK NATIONAL ASSOCIATION, as  
Escrow Bank and 2012 Trustee

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

## EXHIBIT A

### SCHEDULE OF ESCROWED FEDERAL SECURITIES

Type	Maturity	Coupon	Principal	Price	Cost	Accrued	Total
	04/01/21						
	10/01/21						
	04/01/22						

## EXHIBIT B

### PAYMENT AND REDEMPTION SCHEDULE

Date	Maturing Principal	Called Principal	Interest	Redemption Premium	Total Payment
04/01/21	\$225,000	—	\$299,426.50	—	\$ 524,426.50
10/01/21	—	—	295,207.50	—	295,207.50
04/01/22	235,000	\$11,740,000	295,207.50	—	12,270,207.50

## EXHIBIT C

### DEFEASANCE NOTICE Coalinga Public Financing Authority Revenue Bonds, Series 2012 (Water and Wastewater Financing Projects)

Maturity Date	Principal Amount Defeased	Interest Rate	CUSIP Number
4/1/21	\$ 225,000	3.750%	19021E FM1
4/1/22	235,000	3.875	19021E FN9
4/1/23	240,000	4.100	19021E FP4
4/1/24	250,000	4.250	19021E FQ2
4/1/25	265,000	4.375	19021E FR0
4/1/30	1,525,000	5.000	19021E FW9
4/1/35	1,860,000	5.000	19021E FY5
4/1/48	7,600,000	5.000	19021E FZ2

NOTICE IS HEREBY GIVEN, on behalf of the City of Coalinga (the "City") to the owners of the outstanding Coalinga Public Financing Authority Revenue Bonds, Series 2012 (Water and Wastewater Financing Projects), described above (the "Bonds"), that pursuant to the indenture authorizing the issuance of the Bonds (the "Indenture"), the lien of the Indenture with respect to the Bonds has been discharged through the irrevocable deposit of cash and U.S. Treasury Securities in an escrow fund (the "Escrow Fund"). The Escrow Fund has been established and is being maintained pursuant to that certain Escrow Agreement, dated March 4, 2021, by and between the City and U.S. Bank National Association, as escrow bank (the "Escrow Bank"). As a result of such deposit, the Bonds are deemed to have been paid and defeased in accordance with the Indenture. The pledge of the funds provided for under the Indenture and all other obligations of the Coalinga Public Financing Authority and the City to the owners of the defeased Bonds shall hereafter be limited to the application of moneys in the Escrow Fund for the payment of the Bonds as described below.

The cash and U.S. Treasury Securities deposited in the Escrow Fund have been calculated to provide for the payment of the principal of and interest on the Bonds to and including April 1, 2022, and for the redemption of all outstanding Bonds on April 1, 2022, at a redemption price equal to 100% of the principal amount thereof.

Dated: \_\_\_\_\_, 2021

U.S. BANK NATIONAL  
ASSOCIATION, as Trustee

## EXHIBIT D

### NOTICE OF FULL/FINAL REDEMPTION

Coalinga Public Financing Authority  
Revenue Bonds, Series 2012  
(Water and Wastewater Financing Projects)

Original Issue Date	Maturity Date	Amount Redeemed	Interest Rate	Redemption Premium	Redemption Price	CUSIP Number
4/12/12	4/1/23	\$ 240,000	4.100%	—	\$ 240,000	19021E FP4
4/12/12	4/1/24	250,000	4.250	—	250,000	19021E FQ2
4/12/12	4/1/25	265,000	4.375	—	265,000	19021E FR0
4/12/12	4/1/30	1,525,000	5.000	—	1,525,000	19021E FW9
4/12/12	4/1/35	1,860,000	5.000	—	1,860,000	19021E FY5
4/12/12	4/1/48	7,600,000	5.000	—	7,600,000	19021E FZ2

**NOTICE** is hereby given that the outstanding Coalinga Public Financing Authority Revenue Bonds, Series 2012 (Water and Wastewater Financing Projects), described above (the “Bonds”), have been called for redemption on April 1, 2022 (the “Redemption Date”), at a price equal to 100% of the principal amount thereof (the “Redemption Price”). The Bonds are being called for redemption on the Redemption Date pursuant to the provisions of the governing documents of the Bonds.

On the Redemption Date, the Redemption Price will become due and payable upon each Bond and interest with respect thereto shall cease to accrue from and after the Redemption Date.

The Redemption Price is payable by the Trustee at:

U.S. Bank National Association  
Global Corporate Trust  
111 Fillmore Avenue E  
St. Paul, MN 55107

Owners of Bonds presenting their Bonds in person for the same day payment must surrender their Bonds by 1:00 p.m. CST on the Redemption Date and a check will be available for pickup after 2:00 p.m. CST. Checks not picked up by 4:30 p.m. CST will be mailed to the Bond holder by first class mail.

If payment of the Redemption Price is to be made to the registered owner of the Bond you are not required to endorse the Bond to collect the Redemption Price.

Interest with respect to the principal amount designated to be redeemed shall cease to accrue on and after the Redemption Date.

#### IMPORTANT NOTICE

Federal law requires the Paying Agent to withhold taxes at the applicable rate from the payment if an IRS Form W-9 or applicable IRS Form W-8 is not provided. Please visit [www.irs.gov](http://www.irs.gov) for additional information on the tax forms and instructions.

Neither the Authority nor the Trustee shall be held responsible for the selection or use of the CUSIP number, nor is any representation made as to its correctness as shown in the Redemption Notice. It is included solely for convenience of the Holders.

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

U.S. BANK NATIONAL ASSOCIATION, as  
Trustee



\$ \_\_\_\_\_  
**COALINGA PUBLIC FINANCING AUTHORITY**  
**Revenue Bonds, Series 2021A**  
**(Water and Wastewater Financing Projects)**  
**(Federally Taxable)**

\$ \_\_\_\_\_  
**COALINGA PUBLIC FINANCING AUTHORITY**  
**Revenue Bonds, Series 2021B**  
**(Water Project)**  
**(Tax-Exempt)**

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**BOND PURCHASE AGREEMENT**

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March 3, 2021

Coalinga Public Financing Authority  
155 West Durian  
Coalinga, CA 93210

City of Coalinga  
155 West Durian  
Coalinga, CA 93210

Ladies and Gentlemen:

The undersigned, Oppenheimer & Co., Inc. (the "Underwriter"), hereby offers to enter into this Bond Purchase Agreement (the "Bond Purchase Agreement") with the Coalinga Public Financing Authority (the "Authority") and the City of Coalinga (the "City"), which, upon the Authority's and City's acceptance hereof, will be binding upon the Authority, the City and the Underwriter. This offer is made subject to written acceptance by the Authority and the City and the delivery of such acceptance to the Underwriter at or prior to 9:00 A.M., California time, on the date hereof. If this offer is not so accepted, this offer will be subject to withdrawal by the Underwriter upon notice delivered to the Authority and the City at any time prior to acceptance by the Authority and the City. All capitalized terms used herein and not otherwise defined herein shall have the respective meanings ascribed thereto in the Official Statement (as defined herein).

**1. Purchase, Sale and Delivery of the Bonds.**

(a) Subject to the terms and conditions, and in reliance upon the representations, warranties and agreements set forth herein, the Underwriter hereby agrees to purchase, and the

Authority agrees to sell and deliver to the Underwriter, all (but not less than all) of the \$\_\_\_\_\_ Coalinga Public Financing Authority (Fresno County, California) Revenue Bonds, Series 2021A (Water and Wastewater Financing Projects) (Federally Taxable) (the "Series A Bonds"), and the \$\_\_\_\_\_ Coalinga Public Financing Authority (Fresno County, California) Revenue Bonds, Series 2021B (Water Project) (Tax-Exempt) (the "Series B Bonds" and, with the Series A Bonds, the "Bonds"). The Bonds shall be dated the date of delivery thereof and shall mature on such dates and shall bear interest at such rates set forth in Exhibit A attached hereto. Interest on the Bonds shall be payable semiannually on April 1 and October 1 of each year, commencing October 1, 2021.

(b) The purchase price for the Series A Bonds shall be \$\_\_\_\_\_ (consisting of the \$\_\_\_\_\_.00 aggregate principal amount of the Series A Bonds, less \$\_\_\_\_\_ of Underwriter's discount). As an accommodation to the Authority, the Underwriter will transfer the sum of \$\_\_\_\_\_ to \_\_\_\_\_ (the "Municipal Bond Insurer") in payment of the municipal bond insurance policy issued for the Series A Bonds (the "Series A Municipal Bond Insurance Policy") and will transfer the sum of \$\_\_\_\_\_ to the Municipal Bond Insurer in payment of a portion of the costs of the reserve fund municipal bond insurance policy issued for the Bonds in lieu of cash funding a reserve fund for the Bonds (the "Reserve Policy"). The net purchase price of the Series A Bonds of \$\_\_\_\_\_ will be transferred to the Trustee.

The purchase price for the Series B Bonds shall be \$\_\_\_\_\_ (consisting of the \$\_\_\_\_\_.00 aggregate principal amount of the Series B Bonds, plus \$\_\_\_\_\_ of net original issue premium, less \$\_\_\_\_\_ of Underwriter's discount). As an accommodation to the Authority, the Underwriter will transfer the sum of \$\_\_\_\_\_ to the Municipal Bond Insurer in payment of the municipal bond insurance policy issued for the Series B Bonds (the "Series B Municipal Bond Insurance Policy" and, with the Series A Municipal Bond Insurance Policy, the "Municipal Bond Insurance Policies") and will transfer the sum of \$\_\_\_\_\_ to the Municipal Bond Insurer in payment of a portion of the costs of the Reserve Policy. The net purchase price of the Series B Bonds of \$\_\_\_\_\_ will be transferred to the Trustee.

All capitalized terms used but not otherwise defined herein shall have the meanings ascribed thereto in Section 1.01 of the Indenture.

(c) The Bonds shall be issued pursuant to the Marks-Roos Local Bond Pooling Act of 1985, consisting of Article 4, Chapter 5, Division 7, Title 1 of the California Government Code (commencing with Section 6584) (the "Bond Law"), and an Indenture of Trust, dated as of March 1, 2021 (the "Indenture"), by and between the Authority and Wells Fargo Bank, National Association, as trustee (the "Trustee"), a resolution of the governing body of the Authority adopted on February 4, 2021 (the "Authority Resolution"), and a resolution of the City, adopted on February 4, 2021 (the "City Resolution").

(e) The Bonds shall be substantially in the form described in, and shall be issued and secured under the provisions of, the Indenture. The Bonds shall be secured by a pledge, charge and lien upon Revenues which consist primarily of (a) installment payments to be made by the City to the Authority pursuant to an installment sale agreement, dated as of March 1, 2021 (the "Water Installment Sale Agreement"), by and between the City and the Authority, and (b) installment payments to be made by the City to the Authority pursuant to an installment sale agreement, dated as of March 1, 2021 (the "Wastewater Installment Sale Agreement"), by and between the City and the Authority.

The Series A Bonds are being issued by the Authority (a) in part to refund, on an advance basis, the outstanding Coalinga Public Financing Authority Revenue Bonds, Series 2012 (Water and Wastewater Financing Projects) (the "2012 Bonds") issued to finance and

refinance the acquisition and construction of certain improvements and facilities constituting part of the City's municipal water enterprise (the "Water System") and to finance and refinance the acquisition and construction of certain improvements and facilities constituting part of the City's municipal wastewater enterprise (the "Wastewater System"), (b) to purchase the Series A Municipal Bond Insurance Policy and a portion of the cost of the Reserve Policy, and (c) to pay costs of issuance of the Series A Bonds.

The Series B Bonds are being issued by the Authority (a) finance the acquisition and construction of certain new improvements and facilities constituting part of the Water System (the "Water Improvement Project"), (b) to purchase the Series B Municipal Bond Insurance Policy and a portion of the cost of the Reserve Policy, and (c) to pay costs of issuance of the Series B Bonds.

The Bonds are special obligations of the Authority payable from revenues (the "Revenues"), consisting primarily of installment payments (the "Water Installment Payments") payable by the City under the Water Installment Sale Agreement and of installment payments (the "Wastewater Installment Payments") payable by the City under the Wastewater Installment Sale Agreement.

The City will undertake, pursuant to a continuing disclosure certificate (the "Continuing Disclosure Certificate") to provide certain annual financial information, specified other information data and notices of the occurrence of certain events, if material, to IGService, the initial Dissemination Agent, or any successor Dissemination Agent. A description of this undertaking is set forth in the Preliminary Official Statement (as defined herein) and will also be set forth in the Official Statement (as defined herein).

The Indenture, the Water Installment Sale Agreement, the Wastewater Installment Sale Agreement, the Continuing Disclosure Certificate, this Bond Purchase Agreement, that certain Water Acquisition Agreement, dated as of March 1, 2021, pursuant to which the City will sell the Water System to the Authority, to be sold back to the City, together with the Water Improvement Project, under the Water Installment Sale Agreement (the "Water Acquisition Agreement"), that certain Wastewater Acquisition Agreement, dated as of March 1, 2021, pursuant to which the City will sell the Wastewater System to the Authority, to be sold back to the City, under the Wastewater Installment Sale Agreement (the "Wastewater Acquisition Agreement"), and that certain Escrow Agreement, dated the Closing Date (hereinafter defined), by and between the City and U.S. Bank National Association, as escrow bank (the "Escrow Bank"), relating to the defeasance of the 2012 Bonds (the "Escrow Agreement"), are herein referred to as the "Financing Documents."

(c) At 8:00 o'clock A.M., Pacific Standard time, on March 16, 2021, or at such other time or on such other date as mutually agreed upon by the Authority, the City and the Underwriter (such time and date herein referred to as the "Closing Date"), the Authority will, subject to the terms and conditions hereof, sell and deliver, or cause to be delivered, the Bonds to the Underwriter, in definitive form, duly executed and authenticated, together with the other documents mentioned herein, and subject to the terms and conditions hereof, the Underwriter will accept such delivery and pay the purchase price of the Bonds as set forth in subparagraph (a) above in immediately available funds (such delivery and payment being herein referred to as the "Closing") to the order of the Trustee. Sale, delivery and payment as aforesaid shall be made at the offices of Quint & Thimmig LLP ("Bond Counsel"), 900 Larkspur Landing Circle, Suite 270, Larkspur, California, or such other place as shall have been mutually agreed upon by the Authority, the City and the Underwriter, except that the Bonds shall be delivered through the Trustee via the F.A.S.T. delivery book-entry system of The Depository Trust Company ("DTC") in New York, New York, or at such other place as shall have been

mutually agreed upon by the Authority and the Underwriter, in fully registered book-entry eligible form (which may be typewritten) and registered in the name of Cede & Co. as nominee of DTC.

**2. Use and Preparation of Official Statement.** The Authority and the City hereby ratify, confirm and approve of the use and distribution by the Underwriter prior to the date hereof of an official statement in preliminary form dated February 23, 2021, relating to the Bonds (which, together with all appendices thereto, is referred to herein as the "Preliminary Official Statement"). The Authority and the City have deemed final the Preliminary Official Statement as of its date for purposes of Rule 15c2-12 promulgated by the U.S. Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12"), except for information permitted to be omitted therefrom by Rule 15c2-12. The Authority and the City hereby agree to deliver or cause to be delivered to the Underwriter, within seven (7) business days of the date hereof and at least in sufficient time to accompany any orders or confirmations that request payment from any customer, copies of the final official statement, dated the date hereof (which, together with all information previously permitted to have been omitted by Rule 15c2-12 and any amendments or supplements to such official statement as have been approved by the Authority, the City and the Underwriter is referred to herein as the "Official Statement") in sufficient quantity to enable the Underwriter to comply with the rules of the U.S. Securities and Exchange Commission and the Municipal Securities Rulemaking Board. The Authority and the City hereby approve of the use and distribution by the Underwriter of the Official Statement in connection with the offer and sale of the Bonds. At the time of or prior to the Closing Date, the Underwriter shall file a copy of the Official Statement with the Municipal Securities Rulemaking Board and with a nationally recognized securities information repository. The Underwriter shall advise the Authority and the City of the date and repository of such filing.

**3. Bona Fide Public Offering.** The Underwriter agrees to make a bona fide public offering of all of the Bonds, at prices not in excess of the initial public offering yields or prices set forth on the cover page of the Official Statement (defined below). Subject to Section 3(c), the Bonds may be offered and sold to certain dealers at prices lower than such initial public offering prices; provided, however, that the Underwriter may offer a portion of the Bonds for sale to selected dealers who are members of the Financial Industry Regulatory Authority and who agree to resell the Bonds to the public on terms consistent with this Bond Purchase Agreement, and the Underwriter reserves the right to change such offering prices or yields as the Underwriter shall deem necessary in connection with the marketing of the Bonds and to offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into investment trusts) and others at prices lower than the initial offering prices or at yields higher than the initial yields set forth on Exhibit A attached hereto. The Underwriter also reserves the right to over-allot or effect transactions that stabilize or maintain the market price of the Bonds at a level above that which might otherwise prevail in the open market and to discontinue such stabilizing, if commenced, at any time. None of such activities shall affect the principal amounts, maturity dates, interest rates, redemption or other provision of the Bonds or the amount to be paid by the Underwriter to the Authority for the Bonds.

#### **4. Establishment of Issue Price.**

(a) The Underwriter agrees to assist the Authority in establishing the issue price of the Series B Bonds and shall execute and deliver to the Authority at Closing an "issue price" or similar certificate, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit B, with such modifications as may be appropriate or necessary, in the reasonable judgment of the Underwriter, the Authority and Series B Bond Counsel, to accurately reflect, as applicable, the sales price or prices or the initial

offering price or prices to the public of the Series B Bonds. All actions to be taken by the Authority under this section to establish the issue price of the Series B Bonds may be taken on behalf of the Authority by the Authority's municipal advisor identified herein and any notice or report to be provided to the Authority may be provided to the Authority's municipal advisor.

(b) The Authority will treat the first price at which 10% of each maturity of the Series B Bonds (the "10% test") is sold to the public as the issue price of that maturity (if different interest rates apply within a maturity, each separate CUSIP number within that maturity will be subject to the 10% test). At or promptly after the execution of this Bond Purchase Agreement, the Underwriter shall report to the Authority the price or prices at which it has sold to the public each maturity of Series B Bonds. If at that time the 10% test has not been satisfied as to any maturity of the Series B Bonds, the Underwriter agrees to promptly report to the Authority the prices at which it sells the unsold Series B Bonds of that maturity to the public. That reporting obligation shall continue, whether or not the Closing Date has occurred, until the 10% test has been satisfied as to the Series B Bonds of that maturity or until all Series B Bonds of that maturity have been sold to the public.

(c) The Underwriter confirms that any selling group agreement and any retail distribution agreement relating to the initial sale of the Series B Bonds to the public, together with the related pricing wires, contains or will contain language obligating each dealer who is a member of the selling group and each broker-dealer that is a party to such retail distribution agreement, as applicable, to (A) report the prices at which it sells to the public the unsold Series B Bonds of each maturity allotted to it until it is notified by the Underwriter that either the 10% test has been satisfied as to the Series B Bonds of that maturity or all Series B Bonds of that maturity have been sold to the public and (B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the Underwriter. The Authority acknowledges that, in making the representation set forth in this subsection, the Underwriter will rely on (i) in the event a selling group has been created in connection with the initial sale of the Series B Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the hold-the-offering-price rule, if applicable, as set forth in a selling group agreement and the related pricing wires, and (ii) in the event that a retail distribution agreement was employed in connection with the initial sale of the Series B Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the hold-the-offering-price rule, if applicable, as set forth in the retail distribution agreement and the related pricing wires. The Authority further acknowledges that the Underwriter shall not be liable for the failure of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail distribution agreement, to comply with its corresponding agreement regarding the hold-the-offering-price rule as applicable to the Series B Bonds.

(d) The Underwriter acknowledges that sales of any Series B Bonds to any person that is a related party to the Underwriter shall not constitute sales to the public for purposes of this section. Further, for purposes of this section:

(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 Authority (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Series B Bonds 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 Series B Bonds 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 Series B Bonds to the public),

(iii) a purchaser of any of the Series B Bonds is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and

(iv) “sale date” means the date of execution of this Bond Purchase Agreement by all parties.

## **5. Representations, Warranties and Agreements of the Authority and the City.**

(a) The Authority hereby represents, warrants and agrees with the Underwriter as follows:

(1) The Authority is, and will be on the Closing Date, a joint powers agency of the State of California organized and operating pursuant to the laws of the State of California with the full power and authority to issue the Bonds pursuant to the Bond Law, to execute and deliver the Official Statement and to enter into the Financing Documents to which the Authority is a party;

(2) By all necessary official action of the Authority prior to or concurrently with the acceptance hereof, the Authority has duly approved the distribution of the Preliminary Official Statement and the execution, delivery and distribution of the Official Statement, and has duly authorized and approved the execution and delivery of, and the performance by the Authority of the obligations on its part contained in, the Financing Documents to which the Authority is a party and the consummation by it of all other transactions contemplated by the Official Statement and the Financing Documents to which the Authority is a party;

(3) The Authority is not in breach of or default under any applicable constitutional provision, law or administrative regulation to which it is subject or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Authority is a party or to which the Authority or any of its property or assets 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 such a default or event of default in any material respect under any such instrument; and the issuance of the Bonds and the execution and delivery of the Official Statement and the Financing Documents to which the Authority is a party and compliance with the provisions on the Authority’s part contained herein and therein, will not in any material respect conflict with or constitute a breach of or default under any law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Authority is a party or is otherwise subject, nor will any such execution, delivery, adoption 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 the properties or assets of the Authority under the terms of any such law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument,

except as provided in the Indenture, the Water Installment Sale Agreement or the Wastewater Installment Sale Agreements;

(4) There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental agency, public board or body, pending or, to the best knowledge of the Authority, threatened against the Authority affecting the corporate existence of the Authority or affecting or seeking to prohibit, restrain or enjoin the issuance, sale or delivery of the Bonds or contesting or affecting the execution and delivery of the Financing Documents or the Bonds or the lien or pledge or application of any moneys or security provided thereby, or in any way contesting or affecting the validity or enforceability of the Financing Documents, the Bonds or the Authority Resolution, or the compliance by the Authority with the covenants contained in the Financing Documents, or contesting in any way the completeness or accuracy of the Preliminary Official Statement and the Official Statement relating to the Bonds, or contesting the power of the Authority to execute and deliver the Financing Documents to which the Authority is a party or the Bonds, nor to the best of the Authority's knowledge, is there any basis therefore, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity or enforceability of the Bonds or the Financing Documents or materially impair the investment quality or value of the Bonds;

(5) All authorizations, approvals, licenses, permits, consents and orders of any governmental authority, legislative body, board, agency or commission having jurisdiction of the matter which are required for the due authorization by, or which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by, the Authority of its obligations in connection with the issuance of the Bonds under the Indenture have been duly obtained, except for such approvals, consents and orders as may be required under the Blue Sky or securities laws of any state in connection with the offering and sale of the Bonds; and, except as described in or contemplated by the Official Statement, all authorizations, approvals, licenses, permits, consents and orders of any governmental authority, board, agency or commission having jurisdiction of the matter which are required for the due authorization by, or which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by, the Authority of its obligations under the Financing Documents to which the Authority is a party have been duly obtained;

(6) The Authority 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 Bonds 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 Bonds for investment under the laws of such states and other jurisdictions, and will use its best efforts to continue such qualification in effect so long as required for distribution of the Bonds; provided, however, that in no event shall the Authority be required to take any action which would subject it to service of process in any jurisdiction in which it is not now so subject;

(7) As of the date thereof, the Preliminary Official Statement (excluding information concerning DTC and the book-entry system as to which no representation is made) did not, except as revised by the Official Statement, contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(8) As of the date thereof and at all times subsequent thereto to and including the date which is 25 days following the End of the Underwriting Period (as such term is hereinafter defined) for the Bonds, the Official Statement (excluding information concerning DTC and the book-entry system as to which no representation is made) did not and will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(9) If between the date hereof and the date which is 25 days after the End of the Underwriting Period for the Bonds, an event occurs which might or would cause the information contained in the Official Statement (other than information concerning DTC and the book-entry system), as then supplemented or amended, to contain an untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make such information therein, in light of the circumstances under which it was presented, not misleading, the Authority will notify the Underwriter, and, if in the opinion of the Authority, the Underwriter or their respective counsel, such event requires the preparation and publication of a supplement or amendment to the Official Statement, the Authority will forthwith prepare and furnish to the Underwriter (at the expense of the Authority) a reasonable number of copies of an amendment of or supplement to the Official Statement (in form and substance satisfactory to the Underwriter) which will amend or supplement the Official Statement so that it will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at the time the Official Statement is delivered to prospective purchasers, not misleading. For the purposes of this subsection, between the date hereof and the date which is 25 days after the End of the Underwriting Period for the Bonds, the Authority will furnish such information with respect to itself as the Underwriter may from time to time reasonably request;

(10) If the information contained in the Official Statement is amended or supplemented pursuant to paragraph (9) of this Section 3(a), at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such paragraph) at all times subsequent thereto up to and including the date which is 25 days after the End of the Underwriting Period for the Bonds, the portions of the Official Statement so supplemented or amended (other than information concerning DTC and the book-entry system) will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make such information therein, in the light of the circumstances under which it was presented, not misleading;

(11) After the Closing Date, the Authority will not participate in the issuance of any amendment of or supplement to the Official Statement to which, after being furnished with a copy, the Underwriter shall reasonably object in writing; and

(12) Any certificate signed by any authorized official of the Authority, and delivered to the Underwriter in connection with the delivery of the Bonds, shall be deemed a representation and warranty by the Authority to the Underwriter as to the statements made therein.



(b) The City represents, warrants and covenants to the Underwriter that:

(1) The City is and on the Closing Date will be a municipal corporation of the State of California, with the legal right, power and authority to approve the issuance of the Bonds, approve the Official Statement, execute, deliver and perform its obligations under this Bond Purchase Agreement and the Financing Documents to which it is a party, and to carry out its obligations as described therein;

(2) The City has duly approved this Bond Purchase Agreement and the distribution of the Preliminary Official Statement, the execution and delivery of, and the performance by the City of the obligations on its part contained in the Bonds and the Financing Documents to which it is a party, and the consummation by it of all other transactions contemplated by the Official Statement and this Bond Purchase Agreement;

(3) The Financing Documents to which the City is a party, when duly executed by the other party thereto, will constitute the legal, valid and binding agreements of the City enforceable against the City in accordance with their respective terms; except as enforcement of each of the Financing Documents may be limited by bankruptcy, insolvency, moratorium, reorganization, fraudulent conveyance laws, laws affecting the enforcement of creditors rights, the application of equitable principles and judicial discretion, by the covenant of good faith and fair dealing which may be implied by law into contracts, and by the limitations on legal remedies against public agencies in the State of California;

(4) Except as otherwise disclosed in the Official Statement, the City is not in any material respect, in breach of or default under (i) any applicable law or administrative regulation of the State of California or the United States or any applicable judgment or decree or (ii) any material loan agreement, indenture, bond, note, resolution, agreement or other instrument to which it 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 an event of default under any such instrument;

(5) The approval of the Official Statement, the execution and delivery of this Bond Purchase Agreement, the Bonds and the Financing Documents to which the City is a party, the consummation of the transactions herein and therein contemplated, and the fulfillment of or compliance with the terms and conditions hereof and thereof will not conflict with or constitute a violation or breach of or default (with due notice or the passage of time or both) under any applicable law or administrative rule or regulation, or any applicable court or administrative decree or order, or, to the knowledge of the City, any indenture, mortgage, deed of trust, installment purchase agreement, lease, contract or other agreement or instrument to which it is a party, or result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the City's assets, which conflict, violation, breach, default, lien, charge or encumbrance might have consequences that would materially and adversely affect the consummation of the transactions contemplated by this Bond Purchase Agreement, the Official Statement, the Financing Documents to which the City is a party, or the financial condition, assets, properties or operations of the City;

(6) No consent or approval of any trustee or holder of any indebtedness of the City, and no consent, permission, authorization, order or license of, or filing or registration with, any governmental authority (except in connection with Blue Sky proceedings, if any) is necessary in connection with the execution and delivery of the Bonds, this Bond Purchase Agreement or the Financing Documents to which the City is

a party, or the consummation of any transaction therein or herein contemplated on the part of the City, except as have been obtained or made and as are in full force and effect or, as appropriate, will be in full force and effect at the Closing;

(7) Except as otherwise disclosed in the Official Statement, there is no action, suit, proceeding, inquiry or investigation before or by any court or federal, state, municipal or other governmental authority pending or, to the knowledge of the City, threatened against or affecting the City which, if determined adversely to the City or the interests thereof, would (a) affect the creation, organization, existence or powers of the City or the titles of its officers or officials to their respective offices; (b) in any way question or affect the validity or enforceability of any of the Financing Documents or the City Resolution; (c) find illegal, invalid or unenforceable any of the Financing Documents or the transactions contemplated thereby, or any other agreement or instrument related to the issuance of the Bonds; (d) affect the issuance or delivery of any of the Bonds, the payment or collection of any revenues or charges of the Water System and the Wastewater System, the validity of the pledge of or lien on such revenues or charges for the payment of the Water Installment Payments payable by the City under the Water Installment Sale Agreement and for the payment of the Wastewater Installment Payments payable by the City under the Wastewater Installment Sale Agreement; (e) affect the power and authority of the City to establish, maintain and collect rates and charges for sewer collection and treatment and other services, facilities and commodities sold, furnished or supplied through the facilities of the Wastewater System; or (f) contest the completeness or accuracy of the Official Statement;

(8) Except as otherwise disclosed in the Official Statement, the City does not and will not have outstanding any indebtedness or obligation which is secured by a pledge of or lien on the Water Net Revenues superior to or on a parity with the lien of the Water Installment Payments on the Water Net Revenues and the City does not and will not have outstanding any indebtedness or obligation which is secured by a pledge of or lien on the Wastewater Net Revenues superior to or on a parity with the lien of the Wastewater Installment Payments on the Wastewater Net Revenues.

(9) As of the date thereof, the Preliminary Official Statement (excluding information concerning DTC and the book-entry system as to which no representation is made) did not, except as revised by the Official Statement, contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(10) As of the date thereof and at all times subsequent thereto to and including the date which is 25 days following the End of the Underwriting Period (as such term is hereinafter defined) for the Bonds, the Official Statement (excluding information concerning DTC and the book-entry system as to which no representation is made) did not and will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(11) If between the date hereof and the date which is 25 days after the End of the Underwriting Period for the Bonds, an event occurs which might or would cause the information contained in the Official Statement (other than information concerning DTC and the book-entry system), as then supplemented or amended, to contain an untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make such information therein, in light of the circumstances under which it was presented, not misleading, the City will notify the Underwriter, and,

if in the opinion of the City, the Underwriter or their respective counsel, such event requires the preparation and publication of a supplement or amendment to the Official Statement, the City will forthwith prepare and furnish to the Underwriter (at the expense of the City) a reasonable number of copies of an amendment of or supplement to the Official Statement (in form and substance satisfactory to the Underwriter) which will amend or supplement the Official Statement so that it will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at the time the Official Statement is delivered to prospective purchasers, not misleading. For the purposes of this subsection, between the date hereof and the date which is 25 days after the End of the Underwriting Period for the Bonds, the City will furnish such information with respect to itself as the Underwriter may from time to time reasonably request;

(12) If the information contained in the Official Statement is amended or supplemented pursuant to paragraph (10) of this Section 3(b), at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such paragraph) at all times subsequent thereto up to and including the date which is 25 days after the End of the Underwriting Period for the Bonds, the portions of the Official Statement so supplemented or amended (other than information concerning DTC and the book-entry system) will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make such information therein, in the light of the circumstances under which it was presented, not misleading;

(13) After the Closing Date, the City will not participate in the issuance of any amendment of or supplement to the Official Statement to which, after being furnished with a copy, the Underwriter shall reasonably object in writing;

(14) Between the date of this Bond Purchase Agreement and the Closing Date, except as disclosed in the Official Statement, the City will not, without the prior written consent of the Underwriter, offer or issue any bonds, notes or other obligations for borrowed money, or incur any material liabilities direct or contingent, payable from Gross Revenues of the Wastewater System, other than in the ordinary course of its business, nor will there be any adverse change of a material nature in the financial position, results of operations or condition, financial or otherwise, of the City;

(15) No current study undertaken by or on behalf of the City regarding the feasibility of the Water Improvement Project (as defined in the Official Statement) has been excluded from mention in the Official Statement;

(16) Except as otherwise disclosed in the Official Statement, the City has not in the previous five years failed to comply in any material respect, and is as of the date hereof in compliance in all material respects, with its disclosure obligations under any prior undertaking related to the Securities and Exchange Commission Rule 15c2-12 to provide annual reports or notices of enumerated events; and

(17) Any certificate signed by any authorized official of the City, and delivered to the Underwriter in connection with the delivery of the Bonds, shall be deemed a representation and warranty by the City to the Underwriter as to the statements made therein.

(c) As used herein and for the purposes of the foregoing, the term "End of the Underwriting Period" for the Bonds shall mean the earlier of (i) the Closing Date unless the

Authority and the City shall have been notified in writing to the contrary by the Underwriter on or prior to the Closing Date, or (ii) the date on which the End of the Underwriting Period for the Bonds has occurred under Rule 15c2-12; provided, however, that the Authority and the City may treat as the End of the Underwriting Period for the Bonds the date specified as such in a notice from the Underwriter stating the date which is the End of the Underwriting Period.

(d) The representations, warranties and agreements herein shall survive the Closing Date and any investigation made on behalf of the Authority (with respect to subsection (a) of this Section 3), the City (with respect to subsection (b) of this Section 3) and the Underwriter of any matters described in or related the transactions hereby and by this Bond Purchase Agreement, the Official Statement, the Bonds and the Financing Documents to which the Authority or the City, as the case may be, is a party.

**6. Conditions to the Obligations of the Underwriter.** The Underwriter hereby enters into this Bond Purchase Agreement in reliance upon the representations and warranties of the Authority and the City contained herein and the representations and warranties of the Authority and the City to be contained in the documents and instruments to be delivered on or prior to the Closing Date and upon the performance by the Authority and the City of their obligations both on and as of the date hereof and as of the Closing Date. Accordingly, the Underwriter's obligations under this Bond Purchase Agreement to purchase, to accept delivery of and to pay for the Bonds shall be subject, at the option of the Underwriter, to the accuracy in all material respects of the representations and warranties of the Authority and the City contained herein as of the date hereof and as of the Closing Date, to the accuracy in all material respects of the statements of the officers and other officials of the Authority and the City made in any certificate or other document furnished pursuant to the provisions hereof, to the performance by the Authority and the City of their obligations to be performed hereunder and under such documents and instruments at or prior to the Closing Date, and also shall be subject to the following additional conditions:

(a) The Underwriter shall receive, within seven (7) business days of the date hereof and at least in sufficient time to accompany any orders or confirmations that request payment from any customer, copies of the Official Statement (including all information previously permitted to have been omitted by Rule 15c2-12 and any amendments or supplements as have been approved by the Underwriter), in such quantity as the Underwriter shall have requested pursuant to Section 2 hereof;

(b) The representations and warranties of the Authority and the City contained herein shall be true and correct on the date hereof and on the Closing Date, as if made on and at the Closing Date;

(c) As of the Closing Date, the Financing Documents shall have been duly authorized, executed and delivered by the respective parties thereto, and the Official Statement shall have been duly authorized, executed and delivered by the Authority, all in substantially the forms heretofore submitted to the Underwriter, with only such changes as shall have been agreed to in writing by the Underwriter, and such Financing Documents shall be in full force and effect and shall not have been amended, modified or supplemented and the Official Statement shall not have been supplemented or amended, except in any such case as may have been agreed to by the Underwriter; and there shall be in full force and effect such resolution or resolutions of the Authority and the City as, in the opinion of Bond Counsel, shall be necessary or appropriate in connection with the transactions contemplated hereby;

(d) Between the date hereof and the Closing Date, the market price or marketability, at the initial public offering prices set forth in the Official Statement, of the Bonds shall not have

been materially adversely affected, in the judgment of the Underwriter (evidenced by a written notice to the Authority terminating the obligation of the Underwriter to accept delivery of and make any payment for the Bonds), by reason of any of the following:

(1) an amendment to the Constitution of the United States or the State of California shall have been passed or legislation shall have been introduced in or enacted by the Congress of the United States or the legislature of any state having jurisdiction of the subject matter or legislation pending in the Congress of the United States shall have been amended or legislation shall have been recommended to the Congress of the United States or to any state having jurisdiction of the subject matter or otherwise endorsed for passage (by press release, other form of notice or otherwise) 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 legislation shall have been proposed for consideration by either such Committee by any member thereof or presented as an option for consideration by either such Committee by the staff of such Committee or by the staff of the Joint Committee on Taxation of the Congress of the United States, or legislation shall have been favorably reported for passage 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 a decision shall have been rendered by a court of the United States or of the State of California or the Tax Court of the United States, or a ruling shall have been made or a regulation or temporary regulation shall have been proposed or made or any other release or announcement shall have been made by the Treasury Department of the United States, the Internal Revenue Service or other federal or State of California authority, with respect to federal or State of California taxation upon revenues or other income of the general character to be derived by the Authority or upon interest received on obligations of the general character of the Bonds which may have the purpose or effect, directly or indirectly, of affecting the tax status of the Authority, its property or income, its securities (including the Bonds) or the interest thereon, or any tax exemption granted or authorized by State of California legislation or materially and adversely affecting the market for the Bonds or the market price generally of obligations of the general character of the Bonds;

(2) legislation enacted, introduced in the Congress or recommended for passage by the President of the United States, or a decision rendered by a court established under Article III of the Constitution of the United States or by the Tax Court of the United States, or an order, ruling, regulation (final, temporary or proposed) or official statement issued or made by or on behalf of the Securities and Exchange Commission, or any other governmental agency having jurisdiction of the subject matter shall have been made or issued to the effect that obligations of the general character of the Bonds, or the Bonds, including any or all underlying arrangements, are not exempt from registration under the Securities Act of 1933, as amended, or that the Indenture is not exempt from qualification under the Trust Indenture Act of 1939, as amended;

(3) any legislation, ordinance, rule or regulation shall be introduced in, or be enacted by any governmental body, department or agency of the State of California, or a decision by any court of competent jurisdiction within the State of California or any court of the United States of America shall be rendered which, in the reasonable opinion of the Underwriter, materially adversely affects the market price of the Bonds;

(4) the escalation in military hostilities or declaration by the United States of a national emergency or war, or other calamity or crisis or escalation thereof;

(5) the declaration of a general banking moratorium by federal, New York or California authorities, or the general suspension of trading on any national securities exchange;

(6) the imposition by the New York Stock Exchange or other national securities exchange, or any governmental authority, of any material restrictions not now in force with respect to the Bonds or obligations of the general character of the Bonds or securities generally, or the material increase of any such restrictions now in force, including those relating to the extension of credit by, or the charge to the net capital requirements of, the Underwriter;

(7) an order, decree or injunction of any court of competent jurisdiction, or order, ruling, regulation or official statement by the Securities and Exchange Commission, or any other governmental agency having jurisdiction of the subject matter, issued or made to the effect that the issuance, offering or sale of obligations of the general character of the Bonds, or the issuance, offering or sale of the Bonds, including any or all underlying obligations, as contemplated hereby or by the Official Statement, is or would be in violation of the federal securities laws as amended and then in effect;

(8) any litigation shall be instituted, pending or threatened to restrain or enjoin the issuance or sale of the Bonds or in any way contesting the validity of the Bonds or the Financing Documents, or the existence or powers of the Authority or the City;

(9) any event occurring, or information becoming known that, in the judgment of the Underwriter, makes untrue in any material respect any statement or information contained in the Official Statement or has the effect that the Official Statement contains any untrue statement of material fact or omits to state a 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;

(11) the marketability of the Series B Bonds or the market price thereof, in the opinion of the Underwriter, has been materially adversely affected by an amendment to the Constitution of the United States or by any legislation in or by the Congress of the United States or by the State, or the amendment of legislation pending as of the date of the Bond Purchase Agreement in the Congress of the United States, or the recommendation to Congress or endorsement for passage (by press release, other form of notice or otherwise) of legislation by the President of the United States, the Treasury Department of the United States, the Internal Revenue Service or the Chairman or ranking minority member of the Committee on Finance of the United States Senate or the Committee on Ways and Means of the United States House of Representatives, or the proposal for consideration of legislation by either such Committee or by any member thereof, or the presentment of legislation for consideration as an option by either such Committee, or by the staff of the Joint Committee on Taxation of the Congress of the United States, or the favorable reporting for passage of legislation to either House of the Congress of the United States by a Committee of such House to which such legislation has been referred for consideration, or any decision of any federal or state court or any ruling or regulation (final, temporary or proposed) or official statement on behalf of the United States Treasury Department, the Internal Revenue Service or other federal or state authority affecting the federal or state tax status of the City or the Authority, or the interest on bonds or notes (including the Series B Bonds);

(12) the withdrawal or downgrading of any rating of the Bonds by a national rating agency; or

(13) any other event shall have occurred since the date of hereof that in the reasonable judgment of the Underwriter materially adversely affects the marketability or market price of the Bonds.

(e) At or prior to the Closing Date, the Underwriter shall have received the following documents, in each case satisfactory in form and substance to the Underwriter:

(1) The Official Statement and each supplement or amendment, if any, thereto, executed by the Authority and approved by the City;

(2) Copies of each of the Financing Documents, each duly executed and delivered by the respective parties thereto;

(3) The approving opinions of Bond Counsel, dated the Closing Date and addressed to the Authority, in substantially the forms attached to the Official Statement as Appendix E thereto, together with reliance letters addressed to the Underwriter permitting the Underwriter to rely on such opinions;

(4) The supplemental opinion of Bond Counsel, dated the Closing Date and addressed to the Underwriter, to the effect that the statements in the Official Statement under the captions "INTRODUCTION," "THE BONDS" (excluding the information relating to DTC and the book-entry only system), "SECURITY FOR THE BONDS," "TAX MATTERS," APPENDIX D—SUMMARY OF PRINCIPAL LEGAL DOCUMENTS, and APPENDIX F—FORM OF CONTINUING DISCLOSURE CERTIFICATE insofar as such statements purport to summarize certain provisions of the Financing Documents or the Bonds and such counsel's final legal opinion concerning certain federal tax matters, are accurate in all material respects;

(5) The letter of Quint & Thimmig LLP, in its capacity as Disclosure Counsel, dated the Closing Date and addressed to the Authority and the Underwriter, substantially in the form attached hereto as Exhibit C.

(6) An opinion, dated the Closing Date and addressed to the Underwriter and the Authority, of the City Attorney, to the effect that:

(i) the City is a municipal corporation and general law city duly organized and validly existing under the Constitution and laws of the State of California;

(ii) the Financing Documents to which it is a party have been duly approved by resolutions of the City adopted at meetings duly called and held in accordance with the requirements of all applicable laws, with all public notice required by law, and at which a quorum of the members of the City Council of the City was continuously present and such resolutions have not been modified, amended or rescinded since the date of its adoption;

(iii) except as described in the Official Statement, to such counsel's best knowledge, there is no litigation, inquiry, or investigation pending or threatened, which: (A) challenges the right or title of any member of the City Council of the City or officer of the City to hold his or her office or exercise or perform the

powers and duties pertaining thereto; (B) challenges the validity or enforceability of the Bonds or the Financing Documents; (C) seeks to restrain or enjoin the sale of the Bonds or the execution and delivery by the City of, or the performance by the City of its legal obligations under, the Financing Documents to which it is a party or in which a final adverse decision could materially adversely affect the operations of the City; or (D) contesting in any way the completeness or accuracy of the Preliminary Official Statement or the Official Statement;

(iv) to such counsel's best knowledge, the execution and delivery by the City of, and the performance by the City of its obligations under, the Financing Documents to which it is a party, do not conflict with, violate or constitute a default under any provision of any law, court order or decree or any contract, instrument or agreement to which the City is a party or by which it is bound and of which such counsel has knowledge;

(v) the Financing Documents to which it is a party have been duly authorized, executed and delivered by the City and, assuming due authorization, execution and delivery of the Financing Documents by the parties thereto other than the City, the Financing Documents constitute legal, valid and binding agreements of the City, enforceable against the City in accordance with their respective terms except as enforcement may be limited by bankruptcy, insolvency and other laws affecting the enforcement of creditors' rights and remedies in general, or by the application of equitable principles if equitable remedies are sought; and

(vi) except as may be required under the "blue sky" or securities laws of the United States or any state, there is no authorization, approval, consent or other order of, or filing with, or certification by, the State or any other governmental authority or agency within the State having jurisdiction over the City required for the issuance of the Bonds or the consummation by the City of the other financial transactions contemplated by the Official Statement and the City Documents;

As used in such opinion, the phrase "current actual knowledge" may mean knowledge as such counsel shall have obtained from (i) the incumbency and signature certificate of the City, (ii) the representations and warranties contained in each closing certificate of the City, and (iii) knowledge of facts or other information currently known to lawyers in its firm who have performed legal services for the City.

(7) An opinion or opinions, dated the Closing Date and addressed to the Underwriter, of counsel for the Authority, to the effect that:

(i) the Authority is a joint exercise of powers entity duly organized and validly existing under the laws of the State of California pursuant to the Agreement;

(ii) the Financing Documents to which it is a party have been duly approved by a resolution of the Authority adopted at a meeting duly called and held in accordance with the requirements of all applicable laws, with all public notice required by law, and at which a quorum of the members of the Board of Directors of the Authority was continuously present and such resolution has not been modified, amended or rescinded since the date of its adoption;



(iii) except as described in the Official Statement, to such counsel's best knowledge, there is no litigation, inquiry, or investigation pending or threatened, which: (A) challenges the right or title of any member of the Board of Directors of the Authority or officer of the Authority to hold his or her office or exercise or perform the powers and duties pertaining thereto; (B) challenges the validity or enforceability of the Bonds or the Financing Documents; (C) seeks to restrain or enjoin the sale of the Bonds or the execution and delivery by the Authority of, or the performance by the Authority of its legal obligations under, the Financing Documents to which it is a party or in which a final adverse decision could materially adversely affect the operations of the Authority; or (D) contesting in any way the completeness or accuracy of the Preliminary Official Statement or the Official Statement;

(iv) to such counsel's best knowledge, the execution and delivery by the Authority of, and the performance by the Authority of its obligations under, the Financing Documents to which it is a party, do not conflict with, violate or constitute a default under any provision of any law, court order or decree or any contract, instrument or agreement to which the Authority is a party or by which it is bound and of which such counsel has knowledge;

(v) the Financing Documents to which it is a party have been duly authorized, executed and delivered by the Authority and, assuming due authorization, execution and delivery of the Financing Documents by the parties thereto other than the Authority, the Financing Documents constitute legal, valid and binding agreements of the Authority, enforceable against the Authority in accordance with their respective terms except as enforcement may be limited by bankruptcy, insolvency and other laws affecting the enforcement of creditors' rights and remedies in general, or by the application of equitable principles if equitable remedies are sought; and

(vi) except as may be required under the "blue sky" or securities laws of the United States or any state, there is no authorization, approval, consent or other order of, or filing with, or certification by, the State or any other governmental authority or agency having jurisdiction over the Authority required for the issuance of the Bonds or the consummation by the Authority of the other financial transactions contemplated by the Official Statement and the Authority Documents;

As used in such opinion, the phrase "current actual knowledge" may mean knowledge as such counsel shall have obtained from (i) the incumbency and signature certificate of the Authority, (ii) the representations and warranties contained in each closing certificate of the Authority, and (iii) knowledge of facts or other information currently known to lawyers in its firm who have performed legal services for the Authority.

(8) The opinion of counsel to the Trustee, dated the Closing Date and addressed to the Authority, the City and the Underwriter, to the effect that (i) the Trustee has duly authorized, executed and delivered the Indenture and duly authenticated and delivered the Bonds on the Closing Date; and (ii) the Indenture constitute the legally valid and binding obligations of the Trustee, enforceable against the Trustee in accordance with their terms, except that the enforceability thereof may be limited by applicable bankruptcy, insolvency, reorganization, moratorium and other laws in effect from time

to time affecting the rights of creditors generally and except to the extent that the enforceability thereof may be limited by the application of general principles of equity;

(9) The opinion of counsel to the Escrow Bank, dated the Closing Date and addressed to the Authority, the City and the Underwriter, to the effect that (i) the Escrow Bank has duly authorized, executed and delivered the Escrow Agreement; (ii) the Escrow Agreement constitute the legally valid and binding obligation of the Escrow Bank, enforceable against the Escrow Bank in accordance with their terms, except that the enforceability thereof may be limited by applicable bankruptcy, insolvency, reorganization, moratorium and other laws in effect from time to time affecting the rights of creditors generally and except to the extent that the enforceability thereof may be limited by the application of general principles of equity;

(10) A certificate or certificates, dated the Closing Date, signed by a duly authorized official of the Authority to the effect that (i) the representations and warranties of the Authority contained in this Bond Purchase Agreement are true, complete and correct on and as of the Closing Date; (ii) there is no action, suit, proceeding, inquiry or investigation pending or, to the best knowledge of such official, threatened (a) to restrain or enjoin the execution and delivery of any of the Bonds, (b) in any way affecting the validity of the Bonds or the Financing Documents to which the Authority is a party, (c) in any way contesting the corporate existence or powers of the Authority to execute and deliver the Financing Documents to which the Authority is a party or the Bonds, or (d) asserting that the Official Statement contained any untrue statement of a material fact or omitted to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; and (iii) since the date of the Official Statement, no event has occurred which should have been set forth in an amendment or supplement to the Official Statement which has not been set forth in such amendment or supplement;

(11) A certificate or certificates, dated the Closing Date, signed by a duly authorized official of the City to the effect that (i) the representations and warranties of the City contained in this Bond Purchase Agreement and the Financing Documents to which the City is a party are true, complete and correct on and as of the Closing Date; (ii) there is no action, suit, proceeding, inquiry or investigation at law or in equity, before or by any court, government agency, public board or body, pending or, to the best knowledge of such official, threatened (a) to restrain or enjoin the execution and delivery of the Financing Documents to which the City is a party; (b) in any way contesting or affecting the validity of the Financing Documents to which the City is a party; (c) in any way contesting the power of the City to execute and deliver the Financing Documents to which the City is a party; (d) asserting that the Official Statement contained any untrue statement of a material fact or omitted to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; or (e) seeking to prohibit, restrain or enjoin the collection of moneys from the Wastewater System to pay the Wastewater Installment Payments or from the Water System to pay the Water Installment Payments securing the Bonds, or the compliance by the City of the covenants contained in the Financing Documents to which the City is a party, or questioning the authority of the City to fix, charge and collect rates for the services provided by the Wastewater System as provided in the Wastewater Installment Sale Agreement or the authority of the City to fix, charge and collect rates for the services provided by the Water System as provided in the Water Installment Sale Agreement, nor to the best knowledge of such official, is there any basis for any such action, suit, proceeding, inquiry or investigation, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity or enforceability of the

Bonds or the Financing Documents to which the City is a party or materially adversely impair the City's ability to perform its obligations the Financing Documents to which the City is a party; (iii) to the best of such official's knowledge and belief, after reasonable investigation, the Official Statement (excluding therefrom the information concerning DTC and the book-entry system included therein and Appendix G thereto), as of the date thereof and the Closing Date, did not and will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; and (iv) (a) since the date of the Official Statement, no event has occurred which should have been set forth in an amendment or supplement to the Official Statement which has not been set forth in such amendment or supplement, and (b) there has not been any material adverse change in the operations or financial affairs of the City, the Water System or the Wastewater System since the date of the Official Statement;

(12) A certificate, dated the Closing Date, signed by a duly authorized official of the Trustee, satisfactory in form and substance to the Underwriter, to the effect that: (i) the Trustee is a national banking association organized and existing under and by virtue of the laws of the United States of America, having the full power and being qualified to enter into and perform its duties under the Indenture and the Continuing Disclosure Certificate; (ii) the Trustee is duly authorized to enter into the Indenture and to authenticate and deliver the Bonds to the Underwriter pursuant to the terms of the Indenture; (iii) the execution and delivery of the Indenture and compliance with the provisions on the Trustee's part contained therein, and the authentication and delivery of the Bonds will not conflict with or constitute a breach of or default under any law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Trustee is a party or is otherwise subject (except that no representation, warranty or agreement is made with respect to any federal or state securities or Blue Sky laws or regulations), nor will any such execution, delivery, adoption 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 the properties or assets held by the Trustee pursuant to the lien created by the Indenture under the terms of any such law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument, except as provided by the Indenture; and (iv) there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental agency, public board or body, served on, or, to the best knowledge of such officer, threatened against, the Trustee, affecting the existence of the Trustee or the titles of its officers to their respective offices, or in any way contesting or affecting the validity or enforceability of the Indenture against the Trustee, or contesting the power of the Trustee or its authority to enter into, adopt or perform its obligations under the Indenture, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity or enforceability of the Indenture against the Trustee or the authentication and delivery of the Bonds;

(13) A certificate, dated the Closing Date, signed by a duly authorized official of the Escrow Bank, satisfactory in form and substance to the Underwriter, to the effect that: (i) the Escrow Bank is a national banking association organized and existing under and by virtue of the laws of the United States of America, having the full power and being qualified to enter into and perform its duties under the Escrow Agreement; (ii) the Escrow Bank is duly authorized to enter into the Escrow Agreement; (iii) the execution and delivery of the Escrow Agreement and compliance with the provisions on the Escrow Bank's part contained therein, will not conflict with or constitute a breach of or

default under any law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Escrow Bank is a party or is otherwise subject (except that no representation, warranty or agreement is made with respect to any federal or state securities or Blue Sky laws or regulations), nor will any such execution, delivery, adoption 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 the properties or assets held by the Escrow Bank pursuant to the lien created by the Escrow Agreement under the terms of any such law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument, except as provided by the Escrow Agreement; and (iv) there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental agency, public board or body, served on, or, to the best knowledge of such officer, threatened against, the Escrow Bank, affecting the existence of the Escrow Bank or the titles of its officers to their respective offices, or in any way contesting or affecting the validity or enforceability of the Escrow Agreement against the Escrow Bank, or contesting the power of the Escrow Bank or its authority to enter into, adopt or perform its obligations under the Escrow Agreement, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity or enforceability of the Escrow Agreement against the Escrow Bank;

(14) A certified copy of the general resolution of the Trustee authorizing the execution and delivery of the Indenture;

(15) A certified copy of the general resolution of the Escrow Bank authorizing the execution and delivery of the Escrow Agreement;

(16) A certified copy of the Authority Resolution;

(17) A certified copy of the City resolution;

(18) Copies of the Municipal Bond Insurance Policies;

(19) A copy of the Reserve Policy;

(20) An opinion of counsel to the Municipal Bond Insurer, addressed to the Authority and the Underwriter to the effect that:

(i) the descriptions of the Municipal Bond Insurer, the Municipal Bond Insurance Policies and the Reserve Fund Insurance Policy included in the Official Statement are accurate;

(ii) the Municipal Bond Insurance Policies and the Reserve Policy constitute legal, valid and binding obligations of the Municipal Bond Insurer, enforceable in accordance with their respective terms, except as the enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditor's rights generally and by the application of equitable principles if equitable remedies are sought, and

(iii) as to such other matters as the Authority or the Underwriter may reasonably request;

(21) a certificate of the Municipal Bond Insurer, signed by an authorized officer of the Municipal Bond Insurer, to the effect that:

(i) the information contained in the Official Statement relating to the Municipal Bond Insurer, the Municipal Bond Insurance Policies and the Reserve Policy is true and accurate; and

(ii) as to such other matters as the City or the Underwriter may reasonably request;

(22) letters from S&P Global Ratings, a Standard & Poor's Financial Services LLC business, indicating that the Bonds have been assigned an insured rating of "AA" and an underlying rating of "\_\_\_."

(23) evidence required filings with the California Debt and Investment Advisory Commission;

(24) an Arbitrage Certificate relating to the Series B Bonds in a form satisfactory to Bond Counsel;

(25) an issue price certificate relating to the Series B Bonds substantially in the form attached to this Bond Purchase Agreement as Exhibit B;

(26) a verification report of \_\_\_\_\_ relating to the 2012 Bonds;

(27) an opinion of Bond Counsel as to the legal defeasance of the 2012 Bonds;

(28) the opinion of \_\_\_\_\_, as Underwriter's counsel, satisfactory to Underwriter;

(29) transcripts of all proceedings relating to the authorization, issuance, execution and delivery of the Bonds; and

(30) Such additional legal opinions, certificates, proceedings, instruments, insurance policies or evidences thereof and other documents as the Underwriter, Underwriter's Counsel or Bond Counsel may reasonably request to evidence the truth and accuracy, as of the date hereof and as of the Closing Date, of the representations of the Authority herein and of the statements and information contained in the Official Statement, and the due performance or satisfaction by the Authority and the City on or prior to the Closing Date of all agreements then to be performed and all conditions then to be satisfied by the Authority and the City in connection with the transactions contemplated hereby and by the Official Statement and the Financing Documents.

If the Authority and/or the City shall be unable to satisfy the conditions to the Underwriter's obligations contained in this Bond Purchase Agreement or if the Underwriter's obligations shall be terminated for any reason permitted herein, all obligations of the Underwriter hereunder may be terminated by the Underwriter at, or at any time prior to, the Closing Date by written notice to the Authority and neither the Underwriter nor the Authority shall have any further obligations hereunder.

## **5. Expenses.**

(a) The Authority or the City shall pay the expenses incident to the performance of their obligations hereunder including, but not limited to: (i) the cost of preparation, printing and distribution of the Financing Documents, the Preliminary Official Statement, the Official Statement and any supplements or amendments thereto, including a reasonable number of certified or conformed copies thereof; (ii) the cost of preparation and printing of the Bonds;

(iii) the fees and disbursements of Bond Counsel; (iv) the fees and disbursements of any engineers, accountants and other experts, consultants or advisors retained by the Authority or the City; (v) fees for bond ratings (which include fees of rating agencies and travel expenses of the Authority or the City); and (vi) fees, if any, payable to the California Debt and Investment Advisory Commission, the Municipal Securities Rulemaking Board, the fees associated with obtaining CUSIP numbers for the Bonds, and fees of the Public Securities Association and the California Public Securities Association in connection with the execution and delivery of the Bonds.

(b) The Underwriter shall pay (which amounts shall be included as an expense component of the Underwriter's discount): (i) fees and disbursements of any underwriter's counsel, (ii) expenses related to attending working group meetings, such as parking, meals and transportation, (iii) all advertising expenses and Blue Sky filing fees, if any, in connection with the public offering of the Bonds; and (iv) all other expenses incurred by them in connection with the public offering of the Bonds not outlined above.

## **6. Indemnification and Contribution.**

(a) The Authority and the City will indemnify and hold harmless the Underwriter, the directors, officers, members, employees and agents of the Underwriter, and each person who controls the Underwriter within the meaning of either the Securities Act of 1933, as amended (the "Securities Act") or the Exchange Act of 1934, as amended (the "Exchange Act"), against any and all losses, claims, damages or liabilities, to which they or any of them may become subject under the Securities Act, the Exchange Act or other federal or state statutory law or regulation, at common law or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of, directly or indirectly, or are based upon any untrue statement or alleged untrue statement of a material fact contained in the Preliminary Official Statement or the final Official Statement, each as originally published, or in any amendment thereof, or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, any untrue statement or alleged untrue statement of material fact contained in the Preliminary Official Statement or the final Official Statement, or in any amendment thereof or supplement thereto, or arise out of, directly or indirectly, or are based upon the omission or alleged omission to state therein a 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 will reimburse each such indemnified party, as incurred, for any legal or other expenses reasonably incurred by them in connection with investigating or defending any such loss, claim, damage, liability or action. This indemnity agreement will be in addition to any liability which the Authority or the City may otherwise have.

(b) The Underwriter severally agrees to indemnify and hold harmless the Authority, the City, each of its officers and/or directors who sign the Official Statement, and each person who controls the Authority or the City within the meaning of either the Securities Act or the Exchange Act, to the same extent as the foregoing indemnity from the Authority to the Underwriter, but only with reference to written information relating to the Underwriter furnished to the Authority and the City by or on behalf of the Underwriter specifically for inclusion in the documents referred to in the foregoing indemnity. This indemnity agreement will be in addition to any liability which the Underwriter may otherwise have. The Authority and City acknowledge that the initial public offering prices and yields set forth on the cover page, the stabilization language on the inside cover page and the statements under the heading "UNDERWRITING" in the Preliminary Official Statement and the Official Statement constitute the only information furnished in writing by or on behalf of the Underwriter for inclusion in the

documents referred to in the foregoing indemnity, and the Underwriter confirms that such statements are correct in all material respects.

(c) Promptly after receipt by an indemnified party under this Section 6 of notice of the commencement of any action, such indemnified party will, if a claim in respect thereof is to be made against the indemnifying party under this Section 6, notify the indemnifying party in writing of the commencement thereof; but the failure so to notify the indemnifying party (i) will not relieve it from liability under paragraph (a) or (b) above unless and to the extent it did not otherwise learn of such action and such failure results in the forfeiture by the indemnifying party of substantial rights and defenses and (ii) will not, in any event, relieve the indemnifying party from any obligations to any indemnified party other than the indemnification obligation provided in paragraph (a) or (b) above. The indemnifying party shall be entitled to appoint counsel of the indemnifying party's choice at the indemnifying party's expense to represent the indemnified party in any action for which indemnification is sought (in which case the indemnifying party shall not thereafter be responsible for the fees and expenses of any separate counsel retained by the indemnified party or parties except as set forth below); provided, however, that such counsel shall be reasonably satisfactory to the indemnified party. Notwithstanding the indemnifying party's election to appoint counsel to represent the indemnified party in an action, the indemnified party shall have the right to employ separate counsel (including local counsel), and the indemnifying party shall bear the reasonable fees, costs and expenses of such separate counsel if (i) the use of counsel chosen by the indemnifying party to represent the indemnified party would present such counsel with a conflict of interest, (ii) the actual or potential defendants in, or targets of, any such action include both the indemnified party and the indemnifying party and the indemnified party shall have reasonably concluded that there may be legal defenses available to it and/or other indemnified parties which are different from or additional to those available to the indemnifying party, (iii) the indemnifying party shall not have employed counsel reasonably satisfactory to the indemnified party to represent the indemnified party within a reasonable time after notice of the institution of such action, or (iv) the indemnifying party shall authorize the indemnified party to employ separate counsel at the expense of the indemnifying party. It is understood that the indemnifying party shall not, in connection with any proceeding or related proceedings in the same jurisdiction, be liable for the reasonable fees and expenses of more than one separate firm (in addition to local counsel) for all such indemnified parties. An indemnifying party will not, without the prior written consent of the indemnified parties, settle or compromise or consent to the entry of any judgment with respect to any pending or threatened claim, action, suit or proceeding in respect of which indemnification or contribution may be sought hereunder (whether or not the indemnified parties are actual or potential parties to such claim or action) unless such settlement, compromise or consent (i) includes an unconditional release of each indemnified party from all liability arising out of such claim, action, suit or proceeding and (ii) does not include a statement as to or an admission of fault, culpability or failure to act, by or on behalf of any indemnified party. The indemnifying party shall not be liable for any settlement of any proceeding effected without its written consent, which consent shall not be unreasonably withheld.

(d) In the event that the indemnity provided in paragraph (a) or (b) of this Section 6 is unavailable to or insufficient to hold harmless an indemnified party for any reason, the Authority, the City and the Underwriter agree to contribute to the aggregate losses, claims, damages and liabilities (including legal or other expenses reasonably incurred in connection with investigating or defending same) (collectively "Losses") to which the Authority, the City and the Underwriter may be subject in such proportion as is appropriate to reflect the relative benefits received by the Authority, by the City and by the Underwriter from the offering of the Bonds; provided, however, that in no case shall the Underwriter be responsible for any amount in excess of the underwriting discount or commission applicable to the Bonds purchased by

such Underwriter hereunder. If the allocation provided by the immediately preceding sentence is unavailable for any reason, the Authority, the City and the Underwriter shall contribute in such proportion as is appropriate to reflect not only such relative benefits but also the relative fault of the Authority, the City and the Underwriter respectively in connection with the statements or omissions that resulted in such Losses as well as any other relevant equitable considerations. Relative fault shall be determined by reference to whether any alleged untrue statement or omission relates to information provided by the Authority, the City or the Underwriter, as the case may be. The Authority, the City and the Underwriter agree that it would not be just and equitable if contribution were determined by pro rata allocation or any other method of allocation that does not take account of the equitable considerations referred to above. Notwithstanding the provisions of this paragraph (d), no person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. For purposes of this Section 6, each person who controls the Underwriter within the meaning of either the Securities Act or the Exchange Act and each director, officer, employee and agent of the Underwriter shall have the same rights to contribution as the Underwriter, and each person who controls the Authority or the City within the meaning of either the Securities Act or the Exchange Act, each officer of the Authority or the City who shall have signed the Official Statement and each director of the Authority or the City shall have the same rights to contribution as the Authority or the City, subject in each case to the applicable terms and conditions of this paragraph (d).

**7. Notices.** Any notice or other communication to be given to the Authority, the City or the Underwriter under this Bond Purchase Agreement may be given by delivering the same in writing to

Authority: Coalinga Public Financing Authority  
c/o City of Coalinga  
155 West Durian  
Coalinga, CA 93210  
Attention: Finance Director

City: City of Coalinga  
155 West Durian  
Coalinga, CA 93210  
Attention: Finance Director

Underwriter: Oppenheimer & Co., Inc.  
580 California Street, Suite 2300  
San Francisco, CA 94104  
Attention: \_\_\_\_\_

**8. Survival of Representations and Warranties.** Representations, warranties and agreements contained in this Bond Purchase Agreement or made in any certificate delivered by the Authority or the City hereunder shall remain operative and in full force and effect, regardless of: (i) any investigations or statements made by or on behalf of the Underwriter; and (ii) delivery of and payment for the Bonds pursuant to this Bond Purchase Agreement.

**9. Effectiveness and Counterpart Signatures.** This Bond Purchase Agreement shall become effective and binding upon the respective parties hereto upon the execution of the acceptance hereof by duly authorized officers of the Authority and approval by duly authorized officers of the City and shall be valid and enforceable as of the time of such acceptance and approval. This Bond Purchase Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.



10. **Parties in Interest.** This Bond Purchase Agreement is made solely for the benefit of the Authority, the City and the Underwriter (including the successors or assigns of the Underwriter) and no other person shall acquire or have any right hereunder or by virtue hereof.

11. **Headings.** The headings of the sections of this Bond Purchase Agreement are inserted for convenience only and shall not be deemed to be a part hereof.

12. **Governing Law.** This Bond Purchase Agreement shall be construed in accordance with the laws of the State of California.

Very truly yours,

OPPENHEIMER & CO., INC., as  
Underwriter

By \_\_\_\_\_  
Name \_\_\_\_\_  
Title \_\_\_\_\_

ACCEPTED AND AGREED at:  
Time: \_\_\_\_\_, March 3, 2021

COALINGA PUBLIC FINANCING  
AUTHORITY

By \_\_\_\_\_  
Executive Director

ACCEPTED AND AGREED at:  
Time: \_\_\_\_\_, March 3, 2021

CITY OF COALINGA

By \_\_\_\_\_  
City Manager

## EXHIBIT A

### MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, PRICES AND YIELDS

\$ \_\_\_\_\_  
COALINGA PUBLIC FINANCING AUTHORITY  
Revenue Bonds, Series 2021A  
(Water and Wastewater Financing Projects)  
(Federally Taxable)

Maturity Date (April 1)	Principal Amount	Interest Rate	Price	Yield
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\$ \_\_\_\_\_  
COALINGA PUBLIC FINANCING AUTHORITY  
Revenue Bonds, Series 2021B  
(Water Project)  
(Tax-Exempt)

Maturity Date (April 1)	Principal Amount	Interest Rate	Price	Yield
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### REDEMPTION PROVISIONS

*Optional Redemption.*

**Series A Bonds.** The Series A Bonds maturing on or before April 1, \_\_\_\_, are not subject to optional redemption prior to maturity. The Series A Bonds maturing on or after April 1, \_\_\_\_, shall be subject to redemption, at the option of the City on any date on or after April 1, \_\_\_\_, as a whole or in part, by such maturities as shall be determined

by the City, and by lot within a maturity, from any available source of funds, at a redemption price equal to the principal amount of the Series A Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium.

**Series B Bonds.** The Series B Bonds maturing on or before April 1, \_\_\_\_, are not subject to optional redemption prior to maturity. The Series B Bonds maturing on or after April 1, \_\_\_\_, shall be subject to redemption, at the option of the City on any date on or after April 1, \_\_\_\_, as a whole or in part, by such maturities as shall be determined by the City, and by lot within a maturity, from any available source of funds, at a redemption price equal to the principal amount of the Series B Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium.

*Sinking Fund Redemption.*

**Series A Bonds.** The Series A Bonds maturing on April 1, \_\_\_\_, are also subject to mandatory redemption from sinking account payments made by the Authority, in part by lot, on April 1, \_\_\_\_, and on April 1 in each year thereafter to and including April 1, \_\_\_\_, at a redemption price equal to the principal amount thereof to be redeemed together with accrued interest thereon to the redemption date, without premium, as set forth in the following table:

<u>Redemption Date (April 1)</u>	<u>Principal Amount</u>
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\_\_\_\_\_  
† Maturity.

**Series B Bonds.** The Series B Bonds maturing on April 1, \_\_\_\_, are also subject to mandatory redemption from sinking account payments made by the Authority, in part by lot, on April 1, \_\_\_\_, and on April 1 in each year thereafter to and including April 1, \_\_\_\_, at a redemption price equal to the principal amount thereof to be redeemed together with accrued interest thereon to the redemption date, without premium, as set forth in the following table:

<u>Redemption Date (April 1)</u>	<u>Principal Amount</u>
--------------------------------------	-----------------------------

\_\_\_\_\_  
† Maturity.

**EXHIBIT B**  
**ISSUE PRICE CERTIFICATE**

\$ \_\_\_\_\_  
**COALINGA PUBLIC FINANCING AUTHORITY**  
**Revenue Bonds, Series 2021B**  
**(Water Project)**  
**(Tax-Exempt)**

The undersigned, on behalf of Oppenheimer & Co., Inc. ("Oppenheimer"), based on the information available to Oppenheimer, hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (collectively, the "Bonds").

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 A.

2. Initial Offering Price of the Hold-the-Offering-Price Maturities.

(a) Oppenheimer offered the Hold-the-Offering-Price Maturities to the Public for purchase at the respective initial offering prices listed in Schedule A (the "Initial Offering Prices") on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Bonds is attached to this certificate as Schedule B.

(b) As set forth in the Bond Purchase Agreement, dated the Sale Date, between the Underwriter and the Issuer, Oppenheimer has agreed in writing that, (i) for each Maturity of the Hold-the-Offering-Price Maturities, it would neither offer nor sell any of the Bonds 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 shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall 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 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 Bonds during the Holding Period.

3. Defined Terms.

(a) "*General Rule Maturities*" means those Maturities of the Bonds listed in Schedule A hereto as the "General Rule Maturities."

(b) "*Hold-the-Offering-Price Maturities*" means those Maturities of the Bonds listed in Schedule A hereto as the "Hold-the-Offering-Price Maturities."

(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 the Underwriter has sold at least 10% of such Hold-the-Offering-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold-the-Offering-Price Maturity.

(d) "*Issuer*" means the Coalinga Public Financing Authority.

(e) "*Maturity*" means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

(f) “Public” means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than the Underwriter or a related party to the Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50% common ownership, directly or indirectly.

(g) “Sale Date” means March 3, 2021.

(h) “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 Bonds 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 Bonds 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 Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the interpretation of Oppenheimer 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 for the Bonds and with respect to compliance with the federal income tax rules affecting the Bonds, and by Quint & Thimmig LLP, in connection with rendering its opinion that the interest on the Bonds 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 Bonds.

Except as expressly set forth above, the certifications set forth herein may not be relied upon or used by any third party or for any other purpose. Notwithstanding anything set forth herein, the Underwriter is not engaged in the practice of law. Accordingly, the Underwriter makes no representation as to the legal sufficiency of the factual matters set forth herein.

OPPENHEIMER & CO., INC., as Underwriter

By \_\_\_\_\_  
Managing Director

Dated: March 16, 2021

**SCHEDULE A TO ISSUE PRICE CERTIFICATE**

**SALE PRICES OF THE GENERAL RULE MATURITIES AND**

**INITIAL OFFERING PRICES OF THE HOLD-THE-OFFERING-PRICE MATURITIES**

**\$\_\_\_\_\_**  
**COALINGA PUBLIC FINANCING AUTHORITY**  
**Revenue Bonds, Series 2021B**  
**(Water Project)**  
**(Tax-Exempt)**

<u>Hold-the- Offering Price Maturities</u>	<u>General Rule Maturities</u>	<u>Maturity Date (April 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Reoffering Price</u>
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**SCHEDULE B TO ISSUE PRICE CERTIFICATE**  
**PRICING WIRE OR EQUIVALENT COMMUNICATION**

**EXHIBIT C**  
**FORM OF DISCLOSURE COUNSEL LETTER**

[Letterhead of Quint & Thimmig LLP]

March 16, 2021

Coalinga Public Financing Authority  
155 West Durian  
Coalinga, California 93210

City of Coalinga  
155 West Durian  
Coalinga, California 93210

Oppenheimer & Co., Inc.  
580 California Street, Suite 2300  
San Francisco, CA 94104

[Municipal Bond Insurer]

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Re: \$\_\_\_\_\_ Coalinga Public Financing Authority (Fresno County, California) Revenue Bonds, Series 2021A (Water and Wastewater Financing Projects) (Federally Taxable)

\$\_\_\_\_\_ Coalinga Public Financing Authority (Fresno County, California) Revenue Bonds, Series 2021B (Water Project) (Tax-Exempt)

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Ladies and Gentlemen:

We have acted as disclosure counsel to the Coalinga Public Financing Authority (the "Authority") in connection with the issuance by the Authority of \$\_\_\_\_\_ aggregate principal amount of the bonds of the Authority designated the "Coalinga Public Financing Authority (Fresno County, California) Revenue Bonds, Series 2021A (Water and Wastewater Financing Projects) (Federally Taxable)" (the "Series A Bonds"), and \$\_\_\_\_\_ aggregate principal amount of bonds of the Authority designated the "Coalinga Public Financing Authority (Fresno County, California) Revenue Bonds, Series 2021B (Water Project) (Tax-Exempt)" (the "Series B Bonds" and, with the Series A Bonds, the "Bonds"), pursuant to the provisions of Article 4 (commencing with section 6584) of Chapter 5 of Division 7 of Title 1 of the California Government Code (the "Law"), an indenture of trust, dated as of March 1, 2021 (the "Indenture"), by and between the Authority and Wells Fargo Bank, National Association, as trustee, and a resolution of the governing body of the Authority adopted on February 4, 2021. The Bonds are secured by Revenues as defined in the Indenture, including installment payments (the "Water Installment Payments") made by the City of Coalinga (the "City") under an installment sale agreement, dated as of March 1, 2021 (the "Water Installment Sale Agreement"), by and between the Authority, as seller, and the City, as purchaser, and



installment payments (the “Wastewater Installment Payments”) made by the City under an installment sale agreement, dated as of March 1, 2021 (the “Wastewater Installment Sale Agreement”), by and between the Authority, as seller, and the City, as purchaser. This letter is being delivered by us in our capacity as disclosure counsel to the Authority and not as counsel to any other addressee hereof. Capitalized terms used in this letter and not otherwise defined herein have the meanings given to them in the Indenture.

In connection with this letter, we have reviewed the Bonds, the Indenture, the Water Installment Sale Agreement, the Wastewater Installment Sale Agreement, the Preliminary Official Statement, dated February 23, 2021 (the “Preliminary Official Statement”), which describes the Bonds, the Official Statement, dated March 3, 2021 (the “Official Statement”), which describes the Bonds, and such other records, opinions and documents, and we have made such investigations of law, as we have deemed appropriate as a basis for the conclusions hereinafter expressed. In arriving at the conclusions expressed below, we are not expressing any opinion or view on, and with your permission are assuming, the validity, accuracy and sufficiency of the records, documents, certificates and opinions referred to above (including the accuracy of all factual matters represented and legal conclusions contained therein, including (without limitation) representations and legal conclusions regarding the due authorization, issuance, delivery, validity and enforceability of the Bonds and the exclusion of interest with respect to the Series B Bonds from gross income for federal income tax purposes). We have assumed that all records, documents, certificates and opinions that we have reviewed, and the signatures thereto, are genuine.

Based on and subject to the foregoing, and in reliance thereon, we advise that the Bonds are exempt from registration pursuant to the Securities Act of 1933, as amended, and that the Indenture is exempt from qualification under the Trust Indenture Act of 1939, as amended.

We are not passing upon and do not assume any responsibility for the accuracy, completeness or fairness of the statements contained in the Preliminary Official Statement or the Official Statement and make no representation that we have independently verified the accuracy, completeness or fairness of any such statements. However, in our capacity as disclosure counsel to the City, we have reviewed certain documents as described above and have participated in conferences during which the contents of the Preliminary Official Statement and the Official Statement and related matters were discussed. Based on our review of documents and our participation in the above-mentioned conferences, and with the assumptions described in the second preceding paragraph, we advise you that, during the course of our assistance in the preparation of the Preliminary Official Statement and the Official Statement, no facts have come to the attention of the attorneys in our firm rendering legal services in connection with such representation that caused us to believe that the Preliminary Official Statement or the Official Statement, as of their dates and as of the date of this letter contained or contain any untrue statement of a material fact or omitted or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading (except that we express no opinion or belief with respect to: (i) the expressions of opinion, the assumptions, the projections, the financial statements or other financial, numerical, economic, demographic or statistical data contained in the Preliminary Official Statement and the Official Statement, (ii) any CUSP numbers or information relating thereto contained in the Official Statement, (iii) any information contained in the appendices to the Preliminary Official Statement and the Official Statement, (iv) any information with respect to the Depository Trust Company and its book entry system for the Bonds contained or incorporated in the Preliminary Official Statement and the Official Statement, (v) any information incorporated by reference into the Preliminary Official Statement and the Official Statement, (vi) information with respect to the ratings on the Bonds and the rating agency referenced in the Official Statement, (vii) any information concerning the

Municipal Bond Insurer, the Municipal Bond Insurance Policies or the Reserve Policy contained or incorporated in the Preliminary Official Statement and the Official Statement, and (viii) compliance by the City with its obligations to provide notices of the events described in Part (b)(5)(i)(C) of Rule 15c2-12 of the United States Securities and Exchange Commission, as amended (the "Rule") or to file annual reports described in Part (b)(5)(i)(A) of the Rule, which compliance we have not reviewed pursuant to your direction).

During the period from the dates of the Preliminary Official Statement and the Official Statement to the date of this letter, except for our review of the certificates and opinions regarding the Preliminary Official Statement and the Official Statement delivered on the date hereof, we have not undertaken any procedures or taken any actions which were intended or likely to elicit information concerning the accuracy, completeness or fairness of any of the statements contained in the Preliminary Official Statement or the Official Statement. We also advise you that the preceding paragraph is not an opinion but, rather, in the nature of negative observations based on certain limited activities performed by specific lawyers in our firm in our role as disclosure counsel to the Authority. The scope of those activities performed by us for purposes of delivering this letter were inherently limited and do not purport to encompass all activities necessary for compliance with applicable securities laws. In addition, the performance of those activities by us required our reliance upon third-party representations, warranties, certifications and opinions, including and primarily, representations, warranties and certifications made by the Authority, and are otherwise subject to the conditions set forth herein.

This letter is furnished by us solely for your benefit and may not be relied upon by any other person or entity. We disclaim any obligation to supplement this letter to reflect any facts or circumstances that may hereafter come to our attention or any changes in the law that may hereafter occur, and our engagement with respect to this matter has terminated as of the date hereof.

Very truly yours,

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## CONTINUING DISCLOSURE CERTIFICATE

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This CONTINUING DISCLOSURE CERTIFICATE (the "Disclosure Certificate") is executed and delivered by the CITY OF COALINGA (the "City") in connection with the issuance by the Coalinga Public Financing Authority (the "Authority") of \$\_\_\_\_\_ aggregate principal amount of Coalinga Public Financing Authority Revenue Bonds, Series 2021A (Water and Wastewater Projects) (Federally Taxable) (the "Series A Bonds"), and \$\_\_\_\_\_ aggregate principal amount of Coalinga Public Financing Authority Revenue Bonds, Series 2021B (Water Project) (Tax-Exempt) (the "Series B Bonds" and, with the Series A Bonds, the "Bonds"). The Bonds are being issued pursuant to an indenture of trust, dated as of March 1, 2021 (the "Indenture"), by and between the Authority and Wells Fargo Bank, National Association, as trustee (the "Trustee"). The City covenants and agrees as follows:

Section 1. Definitions. In addition to the definitions set forth above and, in the Bond Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section 1, the following capitalized terms shall have the following meanings:

*"Annual Report"* means any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

*"Annual Report Date"* means the March 31 after the end of the City's fiscal year.

*"Dissemination Agent"* shall mean, initially, IGService, or any successor Dissemination Agent designed in writing by the City and which has been filed with the then current Dissemination Agent a written acceptance of such designation.

*"Fiscal Year"* means any twelve-month period beginning on July 1 in any year and extending to the next succeeding June 30, both dates inclusive, or any other twelve-month period selected and designated by the City as its official fiscal year period under a Certificate of the City filed with the Trustee.

*"MSRB"* means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

*"Official Statement"* means the final official statement executed by the City in connection with the issuance of the Bonds.

*"Participating Underwriter"* means Oppenheimer & Co., Inc., the original underwriter of the Bonds.

*"Rule"* means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as it may be amended from time to time.

*“Significant Events”* means any of the events listed in Section 5(a) of this Disclosure Certificate.

Section 2. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with the Rule.

Section 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing March 31, 2021, with the report for fiscal year 2019-20 provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 Business Days prior to the Annual Report Date, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the City) has not received a copy of the Annual Report, the Dissemination Agent shall contact the City to determine if the City is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the City’s fiscal year changes, it shall give notice of such change in the same manner as for a Significant Event under Section 5(b). The City shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the City hereunder.

(b) If the City does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the City in a timely manner shall provide (or cause the Dissemination Agent to provide) to the MSRB, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A.

(c) With respect to each Annual Report, the Dissemination Agent shall:

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the City, file a report with the City certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

Section 4. Content of Annual Reports. The City’s Annual Report shall contain or incorporate by reference the following:

(a) The City’s audited financial statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the City’s audited financial statements are not available by the Annual Report Date, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Unless otherwise provided in the audited financial statements filed on or prior to the annual filing deadline for Annual Reports provided for in Section 3 above, financial information and operating data with respect to the City for preceding fiscal year, substantially similar to that provided in the indicated tables in the Official Statement, as follows:

- (i) Water System Water Purchases (Table 1);
- (ii) Water System Treated Water Supply and Consumption (Table 3);
- (iii) Water System Consumption by Customer Type (Table 4);
- (iv) Water System Metered Accounts by Customer Type (Table 5);
- (v) Water System Ten Largest Users (Table 6);
- (vi) Water System Historical Operating Results and Debt Service Coverage (Table 10);
- (vii) Wastewater Accounts by Customer Type (Table 12);
- (viii) Wastewater System Ten Largest Customers (Table 13); and
- (ix) Wastewater System Historical Operating Results and Debt Service Coverage (Table 17).

(c) In addition to any of the information expressly required to be provided under this Disclosure Certificate, the City shall provide such further material information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

(d) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which are available to the public on the MSRB's Internet web site or filed with the Securities and Exchange Commission. The City shall clearly identify each such other document so included by reference.

#### Section 5. Reporting of Significant Events.

(a) The City shall give, or cause to be given, notice of the occurrence of any of the following Significant Events with respect to the Bonds:

- (i) Principal and interest payment delinquencies;
- (ii) Non-payment related defaults, if material;
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) Substitution of credit or liquidity providers, or their failure to perform;
- (vi) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
- (vii) Modifications to rights of security holders, if material;
- (viii) Bond calls, if material, and tender offers;
- (ix) Defeasances;
- (x) Release, substitution, or sale of property securing repayment of the securities, if material;
- (xi) Rating changes;
- (xii) Bankruptcy, insolvency, receivership or similar event of the City or other obligated person;
- (xiii) The consummation of a merger, consolidation, or acquisition involving the City or an obligated person, or the sale of all or substantially all of the assets of the City or an 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, if material;

- (xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (xv) The incurrence of a financial obligation of the City or other obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City or other obligated person, any of which affect security holders, if material; or
- (xvi) A default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the City or other obligated person, any of which reflect financial difficulties.

(b) Whenever the City obtains knowledge of the occurrence of a Significant Event, the City shall, or shall cause the Dissemination Agent (if not the City) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Significant Event. Notwithstanding the foregoing, notice of Significant Events described in subsection (a)(viii) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds under the Bond Indenture.

(c) The City acknowledges that the events described in subparagraphs (a)(ii), (a)(vii), (a)(viii) (if the event is a bond call), (a)(x), (a)(xiii), (a)(xiv) and (a) (xv) of this Section 5 contain the qualifier "if material." The City shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that the City determines the event's occurrence is material for purposes of U.S. federal securities law. The City intends that the words used in paragraphs (xv) and (xvi) and the definition of "financial obligation" to have the meanings ascribed thereto in SEC Release No. 34-83885 (August 20, 2018).

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(xii) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental City has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental City, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental City having supervision or jurisdiction over substantially all of the assets or business of the City.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under this Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The City's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the City shall give notice of such termination in the same manner as for a Significant Event under Section 5(b).

Section 8. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any Dissemination Agent, with or without appointing a successor Dissemination Agent. Any Dissemination Agent may resign by providing 30 days' written notice to the City.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Bond Indenture for amendments to the Bond Indenture with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first annual financial information filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the City to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative.

The Dissemination Agent shall not be obligated to enter into any amendment increasing or affecting its duties or obligations hereunder.

A notice of any amendment made pursuant to this Section 9 shall be filed in the same manner as for a Significant Event under Section 5(b).

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Significant Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any Annual Report or notice of occurrence of a Significant Event in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Significant Event.

Section 11. Default. If the City fails to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any holder or beneficial owner of the Bonds may

take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Bond Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent.

(a) Section 27 of the Bond Indenture is hereby made applicable to this Disclosure Certificate as if this Disclosure Certificate were (solely for this purpose) contained in the Bond Indenture. The Dissemination Agent shall be entitled to the protections and limitations from liability afforded to the Trustee thereunder. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have no duty or obligation to review any information provided to it by the City hereunder and shall not be deemed to be acting in any fiduciary capacity for the City, the Bond holders or any other party. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

(b) The Dissemination Agent shall be paid compensation by the City for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and shall be reimbursed for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriter and the holders and beneficial owners from time to time of the Bonds and shall create no rights in any other person or entity.

[THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK]



Section 14. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

Date: March 16, 2021

CITY OF COALINGA

By \_\_\_\_\_  
Name \_\_\_\_\_  
Title \_\_\_\_\_

ACKNOWLEDGED:

IGSERVICE, as Dissemination Agent

By \_\_\_\_\_  
Name \_\_\_\_\_  
Title \_\_\_\_\_

## EXHIBIT A

### NOTICE TO EMMA OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Coalinga Public Financing Authority

Name of Obligor: City of Coalinga, California

Name of Issues: \$\_\_\_\_\_ Coalinga Public Financing Authority Revenue Bonds,  
Series 2021A (Water and Wastewater Projects) (Federally Taxable)

\$\_\_\_\_\_ Coalinga Public Financing Authority Revenue Bonds,  
Series 2021B (Water Project) (Tax-Exempt)

Date of Issuance: March 16, 2021

NOTICE IS HEREBY GIVEN that the Obligor has not provided an Annual Report with respect to the above-named Issues as required by the Continuing Disclosure Certificate dated March 16, 2021, furnished by the Obligor in connection with the Issues. The Obligor anticipates that the Annual Report will be filed by \_\_\_\_\_.

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

IGSERVICE, as Dissemination Agent

By \_\_\_\_\_  
Name \_\_\_\_\_  
Title \_\_\_\_\_

cc: Trustee

PRELIMINARY OFFICIAL STATEMENT DATED FEBRUARY 23, 2021

TWO NEW ISSUES—FULL BOOK ENTRY

RATINGS:

S&P: “ ” ( -Insured)  
S&P: “ ” (Underlying)  
See “RATINGS” herein

In the opinion of Quint & Thimmig LLP, Larkspur, California, Bond Counsel, subject to compliance by the Authority and the City with certain covenants, interest on the Series B Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax. Interest on the Series A Bonds is not excludable from gross income of the owners thereof for federal income tax purposes. In the further opinion of Bond Counsel, interest on the Bonds is exempt from California personal income taxes. See “TAX MATTERS” herein for a more complete discussion.



\$ \_\_\_\_\_ \*  
**Coalinga Public Financing Authority**  
(Fresno County, California)  
**Revenue Bonds, Series 2021A**  
(Water and Wastewater Projects)  
(Federally Taxable)

\$ \_\_\_\_\_ \*  
**Coalinga Public Financing Authority**  
(Fresno County, California)  
**Revenue Bonds, Series 2021B**  
(Water Project)  
(Tax-Exempt)

Dated: Date of Delivery

Due: April 1, as shown on the inside cover

The \$ \_\_\_\_\_ \* Coalinga Public Financing Authority (Fresno County, California) Revenue Bonds, Series 2021A (Water and Wastewater Projects) (Federally Taxable) (the “Series A Bonds”), and the \$ \_\_\_\_\_ \* Coalinga Public Financing Authority (Fresno County, California) Revenue Bonds, Series 2021B (Water Project) (Tax-Exempt) (the “Series B Bonds”) and, with the Series A Bonds, the “Bonds”), will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository of the Bonds. Individual purchases of Bonds will be made in book-entry form only, in denominations of \$5,000 or any integral multiple thereof. Purchasers of Bonds will not receive certificates representing their interest in the Bonds purchased but will receive a credit balance in the records of DTC. Principal of and interest on the Bonds are payable directly to DTC by Wells Fargo Bank, National Association, Los Angeles, California, as trustee (the “Trustee”). Principal is payable on April 1 in the years set forth on the inside cover. Interest is payable semiannually on each April 1 and October 1, commencing October 1, 2021. Upon receipt of payments of principal of and interest on the Bonds, DTC is obligated in turn to remit such principal and interest to the DTC Participants (as defined herein) for subsequent disbursement to purchasers of the Bonds, as described herein.

The Bonds are subject to optional and mandatory redemption prior to maturity. See “THE BONDS—Redemption” herein.

The Series A Bonds are special obligations of the Coalinga Public Financing Authority (the “Authority”) payable from the revenues pledged under the Indenture of Trust, dated as of March 1, 2021, by and between the Authority and the Trustee, consisting primarily of installment payments (the “Water Installment Payments”) to be made by the City of Coalinga (the “City”) under an installment sale agreement, dated as of March 1, 2021, by and between the Authority and the City (the “Water Installment Sale Agreement”), and installment payments (the “Wastewater Installment Payments”) to be made by the City under an installment sale agreement, dated as of March 1, 2021, by and between the Authority and the City (the “Wastewater Installment Sale Agreement”). The Series B Bonds are special obligations of the Authority payable from the revenues pledged under the Indenture consisting primarily of the Water Installment Payments. The Water Installment Payments are secured by a pledge of and lien on the net revenues of the City’s municipal water enterprise (the “Water System”). The Wastewater Installment Payments are secured by a pledge of and lien on the net revenues of the City’s municipal wastewater enterprise (the “Wastewater System”).

The Series A Bonds are being issued to (a) provide for the advance refunding of the Authority’s Revenue Bonds, Series 2012 (Water and Wastewater Financing Projects), (b) fund a portion of the cost of a municipal bond insurance reserve fund policy in lieu of cash funding a reserve fund for the Bonds, and (c) pay a portion of the costs of issuance of the Bonds, including the premium for a municipal bond insurance policy issued for the Series A Bonds.

The Series B Bonds are being issued to (a) finance the Water Improvement Project (as defined herein), (b) fund a portion of the cost of a municipal bond insurance reserve fund policy in lieu of cash funding a reserve fund for the Bonds, and (c) pay a portion of the costs of issuance of the Bonds, including the premium for a municipal bond insurance policy issued for the Series B Bonds.

Neither the Bonds nor the obligation of the City to make the Water Installment Payments or the Wastewater Installment Payments constitutes an obligation of the City or the Authority for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation. The Authority has no taxing power. Neither the Bonds nor the obligation of the City to make Water Installment Payments under the Water Installment Sale Agreement or to make Wastewater Installment Payments under the Wastewater Installment Sale Agreement constitutes a debt of the City, the County of Fresno, the State of California or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

The following firm, serving as municipal advisor to the City, has structured this issue:



The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under insurance policies to be issued concurrently with the delivery of the Bonds by \_\_\_\_\_. See “MUNICIPAL BOND INSURANCE” herein.

[INSURER LOGO]

MATURITY SCHEDULES

See inside front cover

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

The Bonds will be offered when, as and if issued and received by the Underwriter subject to the approval of legality by Quint & Thimmig LLP, Larkspur, California, Bond Counsel. Certain matters will be passed upon for the Authority and the City by Quint & Thimmig LLP, Larkspur, California, as Disclosure Counsel, for the Authority and the City by Giswold, LaSalle, Cobb, Dowd & Gin, LLP, Hanford, California, the City Attorney, and for the Underwriter by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California. It is expected that the Bonds, in book-entry form, will be available for delivery on or about March 16, 2021.



Dated: March \_\_, 2021

\*Preliminary, subject to change.

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

**Coalinga Public Financing Authority**  
**(Fresno County, California)**  
**Revenue Bonds, Series 2021A**  
**(Water and Wastewater Projects)**  
**(Federally Taxable)**

**MATURITY SCHEDULE**

\$ \_\_\_\_\_ Serial Bonds

CUSIP† Prefix: \_\_\_\_\_

Maturity (April 1)	Principal Amount	Interest Rate	Price	Yield	CUSIP† Suffix
-----------------------	---------------------	------------------	-------	-------	------------------

\$ \_\_\_\_\_ % Term Bonds due April 1, \_\_\_\_\_, Price: \_\_\_\_\_ % to Yield \_\_\_\_\_ %; CUSIP† \_\_\_\_\_

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

**Coalinga Public Financing Authority**  
**(Fresno County, California)**  
**Revenue Bonds, Series 2021B**  
**(Water Project)**  
**(Tax-Exempt)**

**MATURITY SCHEDULE**

\$ \_\_\_\_\_ Serial Bonds

CUSIP† Prefix: \_\_\_\_\_

Maturity (April 1)	Principal Amount	Interest Rate	Price	Yield	CUSIP† Suffix
-----------------------	---------------------	------------------	-------	-------	------------------

\$ \_\_\_\_\_ % Term Bonds due April 1, \_\_\_\_\_, Price: \_\_\_\_\_ % to Yield \_\_\_\_\_ %; CUSIP† \_\_\_\_\_

\*Preliminary, subject to change.

† Copyright 2021, American Bankers Association. CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by the CUSIP Service Bureau, operated by Standard & Poor's, a division of The McGraw-Hill Companies, Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services Bureau. CUSIP numbers have been assigned by an independent company not affiliated with the Authority and are included solely for the convenience of the registered owners of the Bonds. Neither the Authority nor the City is responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

*For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission, as amended ("Rule 15c2-12"), this Preliminary Official Statement constitutes an "official statement" of the Authority with respect to the Bonds that has been deemed "final" by the Authority as of its date except for the omission of no more than the information permitted by Rule 15c2-12.*

No dealer, broker, salesperson or other person has been authorized by the Authority, the City or the Underwriter to give any information or to make any representations other than as set forth herein and, if given or made, such other information or representation must not be relied upon as having been authorized by the Authority, the City 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 Bonds 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 Bonds. Statements contained in this Official Statement that 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 representations of facts.

The information set forth in this Official Statement has been obtained from official sources and other sources that are believed to be reliable, but it is not guaranteed as to accuracy or completeness and is not to be construed as a representation of the Underwriter. The information and expressions of opinion herein are subject to change without notice, and neither the 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 Authority or the City since the date hereof. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. 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 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.

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget" or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. No assurance is given that actual results will meet the Authority's or the City's forecasts in any way, regardless of the level of optimism communicated in the information. The Authority is not obligated to issue any updates or revisions to the forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based occur. See "CONTINUING DISCLOSURE" herein.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING TRANSACTIONS, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE BONDS TO CERTAIN DEALERS AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGE OF THIS OFFICIAL STATEMENT, AND SUCH PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

The execution, sale and delivery of the Bonds has not been registered under the Securities Act of 1933 or the Securities Exchange Act of 1934, both as amended, in reliance upon exemptions provided thereunder by Sections 3(a)(2) and 3(a)(12), respectively, for the issuance and sale of municipal securities.

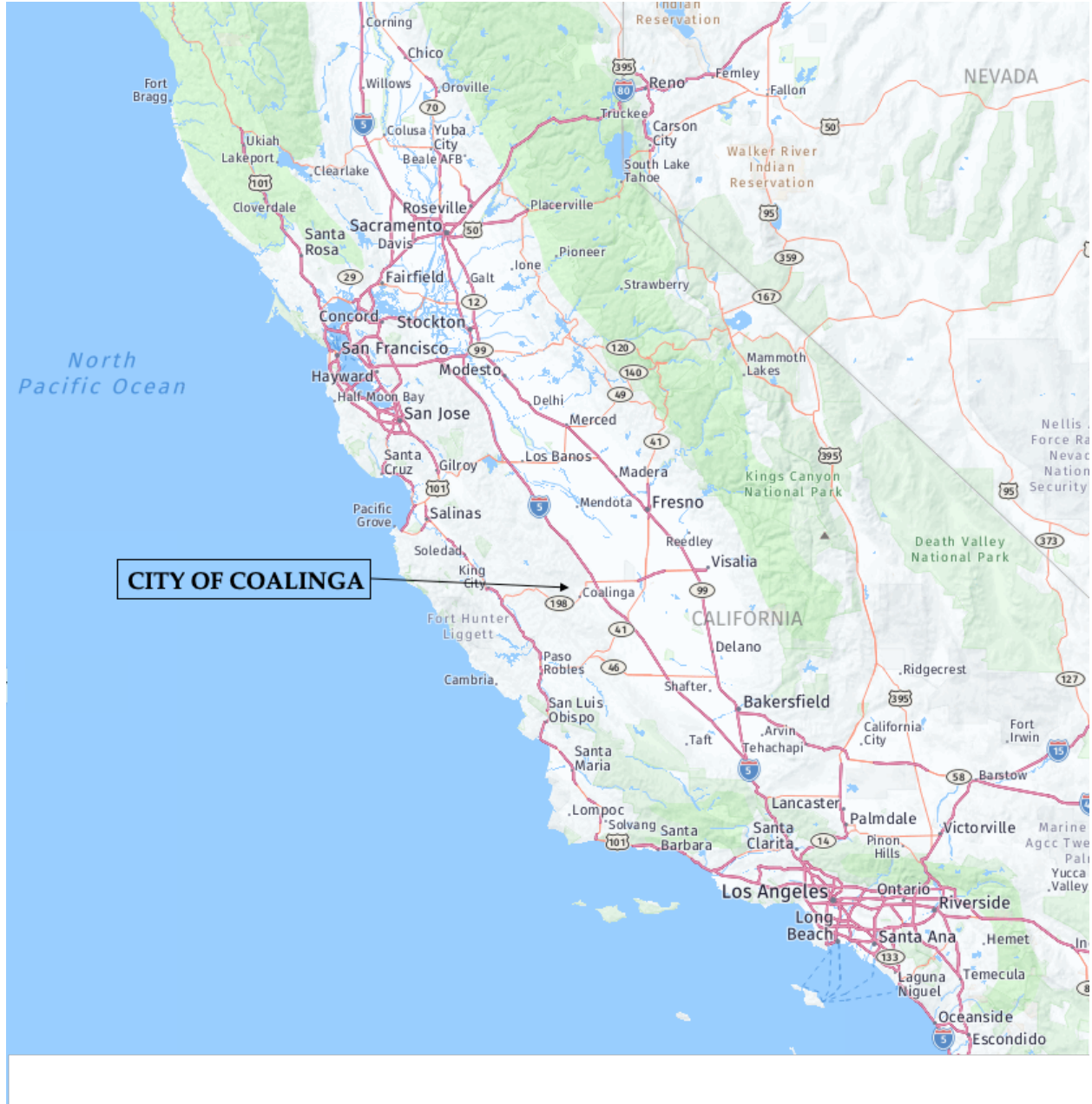
\_\_\_\_\_ (the "Municipal Bond Insurer") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, the Municipal Bond Insurer has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding the Municipal Bond Insurer supplied by the Municipal Bond Insurer and presented under the heading "MUNICIPAL BOND INSURANCE" and "APPENDIX H—SPECIMEN MUNICIPAL BOND INSURANCE POLICY."

The City maintains a website, however, the information presented therein is not a part of this Official Statement and should not be relied on in making an investment decision with respect to the Bonds.

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## LOCATION MAP



## **COALINGA PUBLIC FINANCING AUTHORITY**

### **CITY OF COALINGA**

155 West Durian  
Coalinga, CA 93210  
(559) 935-1533  
<http://www.coalinga.com>

### **AUTHORITY BOARD OF DIRECTORS AND CITY COUNCIL**

Ron Ramsey, *Chair/Mayor*  
James Horn, *Vice Chair/Mayor Pro-Tem*  
Adam Adkisson, *Boardmember/Councilmember*  
Jose Manny Ramirez, *Boardmember/Councilmember*  
Ray Singleton, *Boardmember/Councilmember*

### **AUTHORITY/CITY STAFF**

Marissa Trejo, *Executive Director/City Manager*  
Sean Brewer, *Assistant Executive Director/Assistant City Manager*  
Jasmin Bains, *Financial Services Director*  
Dawn Kahikina, *Treasurer*  
Mario Zamora, Esq., *Authority Counsel/City Attorney*  
Shannon Jensen, *Authority Secretary/City Clerk*

### **SPECIAL SERVICES**

Wulff Hansen & Co.  
San Rafael, California  
*Municipal Advisor*

Wells Fargo Bank, National Association  
Los Angeles, California  
*Trustee*

U.S. Bank National Association  
San Francisco, California  
*Escrow Bank*

Robert Thomas CPA, LLC  
Minneapolis, Minnesota  
*Verification Agent*

Quint & Thimmig LLP  
Larkspur, California  
*Bond Counsel and Disclosure Counsel*



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

**COALINGA PUBLIC FINANCING AUTHORITY**  
**(Fresno County, California)**  
**Revenue Bonds, Series 2021A**  
**(Water and Wastewater Projects)**  
**(Federally Taxable)**

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

**COALINGA PUBLIC FINANCING AUTHORITY**  
**(Fresno County, California)**  
**Revenue Bonds, Series 2021B**  
**(Water Project)**  
**(Tax-Exempt)**

**INTRODUCTION**

*The following introduction presents a brief description of certain information in connection with the Bonds (as defined below) and is qualified in its entirety by reference to the entire Official Statement and the documents summarized or described herein. References to, and summaries of, provisions of the Constitution and the laws of the State of California (the “State”) and any documents referred to herein do not purport to be complete and such references are qualified in their entirety by reference to the complete provisions thereof. Capitalized terms used in this Official Statement and not defined elsewhere herein have the meanings given such terms in the Indenture. See APPENDIX D—SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS—Definitions.*

**General**

The purpose of this Official Statement is to provide certain information concerning the issuance, sale and delivery by the Coalinga Public Financing Authority, a joint exercise of powers entity organized and existing under the laws of the State (the “Authority”), of its Coalinga Public Financing Authority (Fresno County, California) Revenue Bonds, Series 2021A (Water and Wastewater Projects) (Federally Taxable), in the aggregate principal amount of \$ \_\_\_\_\_ \* (the “Series A Bonds”), and its Coalinga Public Financing Authority (Fresno County, California) Revenue Bonds, Series 2021B (Water Project) (Tax-Exempt), in the aggregate principal amount of \$ \_\_\_\_\_ \* (the “Series B Bonds” and, with the Series A Bonds, the “Bonds”).

The Series A Bonds are special obligations of the Authority payable from the revenues pledged under the Indenture of Trust, dated as of March 1, 2021 (the “Indenture”), by and between the Authority and Wells Fargo Bank, National Association, Los Angeles, California, as trustee (the “Trustee”), consisting primarily of installment payments (the “Water Installment Payments”) to be made by the City of Coalinga (the “City”) under an installment sale agreement, dated as of March 1, 2021, by and between the Authority and the City (the “Water Installment Sale Agreement”), and installment payments (the “Wastewater Installment Payments”) to be made by the City under an installment sale agreement, dated as of March 1, 2021, by and between the Authority and the City (the “Wastewater Installment Sale

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\* Preliminary, subject to change.

Agreement” and, with the Water Installment Sale Agreement, the “Installment Sale Agreements”). The Series B Bonds are special obligations of the Authority payable from the revenues pledged under the Indenture consisting primarily of the Water Installment Payments. The Water Installment Payments are secured by a pledge of and lien on the net revenues (the “Water System Net Revenues”) of the City’s municipal water enterprise (the “Water System”). The Wastewater Installment Payments are secured by a pledge of and lien on the net revenues (the “Wastewater System Net Revenues”) of the City’s municipal Wastewater enterprise (the “Wastewater System”).

### **The Authority**

The Authority is a joint exercise of powers entity, organized pursuant to a Joint Exercise of Powers Agreement, dated February 17, 1991, by and among the City, the Coalinga Redevelopment Agency (the “Agency”) and the Coalinga-Huron Unified School District (the “School District”) to provide, in part, for the financing of public capital improvements by the City. See “THE AUTHORITY.”

### **The City**

The City, a general law city incorporated on April 3, 1906, is located the southwestern tip of Fresno County (the “County”) and the western San Joaquin Valley, in central California. The City is located 52 miles (84 km) southwest of Fresno, 10 miles west of I-5 and sits at an elevation of 673 feet (205 m). The City occupies a land area of 6.61 square miles and serves a population of approximately 17,200. The City is surrounded by hills and ranches. Monterey County lies to the west of the City and Kings County sits to the east.

Members of the City Council of the City (the “City Council”) are elected by district from five districts within the City for overlapping four-year terms. The policies of the City Council are carried out by the appointed City Manager. For certain information with respect to the City, see “THE CITY” and APPENDIX A — GENERAL, ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING TO THE CITY AND THE COUNTY.

The City owns and operates the Water System which provides potable water service to residents and businesses in the City and the Wastewater system which provides sewer service to residents and businesses in the City.

### **The Water System**

The City’s Public Works Department operates and maintains the Water System, which consists of filtration, storage, distribution and transmission facilities. The City purchases its raw water supplies from California’s Central Valley Project through a contract with the United States Department of Interior’s Bureau of Reclamation. For a discussion of the Water System, see “THE WATER SYSTEM” herein.

### **The Wastewater System**

The City’s Public Works Department operates and maintains the Wastewater System which consists of a collection system, sanitary sewer pipeline, lift stations, and a treatment plant. For a discussion of the Wastewater System, see “THE WASTEWATER SYSTEM” herein.

## **Authority for Issuance of the Bonds**

The Bonds are being issued pursuant to the provisions of Article 4 (commencing with section 6584) of Chapter 5 of Division 7 of Title 1 of the California Government Code, the Indenture and resolutions of the governing body of the Authority and of the City Council of the City adopted on February 4, 2021.

## **Purpose of the Bonds**

The Series A Bonds are being issued to (a) in part to provide for the advance refunding of the Authority's Revenue Bonds, Series 2012 (Water and Wastewater Financing Projects), (b) fund a portion of the cost of a municipal bond insurance reserve fund policy in lieu of cash funding a reserve fund for the Bonds (the "Reserve Policy"), and (c) pay the costs of issuance of the Series A Bonds, including the premium for a municipal bond insurance policy issued for the Series A Bonds (the "Series A Municipal Bond Insurance Policy").

The Series B Bonds are being issued to (a) finance the Water Improvement Project (as defined herein), (b) fund a portion of the cost of the Reserve Policy, and (c) pay a portion of the costs of issuance of the Series B Bonds, including the premium for a municipal bond insurance policy for the Series B Bonds (the "Series B Municipal Bond Insurance Policy" and, with the Series A Municipal Bond Insurance Policy, the "Municipal Bond Insurance Policies."

See "THE FINANCING PLAN" and "ESTIMATED SOURCES AND USES OF FUNDS" herein.

## **Security and Source of Repayment**

In accordance with the Water Installment Sale Agreement, the City is required to make Water Installment Payments to the Trustee for the account of the Authority. In accordance with the Wastewater Installment Sale Agreement, the City is required to make Wastewater Installment Payments to the Trustee for the account of the Authority. The Water Installment Payments are designed to be sufficient, in both time and amount, to pay, when due, the principal of, and interest on, the Series A Bonds that are allocable to the Water System and the principal of, and interest on, the Series B Bonds. The Wastewater Installment Payments are designed to be sufficient, in both time and amount, to pay, when due, the principal of, and interest on, the Series A Bonds that are allocable to the Wastewater System. The Water Installment Payments are designed to be sufficient, in both time and amount, to pay, when due, the principal of, and interest on, the Series B Bonds. The City is also required to make additional payments in the amount of any taxes, assessments, insurance premiums, expenses of the Authority and the Trustee incidental to the sale and delivery of the Bonds, administrative costs or charges of the Authority in connection with the Water Improvement Project and costs and expenses which the Authority may incur as a consequence of a default by the City. See APPENDIX D—SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—Installment Sale Agreements.

The City's obligations with respect to the Water Installment Sale Agreement and any additional obligations hereafter issued and incurred on a parity as to payment and security with the Water Installment Payments (collectively, the "Water System Parity Obligations") are secured by a first lien on the Water System Net Revenues. The City has covenanted in the Water Installment Sale Agreement that it will not issue any obligations senior to the Water Installment Payments and Water System Parity Obligations.

The City's obligations with respect to the Wastewater Installment Sale Agreement and any additional obligations hereafter issued and incurred on a parity as to payment and security with the Wastewater Installment Payments (collectively, the "Wastewater System Parity Obligations") are secured by a first lien on the Wastewater System Net Revenues. The City has covenanted in the Wastewater Installment Sale Agreement that it will not issue any obligations senior to the Wastewater Installment Payments and Wastewater System Parity Obligations.

THE OBLIGATION OF THE CITY TO MAKE THE WATER INSTALLMENT PAYMENTS AND THE WASTEWATER INSTALLMENT PAYMENTS DOES NOT CONSTITUTE A DEBT OF THE AUTHORITY, THE CITY, THE COUNTY OR THE STATE OR OF ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMIT OR RESTRICTION, AND DOES NOT CONSTITUTE AN OBLIGATION FOR WHICH THE AUTHORITY, THE CITY, THE COUNTY OR THE STATE IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY OR THE STATE HAS LEVIED OR PLEDGED ANY FORM OF TAXATION.

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

"Wastewater System Gross Revenues" means all user fee charges derived by the City from, the ownership and operation of the Wastewater System, including but not limited to investment earnings thereon.

"Wastewater System Net Revenues" means, for any period, an amount equal to all of the Wastewater System Gross Revenues received during such period minus the amount required to pay all Wastewater System Operation and Maintenance Costs becoming payable during such period.

"Wastewater System Operation and Maintenance Costs" means the reasonable and necessary costs and expenses paid by the City for maintaining and operating the Wastewater System, including but not limited to (a) costs of electricity and other forms of energy supplied to the Wastewater System, (b) the reasonable expenses of management and repair and other costs and expenses necessary to maintain and preserve the Wastewater System in good repair and working order, and (c) the reasonable administrative costs of the City attributable to the operation and maintenance of the Wastewater System; but in all cases excluding (i) debt service payable on obligations incurred by the City with respect to the Wastewater System including but not limited to the Wastewater Installment Payments and any Wastewater System Parity Obligations, (ii) depreciation, replacement and obsolescence charges or reserves therefor, and (iii) amortization of intangibles or other bookkeeping entries of a similar nature.

"Water System" means all land and facilities used and useful by the City for the production, storage, conveyance, treatment and distribution of water now owned by the City, together with all additions, betterments, extensions or improvements to such facilities or any part thereof hereafter acquired or constructed by the City and other real or personal property useful in connection therewith.

“Water System Gross Revenues” means all user fee charges derived by the City from, the ownership and operation of the Water System, including but not limited to investment earnings thereon.

“Water System Net Revenues” means, for any period, an amount equal to all of the Water System Gross Revenues received during such period minus the amount required to pay all Water System Operation and Maintenance Costs becoming payable during such period.

“Water System Operation and Maintenance Costs” means the reasonable and necessary costs and expenses paid by the City for maintaining and operating the Water System, including but not limited to (a) costs of electricity and other forms of energy supplied to the Water System, (b) the reasonable expenses of management and repair and other costs and expenses necessary to maintain and preserve the Water System in good repair and working order, and (c) the reasonable administrative costs of the City attributable to the operation and maintenance of the Water System; but in all cases excluding (i) debt service payable on obligations incurred by the City with respect to the Water System including but not limited to the Water Installment Payments and any Water System Parity Obligations, (ii) depreciation, replacement and obsolescence charges or reserves therefor, and (iii) amortization of intangibles or other bookkeeping entries of a similar nature.

See “SECURITY FOR THE BONDS.”

Other than the Water Installment Payments, after the refunding of the 2012 Bonds, there will be no other outstanding obligations secured by Water System Net Revenues. Other than the Wastewater Installment Payments, after the refunding of the 2012 Bonds, there will be no other outstanding obligations secured by Wastewater System Net Revenues.

### **Municipal Bond Insurance Policies; Reserve Account Insurance Policy**

The scheduled payment of the principal of and interest on the Series A Bonds when due will be guaranteed under the Series A Municipal Bond Insurance Policy to be issued by \_\_\_\_\_ (the “Municipal Bond Insurer”) simultaneously with the issuance of the Series A Bonds. The scheduled payment of the principal of and interest on the Series B Bonds when due will be guaranteed under the Series B Municipal Bond Insurance Policy to be issued by the Municipal Bond Insurer simultaneously with the issuance of the Series B Bonds. See “MUNICIPAL BOND INSURANCE.”

In addition, the Municipal Bond Insurer has made a commitment to issue the Reserve Policy in an amount equal to the Reserve Requirement. See “SOURCES OF PAYMENT FOR THE BONDS—Reserve Account.”

### **Redemption of the Bonds**

The Bonds are subject to redemption prior to their stated maturity dates, as provided herein. See “THE BONDS—Terms of Redemption.”

### **Book-Entry Form**

The Bonds will be delivered in fully registered form only and, when issued and delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”). DTC will act as securities depository for the Bonds. Ownership interests in the Bonds may be purchased in

denominations of \$5,000 or any integral multiple thereof, in book-entry form only. Principal, premium, if any, and interest are payable directly to DTC by the Trustee. Upon receipt of payments of principal of, premium, if any, and interest on the Bonds, DTC is obligated to remit such principal, premium, if any, and interest to the participants in DTC for subsequent disbursement to the beneficial owners of the Bonds. See “THE BONDS—Book-Entry Only System” below and APPENDIX G—BOOK-ENTRY ONLY SYSTEM.

### **Continuing Disclosure**

The City will covenant, pursuant to a continuing disclosure certificate (the “Continuing Disclosure Certificate”) to be executed on the date of delivery of the Bonds, for the benefit of owners and beneficial owners of the Bonds, to provide certain financial information and operating data related to the Water System and the Wastewater System by not later than nine months following the end of the City’s Fiscal Year (the “Annual Report”), and to provide notices of the occurrence of certain enumerated events. The Annual Report and notices of enumerated events will be filed by the City with the Municipal Securities Rulemaking Board. The specific nature of the information to be contained in the Annual Report and any notices of enumerated events is summarized below under the caption “CONTINUING DISCLOSURE.” The form of the Continuing Disclosure Certificate is set forth in APPENDIX F—FORM OF CONTINUING DISCLOSURE CERTIFICATE. The covenants of the City in the Continuing Disclosure Certificate have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5), as amended (the “Rule”).

### **Tax Matters**

In the opinion of Quint & Thimmig LLP, Larkspur, California, Bond Counsel, subject to compliance by the Authority and the City with certain covenants, interest on the Series B Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals. In addition, in the opinion of Bond Counsel, interest on the Bonds is exempt from personal income taxation imposed by the State of California. See “TAX MATTERS.” Interest on the Series A Bonds is not excludable from gross income of the owners thereof for federal income tax purposes.

### **Professionals Involved in the Offering**

The proceedings of the Authority and the City in connection with the issuance of the Bonds are subject to the approval as to their legality of Quint & Thimmig LLP, Larkspur, California, Bond Counsel. Certain legal matters will be passed upon for the Authority and the City by Quint & Thimmig LLP, Larkspur, California, as Disclosure Counsel, and by Griswold, LaSalle, Cobb, Dowd & Gin, LLP, Hanford, California, Authority Counsel and City Attorney. Wells Fargo Bank, National Association, Los Angeles, California, will act as the Trustee under the Indenture. U.S. Bank National Association, San Francisco, California, will act as the Escrow Bank under the Escrow Agreement. Certain legal matters will be passed upon for the Underwriter by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California. The fees of Bond Counsel, Disclosure Counsel, counsel to the Underwriter and the Trustee are contingent upon the sale and delivery of the Bonds.

## **Forward-Looking Statements**

This Official Statement, and particularly the information contained under the headings entitled “THE FINANCING PLAN—Water Improvement Project,” “THE WATER SYSTEM,” “THE WASTEWATER SYSTEM,” “RISK FACTORS RELATING TO THE BONDS” and APPENDIX A—GENERAL, ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING TO THE CITY AND THE COUNTY, contains statements relating to future results that are “forward-looking statements” as defined in the Private Securities Litigation Reform Act of 2000. When used in this Official Statement, the words “estimate,” “forecast,” “intend,” “expect” and similar expressions identify forward-looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material. The City is not obligated to issue any updates or revisions to the forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based occur. See “RISK FACTORS RELATING TO THE BONDS” and “TAX MATTERS.”

## **Other Matters**

There follows in this Official Statement brief descriptions of the Bonds, the security for the Bonds, the Indenture, the Authority, the City, the Water System, the Wastewater System, the Water Improvement Project and certain other information relevant to the issuance of the Bonds. The descriptions and summaries of documents herein do not purport to be comprehensive or definitive, and reference is made to each such document for the complete details of all its respective terms and conditions. All statements herein with respect to such documents are qualified in their entirety by reference to each such document for the complete details of all of their respective terms and conditions. All statements herein with respect to certain rights and remedies are qualified by reference to laws and principles of equity relating to or affecting creditors’ rights generally. See APPENDIX D—SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS.

The information and expressions of opinion herein speak only as of the date of this Official Statement and are subject to change without notice. Neither delivery of this Official Statement nor any sale made hereunder nor any future use of this Official Statement shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority or the City since the date hereof.

All financial and other information presented in this Official Statement has been provided by the Authority and the City from their records, except for information expressly attributed to other sources. The presentation of information, including the table of receipts from taxes and other revenues, is intended to show recent historic information and is not intended to indicate future or continuing trends in the financial or other affairs of the Authority or the City. No representation is made that past experience, as it might be shown by such financial and other information, will necessarily continue or be repeated in the future.

## **Other Information**

Copies of the documents are on file and, upon request and payment to the City of a charge for copying, mailing and handling, from the Finance Director, City of Coalinga, 155 West Durian, Coalinga, CA 93210, Telephone: (559) 935-1533.

The information and expressions of opinion herein speak only as of their date and are subject to change without notice. Neither the delivery of this Official Statement nor any sale made hereunder nor any future use of this Official Statement, under any circumstances, creates any implication that there has been no change in the affairs of the City or the Authority since the date hereof.

The presentation of information, including tables of receipt of revenues, is intended to show recent historical information and is not intended to indicate future or continuing trends in the financial position or other affairs of the City or the Authority. No representation is made that past experience, as it might be shown by such financial and other information, will necessarily continue or be repeated in the future.

## **THE FINANCING PLAN**

The Series A Bonds are being issued to (a) in part to provide for the advance refunding of the 2012 Bonds, (b) fund a portion of the cost of the Reserve Policy, and (c) pay the costs of issuance of the Series A Bonds, including the premium for the Series A Municipal Bond Insurance Policy.

The Series B Bonds are being issued to (a) finance the Water Improvement Project, (b) fund a portion of the cost of Reserve Policy, and (c) pay a portion of the costs of issuance of the Series B Bonds, including the premium for the Series B Municipal Bond Insurance Policy.

*Refunding of the 2012 Bonds.* A portion of the proceeds of the Series A Bonds, together with amounts held in certain funds established in connection with the 2012 Bonds, will be deposited into an escrow fund (the “Escrow Fund”) established under an escrow agreement (the “Escrow Agreement”) by and between the City and U.S. Bank National Association, as escrow agent (the “Escrow Bank”). A portion of the amounts deposit in the Escrow Fund will be invested in direct obligations of the United States of America (the “Escrowed Securities”). The maturing Escrowed Securities, the investment earnings thereon and the cash in the Escrow Fund will be applied to pay the principal of and interest on the 2012 Bonds to and including April 1, 2022, and for the redemption of all outstanding 2012 Bonds on April 1, 2022 (the “Redemption Date”), at a redemption price equal to 100% of the principal amount thereof (the “Redemption Price”).

Robert Thomas CPA, LLC, Minneapolis, Minnesota (the “Verification Agent”), will verify that the maturing Escrowed Securities, the investment earnings thereon and the cash in the Escrow Fund will be sufficient to pay the principal of and interest on the 2012 Bonds to and including April 1, 2022, and for the redemption of all outstanding 2012 Bonds on the Redemption Date at the Redemption Price. See “VERIFICATION OF MATHEMATICAL COMPUTATIONS.”



The 2012 Bonds to be refunded are shown in the following table\*:

Maturity Date	Principal Amount Refunded	Interest Rate	Redemption Date	Redemption Price	CUSIP† Number
4/1/21	\$ 225,000	3.750%	—	—	19021E FM1
4/1/22	235,000	3.875	—	—	19021E FN9
4/1/23	240,000	4.100	4/1/22	100.000	19021E FP4
4/1/24	250,000	4.250	4/1/22	100.000	19021E FQ2
4/1/25	265,000	4.375	4/1/22	100.000	19021E FR0
4/1/30	1,525,000	5.000	4/1/22	100.000	19021E FW9
4/1/35	1,860,000	5.000	4/1/22	100.000	19021E FY5
4/1/48	7,600,000	5.000	4/1/22	100.000	19021E FZ2

The cash and the Escrowed Securities on deposit held in the Escrow Fund will be pledged to the redemption of the 2012 Bonds and will not be available for the payment of the Bonds.

*The Water Improvement Project.* A portion of the proceeds of the Series B Bonds will be applied to finance the Water Improvement Project. The Water Improvement Project consists of various improvements to the Water System.

#### ESTIMATED SOURCES AND USES OF PROCEEDS

	Series A Bonds	Series B Bonds	Total
<b>SOURCES</b>			
Par Amount of Bonds			
Plus: Original Issue Premium			
Total Sources			
<b>USES</b>			
Deposit to Escrow Fund <sup>(1)</sup>			
Deposit to Water Improvement Project Fund <sup>(2)</sup>			
Costs of Issuance <sup>(3)</sup>			
Total Uses			

<sup>(1)</sup> Represents amount required to defease the 2012 Bonds.

<sup>(2)</sup> Represents the amount required to finance the Water Improvement Project.

<sup>(3)</sup> Includes the Underwriter's discount, legal and financing costs, printing costs, fees of the rating agency, initial fees of the Trustee, the premiums for the Municipal Bond Insurance Policies and the Reserve Policy and other costs related to the issuance of the Bonds.

\* Preliminary, subject to change.

† Copyright 2021, American Bankers Association. CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, operated by Standard & Poor's. This data is not intended to create a database and does not serve in any way as a substitute for CUSIP Global Services.

## DEBT SERVICE REQUIREMENTS

Annual debt service on the Bonds (assuming no redemptions of the Bonds other than sinking fund redemptions) is presented below.

Year Ending April 1	Series A Bonds			Series B Bonds			Total
	Principal <sup>(1)</sup>	Interest	Total	Principal <sup>(1)</sup>	Interest	Total	
Totals							

<sup>(1)</sup> Includes mandatory sinking fund installments.

Payments made by the City under the Water Installment Sale Agreement and the Wastewater Installment Sale Agreement are scheduled, in time and amount to pay the debt service on the Bonds.

Year Ending April 1	Water Installment Sale Agreement		Wastewater Installment Sale Agreement	Total
	2012 Refunding	Water Improvement Project	2012 Refunding	
Totals				

## THE BONDS

## General Provisions

The Bonds will be issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple thereof. The Bonds will mature on April 1 in each of the years and in the amounts and will bear interest (calculated on the basis of a 360-day year of twelve 30-day months) at the rates set forth on the inside cover page hereof.

Interest on the Bonds will be payable semiannually on each April 1 and October 1, commencing October 1, 2021 (each, an “Interest Payment Date”), to the person whose name appears on the Registration Books as the Owner thereof as of the 15th calendar day of the month immediately preceding each such

Interest Payment Date (each, a “Record Date”), such interest to be paid by check of the Trustee mailed by first-class mail to the Owners at the respective addresses of such Owners as they appear on the Registration Books; provided, however, that payment of interest may be made by wire transfer in immediately available funds to an account in the United States of America to any Owner of Bonds in the aggregate principal amount of \$1,000,000 or more who furnishes written wire instructions to the Trustee at least five days before the applicable Record Date. Principal of any Bond and any premium upon redemption will be paid by check of the Trustee upon presentation and surrender thereof at the corporate trust office of the Trustee, except as provided in APPENDIX G—BOOK-ENTRY ONLY SYSTEM. Principal of and interest and premium (if any) on the Bonds will be payable in lawful money of the United States of America.

Each Bond will be dated as of its date of delivery and will bear interest from the Interest Payment Date next preceding such date of authentication thereof, unless (a) it is authenticated after a Record Date and on or before the following Interest Payment Date, in which event it will bear interest from such Interest Payment Date, or (b) it is authenticated on or before March 15, 2021, in which event it will bear interest from the Closing Date; provided, however, that if, as of the date of authentication of any Bond, interest thereon is in default, such Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

### **Book-Entry Only System**

The Bonds, when issued, will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company (“DTC”). DTC will act as securities depository for the Bonds so purchased. Individual purchases will be made in book-entry-only form. Purchasers will not receive a certificate representing their beneficial ownership interest in the Bonds. So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the Bondholders, holders or registered owners shall mean Cede & Co. as aforesaid, and shall not mean the “Beneficial Owners” of the Bonds. In this Official Statement, the term “Beneficial Owner” shall mean the person for whom a Participant (as defined herein) acquires an interest in the Bonds. See APPENDIX G—BOOK-ENTRY ONLY SYSTEM.

In the event the use of the book-entry-only system is discontinued, principal of the Bonds will be payable upon surrender thereof at the principal corporate trust office of the Trustee in Los Angeles, California. Interest payable on the Bonds will be paid by check mailed on the Interest Payment Date to the person in whose name each Bond is registered in the registration books maintained by the Trustee as of the applicable Record Date for such Interest Payment Date.

### **Transfer and Exchange**

*Transfer of Bonds.* Any Bond may, in accordance with its terms, be transferred on the Registration Books by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form approved by the Trustee. Whenever any Bonds or Bonds shall be surrendered for transfer, the Authority shall execute and the Trustee shall authenticate and shall deliver a new Bond or Bonds for a like aggregate principal amount and of like maturity. The Trustee may require the Bond Owner requesting such transfer to pay any tax or other governmental charge required to be paid with respect to such transfer.

*Exchange of Bonds.* Any Bond may be exchanged at the principal corporate trust office of the Trustee for a like aggregate principal amount of Bonds of other authorized denominations and of like maturity. The Trustee shall require the Bond Owner requesting such exchange to pay any tax or other governmental charge required to be paid with respect to such exchange.

## **Terms of Redemption**

### *Optional Redemption.*

**Series A Bonds.** The Series A Bonds are subject to redemption, at the option of the City, on any date on or after April 1, \_\_\_\_\_, as a whole or in part, by such maturities as shall be determined by the City, and by lot within a maturity, from prepayments of Water Installment Payments and/or Wastewater Installment Payments made at the option of the City pursuant to the Water Installment Sale Agreement and/or the Wastewater Installment Sale Agreement, from any available source of funds, at a redemption price equal to the principal amount of the Series A Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium.

**Series B Bonds.** The Series B Bonds are subject to redemption, at the option of the City, on any date on or after April 1, \_\_\_\_\_, as a whole or in part, by such maturities as shall be determined by the City, and by lot within a maturity, from prepayments of the Water Installment Payments made at the option of the City pursuant to the Water Installment Sale Agreement, from any available source of funds, at a redemption price equal to the principal amount of the Series B Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium.

### *Mandatory Sinking Fund Redemption.*

**Series A Bonds.** The Series A Bonds maturing on April 1, \_\_\_\_\_ (the “\_\_\_\_\_ Series A Term Bonds”) are subject to mandatory redemption, in part by lot, from Sinking Account payments set forth in the following schedule on April 1, \_\_\_\_\_, and on April 1 in each year thereafter to and including April 1, \_\_\_\_\_, at a redemption price equal to the principal amount thereof to be redeemed (without premium), together with interest accrued thereon to the date fixed for redemption; provided, however, that if some but not all of the \_\_\_\_\_ Series A Term Bonds have been optionally redeemed as described below, the total amount of Sinking Account payments to be made subsequent to such redemption shall be reduced in an amount equal to the principal amount of the \_\_\_\_\_ Series A Term Bonds so redeemed by reducing each such future Sinking Account payment as shall be determined by the City and, in lieu of such determination, on a *pro rata* basis (as nearly as practicable) in integral multiples of \$5,000, as shall be designated pursuant to written notice filed by the Authority with the Trustee.

Redemption Date (April 1)	Principal Amount
_____	_____

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† Maturity.

The Series A Bonds maturing on April 1, \_\_\_\_\_ (the “\_\_\_\_\_ Series A Term Bonds”) are subject to mandatory redemption, in part by lot, from Sinking Account payments set forth in the following schedule on April 1, \_\_\_\_\_, and on April 1 in each year thereafter to and including April 1, \_\_\_\_\_, at a redemption price equal to the principal amount thereof to be redeemed (without premium), together with interest accrued thereon to the date fixed for redemption; provided, however, that if some but not all of the \_\_\_\_\_ Series A Term Bonds have been optionally redeemed as described below, the total amount of Sinking Account payments to be made subsequent to such redemption shall be reduced in an amount equal to the principal amount of the \_\_\_\_\_ Series A Term Bonds so redeemed by reducing each such future Sinking Account payment as shall be determined by the City and, in lieu of such determination, on a *pro rata* basis (as nearly as practicable) in integral multiples of \$5,000, as shall be designated pursuant to written notice filed by the Authority with the Trustee.

Redemption Date (April 1)	Principal Amount
_____	_____

---

† Maturity.

**Series B Bonds.** The Series B Bonds maturing on April 1, \_\_\_\_\_ (the “\_\_\_\_\_ Series B Term Bonds”) are subject to mandatory redemption, in part by lot, from Sinking Account payments set forth in the following schedule on April 1, \_\_\_\_\_, and on April 1 in each year thereafter to and including April 1, \_\_\_\_\_, at a redemption price equal to the principal amount thereof to be redeemed (without premium), together with interest accrued thereon to the date fixed for redemption; provided, however, that if some but not all of the \_\_\_\_\_ Series B Term Bonds have been optionally redeemed as described below, the total amount of Sinking Account payments to be made subsequent to such redemption shall be reduced in an amount equal to the principal amount of the \_\_\_\_\_ Series B Term Bonds so redeemed by reducing each such future Sinking Account payment as shall be determined by the City and, in lieu of such determination, on a *pro rata* basis (as nearly as practicable) in integral multiples of \$5,000, as shall be designated pursuant to written notice filed by the Authority with the Trustee.

Redemption Date (April 1)	Principal Amount
_____	_____

---

† Maturity.

The Series B Bonds maturing on April 1, \_\_\_\_\_ (the “\_\_\_\_\_ Series B Term Bonds”) are subject to mandatory redemption, in part by lot, from Sinking Account payments set forth in the

following schedule on April 1, \_\_\_\_\_, and on April 1 in each year thereafter to and including April 1, \_\_\_\_\_, at a redemption price equal to the principal amount thereof to be redeemed (without premium), together with interest accrued thereon to the date fixed for redemption; provided, however, that if some but not all of the \_\_\_\_\_ Series B Term Bonds have been optionally redeemed as described below, the total amount of Sinking Account payments to be made subsequent to such redemption shall be reduced in an amount equal to the principal amount of the \_\_\_\_\_ Series B Term Bonds so redeemed by reducing each such future Sinking Account payment as shall be determined by the City and, in lieu of such determination, on a *pro rata* basis (as nearly as practicable) in integral multiples of \$5,000, as shall be designated pursuant to written notice filed by the Authority with the Trustee.

Redemption Date (April 1)	Principal Amount
_____	_____

† Maturity.

*Purchase of Bonds In Lieu of Optional and Mandatory Sinking Fund Redemption.* In lieu of optional and mandatory sinking fund redemption of Bonds as provided above, amounts held by the Trustee for such redemption may also be used on any Interest Payment Date, upon receipt by the Trustee at least ninety (90) days prior to the next scheduled Interest Payment Date of the written request of an Authorized Representative of the City, for the purchase of Bonds at public or private sale as and when and at such prices (including brokerage, accrued interest and other charges) as the City may in its discretion direct, but not to exceed the redemption price which would be payable if such Bonds were redeemed. Such purchases may be affected through the investment department of the Trustee or of an affiliate of the Trustee. The aggregate principal amount of Bonds of the same maturity purchased in lieu of redemption shall not exceed the aggregate principal amount of Bonds of such maturity which would otherwise be subject to such redemption.

*Selection of Bonds for Redemption.* The Trustee shall select the Bonds to be redeemed from all Bonds or such given portion thereof not previously called for redemption by lot within a maturity. For purposes of such selection, the Trustee shall treat each Bond as consisting of separate \$5,000 portions and each such portion shall be subject to redemption as if such portion were a separate Bond. No Bonds selected for redemption may be transferred.

*Notice of Redemption.* Notice of redemption shall be mailed by first class mail, postage prepaid, not less than thirty (30) nor more than sixty (60) days before any redemption date, to the respective Owners of any Bonds designated for redemption at their addresses appearing on the Registration Books, and to the Securities Depositories and to the Information Services. Each notice of redemption shall state the date of the notice, the redemption date, the place or places of redemption, whether less than all of the Bonds (or all Bonds of a single maturity) are to be redeemed, the CUSIP numbers and Bond numbers of the Bonds to be redeemed, the maturity or maturities of the Bonds to be redeemed and in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice shall also state that on the redemption date there will become due and payable on each of said Bonds the redemption price thereof, and that from and after such redemption date interest thereon shall cease to

accrue and shall require that such Bonds be then surrendered. Neither the failure to receive any notice nor any defect therein shall affect the proceedings for such redemption or the cessation of accrual of interest from and after the redemption date. Notice of redemption of Bonds shall be given by the Trustee, at the expense of the Authority, for and on behalf of the Authority.

Notice of any optional redemption of Bonds shall either (i) explicitly state that the proposed redemption is conditioned on there being on deposit in the applicable fund or account on the redemption date sufficient money to pay the full redemption price of the Bonds to be redeemed, or (ii) be sent only if sufficient money to pay the full redemption price of the Bonds to be redeemed is on deposit in the applicable fund or account.

*Partial Redemption of Bonds.* Upon surrender of any Bonds redeemed in part only, the Authority shall execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the Authority, a new Bond or Bonds of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Bonds surrendered.

*Effect of Redemption.* Notice of redemption having been duly given as aforesaid, and moneys for payment of the redemption price of, together with interest accrued to the date fixed for redemption on, the Bonds (or portions thereof) so called for redemption being held by the Trustee, on the redemption date designated in such notice, the Bonds (or portions thereof) so called for redemption shall become due and payable, interest on the Bonds so called for redemption shall cease to accrue, said Bonds (or portions thereof) shall cease to be entitled to any benefit or security under the Indenture, and the Owners of said Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof.

All Bonds redeemed pursuant to the provisions of the Indenture shall be canceled by the Trustee upon surrender thereof and destroyed.

## **SECURITY FOR THE BONDS**

### **Revenues**

The Series A Bonds are special obligations of the Authority payable from and secured by a pledge of the Revenues, consisting primarily of Water Installment Payments to be made by the City under the Water Installment Sale Agreement, Wastewater Installment Payments to be made by the City under the Wastewater Installment Sale Agreement, and any other amounts (including proceeds of the sale of the Series A Bonds) held in any fund or account established pursuant to the Indenture.

The Series B Bonds are special obligations of the Authority payable from and secured by a pledge of the Revenues, consisting primarily of Water Installment Payments to be made by the City under the Water Installment Sale Agreement and any other amounts (including proceeds of the sale of the Series B Bonds) held in any fund or account established pursuant to the Indenture.

The Water Installment Payments, allocable to the refunding of the 2012 Bonds and Wastewater Installment Payments, all of which are allocable to the refunding of the 2012 Bonds, payable to the Trustee are calculated to be sufficient to pay, when due, the principal of and interest on the Series A Bonds. The Water Installment Payments, allocable to the Water Improvement Project, payable to the Trustee are calculated to be sufficient to pay, when due, the principal of and interest on the Series B Bonds.



## **Installment Payments**

*Obligation to Pay.* The City agrees to pay to the Authority, its successors and assigns, but solely from the Water System Net Revenues, as the purchase price of the Water System, and from the Wastewater System Net Revenues, as the purchase price of the Wastewater System, an amount equal to the aggregate principal amount of the Series A Bonds, together with interest on the unpaid principal balance, payable in Water Installment Payments and Wastewater Installment Payments coming due and payable on each Installment Payment Date. The City agrees to pay to the Authority, its successors and assigns, but solely from the Water System Net Revenues, as the purchase price of the Water System and the Water Improvement Project, an amount equal to the aggregate principal amount of the Series B Bonds, together with interest on the unpaid principal balance, payable in Water Installment Payments coming due and payable on each Installment Payment Date. The Water Installment Payments and Wastewater Installment Payments will be paid by the City to the Trustee, as assignee of the Authority pursuant to the Indenture.

The City's obligations under the Water Installment Sale Agreement are secured by a pledge of and lien on Water System Net Revenues. The City's obligations under the Wastewater Installment Sale Agreement are secured by a pledge of and lien on Wastewater System Net Revenues.

*Effect of Prepayment.* In the event that the City prepays all remaining Water Installment Payments in full, the City's obligations under the Water Installment Sale Agreement will thereupon cease and terminate, including but not limited to the City's obligation to pay Water Installment Payments; *provided, however,* that the City's obligations to compensate and indemnify the Trustee shall survive such prepayment. In the event that the City prepays the Water Installment Payments in part but not in whole, the principal component of each succeeding Water Installment Payment will be reduced and the interest component of each remaining Water Installment Payment will be reduced by the aggregate corresponding amount of interest which would otherwise be payable on the Bonds thereby redeemed. In the event that the City prepays all remaining Wastewater Installment Payments in full, the City's obligations under the Wastewater Installment Sale Agreement will thereupon cease and terminate, including but not limited to the City's obligation to pay Wastewater Installment Payments; *provided, however,* that the City's obligations to compensate and indemnify the Trustee shall survive such prepayment. In the event that the City prepays the Wastewater Installment Payments in part but not in whole, the principal component of each succeeding Wastewater Installment Payment will be reduced and the interest component of each remaining Wastewater Installment Payment will be reduced by the aggregate corresponding amount of interest which would otherwise be payable on the Series A Bonds thereby redeemed.

*Rate on Overdue Payments.* In the event the City fails to make any of the payments required in the Water Installment Sale Agreement and/or the Wastewater Installment Sale Agreement, the payment in default will continue as an obligation of the City until the amount in default is fully paid, and the City agrees to pay the same with interest thereon, from the date of default to the date of payment, at the rate of ten percent (10%) per annum.

*Assignment.* The City agrees that all Water Installment Payments and Wastewater Installment Payments have been assigned by the Authority to the Trustee in trust, pursuant to the Indenture, for the benefit of the Owners of the Bonds, and the City assents to such assignment.

## **Special Obligations of the City; Obligations Absolute**

*Water Installment Payments.* The City's obligation to pay the Water Installment Payments, the Water System Additional Payments, any other amounts coming due and payable under the Water Installment Sale Agreement and payments with respect to Water System Parity Obligations is a special obligation of the City limited solely to the Water System Net Revenues. Under no circumstances is the City required to advance moneys derived from any source of income other than Water System Net Revenues and other sources specifically identified in the Water Installment Sale Agreement for the payment of the Water Installment Payments, the Water Additional Payments or payments with respect to Water System Parity Obligations, nor will any other funds or property of the City be liable for the payment of the Water Installment Payments, the Water Additional Payments or payments with respect to Water System Parity Obligations and any other amounts coming due and payable under the Water Installment Sale Agreement.

The obligations of the City to make the Water Installment Payments, the Water Additional Payments and payments with respect to Water System Parity Obligations from Water System Net Revenues and to perform and observe the other agreements contained in the Water Installment Sale Agreement and under agreements with respect to Water System Parity Obligations are absolute and unconditional and are not subject to any defense or any right of setoff, counterclaim or recoupment arising out of any breach of the City, the Authority or the Trustee of any obligation to the City or otherwise with respect to the Water System, whether under the Water Installment Sale Agreement or otherwise, or out of indebtedness or liability at any time owing to the City by the Authority or the Trustee. Until such time as all of the Water Installment Payments, all of the Water Additional Payments and all other amounts coming due and payable under the Water Installment Sale Agreement and payments with respect to Water System Parity Obligations shall have been fully paid or prepaid, the City (a) will not suspend or discontinue payment of any Water Installment Payments, Water Additional Payments, payments with respect to Water System Parity Obligations or such other amounts, (b) will perform and observe all other agreements contained in the Water Installment Sale Agreement and under any agreements with respect to Water System Parity Obligations, and (c) will not terminate the Water Installment Sale Agreement or agreements with respect to Water System Parity Obligations for any cause, including, without limiting the generality of the foregoing, the occurrence of any acts or circumstances that may constitute failure of consideration, eviction or constructive eviction, destruction of or damage to the Water System, failure to complete the Water Improvement Project by the estimated Completion Dates thereof, sale of the Water System, the taking by eminent domain of title to or temporary use of any component of the Water System, commercial frustration of purpose, any change in the tax law or other laws of the United States of America or the State or any political subdivision of either thereof or any failure of the Authority or the Trustee to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with the Indenture, the Water Installment Sale Agreement or agreements with respect to Water System Parity Obligations.

Nothing contained in the Water Installment Sale Agreement shall be construed to release the Authority or the Trustee from the performance of any of the agreements on its part contained in the Water Installment Sale Agreement or in the Indenture, and in the event the Authority or the Trustee shall fail to perform any such agreements, the City may institute such action against the Authority or the Trustee as the City may deem necessary to compel performance so long as such action does not abrogate the obligations of the City contained in the preceding paragraph. The City may, however, at the City's own cost and expense and in the City's own name or in the name of the Authority prosecute or defend any action or proceeding or take any other action involving third persons which the City deems reasonably necessary in order to secure or protect the City's rights under, the Water Installment Sale Agreement and in such event

the Authority hereby agrees to cooperate fully with the City and to take such action necessary to effect the substitution of the City for the Authority in such action or proceeding if the City shall so request.

*Wastewater Installment Payments.* The City's obligation to pay the Wastewater Installment Payments, the Wastewater System Additional Payments, any other amounts coming due and payable under the Wastewater Installment Sale Agreement and payments with respect to Wastewater System Parity Obligations is a special obligation of the City limited solely to the Wastewater System Net Revenues. Under no circumstances is the City required to advance moneys derived from any source of income other than Wastewater System Net Revenues and other sources specifically identified in the Wastewater Installment Sale Agreement for the payment of the Wastewater Installment Payments, the Wastewater Additional Payments or payments with respect to Wastewater System Parity Obligations, nor will any other funds or property of the City be liable for the payment of the Wastewater Installment Payments, the Wastewater Additional Payments or payments with respect to Wastewater System Parity Obligations and any other amounts coming due and payable under the Wastewater Installment Sale Agreement.

The obligations of the City to make the Wastewater Installment Payments, the Wastewater Additional Payments and payments with respect to Wastewater System Parity Obligations from Wastewater System Net Revenues and to perform and observe the other agreements contained in the Wastewater Installment Sale Agreement and under agreements with respect to Wastewater System Parity Obligations are absolute and unconditional and are not subject to any defense or any right of setoff, counterclaim or recoupment arising out of any breach of the City, the Authority or the Trustee of any obligation to the City or otherwise with respect to the Wastewater System, whether under the Wastewater Installment Sale Agreement or otherwise, or out of indebtedness or liability at any time owing to the City by the Authority or the Trustee. Until such time as all of the Wastewater Installment Payments, all of the Wastewater Additional Payments and all other amounts coming due and payable under the Wastewater Installment Sale Agreement and payments with respect to Wastewater System Parity Obligations shall have been fully paid or prepaid, the City (a) will not suspend or discontinue payment of any Wastewater Installment Payments, Wastewater Additional Payments, payments with respect to Wastewater System Parity Obligations or such other amounts, (b) will perform and observe all other agreements contained in the Wastewater Installment Sale Agreement and under any agreements with respect to Wastewater System Parity Obligations, and (c) will not terminate the Wastewater Installment Sale Agreement or agreements with respect to Wastewater System Parity Obligations for any cause, including, without limiting the generality of the foregoing, the occurrence of any acts or circumstances that may constitute failure of consideration, eviction or constructive eviction, destruction of or damage to the Wastewater System, sale of the Wastewater System, the taking by eminent domain of title to or temporary use of any component of the Wastewater System, commercial frustration of purpose, any change in the tax law or other laws of the United States of America or the State or any political subdivision of either thereof or any failure of the Authority or the Trustee to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with the Indenture, the Wastewater Installment Sale Agreement or agreements with respect to Wastewater System Parity Obligations.

Nothing contained in the Wastewater Installment Sale Agreement shall be construed to release the Authority or the Trustee from the performance of any of the agreements on its part contained in the Wastewater Installment Sale Agreement or in the Indenture, and in the event the Authority or the Trustee shall fail to perform any such agreements, the City may institute such action against the Authority or the Trustee as the City may deem necessary to compel performance so long as such action does not abrogate the obligations of the City contained in the preceding paragraph. The City may, however, at the City's own cost and expense and in the City's own name or in the name of the Authority prosecute or defend any action

or proceeding or take any other action involving third persons which the City deems reasonably necessary in order to secure or protect the City's rights under, the Wastewater Installment Sale Agreement and in such event the Authority hereby agrees to cooperate fully with the City and to take such action necessary to effect the substitution of the City for the Authority in such action or proceeding if the City shall so request.

### **Pledge and Application of Net Revenues**

*Pledge of Water System Net Revenues.* The City agrees that the payment of the Water Installment Payments will be secured by a pledge, charge and first and prior lien upon Water System Net Revenues, and Water System Net Revenues sufficient to pay the Water Installment Payments as they become due and payable are charged, assigned, transferred and set over by the City to the Authority and its assigns for the purpose of securing payment of the Water Installment Payments. The Water System Net Revenues shall constitute a trust fund for the security and payment of the Water Installment Payments.

*Deposit to and Transfer from Water Fund.* All of the Water System Gross Revenues shall be deposited by the City immediately upon receipt in the Water Fund.

The City shall withdraw from the Water Fund such amounts at such times as shall be required to pay all Water Maintenance and Operation Costs as they come due and payable.

The City covenants and agrees that all Water System Gross Revenues will be held by the City in the Water Fund in trust for the benefit of the Trustee (as assignee of the rights of the Authority hereunder), the Owners, the owners of any Water System Parity Obligations and the owners of any Water System Subordinate Obligations.

On or before each Installment Payment Date, the City shall withdraw from the Water Fund and transfer to the Trustee, for deposit into the Bond Fund, amounts which, together with the balance then on deposit in the Bond Fund (other than amounts resulting from the prepayment of the Water Installment Payments and other than amounts required for payment of the principal or interest with respect to any Bonds which have matured or been called for redemption but which have not been presented for payment), is equal to the aggregate amount of the Water Installment Payment coming due and payable on the next succeeding Interest Payment Date.

In addition, the City shall withdraw from the Water Fund such amounts at such times as shall be required to pay (i) the principal of and interest on any Water System Parity Obligations and otherwise comply with the provisions of the instruments authorizing the issuance of any Water System Parity Obligations; and (ii) pay all other amounts when and as due and payable hereunder.

*Release from Lien.* Following the transfers with respect to the April 1 Interest Payment Date, Water System Net Revenues in excess of amounts required for the payment of Water Installment Payments and any Water System Parity Obligations in that Fiscal Year shall be released from the lien of the Water Installment Sale Agreement and shall be available for any lawful purpose of the City.

*Pledge of Wastewater System Net Revenues.* The City agrees that the payment of the Wastewater Installment Payments will be secured by a pledge, charge and first and prior lien upon Wastewater System Net Revenues, and Wastewater System Net Revenues sufficient to pay the Wastewater Installment Payments as they become due and payable are charged, assigned, transferred and set over by the City to the Authority and its assigns for the purpose of securing payment of the Wastewater Installment Payments. The

Wastewater System Net Revenues shall constitute a trust fund for the security and payment of the Wastewater Installment Payments.

*Deposit to and Transfer from Wastewater Fund.* All of the Wastewater System Gross Revenues shall be deposited by the City immediately upon receipt in the Wastewater Fund.

The City shall withdraw from the Wastewater Fund such amounts at such times as shall be required to pay all Wastewater Maintenance and Operation Costs as they come due and payable.

The City covenants and agrees that all Wastewater System Gross Revenues will be held by the City in the Wastewater Fund in trust for the benefit of the Trustee (as assignee of the rights of the Authority hereunder), the Owners, the owners of any Wastewater System Parity Obligations and the owners of any Wastewater System Subordinate Obligations.

On or before each Installment Payment Date, the City shall withdraw from the Wastewater Fund and transfer to the Trustee, for deposit into the Bond Fund, amounts which, together with the balance then on deposit in the Bond Fund (other than amounts resulting from the prepayment of the Wastewater Installment Payments and other than amounts required for payment of the principal or interest with respect to any Bonds which have matured or been called for redemption but which have not been presented for payment), is equal to the aggregate amount of the Wastewater Installment Payment coming due and payable on the next succeeding Interest Payment Date.

In addition, the City shall withdraw from the Wastewater Fund such amounts at such times as shall be required to pay (i) the principal of and interest on any Wastewater System Parity Obligations and otherwise comply with the provisions of the instruments authorizing the issuance of any Wastewater System Parity Obligations; and (ii) pay all other amounts when and as due and payable hereunder.

*Release from Lien.* Following the transfers with respect to the April 1 Interest Payment Date, Wastewater System Net Revenues in excess of amounts required for the payment of Wastewater Installment Payments and any Wastewater System Parity Obligations in that Fiscal Year shall be released from the lien of the Wastewater Installment Sale Agreement and shall be available for any lawful purpose of the City.

### **Rates, Fees and Charges**

*Water System.* The City will, at all times while any of the Water Installment Payments, any Water System Parity Obligations and any Water Subordinate Obligations remain outstanding, fix, prescribe and collect rates, fees and charges for the Water Service for each Fiscal Year so as to yield Water System Gross Revenues at least sufficient, after making reasonable allowances for contingencies and errors in the estimates, to pay the following amounts during such Fiscal Year in the order below set forth:

- (i) All current Water Maintenance and Operation Costs.
- (ii) The Water Installment Payments and all payments required with respect to the any Water System Parity Obligations.
- (iii) Payments required with respect to the any Water Subordinate Obligations.

(iv) All payments to meet any other obligations of the City which are charges, liens or encumbrances upon, or payable from, the Water System Net Revenues.

(v) Any other lawful purposes of the City, including, but not limited to, deposits to the Water Rate Stabilization Fund.

In addition, the City shall fix, prescribe and collect rates, fees and charges for the water service during each Fiscal Year which are sufficient to yield Water System Net Revenues at least equal to one hundred twenty-five percent (125%) of the amounts payable under the preceding paragraphs (ii) and (iii) above in such Fiscal Year.

*Wastewater System.* The City will, at all times while any of the Wastewater Installment Payments, any Wastewater System Parity Obligations and any Wastewater Subordinate Obligations remain outstanding, fix, prescribe and collect rates, fees and charges for the Wastewater Service for each Fiscal Year so as to yield Wastewater System Gross Revenues at least sufficient, after making reasonable allowances for contingencies and errors in the estimates, to pay the following amounts during such Fiscal Year in the order below set forth:

(i) All current Wastewater Maintenance and Operation Costs.

(ii) The Wastewater Installment Payments and all payments required with respect to the any Wastewater System Parity Obligations.

(iii) Payments required with respect to the any Wastewater Subordinate Obligations.

(iv) All payments to meet any other obligations of the City which are charges, liens or encumbrances upon, or payable from, the Wastewater System Net Revenues.

(v) Any other lawful purposes of the City, including, but not limited to, deposits to the Wastewater Rate Stabilization Fund.

In addition, the City shall fix, prescribe and collect rates, fees and charges for the water service during each Fiscal Year which are sufficient to yield Wastewater System Net Revenues at least equal to one hundred twenty-five percent (125%) of the amounts payable under the preceding paragraphs (ii) and (iii) above in such Fiscal Year.

### **Limitations on Future Obligations Secured by Water System Net Revenues**

*No Obligations Superior to Water Installment Payments.* In order to protect further the availability of the Water System Net Revenues and the security for the Water Installment Payments and any Water System Parity Obligations, the City hereby agrees that the City shall not, so long as any Water Installment Payments or any Water System Parity Obligations are outstanding, issue or incur any obligations payable from Water System Gross Revenues or Water System Net Revenues superior to the Water Installment Payments or any Water System Parity Obligations.

*Water System Parity Obligations.* The City further covenants that it will not issue or incur any Water System Parity Obligations unless:

(i) The City is not in default under the terms of this Water Installment Sale Agreement or any agreements relating to then existing Water System Parity Obligations;

(ii) (A) Water System Net Revenues, calculated on sound accounting principles, as shown by the books of the City for the latest Fiscal Year or any twelve (12) month period out of the most recent eighteen months selected by the City ending not more than sixty (60) days prior to the adoption of the resolution pursuant to which such Water System Parity Obligations are authorized to be issued or incurred, as shown by the books of the City, shall have amounted to at least 1.25 times the maximum amount of Water Installment Payments and debt service on all Water System Parity Obligations outstanding immediately subsequent to the incurring of such additional obligations coming due and payable in any future Fiscal Year.

Either or both of the following items may be added to such Water System Net Revenues for the purpose of applying the restriction contained in this subsection (b)(ii)(A):

(1) An allowance for revenues to be derived from any additions to or improvements or extensions of the Water System which, during all or any part of such Fiscal Year or the twelve (12) month period out of the most recent eighteen months selected by the City ending not more than sixty (60) days prior to the adoption of the resolution pursuant to which such Water System Parity Obligations are authorized to be issued or incurred, were not in service, in an amount equal to 100% of the estimated additional average annual Water System Net Revenues to be derived from such additions, improvements and extensions, all as shown by the certificate or opinion of a qualified independent consultant employed by the City.

(2) An allowance for any increase in the charges made for service from the Water System which has become effective prior to the incurring of such Water System Parity Obligations but which, during all or any part of such Fiscal Year or the twelve (12) month period out of the most recent eighteen months selected by the City ending not more than sixty (60) days prior to the adoption of the resolution pursuant to which such Water System Parity Obligations are authorized to be issued or incurred, was not in effect, in an amount equal to 100% of the amount by which the Water System Net Revenues would have been increased if such increase in charges had been in effect during the whole of such Fiscal Year or the twelve (12) month period out of the most recent eighteen months selected by the City ending not more than sixty (60) days prior to the adoption of the resolution pursuant to which such Water System Parity Obligations are authorized to be issued or incurred, as shown by the certificate or opinion of a qualified independent consultant employed by the City;

or

(B) Estimated Water System Net Revenues, based on a report of a qualified independent engineer employed by the City or a report of a qualified independent consultant employed by the City, for each of the five (5) Fiscal Years next following the earlier of (i) the end of the period during which interest on the Water System Parity Obligations proposed to be executed is to be capitalized or, if no interest is capitalized the

Fiscal Year in which the proposed Water System Parity Obligations are to be issued, or (ii) the date on which substantially all projects financed with the proposed Water System Parity Obligations are expected to commence operations, shall have amounted to at least 1.25 times the maximum amount of Water Installment Payments and debt service on all Water System Parity Obligations outstanding immediately subsequent to the incurring of such additional obligations coming due and payable in any future Fiscal Year.

Any or all of the following items may be added to such Water System Net Revenues for the purpose of applying the restriction contained in this subsection (b)(ii)(B):

(1) An allowance for revenues that are estimated to be derived from any increase in the rates, fees and charges in effect and being charged or from any increase in the rates, fees and charges that have been approved but are not yet in place; and

(2) An allowance for revenues that are estimated to be derived from customers of the Water System anticipated to be served by the additions, betterments or improvements to the Water System to be financed by the proposed Parity Obligation during such five year period; and

(3) An allowance for a reduction in expenses that are estimated to be realized by the City pursuant to a contractual guarantee from the provider of energy efficiency improvements during such five year period.

(iii) A reserve fund may, but shall not be required to be, funded for such Water System Parity Obligations.

(iv) Interest with respect to such Water System Parity Obligations shall be paid on the Installment Payment Dates.

(v) Principal with respect to such Water System Parity Obligations shall be paid on March 15.

Notwithstanding the foregoing provisions, there shall be no limitations on the ability of the City to issue or incur Water System Parity Obligations at any time to refund the Water Installment Payments or Water System Parity Obligations for debt service savings.

*Water Subordinate Obligations.* There shall be no limitations on the ability of the City to issue or incur Water System Subordinate Obligations so long as the City is not in default under the terms of this Water Installment Sale Agreement, any agreements relating to then existing Water System Parity Obligations or any agreement relating to then existing Water System Subordinate Obligations.

*Calculating Debt Service on Variable Rate Debt.* For all purposes, variable rate indebtedness shall be assumed to bear interest at the highest of: (i) the actual rate on the date of calculation, or if the indebtedness is not yet outstanding, the initial rate (if established and binding); (ii) if the indebtedness has been outstanding for at least twelve months, the average rate over the twelve months immediately preceding the date of calculation; or (iii) (A) if interest on the indebtedness is excludable from gross income under the applicable provisions of the Code, the most recently published *Bond Buyer* "Revenue Bond Index" (or



comparable index if no longer published), or (B) if interest is not so excludable, the interest rate on direct U.S. Treasury Obligations with comparable maturities plus 50 basis points; *provided, however*, that for purposes of any rate covenant measuring actual debt service coverage during a test period, variable rate indebtedness shall be deemed to bear interest at the actual rate per annum applicable during the test period.

*Calculating Debt Service on Swaps.* If any interest rate swap agreement under which the City is obligated to make payments based on a fixed interest rate is in place with respect to variable rate Water System Parity Obligations, the amount payable by the City with respect to such variable rate Water System Parity Obligations shall be assumed to be the fixed rate payable under such interest rate swap agreement.

### **Water Additional Payments**

In addition to the Water Installment Payments, the City shall pay, from Water System Net Revenues, when due all costs and expenses incurred by the Authority to comply with the provisions of the Indenture and the Water Installment Sale Agreement, including, without limitation all Costs of Issuance (to the extent not paid from amounts on deposit in the Costs of Issuance Fund), compensation due to the Trustee for its fees, costs and expenses incurred under the Indenture, compensation due to the Authority for its fees, costs and expenses incurred under the Indenture and all costs and expenses of attorneys, auditors, engineers and accountants.

### **Water Rate Stabilization Fund**

From time to time, the City may deposit in the Water Rate Stabilization Fund from Water System Gross Revenues such amounts as the City may determine, provided that deposits for each Fiscal Year may be made until (but not after) one hundred eighty (180) days following the end of such Fiscal Year. There are no current moneys in the Water Rate Stabilization Fund.

The City may withdraw amounts from the Water Rate Stabilization Fund (i) for transfer to the Water Fund for inclusion in Water System Gross Revenues for any Fiscal Year, such withdrawals to be made until (but not after) one hundred eighty (180) days after the end of such Fiscal Year, or (ii) for any other lawful purpose of the City.

All interest or other earnings on deposits in the Water Rate Stabilization Fund shall be withdrawn therefrom and accounted for as Water System Gross Revenues.

Notwithstanding the foregoing, (i) no deposit of Water System Gross Revenues to the Water Rate Stabilization Fund may be made to the extent that such Water System Gross Revenues were included in the calculations of parity test and withdrawal of the Water System Gross Revenues to be deposited in the Water Rate Stabilization Fund from Water System Gross Revenues that would cause noncompliance with the rate covenant and (ii) no deposit of Water System Net Revenues shall be made in the Water Rate Stabilization Fund to the extent that such deposit would cause noncompliance with the rate covenant in any Fiscal Year.

The Water Rate Stabilization Fund is not subordinate to secure the payments with respect to the Water Installment Payments, the payments with respect to any Water System Parity Obligations or the payments with respect to any Water Subordinate Obligations.

## **Limitations on Future Obligations Secured by Wastewater System Net Revenues**

*No Obligations Superior to Wastewater Installment Payments.* In order to protect further the availability of the Wastewater System Net Revenues and the security for the Wastewater Installment Payments and any Wastewater System Parity Obligations, the City hereby agrees that the City shall not, so long as any Wastewater Installment Payments or any Wastewater System Parity Obligations are outstanding, issue or incur any obligations payable from Wastewater System Gross Revenues or Wastewater System Net Revenues superior to the Wastewater Installment Payments or any Wastewater System Parity Obligations.

*Wastewater System Parity Obligations.* The City further covenants that it will not issue or incur any Wastewater System Parity Obligations unless:

(i) The City is not in default under the terms of this Wastewater Installment Sale Agreement or any agreements relating to then existing Wastewater System Parity Obligations;

(ii) (A) Wastewater System Net Revenues, calculated on sound accounting principles, as shown by the books of the City for the latest Fiscal Year or any twelve (12) month period out of the most recent eighteen months selected by the City ending not more than sixty (60) days prior to the adoption of the resolution pursuant to which such Wastewater System Parity Obligations are authorized to be issued or incurred, as shown by the books of the City, shall have amounted to at least 1.25 times the maximum amount of Wastewater Installment Payments and debt service on all Wastewater System Parity Obligations outstanding immediately subsequent to the incurring of such additional obligations coming due and payable in any future Fiscal Year.

Either or both of the following items may be added to such Wastewater System Net Revenues for the purpose of applying the restriction contained in this subsection (b)(ii)(A):

(1) An allowance for revenues to be derived from any additions to or improvements or extensions of the Wastewater System which, during all or any part of such Fiscal Year or the twelve (12) month period out of the most recent eighteen months selected by the City ending not more than sixty (60) days prior to the adoption of the resolution pursuant to which such Wastewater System Parity Obligations are authorized to be issued or incurred, were not in service, in an amount equal to 100% of the estimated additional average annual Wastewater System Net Revenues to be derived from such additions, improvements and extensions, all as shown by the certificate or opinion of a qualified independent consultant employed by the City.

(2) An allowance for any increase in the charges made for service from the Wastewater System which has become effective prior to the incurring of such Wastewater System Parity Obligations but which, during all or any part of such Fiscal Year or the twelve (12) month period out of the most recent eighteen months selected by the City ending not more than sixty (60) days prior to the adoption of the resolution pursuant to which such Wastewater System Parity Obligations are authorized to be issued or incurred, was not in effect, in an amount equal to 100% of the amount by which the Wastewater System Net Revenues would have been

increased if such increase in charges had been in effect during the whole of such Fiscal Year or the twelve (12) month period out of the most recent eighteen months selected by the City ending not more than sixty (60) days prior to the adoption of the resolution pursuant to which such Wastewater System Parity Obligations are authorized to be issued or incurred, as shown by the certificate or opinion of a qualified independent consultant employed by the City;

or

(B) Estimated Wastewater System Net Revenues, based on a report of a qualified independent engineer employed by the City or a report of a qualified independent consultant employed by the City, for each of the five (5) Fiscal Years next following the earlier of (i) the end of the period during which interest on the Wastewater System Parity Obligations proposed to be executed is to be capitalized or, if no interest is capitalized the Fiscal Year in which the proposed Wastewater System Parity Obligations are to be issued, or (ii) the date on which substantially all projects financed with the proposed Wastewater System Parity Obligations are expected to commence operations, shall have amounted to at least 1.25 times the maximum amount of Wastewater Installment Payments and debt service on all Wastewater System Parity Obligations outstanding immediately subsequent to the incurring of such additional obligations coming due and payable in any future Fiscal Year.

Any or all of the following items may be added to such Wastewater System Net Revenues for the purpose of applying the restriction contained in this subsection (b)(ii)(B):

(1) An allowance for revenues that are estimated to be derived from any increase in the rates, fees and charges in effect and being charged or from any increase in the rates, fees and charges that have been approved but are not yet in place; and

(2) An allowance for revenues that are estimated to be derived from customers of the Wastewater System anticipated to be served by the additions, betterments or improvements to the Wastewater System to be financed by the proposed Parity Obligation during such five year period; and

(3) An allowance for a reduction in expenses that are estimated to be realized by the City pursuant to a contractual guarantee from the provider of energy efficiency improvements during such five year period.

(iii) A reserve fund may, but shall not be required to be, funded for such Wastewater System Parity Obligations.

(iv) Interest with respect to such Wastewater System Parity Obligations shall be paid on the Installment Payment Dates.

(v) Principal with respect to such Wastewater System Parity Obligations shall be paid on March 15.

Notwithstanding the foregoing provisions, there shall be no limitations on the ability of the City to issue or incur Wastewater System Parity Obligations at any time to refund the Wastewater Installment Payments or Wastewater System Parity Obligations for debt service savings.

*Subordinate Debt.* There shall be no limitations on the ability of the City to issue or incur Wastewater System Subordinate Obligations so long as the City is not in default under the terms of this Wastewater Installment Sale Agreement, any agreements relating to then existing Wastewater System Parity Obligations or any agreement relating to then existing Wastewater System Subordinate Obligations .

*Calculating Debt Service on Variable Rate Debt.* For all purposes, variable rate indebtedness shall be assumed to bear interest at the highest of: (i) the actual rate on the date of calculation, or if the indebtedness is not yet outstanding, the initial rate (if established and binding); (ii) if the indebtedness has been outstanding for at least twelve months, the average rate over the twelve months immediately preceding the date of calculation; or (iii) (A) if interest on the indebtedness is excludable from gross income under the applicable provisions of the Code, the most recently published *Bond Buyer* “Revenue Bond Index” (or comparable index if no longer published), or (B) if interest is not so excludable, the interest rate on direct U.S. Treasury Obligations with comparable maturities plus 50 basis points; *provided, however*, that for purposes of any rate covenant measuring actual debt service coverage during a test period, variable rate indebtedness shall be deemed to bear interest at the actual rate per annum applicable during the test period.

*Calculating Debt Service on Swaps.* If any interest rate swap agreement under which the City is obligated to make payments based on a fixed interest rate is in place with respect to variable rate Wastewater System Parity Obligations, the amount payable by the City with respect to such variable rate Wastewater System Parity Obligations shall be assumed to be the fixed rate payable under such interest rate swap agreement.

### **Wastewater Additional Payments**

In addition to the Wastewater Installment Payments, the City shall pay, from Wastewater System Net Revenues, when due all costs and expenses incurred by the Authority to comply with the provisions of the Indenture and the Wastewater Installment Sale Agreement, including, without limitation all Costs of Issuance (to the extent not paid from amounts on deposit in the Costs of Issuance Fund), compensation due to the Trustee for its fees, costs and expenses incurred under the Indenture, compensation due to the Authority for its fees, costs and expenses incurred under the Indenture and all costs and expenses of attorneys, auditors, engineers and accountants (the “Water System Additional Payments”).

### **Wastewater Rate Stabilization Fund**

From time to time, the City may deposit in the Wastewater Rate Stabilization Fund from Wastewater System Gross Revenues such amounts as the City may determine, provided that deposits for each Fiscal Year may be made until (but not after) one hundred eighty (180) days following the end of such Fiscal Year. There are no current moneys in the Wastewater Rate Stabilization Fund.

The City may withdraw amounts from the Wastewater Rate Stabilization Fund (i) for transfer to the Wastewater Fund for inclusion in Wastewater System Gross Revenues for any Fiscal Year, such withdrawals to be made until (but not after) one hundred eighty (180) days after the end of such Fiscal Year, or (ii) for any other lawful purpose of the City.

All interest or other earnings on deposits in the Wastewater Rate Stabilization Fund shall be withdrawn therefrom and accounted for as Wastewater System Gross Revenues.

Notwithstanding the foregoing, (i) no deposit of Wastewater System Gross Revenues to the Wastewater Rate Stabilization Fund may be made to the extent that such Wastewater System Gross Revenues were included in the calculations of parity test and withdrawal of the Wastewater System Gross Revenues to be deposited in the Wastewater Rate Stabilization Fund from Wastewater System Gross Revenues that would cause noncompliance with the rate covenant and (ii) no deposit of Wastewater System Net Revenues shall be made in the Wastewater Rate Stabilization Fund to the extent that such deposit would cause noncompliance with the rate covenant in any Fiscal Year.

The Wastewater Rate Stabilization Fund is not pledged to secure the payments with respect to the Wastewater Installment Payments, the payments with respect to any Wastewater System Parity Obligations or the payments with respect to any Wastewater Subordinate Obligations.

### **Reserve Account**

The Reserve Account is established by the Indenture and is required to be funded in an amount equal to the least of (a) Maximum Annual Debt Service on all Outstanding Bonds, (b) 125% of average annual debt service on all Outstanding Bonds, and (c) 10% of the principal amount of all Outstanding Bonds (the "Reserve Requirement"). The Reserve Requirement as of the date of delivery of the Bonds is \$\_\_\_\_\_. Amounts in the Reserve Account are to be used only for the payment of the principal of and interest on Bonds to the extent amounts in the Principal Account and/or the Interest Account are insufficient therefor. The Municipal Bond Insurer will issue the Reserve Policy, effective as of the date of delivery of the Bonds, in an amount equal to the Reserve Requirement.

On the date of delivery of the Bonds, in lieu of a cash deposit to the Reserve Account, the Municipal Bond Insurer will issue the Reserve Policy, in an amount equal to the initial "Reserve Requirement." There is no obligation for the Authority to replace the Reserve Policy or to cash fund the Reserve Account if the rating of the Municipal Bond Insurer is downgraded or withdrawn.

If the City is required to replenish cash in the Reserve Fund, it shall be paid by the City from Water System Net Revenues and from Wastewater System Net Revenues in proportion to their respective obligations with respect to the Bonds.

### **Flow of Funds**

No later than the first Business Day preceding each date on which principal of or interest on the Bonds becomes due and payable, the Trustee shall transfer from the Bond Fund and deposit into the following respective accounts, the following amounts in the following order of priority, the requirements of each such account (including the making up of any deficiencies in any such account resulting from lack of Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account subsequent in priority:

(a) The Trustee will deposit in the Interest Account an amount required to cause the aggregate amount on deposit in the Interest Account to be at least equal to the amount of interest becoming due and payable on such date on all Bonds then Outstanding.

(b) The Trustee will deposit in the Principal Account an amount required to cause the aggregate amount on deposit in the Principal Account to equal the principal amount of the Bonds coming due and payable on such date.

(c) The Trustee will deposit in the Sinking Account an amount equal to the aggregate principal amount of the Term Bonds required to be redeemed on such date, if any.

(d) The Trustee will deposit in the Reserve Account an amount, if any, required to cause the amount on deposit in the Reserve Account to be equal to the Reserve Requirement.

## **MUNICIPAL BOND INSURANCE**

[TO COME]

## **THE AUTHORITY**

The Authority is a joint exercise of powers entity duly organized and existing under and pursuant to that certain Joint Exercise of Powers Agreement, dated February 17, 1991, by and among the City, the Agency, and the School District. The Authority is authorized pursuant to Article 4 (commencing with section 6584) of the California Government Code to borrow money for the purpose of financing the acquisition of bonds, notes and other obligations of, or for the purpose of making loans to, public entities, including the City, the Agency, and the District, and to provide financing for public capital improvements for lease to public entities, including the City, the Agency, and the School District. The members of the City Council of the City also sit as the Board of Directors of the Authority. The Authority is administered by the City staff.

## **THE CITY**

The City, a general law city incorporated on April 3, 1906, is located the southwestern tip of the County in the western San Joaquin Valley in central California. The City is located 52 miles (84 km) southwest of Fresno, 10 miles west of I-5 and sits at an elevation of 673 feet (205 m). The City occupies a land area of 6.61 square miles and serves a population of approximately 17,200. The City is surrounded by hills and ranches. Monterey County lies to the west of the City and Kings County sits to the east.

Beginning with the November 2020 election, members of the City Council will be elected by district instead of from the City at large. One council member will represent each of the five districts within the City.

The City Council members are elected for overlapping four-year terms. The policies of the City Council are carried out by the appointed City Manager. The City Council also directly hires the City

Attorney who serves as the City’s primary legal advisor. Key administrative personnel of the City are listed at the front of this Official Statement. The current members of the City Council are as follows:

#### COALINGA CITY COUNCIL MEMBERS

Name and Office	Current Term Expires
Ron Ramsey, <i>Mayor</i>	December 2022
James Horn, <i>Mayor Pro-Tem</i>	December 2024
Adam Adkisson, <i>Councilmember</i>	December 2022
Jose Manny Ramirez, <i>Councilmember</i>	December 2024
Ray Singleton, <i>Councilmember</i>	December 2022

See APPENDIX A— GENERAL, ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING TO THE CITY AND THE COUNTY for additional description of the City as well as certain economic and demographic information relating to the surrounding area.

#### THE WATER SYSTEM

##### General

The City owns the Water System, the sole purveyor of potable water within City limits. The City has operated the Water System since its incorporation in 1906. The City’s Public Works Department operates and maintains the Water System, which consists of treatment, storage, and distribution and transmission facilities.

The City purchases all of its raw water supplies from California’s Central Valley Project through a contract with the United States Department of Interior’s Bureau of Reclamation (the “USBR”). Raw water from the Central Valley Project is sent to the Water System’s treatment plant which has a nominal capacity of 12 million gallons per day (“MGD”) average flow and hydraulic (maximum flow) capacity of 16 MGD. The Water System’s distribution system distributes potable water from the treatment plant to a network of water mains ranging in size from 4 inches to 16 inches. For additional information about the City’s water supply, see “Water Supply.” For additional information about the Water System’s facilities, see “Water System Facilities.”

All Water System customer accounts are metered. The Water System currently has approximately 3,800 metered connections, of which approximately 3,400 are residential meters and 400 are non-residential connections. For additional information about the Water System’s users, see “Water Use.”

##### Water System Management

The Water System is operated by the City’s Utilities Department and is managed by the Utilities Supervisor. The Utilities Supervisor supervises seven staff members. Generally, staff members perform administrative, engineering, construction and maintenance, water treatment, water quality, preventive maintenance, and customer service activities.

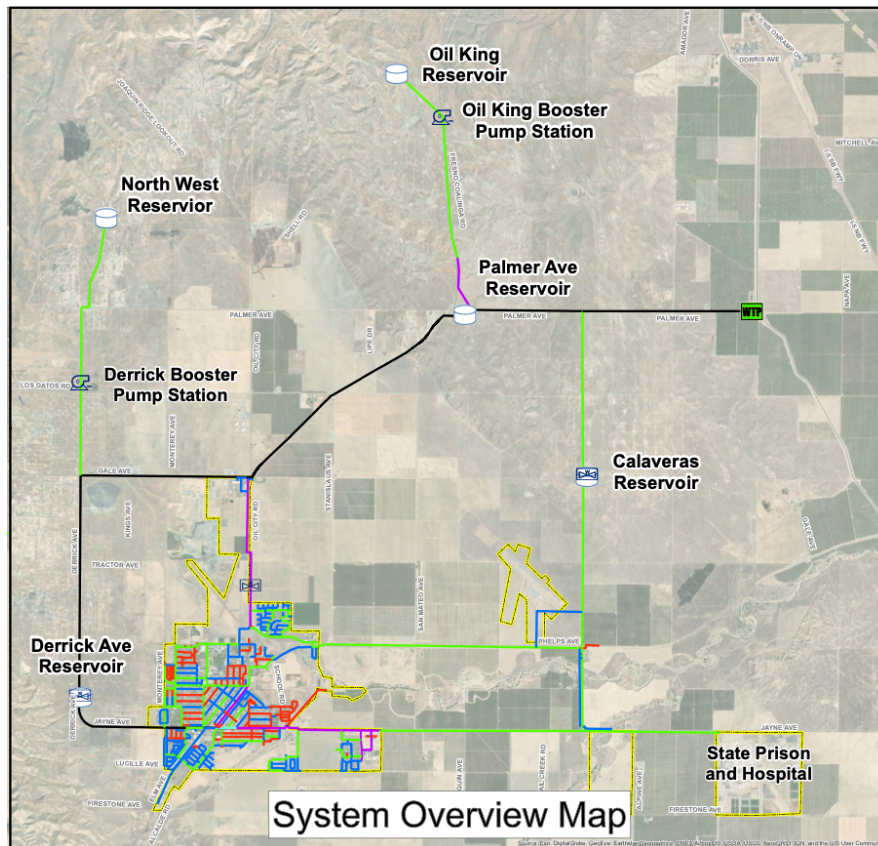
Jared Salona, the Chief Plant Operator, manages the operation of the Water Treatment Plant. Mr. Salona has over five years of operating experience and has been with the City for six years. Mr. Salona holds Water Treatment T-4 and Water Distribution D-2 certificates.

## Water System Employee Relations

Service Employees International Union Local 521 represents the Water System's non-management as a collective bargaining unit. The current contract expires on June 30, 2022. The Water System has not experienced a labor stoppage or an interruption in service since its inception.

## Water System Facilities

### MAP OF WATER SYSTEM FACILITIES



**Water Treatment Plant.** The City's water treatment plant originally came online in April 1972 with an average daily flow capacity of 8 MGD and maximum daily flow capacity of 12 MGD. The water treatment plant provides surface water treatment for the City's raw water purchases from the Central Valley Project with processes that include chemical pretreatment (oxidation), flocculation, sedimentation, filtration, disinfection, and corrosion control. As a secondary disinfection, chloramination is used to maintain chlorine residual in the distribution system while reducing further production of disinfection byproducts. In \_\_\_\_, in anticipation of the increased demands resulting from the construction of the Pleasant Valley State Prison, the capacity of the water treatment plant was increased to receive an average daily flow of 12 MGD and a maximum daily flow of 16 MGD.

Treated water is pumped from the treatment plant by a filtered-water pump station (as described below) into a 27-inch diameter pipeline in Palmer Avenue.



*Pump Stations.* The filtered water pump station includes two 450 horsepower (“HP”), 2,300 gallons per minute (“gpm”) and 2,400 gpm and three 700 HP, 3,600 gpm vertical turbine pumps. When in optimal condition, the pump station has the operational ability to pump the treatment plant capacity of 16.4 MGD (11,400 gpm) with one of the 450 HP pumps out of service. A booster pump station lifts treated water in a series of 24, 27 and 30-inch transmission mains leading to City. Treated water is pumped from the treatment plant and filtered water pump station into five storage reservoirs with an estimated combined storage capacity of 16 million gallons (“MG”).

The City’s water system also includes two booster pumping stations. The booster pumping stations do not function as a part of the Water System’s main service area but instead serve the oil company customers exclusively. The Oil King booster pumping station consists of two 200-HP, 1,440 gpm booster pumps that elevate Palmer Avenue Reservoir water to the Oil King Reservoir. The Derrick Avenue booster station consists of two 75-HP, 556 gpm booster pumps to elevate water to the Northwest Reservoir.

*Storage Reservoirs.* The City’s existing storage reservoirs all consist of steel tanks resting on reinforced concrete ring wall foundations. The City’s five reservoirs have an estimated combined storage of 16 MG and supply the City, many of the surrounding commercial facilities, Oil fields, Pleasant Valley State Prison and the Coalinga State Hospital. The following is a description of each of the City’s treated water storage reservoirs:

*New Palmer Avenue Reservoir* – This reservoir is located on the south side of Palmer Avenue and has a capacity of 2.8 MG. This reservoir receives pumped treated water from the water treatment plant and filtered water pump station. The New Palmer Reservoir was completed in 2014, constructed directly south of the old Palmer Reservoir. The old reservoir is not presently in use.

*Calaveras Avenue Reservoir* – This reservoir is located on the east side of Calaveras Avenue and has a capacity of 5.0 MG. Water flows from the water treatment plant to the Calaveras Reservoir and then to the Pleasant Valley State Prison.

*Derrick Avenue Reservoir* – This reservoir is located west of the City, on the east side of Derrick Avenue. This reservoir has a capacity of 7.6 MG. Water from the Palmer Reservoir flows to the Derrick Reservoir and then into the City.

*Oil King Reservoir* – This reservoir is located west of Highway 33/198, approximately three miles north of Palmer Avenue. The reservoir has a capacity of 0.5 MG and exclusively serves the City’s oil company customers.

*Northwest Reservoir* – This reservoir is located east of Derrick Avenue, approximately three miles north of Gale Avenue. This reservoir has a capacity of 0.2 MG. Like the Oil King Reservoir, this reservoir is also used exclusively for the City’s oil company customers.

Since the Oil King and Northwest reservoirs’ sole function is to provide water to oil companies, they are excluded from the evaluation of the City’s available storage. The existing combined storage capacity of the Palmer, Derrick and Calaveras reservoirs is 15.4 MG.

*Distribution System.* Potable water from the City's water treatment plant is pumped by a filtered-water pump station into a 27-inch diameter pipeline on Palmer Avenue. Approximately two miles west of the water treatment plant, the flow tees at Calaveras Avenue. Water flowing west continues for another mile and a half to the Palmer Avenue Reservoir. Water going to the Pleasant Valley State Prison travels south in the 12-inch Calaveras Avenue pipeline to the Calaveras Avenue Reservoir. After flowing through the Calaveras Reservoir, it continues south along Calaveras Avenue another 3.5 miles to Jayne Avenue and then east to the prison. Water can potentially travel from the Calaveras Reservoir westerly into the City; however, this seldom occurs due to the hydraulic conditions.

Water leaving the Palmer Reservoir flows through approximately eight miles of 24 and 27-inch transmission mains to the Derrick Avenue Reservoir. Water travels primarily from the Derrick Avenue Reservoir through 18, 24, and 30-inch transmission mains into the City's water distribution system. The distribution system consists of a network of water mains ranging in size from 4 to 14 inches in diameter. The system can supply peak hour needs without excessive losses and can deliver fire flows to main lines.

### **Water System Service Area**

The Water System's service area comprises the City boundaries, as well as a portion of the unincorporated area of the County located outside the City's borders but within the City's urban development boundaries. All of the residents and businesses residing within the Water System's service area receive potable water from the Water System.

Topography of the Water System's service area consists of flat to gently rolling hills, with perennial streambeds bisecting the area, which originate on the eastern side of the inner Coast Range and drain from west to east. Elevations in the area range from 660 to 680 feet above sea level. The average annual precipitation in the City is approximately 7.61 inches.

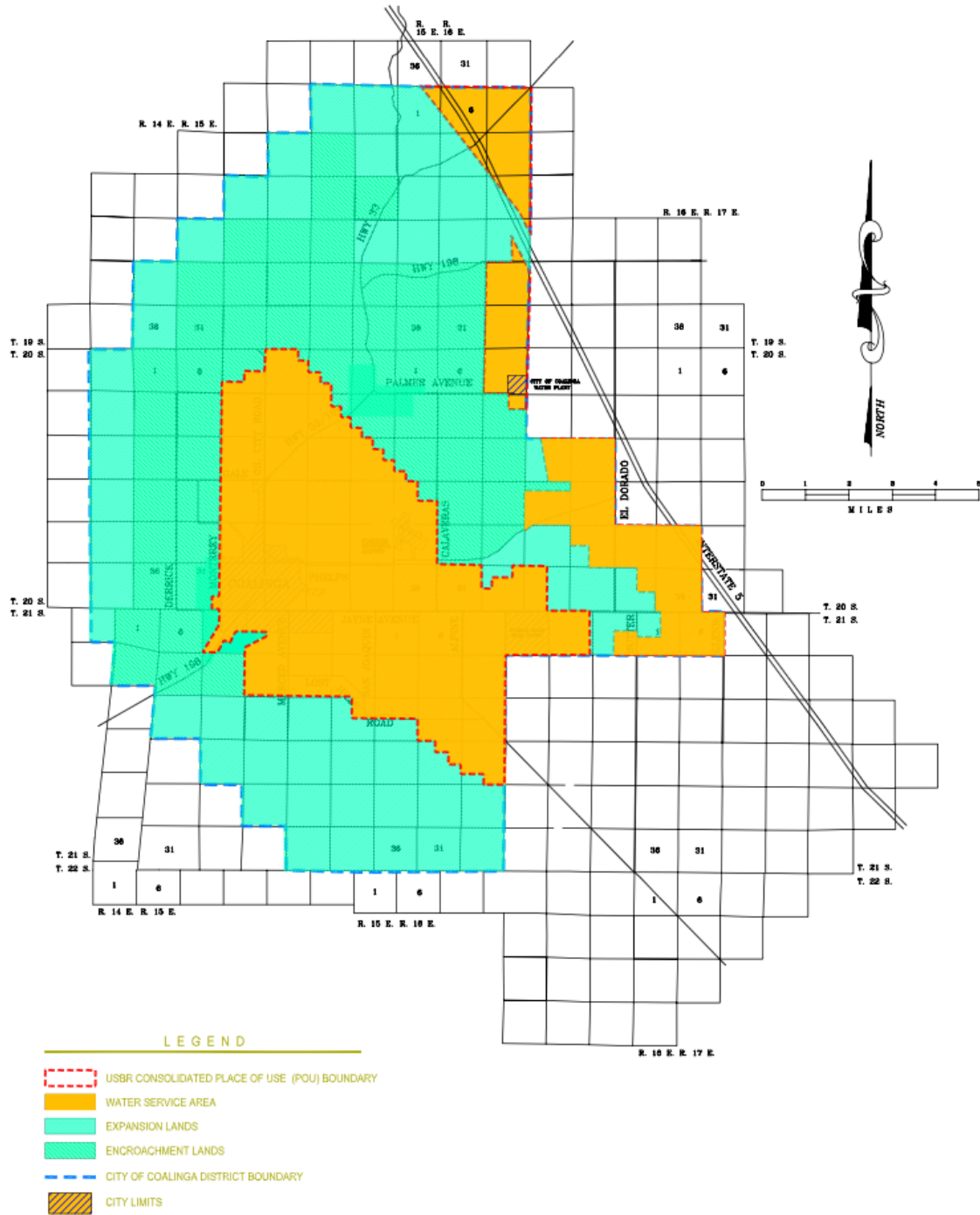
*Future Growth in the Service Area.* The City estimates that future growth within the Water System's service area will follow the most recent 15-year average and a growth rate of 2.86 percent is used to estimate future customer demand. The City has experienced steady population growth since 2010 and future projections anticipate further growth within the City. This steady increase in population is primarily a reflection of the regional growth pressures that are affecting the Central Valley region as people living in more expensive regions look for affordable housing in the Central Valley region.

Significant future projects and developments planned or currently under construction within the Water System's service area include:

- 32 units of senior apartments,
- a 14-lot single family subdivision (consisting of 1,400 to 1,600 ft<sup>2</sup> homes),
- an assisted care facility with approximately 60 beds and 84 individual living units,
- a 81 unit multi-family apartment complex, and
- a 76 unit multi-family apartment complex.

*Service Area Map.* A map of the Water System's water service area and the City's boundaries is provided below.

## WATER SYSTEM SERVICE AREA MAP



CITY OF COALINGA  
WATER SERVICE AREA AND  
USBR CONSOLIDATED PLACE OF USE

## Water Supply

*Overview.* The City's water supply is exclusively surface water, supplied from the USBR via the Central Valley Project. Raw water is conveyed from the Central Valley Project's California Aqueduct to the Coalinga Canal and subsequently to the City's water treatment plant.

The City currently does not use recycled water to meet any of their water demands. Currently, the City's Wastewater is not treated to tertiary effluent quality and there is no infrastructure in place to deliver recycled water for the irrigation of landscape areas such as school, parks, and along roadways.

*Current and Historical Water Purchase Contracts with USBR.* On October 28, 1968, the City entered into a 40-year contract with USBR for up to 10,000 acre-feet of Central Valley Project water on an annual basis. This contract expired on December 31, 2008 and has been succeeded by a series of interim renewal contracts pending completion of site-specific environmental analysis for the long-term contract renewal. The most recent was the sixth interim renewal contract (Contract No. 14-06- 200-4173A-IR6) was issued March 1, 2019 and remains in effect until January 31, 2021.

The "Water Infrastructure Improvement for the Nation Act of 2016" ("WIIN Act") directed USBR to convert water service contracts to repayment contracts upon a contractors request. The WIIN Act allowed the City to enter a new agreement with USBR (the "USBR Contract") into "perpetuity," meaning the new agreement has no termination date. On January 7, 2021 the City Council adopted Resolution No. 3999 that authorized the City's Mayor to execute the USBR Contract to secure the City's long-term water supply. The Mayor, on behalf of the City, signed the USBR Contract on \_\_\_\_\_, 2021, and the USBR Contract became effective as of February 1, 2021.

The USBR Contract stipulates that USBR will furnish the City with up to 10,000 acre-feet of raw water per year. The USBR Contract has no termination. Execution of the USBR Contract did not require environmental approval. Under the USBR Contract the rates for the City's water purchases are determined by the United States Secretary of the Interior's rate-setting policy as consistent with the WIIN Act as such policies are amended, modified, or superseded only through a public notice and comment procedure.

Additionally, the terms of the USBR Contract require that the City pay USBR the full remaining balance of "Allocated Contractor Construction Costs" associated with the previous USBR cost structure existing under the City's sixth interim renewal contract. The 2021-22 USBR rate structure includes a cost component of \$29.49 per acre-foot to pay off past construction costs. The USBR Contract has the same rates as the previous sixth interim renewal contract but does not include the construction cost component. The remaining construction cost balance of \$619,482.00 is payable within 60 days of the USBR Contract signing based on USBR's estimate of 2020 water-year rate payments from the City. A subsequent calculation will be done by USBR to determine the remaining refundable amounts, which USBR will credit to the City's future rate payments under the USBR Contract.

The raw water the Water System purchases from USBR under the USBR Contract flows from the Sacramento-San Joaquin Delta to the south into either the Delta-Mendota Canal or the California Aqueduct, which discharges in the O'Neil Forebay. From the O'Neil Forebay, water continues to flow south into the California Aqueduct to the point of origination of the Coalinga Canal, approximately 15 miles northeast of the City where Highway 145 crosses over the California Aqueduct. After leaving the California Aqueduct, water is carried in the Coalinga Canal approximately 9 miles south to the Water System's intake. A raw water pump station then lifts the water from the Coalinga Canal to the City's water treatment plant.

*Central Valley Project.* The Central Valley Project is a federal power and water management project in the state of California under the supervision of USBR. The Central Valley Project was devised in 1933 in order to provide irrigation and municipal water to much of California's Central Valley region through regulating and storing water in reservoirs in the northern half of California and transporting it to the water-poor San Joaquin Valley and its surroundings by means of a series of canals, aqueducts and pump plants, some shared with the California State Water Project ("SWP").

In addition to water storage and regulation, the Central Valley Project has a hydroelectric capacity of over 2,000 megawatts, and provides recreation and flood control with its twenty dams and reservoirs. The Central Valley Project has contributed to the growth of cities to grow along the flood-controlled rivers which previously would flood each spring and has transformed the semi-arid desert environment of the San Joaquin Valley into productive farmland. Freshwater stored in Sacramento River reservoirs and released downriver during dry periods prevents salt water from intruding into the Sacramento-San Joaquin Delta during high tide. A map of major Central Valley Project facilities is included on the following page.

**USBR  
CENTRAL VALLEY PROJECT**



*Supply Constraints.* The City's water contract with USBR is the City's main source of water. This supply is subject to shortages due to climate and environmental regulations. In normal years, there are no specific rules on how much of the Central Valley Project water must be allocated, but, during dry periods allocations of water supplies are subject to rules in the USBR's Shortage Policy. In a severe water supply shortage (including a "Water Shortage Emergency" declared by the governor of the state of California), the USBR could reduce Central Valley Project water deliveries to the City to a public health and safety water supply level, providing Central Valley Project water is available. In such an event, the City will have to implement water conservation measures in order to satisfy human consumption, sanitation, and fire protection requirements.

*No Groundwater Use.* The City is located in the Pleasant Valley Subbasin in the Tulare Lake hydrologic region of the San Joaquin Groundwater Basin. The Pleasant Valley Subbasin covers approximately 227 square miles. The Pleasant Valley Subbasin occupies approximately 146,000 acres, and its perimeter is surrounded by tertiary continental and marine sediments of the Coastal Ranges and the west flank of the Kettleman Hills. The Pleasant Valley Subbasin is bordered on the west by the Coastal Ranges, on the south by the San Emigdio and Tehachapi Mountains, and on the north by the Sacramento-San Joaquin Delta and Sacramento Valley. The eastern boundary of the Pleasant Valley Subbasin is the alluvium-granite rock of the Sierra Nevada. The eastern boundary also borders the Westside and Tulare Lake Subbasins.

The estimated total dissolved solids ("TDS") of groundwater within the Pleasant Valley Subbasin ranges from 1,000 to 3,000 milligrams per liter ("mg/L"), with an average of 1,500 mg/L. Constituents in the groundwater include calcium, magnesium, sodium, bicarbonates, chlorides, sulfates, and boron. The high TDS concentrations limits the usability of groundwater in the Pleasant Valley Subbasin for most uses.

The City does not currently use groundwater as part of its water supply as groundwater in the area is unsuitable for drinking without treatment or blending. The City's groundwater is of poor quality due to the high concentrations of sodium, sulfates and TDS. This condition occurs at depths between 500 and 1,500 feet; therefore, groundwater has historically not been considered a viable source of potable water for the City. Even for crop irrigation, groundwater in the area is considered only of "marginal acceptability" because the groundwater tends to increase the concentrations of salts in the soil, further decreasing its agricultural suitability.

*No Recycled Water.* The City does not currently recycle effluent discharged from their Wastewater treatment facilities; however, the City will coordinate any future recycled water plans with local water, wastewater, groundwater, and planning agencies within and near the City's service area.

## **Water Purchases**

*Historical Water Purchases.* As described under "Water Supply," the City purchases water from the USBR's Central Valley Project. Raw water purchased from USBR is then treated in the Water System's treatment plant before being distributed to water system customers. All distributed water meets State and Federal drinking water quality standards.

Historical Water System raw water purchases for Fiscal Years 2009-10 through 2019-20 are described in the table below.

**Table 1**  
**WATER SYSTEM**  
**HISTORICAL WATER PURCHASES**  
**(Amounts in Acre-feet)<sup>(1)</sup>**

Fiscal Year Ending June 30,	Water Purchased From USBR (in AF <sup>(1)</sup> )	Million Gallons (MG)
2010	4,923	1,604
2011	5,865	1,911
2012	5,930	1,932
2013	5,504	1,793
2014	4,950	1,613
2015	4,096	1,335
2016	4,299	1,401
2017	4,207	1,371
2018	7,812	2,546
2019	7,922	2,581
2020	7,929	2,584

Source: City of Coalinga as compiled by IGService.

Includes purchases for wholesale customers that were not processed through the City's water treatment plant. One acre-foot ("AF") equals 325,851 gallons, approximately equal to 436 billing units (hundred cubic feet). *Contingency Supplies Available.* The City has explored dry year water transfers with other agencies locally and statewide. It is estimated that up to 3,000 acre-feet of additional water from other customers within the San Luis Unit of the Central Valley Project could be purchased by the City as emergency water supply in critically dry years. Additional water could also be purchased from the Central Valley Project's agricultural customers that would sell their water allocation to the City and fallow their lands in order to make their allocated water available for transfer. However, this could potentially have a negative economic impact on the individual growers and the region.

It is also possible that the City could, as an emergency measure, drill sufficient new groundwater wells to provide an estimated additional 2,000 acre-feet of emergency water to meet health and safety needs in critically dry years. However, the groundwater under the City is generally unsuitable for drinking due to its high total dissolved solids concentration but could be suitable if blended with the treated surface water to meet health and safety needs in critically dry years.

## Water Use

During fiscal year 2019-20, the Water System served a total population of approximately 17,200 through 3,823 active service connections. The Water System's average daily demand during the 2019-20 fiscal year was approximately 3.45 million gallons. The highest recent daily demand during the 2019-20 fiscal year was 7.35 million gallons, which occurred on June 29, 2020.

Water use varies due to changes in weather patterns, temperatures, and rainfall. Water demand increases during summer months and decreases during winter months. In the aftermath of recent drought



conditions throughout the state of California, the Water System’s customers have become more “water wise” with their selection of gardens and indoor water use units. Water conservation mandates such as the Governor’s executive orders in 2014 and 2015 and the City’s drought prevention measures have been effective in reducing water usage. Other recent initiatives that have contributed to declining water use have included new standards for plumbing fixtures, new landscape ordinances, and new green building standards. See “Water Conservation and Supply Shortage Contingency Measures.”

Daily, monthly, weekly, and hourly water system demand and peaking factor for the 2019-20 fiscal year are described in the table below.

**Table 2**  
**WATER SYSTEM**  
**DEMAND and PEAKING FACTORS**  
**Fiscal Year 2019-20**

Demand Description	Demand (in MGD)	Peaking Factor
Average Day <sup>(1)</sup>	3.45	n/a
Max Month <sup>(4)</sup>	153.00	n/a
Max Day <sup>(2)</sup>	7.35	2.13
Peak Hour <sup>(3)</sup>	12.07	3.50

Source: City of Coalinga as compiled by IGService.

Note: Peaking factor measures the ratio of the maximum flow to the average daily flow in the Water System.

(1) Based on 1,258 MG processed through the treatment plant, divided by 365 days.

(2) June 29, 2020.

(3) Based on average daily demand times 3.5 from 2005 Water Master Plan.

(4) July 2019 peak of 470 AF, which is 153 MG.

*Historical Water Production and Consumption.* The table below is a five-year history of the Water System’s total treated water supply and billed consumption. Water consumption is not equal to the water production. This is due to water meter inaccuracy, water loss during system maintenance, and leakage throughout the water distribution system. Water meter inaccuracies can be linked to the calibration, maintenance, and age of the device. The on-going operation and maintenance of the infrastructure is also a source of water loss due to water main flushing and fire hydrant testing. Continuous water leakage can also occur at pipe joints and fittings from several factors.

**Table 3**  
**WATER SYSTEM**  
**TREATED WATER SUPPLY and CONSUMPTION**

Fiscal Year Ending June 30,	Treated Water Supply (in AF)	Billed Consumption (in AF)	Unaccounted (in AF)	% Unaccounted
2016	3,507	3,108	399	11.38%
2017	3,635	3,287	348	9.57
2018	3,742	3,549	193	5.16
2019	3,757	3,261	496	13.20
2020	3,861	3,512	349	9.04

Source: City of Coalinga as compiled by IGService.

The unaccounted water was equal to approximately 9.04 percent of the total water produced in fiscal year 2019-20. In the future, the City will actively pursue customer meter accuracy testing and repairs of the distribution system in order to reduce water losses.

## Water System Customers

*Water Consumption by Customer Type.* The following table shows the sources of water consumed by customers by customer type during the most recent five fiscal years.

**Table 4**  
**WATER SYSTEM**  
**CONSUMPTION BY CUSTOMER TYPE**  
*(Amounts in thousands of gallons unless otherwise specified)*

Customer Type	Fiscal Year Ending June 30,				
	2016	2017	2018	2019	2020
Urban – Single Family Residential	337,957	382,214	447,368	398,683	480,721
Urban – Multi Family Residential	43,000	43,180	42,576	43,000	44,034
Urban - Nonresidential	313,576	294,770	284,142	276,000	267,850
Rural	102,312	109,589	104,908	89,593	113,142
Pleasant Valley State Prison	155,900	180,267	206,801	189,242	172,667
Coalinga State Hospital	60,000	61,052	70,593	66,082	65,862
Total Water Use ( <i>in TG</i> )	1,012,745	1,071,072	1,156,389	1,062,600	1,144,276
Total Water Use ( <i>in AF</i> )	3,108	3,287	3,549	3,261	3,512

Source: City of Coalinga as compiled by IGService.

The Water System’s urban customers are located in the centrally populated area of Coalinga and constitute approximately 98% of the Water System’s customer accounts.

Rural customers consist of oil companies, a feed lot, and several homes outside of the City center. Historically, from a cost-of-service standpoint, rural customers have paid a lower volumetric rate, but a higher fixed monthly rate. Rural customers do not have costs assigned for the local distribution system but are more burdensome because of the additional distances traveled for service calls and meter reading.

The Coalinga State Hospital (“CSH”) is a state mental hospital that has a capacity of approximately 1,260 beds. The Pleasant Valley State Prison (“PVSP”) is a 640-acre minimum-to-maximum security state prison that houses approximately 3,000 inmates.

*Customer Accounts.* All City water service is metered. The table below contains a breakdown of the Water System's accounts by customer classes for the past five fiscal years. Over 46% of the Water System's accounts in fiscal year 2019-20 were for residential customers.

**Table 5**  
**WATER SYSTEM**  
**METERED ACCOUNTS BY CUSTOMER TYPE**

Customer Type	Fiscal Year Ending June 30,				
	2016	2017	2018	2019	2020
Urban – Single Family Residential	3,089	3,096	3,124	3,176	3,236
Urban – Multi Family Residential	146	136	139	142	141
Urban - Nonresidential	366	366	351	361	365
Rural	68	74	78	78	77
Pleasant Valley State Prison	2	2	2	2	2
Coalinga State Hospital	2	2	2	2	2
Total Water Meters	3,673	3,676	3,696	3,761	3,823

Source: City of Coalinga as compiled by IGService.

*Top 10 Water System Customers.* The ten largest water users for the 2019-20 fiscal year, accounted for approximately 441,653 thousand gallons (“TG”) or approximately 39% of the Water System's total annual water consumption. The following table shows the top ten water customers by consumption and the associated revenues for the 2019-20 fiscal year.

**Table 6**  
**WATER SYSTEM**  
**TEN LARGEST CUSTOMERS**  
**For Fiscal Year 2019-20**

	Customer	Customer Type	FY2019-20	% of Total Consumption	FY2019-20	% of Total Revenues
			Consumption (in TG)		Revenues	
1.	Pleasant Valley State Prison	Government	172,667	15.09%	\$ 535,316	11.91%
2.	Coalinga State Hospital	Government	65,862	5.76	205,450	4.57
3.	Coalinga-Huron Schools	Schools	35,624	3.11	299,433	6.66
4.	West Hills College	Schools	35,529	3.10	128,496	2.86
5.	City of Coalinga	Government	31,724	2.77	137,481	3.06
6.	Coalinga-Huron Parks	Government	24,322	2.13	97,624	2.17
7.	Chevron USA, Inc.	Oil Production	21,521	1.88	63,146	1.41
8.	First Pacific	Mobil Home Park	19,105	1.67	37,632	0.84
9.	Coalinga Feed Lot	Livestock	18,963	1.66	63,712	1.42
10.	AERA Energy LLC	Oil Production	16,336	1.43	58,826	1.31
	Total Top 10		441,653	38.60	\$1,627,116	36.21%
	Total System		1,144,276		\$4,493,948	

Source: City of Coalinga as compiled by IGService.

## Water System Rates

City staff collects monthly meter readings and bills customers for water monthly in a bill combined with Wastewater service, refuse service and other City-provided utilities.

The Water System's rate structure includes two components: 1) a monthly fixed service charge based upon the size of the customer's meter and 2) a volumetric or commodity charge based upon the total volume of water consumed by the customer during the billing period.

*Rate Setting Process and Current Water System Rates.* A Proposition 218-compliant notice was sent to all Water System customers as a billing insert with bills at the end of August, 2020. The notice explained the need for rate increases and provided the opportunity for customers to protest and attend the rate hearing on October 15, 2020. Resolution No. 3989, raising water and wastewater rates, was adopted by the City Council at the City Council's October 15, 2020 meeting by 5-0 vote and became effective as of November 1, 2020. The current rates for service in the Water System, as well as planned increases, are detailed in the table below together with the prior rates that were effective before the new rate structure went in to effect on November 1, 2020.

**Table 7**  
**WATER SYSTEM**  
**RATES**

**Volumetric Charge (*per TG*)**

Customer Type	<i>Prior Rate</i>	Rates Effective November 1,				
		2020	2021	2022	2023	2024
Urban – Residential	\$ 2.02	\$ 2.28	\$ 2.46	\$ 2.66	\$ 2.74	\$ 2.82
Urban – Commercial	1.91	2.28	2.47	2.67	2.75	2.83
Rural	1.86	2.23	2.41	2.60	2.68	2.76
CDC – PVSP and CSH	2.32	2.69	2.91	3.14	3.23	3.33

**Fixed Monthly Charge**

Customer Type & Meter Size	<i>Prior Rate</i>	Rates Effective November 1,				
		2020	2021	2022	2023	2024
Urban						
Residential & Commercial						
1"	\$ 23.81	\$ 27.62	29.83	\$ 32.22	\$ 33.19	\$ 34.19
1.5"	95.20	110.43	119.29	128.80	132.66	136.64
2"	360.41	418.08	451.53	487.65	502.28	517.35
3"	809.27	938.75	1,013.85	1,094.96	1,127.81	1,161.64
4"	1,438.98	1,669.22	1,802.76	1,946.98	2,005.39	2,065.55
6"	3,239.70	3,758.05	4,058.69	4,383.39	4,514.89	4,650.34
8"	5,759.92	6,681.51	7,216.03	7,793.31	8,027.11	8,267.92
10"	6,398.89	7,422.71	8,016.53	8,657.85	8,917.59	9,185.12
Rural						
1"	32.92	39.50	42.66	46.07	47.45	48.87
2"	131.77	158.12	170.77	184.43	189.96	195.66
1.5"	592.86	711.43	768.34	829.81	854.70	880.34
3"	1,333.57	1,600.28	1,728.30	1,866.56	1,922.56	1,980.24
4"	2,370.02	2,844.02	3,071.54	3,317.26	3,416.78	3,519.28
6"	5,335.79	6,402.95	6,915.19	7,468.41	7,692.46	7,923.23
8"	9,485.85	11,383.02	12,293.66	13,227.15	13,675.46	14,085.72
10"	10,539.67	12,647.60	13,659.41	14,752.16	15,194.72	15,650.56
Department of Corrections						
PVSP	11,156.00	12,940.96	13,976.24	15,094.34	15,547.17	16,013.59
CSH	3,152.78	3,657.22	3,949.80	4,265.78	4,393.75	4,525.56

*Billing Procedures.* Payment for water, Wastewater and other City provided utilities and services is due and payable on or before the 25th day following each applicable billing month. All bills that remain unpaid at 5:30 p.m. on the 25th of said month are be deemed delinquent. Delinquent accounts are subject to late fees and/or disconnection of services. The City does not discontinue utilities services for non-payment until payment by the customer has been delinquent for at least 30 days, after which period delinquent accounts are turned over to a collection agency. The City makes reasonable, good faith efforts to contact the account holder or other responsible party by USPS mail delivery once per week regarding the outstanding charges. Additionally, the City must provide notice to the customer of delinquency and pending termination at least seven (7) business days prior to the disconnection of services date.

*SB 998.* The City is in compliance with SB 998, the Water Shutoff Protection Act, regarding policies relating to the discontinuation of water service, which became effective on February 1, 2020. The City does not believe that the restriction imposed on residential water service for delinquent payments under SB 998, and as adopted by the City, will have a material adverse effect on the Water System's ability to make the scheduled Water Installment Payments.

In response to the coronavirus pandemic described under the caption "RISK FACTORS—COVID-19 Pandemic," on April 2, 2020, Governor Newsom signed Executive Order N- 42-20 ("Order N-42-20"), which, among other things, (i) suspends the authority of water systems, such as the Water System, from suspending water service for non-payment, (ii) orders that residential service to occupied residences that has been discontinued for nonpayment since March 4, 2020 be restored and (iii) provides that the State Water Resources Control Board ("SWRCB") will identify best practices, guidelines, or both to be implemented during the COVID-19 emergency (a) to address non-payment or reduced payments, (b) to promote and to ensure continuity of service by water systems and Wastewater systems, and (c) to provide measures such as the sharing of supplies, equipment and staffing to relieve water systems under financial distress. Order N-42-20 does not eliminate the obligation of water customers to pay for water service, prevent a water system, such as the Water System, from charging a customer for such service, or reduce the amount a customer already may owe to a water system, such as the Water System.

The City has reviewed Order N-42-20 and does not believe that such order will materially adversely affect the Water System's operating results or the Water System's ability to make the scheduled Water Installment Payments.

### **Water System Financial Statements**

The Water System's audited financial statements for the 2018-19 fiscal year are included in the City's Audited Financial Statements, attached hereto as APPENDIX B—AUDITED FINANCIAL STATEMENTS OF THE CITY FOR THE FISCAL YEAR ENDED JUNE 30, 2019.

*Water System Net Position.* The following table presents the audited Statements of Net Position of the Water System for the four most recent fiscal years and unaudited actuals for fiscal year 2019-20.

**Table 8**  
**WATER SYSTEM**  
**STATEMENT OF NET POSITION**

	Fiscal Year Ended June 30,				
	2016 Audited	2017 Audited	2018 Audited	2019 Audited	2020 Unaudited
<b>ASSETS</b>					
<i>Current Assets:</i>					
Cash and investments	\$ 27,003	-	-	-	\$ 883,016
Cash and investments with fiscal agent	2,137,249	\$2,138,406	\$2,152,889	\$2,188,615	1,402,380
Accounts receivable	417,484	490,568	421,115	711,824	462,886
Interest receivable	-	-	-	1,878	1,318
Due from other governments	-	-	-	31,957	7,305
Due from other funds	-	-	-	-	-
Total Current Assets	2,581,736	2,628,974	2,574,004	2,934,274	2,756,905
<i>Non-Current Assets:</i>					
Property, plant and equipment	11,311,933	10,735,652	11,385,907	11,210,906	11,210,906
Total Non-Current Assets	11,311,933	10,735,652	11,385,907	11,210,906	11,210,906
Total Assets	13,893,669	13,364,626	13,959,911	14,145,180	13,967,811
Deferred Flows of Resources					
Deferred flows related to pensions	(77,112)	(150,416)	(108,567)	(130,781)	(130,781)
<b>LIABILITIES</b>					
<i>Current Liabilities:</i>					
Accounts payable	274,066	190,854	276,513	365,354	780,669
Accrued liabilities	10,860	12,913	13,989	13,989	13,989
Deposits	20,900	24,500	34,100	36,500	38,900
Due to other funds	388,451	199,363	245,159	77,579	0
Current long-term debt	-	-	-	-	-
Total Current Liabilities	694,277	427,630	569,761	493,422	833,558
<i>Non-Current Liabilities:</i>					
Advances from other funds	9,975,000	9,740,000	9,585,000	9,425,000	9,260,000
Compensated absences	47,129	44,715	47,681	56,212	56,212
Net pension liabilities	-	19,552	50,860	39,265	39,265
Total Non-Current Liabilities	10,022,129	9,804,267	9,683,541	9,520,477	9,355,477
Total Liabilities	10,716,406	10,231,897	10,253,302	10,013,899	10,189,035
<b>Net Position</b>					
Net investment in capital assets	3,411,409	3,219,622	3,953,796	1,785,906	1,950,906
Restricted for debt service	2,137,249	2,138,406	-	-	-
Unrestricted	(2,294,283)	(1,989,319)	(138,620)	2,476,156	1,958,651
Total Net Position	3,254,375	3,368,709	3,815,176	4,262,062	3,909,557

Source: City of Coalinga FY2016-19 Audited Financial Statements and City of Coalinga.

*Water System Revenues, Expenses, and Changes in Net Position.* The following table presents the audited Statement of Revenues, Expenses and Changes in Net Position for the Water System for the three most recent fiscal years, unaudited actuals for fiscal year 2019-20, and budgeted projections for the 2020-21 fiscal year taken from the City's fiscal year 2020-21 budget, adopted June 23, 2020. See "Water System Historical and Projected Operating Results" for a five-year historical comparison of revenues and expenses of the Water System and a projection of the revenues and expenses, including projected debt service coverage.

**Table 9**  
**WATER SYSTEM**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

	Fiscal Year Ending June 30,				
	2017 Audited	2018 Audited	2019 Audited	2020 Unaudited	2021 Budgeted
<b>OPERATING REVENUES</b>					
Charges for services	\$ 4,627,680	\$ 5,360,197	\$ 5,187,766	\$ 5,624,235	\$ 5,984,000
Connection charges	2,775	10,150	20,986	1,575	10,000
Total Operating Revenue	4,630,455	5,370,347	5,208,752	5,625,810	5,994,000
<b>OPERATING EXPENSES</b>					
Personnel	1,031,102	1,031,380	981,262	1,110,194	1,504,293
Contractual services and utilities	1,317,689	1,337,770	1,510,872	1,503,887	1,282,850
Supplies and materials	715,321	725,350	762,481	641,386	1,199,605
Cost of sales	606,223	1,014,718	823,031	1,390,000	945,000
Bad debt	49,167	102,226	-	75,000	16,000
Depreciation	422,543	427,460	456,683	-	450,000
Total Operating Expense	4,142,045	4,638,904	4,534,329	4,720,467	5,397,748
<b>OPERATING INCOME</b>	488,410	731,443	674,423	905,343	596,252
<b>NONOPERATING REVENUES</b>					
Developer impact fees	54,257	170,345	192,301	12,883	50,000
Interest income	2,361	16,787	48,987	6,195	1,000
Miscellaneous	152,490	750	3,267	8,413	2,000
Gain on sale of assets	(102,707)	-	6,482	-	-
Interest expense	(480,477)	(472,858)	(465,610)	(460,330)	(454,555)
Total Nonoperating Revenue	(374,076)	(284,976)	(214,573)	(432,839)	(401,555)
<b>CHANGE IN NET POSITION</b>	114,334	446,467	459,850	472,504	194,697
<b>NET POSITION - Beginning of Year</b>	3,254,375	3,368,709	3,815,176	4,275,026	4,747,530
<b>NET POSITION - End of Year</b>	3,368,709	3,815,176	4,275,026	4,747,530	4,942,227

Source: City of Coalinga FY2017-19 Audited Financial Statements and City of Coalinga.

## **Water System Historical and Planned Capital Improvements**

In recent years the City has completed two significant capital improvement projects for the Water System that were financed using the proceeds from the 2012 Bonds. First, the construction of the new Palmer water tank was completed in 2014 at a cost of approximately \$2,900,000. Second, the looping of the Jayne Avenue transmission main was completed in 2018 at a cost of approximately \$800,000. The remaining balance from the 2012 Bonds, approximately \$1,400,000 (which includes interest earned), is presently being used for the upgrade of the Supervisory Control and Data Acquisition (“SCADA”) system at the water treatment plant.

The City currently forecasts that \$1,500,000 in additional pay-go financing will be required to complete Phase 2 of the upgrade of the SCADA system at the water treatment plant. The City has also forecasted \$1,000,000 in expenses related repairs and other capital expenses related to the Oil King and Northwest reservoirs, however these amounts are expected to be separately allocated to the Water System’s oil company customers. The City does not currently anticipate any other material capital improvement projects that would be funded using pay-go financing.

For a summary of planned capital improvements to be financed with the proceeds of the Series 2021B Bonds, see “THE FINANCING PLAN—The Water Improvement Project.”



## Water System Historical and Projected Operating Results and Debt Service Coverage

The following table presents the Historical Summary of Gross Revenues, Maintenance and Operation Costs and debt service coverage for the Water System for the five most recent fiscal years. The data is based on figures from the City's audited financial statements and unaudited actuals for fiscal year 2019-20.

**Table 10**  
**WATER SYSTEM**  
**HISTORICAL OPERATING RESULTS AND DEBT SERVICE COVERAGE**

	Fiscal Year Ended June 30,				
	2016	2017	2018	2019	2020
	Audited	Audited	Audited	Audited	Unaudited
<b>REVENUES:</b>					
Rate-Based Revenues	\$ 4,220,489	\$ 4,345,215	\$ 4,595,645	\$ 4,487,270	\$ 4,490,000
Untreated Water Sales	587,412	124,265	764,252	699,933	1,133,950
Acct Services & Miscellaneous	14,506	158,200	300	563	285
Impact Fee Revenue	13,349	54,257	170,345	192,301	12,883
Miscellaneous Revenue	-	-	750	3,267	6,195
Interest Income	239	2,361	16,687	48,987	6,195
Installation Charges	1,250	2,775	10,150	20,986	1,575
Total Revenues	<u>4,837,245</u>	<u>4,687,073</u>	<u>5,558,129</u>	<u>5,453,307</u>	<u>5,651,083</u>
<b>OPERATION &amp; MAINTENANCE</b>					
<b>EXPENSES:</b>					
PG&E Electricity	666,124	727,188	643,174	666,000	708,848
Westlands Canal Fees	215,618	177,866	118,050	212,500	263,855
Contractual Services	260,340	412,635	576,546	632,372	531,184
Personnel	950,211	1,031,102	1,031,380	981,262	1,110,194
Supplies and Material	906,144	715,321	725,350	762,481	641,386
Cost of Wholesale Water	750,189	606,223	1,014,718	1,050,000	1,390,000
Bad Debt	44,401	49,167	102,226	-	75,000
Total Operating Expenses	<u>3,793,027</u>	<u>3,719,502</u>	<u>4,211,444</u>	<u>4,304,615</u>	<u>4,720,467</u>
<b>NET REVENUES AVAILABLE FOR</b>					
<b>DEBT SERVICE</b>	<u>1,044,218</u>	<u>967,571</u>	<u>1,346,685</u>	<u>1,148,692</u>	<u>930,616</u>
<b>DEBT SERVICE</b>					
1993 Bonds	242,856	242,784	-	-	-
2012 Bonds	470,493	470,493	625,493	625,610	625,330
Total Debt Service	<u>713,349</u>	<u>713,277</u>	<u>625,493</u>	<u>625,610</u>	<u>625,330</u>
<b>DEBT SERVICE COVERAGE RATIO</b>	1.46x	1.36x	2.15x	1.84x	1.49x
<b>NET REVENUES AFTER DEBT SERVICE</b>	330,869	254,294	721,192	523,082	305,286

Source: City of Coalinga Audited Financial Statements and City of Coalinga

The following table presents the Projected Summary of Gross Revenues, Maintenance and Operation Costs and debt service coverage for the next five most recent fiscal years. Projections for fiscal year 2020-21 are based on projected revenues for the Water System from the City's 2020-21 Budget, adopted June 23, 2020.

While the City believes that these assumptions are reasonable, the City cannot guarantee that the Water System's actual results will not differ. The projections in the following table do not include any capital projects planned by the Water System.

**Table 11**  
**WATER SYSTEM**  
**PROJECTED OPERATING RESULTS AND DEBT SERVICE COVERAGE**

	Fiscal Year Ending June 30,				
	2021 Projected	2022 Projected	2023 Projected	2024 Projected	2025 Projected
<b>REVENUES:</b>					
Rate-Based Revenues	\$4,970,000	\$5,550,000	\$5,990,000	\$6,320,000	\$6,510,000
Untreated Water Sales	447,600	537,600	537,600	537,600	537,600
Acct Services & Miscellaneous	1,000	1,000	1,000	1,000	1,000
Impact Fee Revenue	-	-	-	-	-
Miscellaneous Revenue	1,500	1,500	1,500	1,500	1,500
Interest Income	1,000	5,000	5,000	5,000	5,000
Installation Charges	10,000	10,000	10,000	10,000	10,000
Total Revenues	<u>5,431,100</u>	<u>6,105,100</u>	<u>6,545,100</u>	<u>6,875,100</u>	<u>7,065,100</u>
<b>OPERATION &amp; MAINTENANCE EXPENSES:</b>					
PG&E Electricity	730,000	752,000	775,000	798,000	822,000
Westlands Canal Fees	385,000	280,000	280,000	280,000	280,000
Contractual Services	500,000	515,000	530,000	546,000	562,000
Personnel	1,165,704	1,386,000	1,455,000	1,528,000	1,604,000
Supplies and Material	974,000	1,003,000	1,033,000	1,064,000	1,096,000
Cost of Wholesale Water	1,040,000	1,071,000	1,103,000	1,136,000	1,170,000
Bad Debt	75,000	75,000	75,000	75,000	75,000
Total Operating Expenses	<u>4,869,704</u>	<u>5,082,000</u>	<u>5,251,000</u>	<u>5,427,000</u>	<u>5,609,000</u>
<b>NET REVENUE AVAILABLE FOR DEBT SERVICE</b>	<u>561,396</u>	<u>1,023,100</u>	<u>1,294,100</u>	<u>1,448,100</u>	<u>1,456,100</u>
<b>DEBT SERVICE</b>					
2012 Bonds	227,278	-	-	-	-
2021A Bonds <sup>(1)</sup>	-	446,428	676,032	682,440	682,808
2021B Bonds <sup>(1)</sup>	-	309,848	291,400	345,600	342,600
Total Debt Service <sup>(1)</sup>	<u>227,278</u>	<u>756,276</u>	<u>967,432</u>	<u>1,028,040</u>	<u>1,025,408</u>
<b>DEBT SERVICE COVERAGE RATIO <sup>(1)</sup></b>	<b>2.47x</b>	<b>1.35x</b>	<b>1.34x</b>	<b>1.41x</b>	<b>1.42x</b>
<b>NET REVENUE AFTER DEBT SERVICE <sup>(1)</sup></b>	<b>334,118</b>	<b>266,824</b>	<b>326,668</b>	<b>420,060</b>	<b>430,692</b>

Source: City of Coalinga

(1) Preliminary, subject to change.

[FOOTNOTES WITH ASSUMPTIONS TO COME]

City staff has been authorized by resolution of the City Council to adjust water rates to insure that Water System revenues are sufficient to cover the total expenses of providing water, including depreciation, administration, debt service coverage levels, and required capital outlay. For additional information, see "WATER RATES" above.

## Water Conservation and Supply Shortage Contingency Measures

*City Drought Prevention Measures.* California Water Code Section 375 et. seq. permits public entities that supply water for retail purposes to adopt and enforce a water conservation program, with the intent of reducing the quantity of water used by people and to conserve the water supplies of the public entity. In March 2009, the City Council adopted Ordinance No. 746, which established a Water Conservation Plan. Title 6, Chapter 4C of the Coalinga Municipal Code implements mandatory restrictions related to the conservation of water. The City's Water Conservation Plan is a three-stage plan with stage one consisting of standard conservation measures always in effect, stage two consisting of high conservation measures to be implemented upon a significant reduction or interruption in water supply or delivery that necessitates increased water conservation efforts and stage three which consists of emergency conservation measures to be implemented in the event of a major earthquake, large-scale fire, or other "act of nature" which seriously impacts the City's total available water storage or delivery capacity.

Over the last few years, the City has been more pro-active in response to water wasting. Water wasting within the City is prevented by prohibiting the hosing of sidewalks, walkways, driveways, parking areas, patios, porches or verandas. In addition, water wasting is prevented by prohibiting runoff into the street gutters, establishing a 72-hour time frame limit to fix leaks or breaks, requiring the use of outdoor hoses with a shut-off nozzle and prohibiting watering during the heat of the day.

The City does not currently have a drought surcharge rate ordinance and provisions to recover costs directly caused by drought are not built into the City's base rates. "Drought surcharges" are surcharges that can be implemented in times of water shortage. A drought surcharge is different from a conservation rate structure, which is in place at all times. Agencies, like the City, may choose to embed a drought rate structure within their conservation rate structure. The City intends to cover the costs for any drought related expenses and the shortage in revenues from operational reserves. If the duration of a drought period is such that reserves are exhausted the City may elect to implement a drought surcharge at that time.

*California 2011-17 Drought; State Emergency Measures and Continuing Efforts.* California has a highly variable climate, and often experiences very wet years followed by extremely dry ones. During the last thirty-five years, the State experienced drought periods between 1986 and 1992, between 2007 and 2009, and between 2011 and 2017.

The drought from December 2011 to March 2017 was considered one of the worst in the State's recorded history, with 2012 through 2015 having the driest four-year statewide precipitation on record. Between 2014 and 2015, the Governor issued two emergency proclamations (on January 14, 2014 and April 25, 2014) and four executive orders (Executive Orders B-26-14, B-28-14, B-29-15 and B-36-15). During this period, the SWRCB adopted and implemented regulations for water use reductions and restrictions. Among such actions, the SWRCB adopted emergency regulations in 2015 to achieve a 25% reduction in the overall potable urban production statewide in accordance with directives set forth in Executive Order B-29-15. It was reported that, overall, the State saved an average of more than 24% during the twelve months that the mandate was in place. In addition, the Sustainable Groundwater Management Act of 2014 was enacted. The State developed a five-year California Water Action Plan, with the stated goals of more reliable water supplies, the restoration of important species and habitat, and a more resilient, sustainably managed water resources system (water supply, water quality, flood protection, and environment). The Sustainable Groundwater Management Act of 2014 applies to unregulated areas.

On May 16, 2016, the Governor issued Executive Order B-37-16, which among other things, directed: (i) the State Department of Water Resources to work with the SWRCB to develop new water use targets as part of a permanent framework for urban water agencies, (ii) the permanent requirement of urban water suppliers to issue monthly reports of their water usage, conservation amounts and enforcement efforts, (iii) the prohibition of wasteful potable water practices (such as hosing of sidewalks, watering lawns in a manner that causes runoff); (iv) California Energy Commission's certification of innovative water conservation and water loss detection and control technologies that also increase energy efficiency; and (v) consultation by the State Department of Water Resources with urban water suppliers, local governments, environmental groups and other partners to update requirements for water shortage contingency plans.

On April 7, 2017, Governor Brown issued Executive Order B-10-17, rescinding the two emergency proclamations from January and April 2014 and the four drought related Executive Orders issued in 2014 and 2015. However, Executive Order B-37-16 was largely left in place.

Executive Order B-10-17 terminated the drought state of emergency for all counties in the State, except for the County and the counties of Kings and Tuolumne with directives for those particular counties. The Water System is located in the County.

The City cannot predict if and when California will experience another drought, and the actions that the State will have to take in response. The State is continuing to implement the directives of Executive Order B-37-16, dubbed "Making Water Conservation a California Way of Life." The implementation of the Sustainable Groundwater Management Act of 2014 and the additional directives under Executive Order B-10-17 for the County and the counties of Kings and Tuolumne also continues.

## **PFAS**

The City is monitoring and responding to developing legislation, laws and regulations regarding per- and poly-fluoroalkyl substances ("PFAS"). PFAS are substances widely used in consumer and industrial products such as fabrics, carpets, firefighting foams, food packaging and nonstick cookware and are known for their nonstick, waterproof and heat and stain resistant properties. Starting in the early 2000s, manufacturers began phasing out the use of PFAS chemicals, most of which are no longer manufactured in the United States. PFAS chemicals have been linked to cancer, liver and kidney damage, low birth weight and other health problems.

California's current response level for the combined values of perfluorooctane sulfonate ("PFOS") and perfluorooctanoic acid ("PFOA") (the two most common synthetic organic chemicals in the group of compounds referred to as PFAS) is 70 parts per trillion ("ppt"), but the California Division of Drinking Water ("DDW") is expected to lower the response level to 10 ppt in 2020. Response levels are thresholds at which the DDW recommends water systems remove a water source from use. If an agency does not remove the source, the DDW requires the agency notify its local governing body, notify all customers directly explaining the reasons for the continued use of the source, issue a press release, and conduct regular sampling.

In August 2019, the DDW lowered the notification levels for PFOS from 13 ppt to 6.5 ppt and for PFOA from 14 ppt to 5.1 ppt. Notification levels are non-regulatory, precautionary health-based measures for concentrations of chemicals in drinking water that warrant notification and further monitoring and assessment. On July 31, 2019, Governor Newsom signed Assembly Bill 756 into law which increased PFAS notification and now imposes additional reporting requirements on public water systems, including the Water System.

The City is assessing whether PFOA and PFOS are present in its purchased water, and, if so, to what extent. The City's purchased water may be impacted based on its source, raw surface water from the Sacramento-San Joaquin Delta delivered by the Central Valley Project. The water quality of the City's purchased water is also vulnerable to activities that are not associated with any detected contaminants such as concentrated aquatic animal production facilities, historic waste dumps/landfills, landfills/dumps, historic mining operations, and Wastewater treatment plants and disposal facilities.

Due to uncertainty of future PFOA and PFOS-related impacts to the Water System's water sources it is difficult to estimate the impact on the Water System's finances as a result of the costs of PFOA and PFOS-related mitigation measures. This type of impact on its water supply could prompt the City to revisit its current costs of service and consider, if needed, an increase to the water rates to cover the additional expense. Any water rate increases will be subject to Proposition 218 process, including City Council approval.

## **THE WASTEWATER SYSTEM**

### **General**

The City operates and maintains the Wastewater System which consists of a Citywide wastewater collection and treatment system. The Wastewater System collects and treats Wastewater generated from residential and commercial customers; there are currently no significant industrial users that discharge Wastewater into the Wastewater System. All residences and businesses in the City are required to connect to the Wastewater System.

The Wastewater System's collection and conveyance facilities include approximately \_\_\_\_\_ linear feet of sanitary sewer pipeline ranging from six inches to twenty-four inches in diameter, with approximately \_\_\_\_\_ access structures, mostly manholes. The Wastewater System's collection system includes 4 lift stations and a Wastewater treatment plant capable of treating up to a maximum of 1.3 MGD of Wastewater flow.

The small pipes (typically 4 inches in diameter) that connect homes and businesses to the Wastewater System are called service laterals. Each property owner is responsible for the maintenance of the complete service lateral, including the portion of such lateral placed in the public right-of-way or easement.

The Wastewater generated by Wastewater System customers flows from service laterals through the collection system to the City's Wastewater treatment plant. The treatment plant was constructed in the 1940s and updated substantially in 1977. The Wastewater treatment plant is located 2.5 miles west of the center of the City on Melcher Road. The treatment plant treats approximately 1.0 MGD of Wastewater and is permitted for a maximum capacity of 1.32 MGD. For additional information about the Wastewater System's facilities, see "Wastewater System Facilities."

The City does not currently recycle effluent discharged from its wastewater treatment facilities; however, the City will coordinate any future recycled water plans with local water, Wastewater, groundwater, and planning agencies within and near the City's service area.

### **Wastewater System Management**

The Wastewater System is operated by the City's Utilities Department and is managed by the Utilities Supervisor. The Utilities Supervisor supervises seven staff members. Generally, staff members perform administrative, engineering, construction and maintenance, water treatment, water quality, preventive maintenance, and customer service activities.

Alvaro Preciado, Chief Plant Operator, manages the operation of the wastewater treatment plant. Mr. Preciado has over twenty years of operating experience and has been with the City for twenty-six years. Mr. Preciado has an AA degree from West Hills College and holds a Water Treatment T-2 and Water Distribution D-2 certificate.

## **Wastewater System Employee Relations**

Service Employees International Union Local 521 represents the Wastewater System's non-management employees as a collective bargaining unit. The current contract expires on June 30, 2022. The Wastewater System has not experienced a labor stoppage or an interruption in service since its inception.

## **Wastewater System Facilities**

The City's Wastewater System is comprised of a network of over \_\_\_\_\_ miles of sanitary sewer pipeline with sizes ranging from six to 24-inches in diameter, four lift stations located at various locations within the City and their associated force mains, and a Wastewater treatment plant.

The backbone of the sewer collection system consists of a series of sewer trunk lines and sewers interceptor. The sewer interceptors typically include larger pipelines, approximately 21-inches or larger, while the sewer trunk lines typically range from 12 to 18-inches. The lift stations raise Wastewater flows to higher elevation in order to continue gravity flow at reasonable slopes and depths. The sewer trunk lines and sewer interceptor's function to convey Wastewater collected in the Wastewater System to the Wastewater System's Wastewater treatment plant (the "WWTP").

The City owns and operates the WWTP under California Regional Water Quality Control Board ("RWQCB") Waste Discharge Requirements ("WDRs") Order No. 94-184. The WWTP treats and disposes municipal Wastewater generated by residences and businesses within the City. The WWTP is located at the confluence of Los Gatos Creek and Warthan Creek, approximately one mile east of the City. The treatment process at the WWTP consists of screening, primary clarification, and secondary treatment (aerated facultative lagoons followed by stabilization lagoons). Treated effluent quality is undisinfected secondary effluent as described in Section 30301.900 of Title 22 of the California Code of Regulations ("CCR").

The WWTP has undergone two major modifications and additions over the last 40 years. According to WDR Order No. 76-180, the WWTP originally consisted of a primary clarifier followed by three oxidation ponds in series. Final disposal consisted of irrigating land controlled by the City and West Hills Community College for agricultural reclamation. At that time, the WWTP's treatment capacity was 0.6 MGD.

In 1980 the City submitted a Report of Waste Discharge for the expansion of the existing treatment capacity from 0.6 MGD to 0.93 MGD. The modifications consisted of influent screening followed by aerated facultative lagoons and stabilization ponds. Final effluent disposal was consistent with previous practices on City-owned land and West Hills Community College grounds. These modifications and additions were implemented in 1982. WDR Order No. 80-064 was adopted on May 26, 1980.

In 1991, the City submitted a Report of Waste Discharge in support of a change in operation and an increase in quantity of discharge from its municipal WWTP. The treatment capacity was increased from 0.93 MGD to the current 1.34 MGD. The City completed the rehabilitation of the primary clarifier and aerobic digester, which were removed from service during the previous plant modification. The existing WWTP includes a bar screen, a primary clarifier, an aerobic sludge digester, sludge drying beds, two aerated facultative lagoons each with a surface area of three acres, and three stabilization ponds having a total surface area of 11 acres. Currently, treated effluent is pumped from one of the stabilization ponds to adjacent land,

where it percolates into the soil and is used to recharge the groundwater table. By way of this process, the majority of the treated domestic Wastewater is recycled as groundwater recharge.

*Stormwater Collection System.* The Wastewater System also contains a stormwater collection system that consists of several independent networks of storm drain inlets and pipes that either discharge into four permanent storm drain basins or the Warthan or Los Gatos Creeks. The storm drainage system operates as a gravity flow system and does not require the use of pump stations or lift stations. The existing storm drain system consists of pipes up to 48-inches in diameter and twelve drainage zones. Several portions of the storm drain system are severely undersized, and the system relies on aboveground surface flow through street curbs and gutters as a means of stormwater conveyance.

### **Wastewater System Service Area**

The Wastewater System provides Wastewater collection, transmission, treatment, and disposal services for the developed area within its service area. The Wastewater System's service area comprises the City boundaries, an area of approximately 2.6 square miles with a population of approximately 17,200. All of the residents and businesses residing within the Wastewater System's service area are required to connect to the Wastewater System. There are currently no significant industrial users that discharge into the Wastewater System.

*Future Growth in the Service Area.* The Wastewater System's service area is contained within the service area for the Water System. For a description of future growth within City and the Wastewater System's service area, see "THE WATER SYSTEM—Water System Service Area—Future Growth in Service Area" herein.

*Service Area Map.* The Wastewater System's service area is contained within the service area for the Water System. For a map of the Water System's service area, see "THE WATER SYSTEM—Water System Service Area—Service Area Map" herein.

### **Wastewater System Use**

The Wastewater System's average daily flow during the 2019-20 fiscal year was approximately \_\_\_\_\_ MGD. The highest recent daily flow during the 2019-20 fiscal year was \_\_\_\_\_ MGD. The WWTP has a maximum permitted capacity of 1.32 MGD.



## Wastewater System Customers

*Wastewater Accounts by Customer Type.* The following table shows the number of customer accounts by customer type during the most recent five fiscal years.

**Table 12**  
**WASTEWATER SYSTEM**  
**ACCOUNTS BY CUSTOMER TYPE**

Customer Type	Fiscal Year Ending June 30,				
	2016	2017	2018	2019	2020
Residential	3,162	3,168	3,190	3,249	3,311
Non-Residential	209	202	198	225	222
Total Water Use	3,371	3,370	3,388	3,474	3,533

Source: City of Coalinga as compiled by IGService.

Over 75% of Wastewater System revenues are generated from residential customers, with non-residential customers accounting for the rest of the Wastewater System's revenues.

*Top 10 Wastewater System Customers.* The ten largest Wastewater customers for the 2019-20 fiscal year by revenue, accounted for approximately 27.27% of the Wastewater System's total revenues. The following table shows the top ten Wastewater customers by revenues for the 2019-20 fiscal year.

**Table 13**  
**WASTEWATER SYSTEM**  
**TEN LARGEST CUSTOMERS**  
**For Fiscal Year 2019-20**

	Customer	Customer Type	FY2019-20 Revenues	% of Total Revenues
1.	Coalinga-Huron Schools	Education	\$ 88,605	7.94%
2.	West Hills College	Education	64,924	5.82
3.	First Pacific	Mobile Home Park	24,837	2.23
4.	Coalinga Station B	Apartments	23,896	2.14
5.	Sequoia Packing	Food Processing	21,159	1.90
6.	Westwood Apartments	Apartments	19,380	1.74
7.	Echo Canyon Apartments	Apartments	16,606	1.49
8.	Warthan Place Apartments	Apartments	15,429	1.38
9.	Tara Glenn Apartments	Apartments	15,053	1.35
10.	Northern Pacific Properties	Mobile Home Park	14,300	1.28
	Total Top 10		\$304,189	27.27%
	Total Wastewater System		\$1,115,346	100.00%

Source: City of Coalinga as compiled by IGService.

## Wastewater System Rates

*Rate Setting Process and Current Water System Rates.* A Proposition 218-compliant notice was sent to all Wastewater System customers as a billing insert with bills at the end of August, 2020. The notice

explained the need for rate increases and provided the opportunity for customers to protest and attend the rate hearing on October 15, 2020. Resolution No. 3989, raising water and Wastewater rates, was adopted by the City Council at the City Council’s October 15, 2020 meeting by 5-0 vote and became effective as of November 1, 2020. The current rates for service in the Wastewater System, as well as planned increases, are detailed in the table below together with the prior rates that were effective until the new rate structure went in to effect on November 1, 2020. The prior rates had been effective since 2005.

Under the new rate structure, all residential customers are charged a fixed monthly charge regardless of customer flow with multi-family residential customers being charged for each dwelling unit. Non-residential customers are charged 1) a fixed minimum monthly charge and 2) an additional volumetric rate charge based on that customer’s metered potable water volume purchased from the Water System. Educational customers are charged a single volumetric variable rate charge based on metered potable water volume purchased from the Water System.

**Table 14**  
**WASTEWATER SYSTEM**  
**RATES**

Customer Type	<i>Prior Rate</i>	Rates Effective November 1,				
		2020	2021	2022	2023	2024
RESIDENTIAL CUSTOMERS						
Flat Charge ( <i>per dwelling unit</i> )	\$ 15.68	\$ 21.95	\$ 22.61	\$ 23.29	\$ 23.99	\$ 24.71
NON-RESIDENTIAL CUSTOMERS						
<i>With landscape meters (per ccf of potable water delivered)</i>	2.59	4.86	5.01	5.16	5.31	5.47
<i>Without landscape meters (per ccf of potable water delivered)</i>	2.32	4.86	5.01	5.16	5.31	5.47

Source: City of Coalinga.

**Billing Procedures.** Bills for Wastewater, water and other City utilities and services is done collectively on a single monthly bill with itemized charges for each service. For additional information about the Wastewater System’s billing procedures, see “THE WATER SYSTEM – Water System Rates – Billing Procedures.”

**SB 998.** The City is in compliance with SB 998, the Water Shutoff Protection Act, regarding policies relating to the discontinuation of Wastewater service, which became effective on February 1, 2020. The City does not believe that the restriction imposed on residential water service for delinquent payments under SB 998, and as adopted by the City, will have a material adverse effect on the Wastewater System’s ability to make the scheduled Wastewater Installment Payments.

In response to the coronavirus pandemic described under the caption “RISK FACTORS—COVID-19 Pandemic,” on April 2, 2020, Governor Newsom signed Executive Order N- 42-20 (“Order N-42-20”), which, among other things, (i) suspends the authority of Wastewater systems, such as the Wastewater System, from suspending water service for non-payment, (ii) orders that residential service to occupied residences that has been discontinued for nonpayment since March 4, 2020 be restored and (iii) provides that the State Water Resources Control Board (“SWRCB”) will identify best practices, guidelines, or both to be implemented during the COVID-19 emergency (a) to address non-payment or reduced payments, (b) to promote and to ensure continuity of service by water systems and Wastewater systems, and (c) to provide measures such as the sharing of supplies, equipment and staffing to relieve water systems under financial distress. Order N-42-20 does not eliminate the obligation of water customers to pay for

water service, prevent a water system, such as the Wastewater System, from charging a customer for such service, or reduce the amount a customer already may owe to a water system, such as the Wastewater System.

The City has reviewed Order N-42-20 and does not believe that such order will materially adversely affect the Wastewater System's operating results or the Wastewater System's ability to make the scheduled Wastewater Installment Payments.

#### **Wastewater System Financial Statements**

The Wastewater System's audited financial statements for the 2018-19 fiscal year are included in the City's Audited Financial Statements, attached hereto as APPENDIX B—AUDITED FINANCIAL STATEMENTS OF THE CITY FOR THE FISCAL YEAR ENDED JUNE 30, 2019.

*Wastewater System Net Position.* The following table presents the audited Statements of Net Position of the Wastewater System for the four most recent fiscal years and unaudited actuals for fiscal year 2019-20.

**Table 15**  
**WASTEWATER SYSTEM**  
**STATEMENT OF NET POSITION**

	Fiscal Year Ended June 30,				
	2016 Audited	2017 Audited	2018 Audited	2019 Audited	2020 Unaudited
<b>ASSETS</b>					
<i>Current Assets:</i>					
Cash and investments	\$2,163,755	\$3,079,895	\$3,318,423	\$3,103,864	\$3,303,012
Cash and investments with fiscal agent	702,181	702,561	707,319	719,057	726,828
Accounts receivable	135,490	137,247	156,881	99,095	102,391
Interest receivable	-	2,366	-	-	2,873
Due from other governments	-	-	-	14,480	3,543
Due from other funds	667,767	-	-	311,861	-
Total Current Assets	3,669,193	3,922,069	4,182,623	4,248,357	4,138,647
<i>Non-Current Assets:</i>					
Property, plant and equipment	5,965,041	5,734,815	5,699,373	5,802,391	5,802,391
Total Non-Current Assets	5,965,041	5,734,815	5,699,373	5,802,391	5,802,391
Total Assets	9,634,234	9,656,884	9,881,996	10,050,748	9,941,038
<b>Deferred Flows of Resources</b>					
Deferred flows related to pensions	(18,515)	(58,937)	(50,966)	(62,304)	(62,304)
<b>Liabilities</b>					
<i>Current Liabilities:</i>					
Accounts payable	16,402	31,503	68,674	86,446	42,255
Accrued liabilities	4,088	5,752	6,923	6,923	6,923
Deposits	-	-	-	-	-
Due to other funds	-	-	-	-	-
Current long-term debt	46,377	46,377	46,377	23,187	3,864
Total Current Liabilities	66,867	83,632	121,974	116,556	53,042
<i>Non-Current Liabilities:</i>					
Advances from other funds	3,090,000	3,090,000	3,040,000	2,990,000	2,940,000
Long-term debt	112,076	69,564	23,188	29,910	29,910
Compensated absences	17,081	19,350	23,188	-	-
Net pension liabilities	-	7,728	24,230	18,706	18,706
Total Non-Current Liabilities	3,219,157	3,186,642	3,110,606	3,038,616	2,988,616
Total Liabilities	3,286,024	3,270,274	3,232,580	3,155,172	3,041,658
<b>Net Position</b>					
Net investment in capital assets	3,395,019	3,231,055	3,366,692	5,779,204	5,798,527
Restricted for debt service	702,181	702,561	69,565	69,565	69,565
Unrestricted	2,269,525	2,511,931	3,266,577	1,109,111	1,093,592
Total Net Position	6,366,725	6,445,547	6,702,834	6,957,880	6,961,684

Source: City of Coalinga FY2016-19 Audited Financial Statements and City of Coalinga.

*Wastewater System Revenues, Expenses, and Changes in Net Position.* The following table presents the audited Statement of Revenues, Expenses and Changes in Net Position for the Wastewater System for the three most recent fiscal years, unaudited actuals for fiscal year 2019-20, and budgeted projections for the 2020-21 fiscal year from the City's fiscal year 2020-21 Budget. See "Wastewater System Historical and Projected Operating Results" for a five-year historical comparison of revenues and expenses of the Wastewater Fund and a projection of the revenues and expenses, including projected debt service coverage.

**Table 16**  
**WASTEWATER SYSTEM**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

	Fiscal Year Ending June 30,				
	2017 Audited	2018 Audited	2019 Audited	2020 Unaudited	2021 Budgeted
<b>OPERATING REVENUES</b>					
Charges for services	\$1,185,591	\$1,180,108	\$1,004,633	\$1,114,596	\$1,190,000
Connection charges	1,500	11,000	-	750	2,000
Total Operating Revenue	1,187,091	1,191,108	1,004,633	1,115,346	1,192,000
<b>OPERATING EXPENSES</b>					
Personnel	382,786	477,267	466,460	537,966	717,264
Contractual services and utilities	206,610	327,218	298,288	251,366	483,112
Supplies and materials	124,009	191,955	148,279	168,495	323,838
Cost of sales	-	-	-	-	-
Bad debt	15,017	45,341	-	30,000	13,000
Depreciation	261,573	268,301	248,076	250,000	-
Total Operating Expense	989,995	1,310,082	1,161,103	1,237,827	1,537,214
<b>OPERATING INCOME</b>	197,096	(118,974)	(156,470)	(122,481)	(345,214)
<b>NONOPERATING REVENUES</b>					
Developer impact fees	-	454,983	525,796	34,866	-
Interest income	6,340	23,688	14,694	18,244	3,500
Rental Income	22,700	45,400	-	11,350	34,000
Miscellaneous	1,959	1,463	20,918	-	-
Gain on sale of assets	-	-	(2,194)	-	-
Interest expense	(149,273)	(149,273)	(147,698)	(146,048)	(144,298)
Total Nonoperating Revenue	(118,274)	376,261	411,516	(81,588)	(106,798)
<b>CHANGE IN NET POSITION</b>	78,822	257,287	255,046	(204,069)	(452,012)
<b>NET POSITION - Beginning of Year</b>	6,366,725	6,445,547	6,702,834	6,957,880	6,753,811
<b>NET POSITION - End of Year</b>	6,445,547	6,702,834	6,957,880	6,753,811	6,301,799

Source: City of Coalinga FY2017-19 Audited Financial Statements and City of Coalinga.

## Wastewater System Historical and Planned Capital Improvements

There were no major capital improvements made to the Wastewater System within the last five years and no major capital improvements are expected during the next five years.

## Wastewater System Historical and Projected Operating Results and Debt Service Coverage

The following table presents the Historical Summary of Gross Revenues, Maintenance and Operation Costs and debt service coverage for the Wastewater System for the five most recent fiscal years. The data is based on figures from the City's audited financial statements and fiscal year 2019-20 unaudited actuals.

**Table 17**  
**WASTEWATER SYSTEM**  
**HISTORICAL OPERATING RESULTS AND DEBT SERVICE COVERAGE**

	Fiscal Year Ended June 30,				
	2016	2017	2018	2019	2020
	Audited	Audited	Audited	Audited	Unaudited
REVENUES:					
Operating Revenue	\$1,072,797	\$1,187,091	\$1,191,108	\$1,004,633	\$1,115,346
Impact Fee Revenue	-	-	454,983	525,796	34,866
Investment Earnings	1,375	6,340	23,688	14,694	18,244
Rental Income & Misc	45,400	22,700	46,863	20,918	11,350
Rate Stabilization Fund <sup>1</sup>	-	-	-	-	300,000
Total Revenues	<u>1,119,572</u>	<u>1,216,131</u>	<u>1,716,642</u>	<u>1,566,041</u>	<u>1,479,806</u>
OPERATION & MAINTENANCE EXPENSES:					
Contractual Services and Utilities	153,791	206,610	327,218	298,288	251,366
Personnel	376,221	382,786	477,267	466,460	537,966
Supplies and Material	270,956	124,009	191,955	148,279	168,495
Bad Debt	13,866	15,017	45,341	-	30,000
Total Expenses	<u>814,834</u>	<u>728,422</u>	<u>1,041,781</u>	<u>913,027</u>	<u>987,827</u>
NET REVENUE AVAILABLE FOR DEBT SERVICE	<u>304,738</u>	<u>487,709</u>	<u>674,861</u>	<u>653,014</u>	<u>491,979</u>
DEBT SERVICE					
2012 Bonds	<u>149,285</u>	<u>149,273</u>	<u>199,273</u>	<u>197,698</u>	<u>196,048</u>
Total Debt Service	<u>149,285</u>	<u>149,273</u>	<u>199,273</u>	<u>197,698</u>	<u>196,048</u>
DEBT SERVICE COVERAGE RATIO	2.02x	3.27x	3.39x	3.30x	2.51x
NET REVENUES AFTER DEBT SERVICE	155,453	338,436	475,588	455,316	295,931

Source: City of Coalinga

The following table presents the Projected Summary of Gross Revenues, Maintenance and Operation Costs and debt service coverage for the next five most recent fiscal years. Projections for fiscal year 2020-21 are based on projected revenues for the Wastewater System from the City's 2020-21 Budget, adopted June 23, 2020.

While the City believes that these assumptions are reasonable, the City cannot guarantee that the Wastewater System's actual results will not differ. The projections in the following table do not include any capital projects planned by the Wastewater System.

**Table 18**  
**WASTEWATER SYSTEM**  
**PROJECTED OPERATING RESULTS AND DEBT SERVICE COVERAGE**

	Fiscal Year Ending June 30,				
	2021 Budgeted	2022 Projected	2023 Projected	2024 Projected	2025 Projected
<b>REVENUES:</b>					
Operating Revenue	\$ 1,362,750	\$ 1,599,133	\$ 1,647,106	\$ 1,696,520	\$ 1,747,415
Impact Fee Revenue	-	-	-	-	-
Investment Earnings	15,000	15,000	15,000	15,000	15,000
Rental Income & Misc	34,000	20,000	20,000	20,000	20,000
Rate Stabilization Fund <sup>(1)</sup>	-	-	-	-	-
<b>Total Revenues</b>	<b>1,411,750</b>	<b>1,634,133</b>	<b>1,682,106</b>	<b>1,731,520</b>	<b>1,782,415</b>
<b>OPERATION &amp; MAINTENANCE EXPENSES:</b>					
Contractual Services and Utilities	307,000	316,000	325,000	335,000	345,000
Personnel	564,864	700,000	735,000	772,000	811,000
Supplies and Material	313,000	322,000	332,000	342,000	352,000
Bad Debt	30,000	30,000	30,000	30,000	30,000
<b>Total Expenses</b>	<b>1,214,864</b>	<b>1,368,000</b>	<b>1,422,000</b>	<b>1,479,000</b>	<b>1,538,000</b>
<b>NET INCOME AVAILABLE FOR DEBT SERVICE</b>	<b>196,886</b>	<b>266,133</b>	<b>260,106</b>	<b>252,520</b>	<b>244,415</b>
<b>DEBT SERVICE</b>					
2012 Bonds	72,149	-	-	-	-
2021A Bonds <sup>(1)</sup>	-	100,709	153,212	152,393	156,373
<b>Total Debt Service <sup>(1)</sup></b>	<b>72,149</b>	<b>100,709</b>	<b>153,212</b>	<b>152,393</b>	<b>156,373</b>
<b>DEBT SERVICE COVERAGE RATIO <sup>(1)</sup></b>	<b>2.73x</b>	<b>2.64x</b>	<b>1.70x</b>	<b>1.66x</b>	<b>1.56x</b>
<b>NET REVENUE AFTER DEBT SERVICE <sup>(1)</sup></b>	<b>124,737</b>	<b>165,424</b>	<b>106,894</b>	<b>100,127</b>	<b>88,043</b>

Source: City of Coalinga

(1) Preliminary, subject to change.

[FOOTNOTES WITH ASSUMPTIONS TO COME]

## GENERAL CITY INFORMATION APPLICABLE TO BOTH THE WATER SYSTEM AND THE WASTEWATER SYSTEM

### Risk Management

The City is a member of the Public Agency Risk Sharing Authority for California ("PARSAC"), a public entity risk pool in which there is a transferring (sharing) of risk among the pool participants. The City pays an annual premium to PARSAC for its general liability coverage. PARSAC is self-sustaining through member premiums. The City is insured under a retrospectively rated policy in which the initial premium is adjusted based on actual experience during the period of coverage. The City is responsible for all claims up to \$25,000 per occurrence for general and auto liability with a coverage limit at June 30, 2014 of \$975,000.

The City's risk management program also includes fire, property and automobile insurance. The coverage includes an all risk-replacement cost blanket. Additionally, the City has property insurance coverage up to \$975,000 per occurrence.

The City provides worker's compensation and employer's liability coverage on all employees through PARSAC. This insurance is paid entirely by the City. All premiums are paid by the appropriate fund designation for each employee's salary and benefits. In the risk management program for the City, a proactive approach is taken toward work safety for employees. Various training sessions and inspections are conducted throughout the year. The result has been a continued reduction of work-related injury claims.

See APPENDIX B— AUDITED FINANCIAL STATEMENTS OF THE CITY FOR THE FISCAL YEAR ENDED JUNE 30, 2019, Note 12.

### Employee Pension Plans

The Water System and Wastewater System each pay an allocable portion of the City's administrative expenses, including employee compensation and benefits from their respective Net Revenues. The table below shows the City's contribution to the CalPERS Miscellaneous plans (discussed below), and the amounts allocated to each system for the years shown:

#### CONTRIBUTION TO CALPERS MISCELLANEOUS PLANS AND ALLOCATION TO WATER SYSTEM

<u>Fiscal Year Ended June 30,</u>	<u>City Contribution To CalPERS Misc Plans</u>	<u>Amount Allocated To Water System</u>	<u>Water System Allocation %</u>	<u>Amount Allocated To Wastewater System</u>	<u>Wastewater System Allocation %</u>
2015	\$ 278,931				
2016	165,587				
2017	200,782				
2018	194,921				
2019	177,734				
2020					

Source: City of Coalinga.

*General Information about the City's CalPERS Plans.* All qualified permanent and probationary employees are eligible to participate in either (1) the City's Miscellaneous Plan, an agent multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System ("CalPERS"), which acts as a common investment and administrative agent for its participating member employers, or (2) the City's Safety Plan, a cost-sharing multiple employer defined benefit pension plan administered by CalPERS. They may be collectively referred to as the "Plans" or individually as a "Plan". Benefit provisions under the Plans are established by State statute and City resolutions. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 to 62 with statutorily reduced benefits. All members are eligible for non-duty



disability benefits after five (5) years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

*Contributions.* Section 20814(c) of the California Public Employees' Retirement Law ("PERL") requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions.

*Net Pension Liability.* The City's net pension liability for both Plans is measured as the total pension liability, less the plan's fiduciary net position. As of June 30, 2020, the City reported a net pension liability for its Miscellaneous Plans of \$\_\_\_\_\_ and a net pension liability for its Safety Plans of \$\_\_\_\_\_. The Water System's portion of the City's total net pension liability as of June 30, 2020, is approximately \$\_\_\_\_\_ million. The Wastewater System's portion of the City's total net pension liability as of June 30, 2020, is approximately \$\_\_\_\_\_ million.

For more information, including actuarial assumptions, a discussion of the discount rate used, and schedules of funding progress for the Water System's various pension plans, see APPENDIX B—AUDITED FINANCIAL STATEMENTS OF THE CITY FOR THE FISCAL YEAR ENDED JUNE 30, 2019, NOTE 11.

*Recent Actions Taken by CalPERS.* At its April 17, 2013, meeting, CalPERS' Board of Administration (the "Board of Administration") approved a recommendation to change the CalPERS amortization and smoothing policies. Prior to this change, CalPERS employed an amortization and smoothing policy that spread investment returns over a 15-year period with experience gains and losses paid for over a rolling 30-year period. As a result, CalPERS now employs an amortization and smoothing policy that will pay for all gains and losses over a 20-year period with a five-year ramp-up, and five-year ramp-down, period. The new amortization and smoothing policy was used for the first time in the June 30, 2013 actuarial valuations in setting employer contribution rates for fiscal year 2015-16.

On February 18, 2014, the Board of Administration approved new demographic actuarial assumptions based on a 2013 study of recent experience. The largest impact, applying to all benefit groups, is a new 20-year mortality projection reflecting longer life expectancies and that longevity will continue to increase. Because retirement benefits will be paid out for more years, the cost of those benefits will increase as a result. The Board of Administration also assumed earlier retirements for Police 3%@50, Fire 3%@55, and Miscellaneous 2.7%@55 and 3%@60, which will increase costs for those groups. As a result of these changes, rates increased beginning in fiscal year 2016-17 (based on the June 30, 2014 valuation) with full impact in fiscal year 2020-21.

On November 18, 2015, the Board of Administration adopted a funding risk mitigation policy intended to incrementally lower its discount rate – its assumed rate of investment return – in years of good investment returns, help pay down the pension fund's unfunded liability, and provide greater predictability

and less volatility in contribution rates for employers. The policy establishes a mechanism to reduce the discount rate by a minimum of 0.05 percentage points to a maximum of 0.25 percentage points in years when investment returns outperform the existing discount rate, currently 7.5%, by at least four percentage points. CalPERS staff modeling anticipates the policy will result in a lowering of the discount rate to 6.5% in about 21 years, improve funding levels gradually over time and cut risk in the pension system by lowering the volatility of investment returns. More information about the funding risk mitigation policy can be accessed through CalPERS' web site at the following website address: <https://www.calpers.ca.gov/page/newsroom/calpers-news/2015/adopts-funding-risk-mitigation-policy>. *The reference to this Internet website is provided for reference and convenience only. The information contained within the website may not be current, has not been reviewed by the City or the Underwriter and is not incorporated in this Official Statement by reference.*

On December 21, 2016, the Board of Administration voted to lower its discount rate from the current 7.5% to 7.0% over the next three years according to the following schedule.

Fiscal Year	Discount Rate
2017-18	7.375%
2018-19	7.250
2019-20	7.000

For public agencies like the City, the new discount rate took effect on July 1, 2019. As the discount rate is decreased employers that contract with CalPERS to administer their pension plans will see increases in their normal costs and unfunded actuarial liabilities. Active members hired after January 1, 2013, under the Public Employees' Pension Reform Act will also see their contribution rates rise. The three-year reduction of the discount rate will result in average employer rate increases of about 1% to 3% of normal cost as a percent of payroll for most miscellaneous retirement plans, and a 2% to 5% increase for most safety plans. Additionally, many CalPERS employers will see a 30 to 40% increase in their current unfunded accrued liability payments. These payments are made to amortize unfunded liabilities over 20 years to bring the pension fund to a fully funded status over the long-term.

*PERS Amortization Period Reform.* On February 13, 2018 the CalPERS Board voted to shorten the period over which actuarial gains and losses are amortized from 30 years to 20 years for new pension liabilities. The new 20-year amortization period begins with new gains or losses accrued starting with the June 30, 2019 actuarial valuations. The first payments on the new 20-year amortization schedule will take place in 2021.

A shorter amortization period will increase annual Unfunded Accrued Liability ("UAL") contributions for cities that participate in CalPERS so long as CalPERS remains underfunded. The shortened amortization period will also lead to reductions of periods of negative amortization of the UAL, interest cost savings, and faster recoveries of funded status after market downturns.

Cities that participate in CalPERS will also see additional volatility in their future UAL contributions due to market performance as gains or losses will be amortized faster under the new amortization period.

The City cannot currently estimate the impact the shorter amortization period will have on its required contributions to CalPERS.

*COVID-19 Impacts on CalPERS Contributions.* The outbreak of COVID-19 has caused volatility in the financial markets in the United States and globally resulting in significant declines and speculation of a national and global recession. The City expects that the impacts of COVID-19 will cause its required CalPERS contributions to increase in future years.

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

*Plan Description.* The City offers medical, dental, vision, chiropractic and prescription insurance coverage, as well as group life insurance coverage, to employees and their dependents. Additionally, the City offers an employee assistance program to assist employees and their families with problem assessment and short-term counseling needs. The City pays a portion of premiums in connection with the insurance coverage offered by the City.

The Water System and the Wastewater System each pay an allocable portion of any City OPEB expenses from their respective Net Revenues.

For additional information about the City's OPEB, see APPENDIX B— AUDITED FINANCIAL STATEMENTS OF THE CITY FOR THE FISCAL YEAR ENDED JUNE 30, 2019, NOTE 10.

## **INVESTMENT OF CITY FUNDS**

Revenues collected by the City will be held and invested by the City in accordance with the provisions of the Indenture.

Funds held by the City, including Water System and Wastewater System moneys, are invested in accordance with the City's Statement of Investment Policy (the "Investment Policy") prepared by the Finance Director as authorized by section 53601 of the Government Code of California. The Investment Policy is submitted to the City Council annually. The Investment Policy allows for the purchase of a variety of securities and provides for limitations as to exposure, maturity and rating which vary with each security type. The composition of the portfolio will change over time as old investments mature, or are sold, and as new investments are made. Invested funds are managed to insure preservation of capital through high quality investments, maintenance of liquidity and then yield. Further, operating funds may not be invested in any investment with a maturity greater than five years. The City has never invested in derivatives or reverse repurchase agreements and such investments and instruments are not allowed by City policy.

For more information about the City's investment policy, see APPENDIX C—CITY INVESTMENT POLICY.

## **CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND FEES**

Under the California Constitution, the power of initiative is reserved to the voters for the purpose of enacting statutes and constitutional amendments. In the past, the voters have exercised this power from time to time, including through the adoption of Propositions 13 and 218.

From time to time other State and local initiative measures could be adopted, affecting the ability of the City to increase revenues and to increase appropriations.

### **Article XIII A**

On June 6, 1978, California voters approved Proposition 13, which added Article XIII A to the California Constitution ("Article XIII A"). Article XIII A limits the maximum ad valorem tax on real property to 1% of full cash value thereof, except that additional ad valorem taxes may be levied to pay debt service on indebtedness approved by voters prior to July 1, 1978 and (as a result of an amendment to Article XIII A approved by California voters on June 3, 1986) on bonded indebtedness for the acquisition or improvement of real property which has been approved on or after July 1, 1978 by two-thirds of the voters voting on such indebtedness. Article XIII A defines full cash value to mean "the County Assessor's valuation of real property as shown on the 1975-76 tax bill under "full cash value," or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment." This full cash value may be increased at a rate not to exceed 2% per year to account for inflation.

Article XIII A has subsequently been amended to permit reduction of the full cash value based in the event of declining property values caused by damage, destruction, or other factors and to provide that there would be no increase in the full cash value base in the event of reconstruction of property damaged or destroyed in a disaster and in other minor or technical ways.

### **Article XIII B**

Article XIII B of the California 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 appropriations 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 sources 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 (i) regulatory licenses, user charges, and user fees (but only to the extent such proceeds exceed the cost of providing the service or regulation), and (ii) the investment of tax revenues. Article XIII B includes a requirement 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.

### **Proposition 218**

*General.* On November 5, 1996, California voters approved Proposition 218, the so-called “Right to Vote on Taxes Act.” Proposition 218 added Articles XIIC and XIID to the State Constitution, which affect the ability of local governments to levy and collect both existing and future taxes, assessments, and property-related fees and charges. Proposition 218, which generally became effective on November 6, 1996, changed, among other things, the procedure for the imposition of any new or increased property-related “fee” or “charge,” which is defined as “any levy other than an *ad valorem* tax, a special tax or an assessment, imposed by a [local government] upon a parcel or upon a person as an incident of property ownership, including user fees or charges for a property related service” (and referred to in this section as a “property-related fee or charge”).

Specifically, under Article XIID, before a municipality may impose or increase any property-related fee or charge, the entity must give written notice to the record owner of each parcel of land affected by that fee or charge. The municipality must then hold a hearing upon the proposed imposition or increase at least 45 days after the written notice is mailed, and, if a majority of the property owners of the identified parcels present written protests against the proposal, the municipality may not impose or increase the property-related fee or charge.

Further, under Article XIID, revenues derived from a property-related fee or charge may not exceed the funds required to provide the “property-related service” and the entity may not use such fee or charge for any purpose other than that for which it imposed the fee or charge. The amount of a property-related fee or charge may not exceed the proportional cost of the service attributable to the parcel, and no property-related fee or charge may be imposed for a service unless that service is actually used by, or is immediately available to, the owner of the property in question.

In addition, 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. The power of initiative to affect local taxes, assessments, fees and charges shall be applicable to all local governments and neither the Legislature nor any local government charter shall impose a signature requirement higher than that applicable to statewide statutory initiatives.”

*Judicial Interpretation of Proposition 218.* After Proposition 218 was enacted in 1996, appellate court cases and an Attorney General opinion initially indicated that fees and charges levied for water and sewer services would not be considered property-related fees and charges, and thus not subject to the requirements of Article XIID regarding notice, hearing and protests in connection with any increase in the fees and charges being imposed. However, three recent cases have held that certain types of water and sewer charges could be subject to the requirements of Proposition 218 under certain circumstances.

In *Richmond v. Shasta Community Services District* (9 Cal. Rptr. 3rd 121), the California Supreme Court addressed the applicability of the notice, hearing and protest provisions of Article XIID to certain charges related to water service. In *Richmond*, the Court held that connection charges are not subject to Proposition 218. The Court also indicated in dictum that a fee for ongoing water service through an existing

connection could, under certain circumstances, constitute a property-related fee and charge, with the result that a local government imposing such a fee and charge must comply with the notice, hearing and protest requirements of Article XIID.

In *Howard Jarvis Taxpayers Association v. City of Fresno* (March 23, 2005), the California Court of Appeal, Fifth District, concluded that water, sewer and trash fees are property-related fees subject to Proposition 218 and a municipality must comply with Article XIID before imposing or increasing such fees. The California Supreme Court denied the City of Fresno's petition for review of the Court of Appeal's decision on June 15, 2005.

In July 2006 the California Supreme Court, in *Bighorn-Desert View Water Agency v. Verjil* (39 Cal. 4th 205), addressed the validity of a local voter initiative measure that would have (a) reduced a water agency's rates for water consumption (and other water charges), and (b) required the water agency to obtain voter approval before increasing any existing water rate, fee, or charge, or imposing any new water rate, fee, or charge. The court adopted the position indicated by its statement in *Richmond* that a public water agency's charges for ongoing water delivery are "fees and charges" within the meaning of Article XIID, and went on to hold that charges for ongoing water delivery are also "fees" within the meaning of Article XIIC's mandate that the initiative power of the electorate cannot be prohibited or limited in matters of reducing or repealing any local tax, assessment, fee or charge. Therefore, the court held, Article XIIC authorizes local voters to adopt an initiative measure that would reduce or repeal a public agency's water rates and other water charges. (However, the court ultimately ruled in favor of the water agency and held that the entire initiative measure was invalid on the grounds that the second part of the initiative measure, which would have subjected future water rate increases to prior voter approval, was not supported by Article XIIC and was therefore invalid.)

The court in *Bighorn* specifically noted that it was not holding that the initiative power is free of all limitations; the court stated that it was not determining whether the electorate's initiative power is subject to the statutory provision requiring that water service charges be set at a level that will pay for operating expenses, provide for repairs and depreciation of works, provide a reasonable surplus for improvements, extensions, and enlargements, pay the interest on any bonded debt, and provide a sinking or other fund for the payment of the principal of such debt as it may become due.

*Current Practice Regarding Rates and Charges.* The City's practice has been to provide public notice of proposed water rate increases through means that include, among others, holding informational presentations at community group meetings, mailings to residential and commercial customers of public hearings on rate increases, and press releases and media campaigns regarding rate increases, followed by public hearings conducted by the City Council. The most recent rate increase was enacted by the City in strict compliance with the procedures mandated by Proposition 218 and *Bighorn*.

*Conclusion.* It is not possible to predict how courts will further interpret Article XIIC and Article XIID in future judicial decisions, and what, if any, further implementing legislation will be enacted. Under the *Bighorn* case, local voters could adopt an initiative measure that reduces or repeals the City's rates and charges, though it is not clear whether (and California courts have not decided whether) any such reduction or repeal by initiative would be enforceable in a situation in which such rates and charges are pledged to the repayment of bonds or other indebtedness. There can be no assurance that the courts will not further interpret, or the voters will not amend, Article XIIC and Article XIID to limit the ability of local agencies to impose, levy, charge and collect increased fees and charges for sewer, or to call into question previously adopted sewer rate increases.

### **Effect of Proposition 218 on the City; Possible Limitations on Enforcement Remedies.**

The general financial condition of the City may be affected by provisions of Article XIII C and Article XIII D. In particular, provisions of Article XIII C (i) require taxes for general governmental purposes to be approved by a majority vote and taxes for specific purposes, even if deposited into the General Fund, to be approved by two-thirds vote, (ii) require any general purpose tax which the City imposed, extended or increased, without voter approval, after December 31, 1994, to be approved by majority vote on November 5, 1998 and (iii) provide that all taxes, assessments, fees and charges are subject to reduction or repeal at any time through the initiative process, subject to overriding constitutional principles relating to the impairment of contracts. Provisions of Article XIII D that affect the ability of the City to fund certain services or programs that it may be required or choose to fund include (i) adding notice, hearing, protest and, in some cases, voter approval requirements to impose, increase or extend certain assessments, fees and charges and (ii) adding stricter requirements for finding individualized benefits associated with such levies.

The ability of the City to comply with its covenants under the Installment Sale Agreement and to generate Net Revenues sufficient to pay the Installment Payments and, therefore, the principal of and interest on the Bonds may be adversely affected by actions and events outside of the control of the City and may be adversely affected by actions taken (or not taken) under Article XIII C or Article XIII D by voters, property owners, taxpayers or payers of assessments, fees and charges. Furthermore, any remedies available to the owners of the Bonds upon the occurrence of an event of default under the Installment Sale Agreement 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. In addition to the possible limitations on the ability of the City to comply with its covenants under the Installment Sale Agreement, the rights and obligations under the Bonds and the Indenture may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against cities in the State of California.

Based on the foregoing, in the event the City fails to comply with its covenants under the Installment Sale Agreement, including its covenants to generate sufficient Net Revenues, as a consequence of the application of Article XIII C and Article XIII D, or to pay principal of or interest on the Bonds, there can be no assurance that available remedies will be adequate to fully protect the interests of the holders of the Bonds.

### **Proposition 26**

On November 2, 2010, State voters approved Proposition 26 which amended certain sections of Article XIII C. The proposition attempts to define "tax" as used within Article XIII C as "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.” 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 foregoing discussion of Proposition 218 and Proposition 26 should not be considered an exhaustive or authoritative treatment of the provisions of such propositions or the possible effects of Proposition 218 and Proposition 26. Interim rulings, final decisions, legislative proposals and legislative enactments affecting Proposition 218 and Proposition 26 may impact the City’s ability to make debt service payments on the Bonds. The City does not expect to be in a position to control the consideration or disposition of these issues and cannot predict the timing or outcome of any judicial or legislative activity related to these issues.

### **Future Initiatives**

Articles XIIC, XIID and Proposition 26 were adopted as measures that qualified for the ballot pursuant to California’s initiative process. From time to time other initiatives could be proposed and adopted affecting Net Revenues or the City’s ability to increase its rates for water service. See “Proposition 218” above. The California constitution, Article XIID, Section 5(c), specifically recognizes that any assessment existing on the effective date (of Article XIID) shall be exempt from the procedures and approval process set forth in Article 4, to wit: “....(c) Any assessment the proceeds of which are exclusively used to repay bonded indebtedness of which the failure to pay would violate the Contract Impairment Clause of the Constitution of the United States.”

## **RISK FACTORS RELATING TO THE BONDS**

Payment by the City of the Installment Payments and, therefore, of principal of and interest on the Bonds, depends primarily upon the Net Revenues derived from operation of the Water System and the Wastewater System. Some of the events which could affect the revenues received by the Water System and the Wastewater System are set forth below. The following discussion of risks is not meant to be an exhaustive list of the risks associated with the purchase of the Bonds and the order in which the risks are discussed does not necessarily reflect the relative importance of the various risks.

### **Limited Obligations**

The Water Installment Payments are limited obligations of the City and are not secured by a legal or equitable pledge or charge or lien upon any property of the City or any of its income or receipts, except the Water System Net Revenues. The obligation of the City to pay debt service on the Bonds from Water System Net Revenues does not constitute an obligation of the City to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation.

The City is obligated under the Water Installment Sale Agreement to make Water Installment Payments solely from Water System Net Revenues. There is no assurance that the City can succeed in



operating the Water System such that the Water System Net Revenues in the future will be sufficient for that purpose.

The Wastewater Installment Payments are limited obligations of the City and are not secured by a legal or equitable pledge or charge or lien upon any property of the City or any of its income or receipts, except the Wastewater System Net Revenues. The obligation of the City to pay debt service on the Series A Bonds from Wastewater System Net Revenues does not constitute an obligation of the City to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation.

The City is obligated under the Wastewater Installment Sale Agreement to make Wastewater Installment Payments solely from Wastewater System Net Revenues. There is no assurance that the City can succeed in operating the Wastewater System such that the Wastewater System Net Revenues in the future will be sufficient for that purpose.

### **Maintenance and Operation Costs**

There can be no assurance that the City's expenses for the Water System or the Wastewater System will be consistent with the descriptions in this Official Statement. Changes in technology, changes in quality standards, loss of large customers, increased or decreased development, increases in the cost of operation, or other expenses could require increases in rates or charges in order to comply with the City's rate covenants in the Water Installment Sale Agreement and the Wastewater Installment Sale Agreement.

### **Limited Recourse on Default**

Failure by the City to make Water Installment Payments constitutes an event of default under the Water Installment Sale Agreement and the Trustee is permitted to pursue remedies at law or in equity to enforce the City's obligation to make such payments. Although the Trustee has the right to accelerate the total unpaid principal amount of the Water Installment Payments, there is no assurance that the City would have sufficient funds to pay the accelerated amounts.

Failure by the City to make Wastewater Installment Payments constitutes an event of default under the Wastewater Installment Sale Agreement and the Trustee is permitted to pursue remedies at law or in equity to enforce the City's obligation to make such payments. Although the Trustee has the right to accelerate the total unpaid principal amount of the Wastewater Installment Payments, there is no assurance that the City would have sufficient funds to pay the accelerated amounts.

### **Limitations on Remedies**

The ability of the City to comply with its covenants under the Water Installment Sale Agreement and to generate Water System Net Revenues sufficient to pay the Water Installment Payments and, therefore, of principal of and interest on the Bonds, may be adversely affected by actions and events outside of the control of the City and may be adversely affected by actions taken (or not taken) by voters, property owners, taxpayers or persons obligated to pay assessments, fees and charges. Furthermore, the remedies available to the owners of the Bonds upon the occurrence of an event of default under the Water Installment Sale Agreement 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.

The ability of the City to comply with its covenants under the Wastewater Installment Sale Agreement and to generate Wastewater System Net Revenues sufficient to pay the Wastewater Installment Payments and, therefore, of principal of and interest on the Series A Bonds, may be adversely affected by actions and events outside of the control of the City and may be adversely affected by actions taken (or not taken) by voters, property owners, taxpayers or persons obligated to pay assessments, fees and charges. Furthermore, the remedies available to the owners of the Series A Bonds upon the occurrence of an event of default under the Wastewater Installment Sale Agreement 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.

### **Initiatives**

In recent years several initiative measures have been proposed or adopted which affect the ability of local governments to increase taxes and rates. There is no assurance that the electorate or the State legislature will not at some future time approve additional limitations which could affect the ability of the City to implement rate increases which could reduce Water System Net Revenues and/or Wastewater System Net Revenues and adversely affect the security for the Bonds. See CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND FEES—Proposition 218.”

### **Bankruptcy**

The rights and remedies provided in the Water Installment Sale Agreement, the Wastewater Installment Sale Agreement and the Indenture may be limited by and are subject to the provisions of federal bankruptcy laws, to other laws or equitable principles that may affect the enforcement of creditors’ rights, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State of California. The various opinions of counsel to be delivered with respect to the Bonds, the Water Installment Sale Agreement, the Wastewater Installment Sale Agreement and the Indenture, including the opinions of Bond Counsel, will be similarly qualified. If the City were to file a petition under Chapter 9 of the Bankruptcy Code, the Owners of the Bonds and the City could be prohibited from taking any steps to enforce their rights under the Indenture.

### **Additional Obligations**

The Water Installment Sale Agreement permits the incurrence of obligations by the City secured by Water System Net Revenues on a parity basis or a subordinate basis to the Water Installment Sale Agreement. Such additional obligations would increase debt service payable from Water System Net Revenues and could adversely affect debt service coverage with respect to the Bonds. In such event, however, the rate covenant in the Water Installment Sale Agreement will remain in effect. See “SECURITY FOR THE BONDS—Rates, Fees and Charges.”

The Wastewater Installment Sale Agreement permits the incurrence of obligations by the City secured by Wastewater System Net Revenues on a parity basis or a subordinate basis to the Wastewater Installment Sale Agreement. Such additional obligations would increase debt service payable from Wastewater System Net Revenues and could adversely affect debt service coverage with respect to the Bonds. In such event, however, the rate covenant in the Wastewater Installment Sale Agreement will remain in effect. See “SECURITY FOR THE BONDS—Rates, Fees and Charges.”

## **Impacts of COVID-19 Pandemic**

The spread of the novel strain of coronavirus and the disease it causes (now known as “COVID-19”) is having and has had significant negative impacts throughout the world, including in 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 the County. The purpose behind these declarations is 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. The outbreak has resulted in the imposition of restrictions on mass gatherings and widespread temporary closings of businesses, universities and schools. The United States is restricting certain non-United States citizens and permanent residents from entering the country. In addition, financial markets in the United States and globally have been volatile, with significant declines attributed to coronavirus concerns.

Potential impacts to the Water System and the Wastewater System associated with the COVID-19 outbreak include, but are not limited to, increasing costs and challenges to the public health system in and around the Water System’s and the Wastewater System’s service areas, disruption of the regional and local economy with corresponding decreases in Water System and the Wastewater System revenues, and temporary reductions in Water System Net Revenues due to late payments from Water System customers and reductions in Wastewater System Net Revenues due to late payments from Wastewater System customers.

The United States, the State, the County and the City have each declared a “state of emergency” or equivalent. Additionally, the State, the County and the City have issued “stay at home” or “shelter in place” orders that severely restrict the movement of residents and generally mandate that residents remain in their home and, in effect, prohibit non-essential workers from working outside their homes. Due to these orders, the City has closed its offices except to employees, has put staff on alternating schedules to allow for more physical separation and has encouraged staff members to work from home when possible. While many services the City provides have been reduced, essential services, like those provided by the Water System and the Wastewater System, have continued to operate without interruption.

Additionally, the COVID-19 pandemic and resulting restrictions have resulted in volatility in the global and national stock markets, closure of businesses, worker layoffs and furloughs and a surge in unemployment claims. As a result, the COVID-19 pandemic may result in a decreased ability of customers of the Water System and the Wastewater System to pay bills for services provided by the Water System and the Wastewater System. Although the City had previously discontinued Wastewater shut-offs for non-payment, on April 2, 2020, Governor Gavin Newsom signed Executive Order N-42-20 which universally enacts an immediate moratorium on such shutoffs.

The COVID-19 outbreak is ongoing and the ultimate duration and severity of the outbreak and economic impact it has is currently uncertain. The City continues to analyze the effects the COVID-19 pandemic will have on the Water System and the Wastewater System. The City believes that it will have the ability to delay the implementation of certain capital improvement plans, if necessary, in order to meet the cash flow needs of the Water System and the Wastewater System, including payment of debt service on the Bonds.

## **Seismic Considerations**

The City, like much of California, is subject to seismic activity that could result in interference with operation of the Water System and the Wastewater System. There are several major active fault zones transecting the County that could cause “strong ground motion” at the site of the various facilities constituting the Water System and the Wastewater System during their useful life. If there were to be an occurrence of severe seismic activity in the area of the City, there could be an interruption in the service provided by the Water System and the Wastewater System resulting in a temporary reduction in the amount of Water System Net Revenues available to pay the Water Installment Payments and, therefore, the principal of and interest on the Bonds when due and there could be an interruption in the service provided by the Wastewater System resulting in a temporary reduction in the amount of Wastewater System Net Revenues available to pay the Wastewater Installment Payments and, therefore, the principal of and interest on the Serie A Bonds when due.

## **Drought and Climate Change**

Indications of climate change have been observed over the last several decades throughout California. Statewide average temperatures have increased by about 1.7°F from 1895 to 2011, with the greatest warming in the Sierra Nevada. Although the State’s weather has followed the expected pattern of a largely Mediterranean climate throughout the past century, no consistent trend in the overall amount of precipitation has been detected, except that a larger proportion of total precipitation is falling as rain instead of snow.

With regards to climate, the Water System’s revenues vary depending on the amount of precipitation and subsequently on stage of water conservation that they City is in. In dry years, local demands will decrease as a consequence of prohibitions on certain water uses, and the Water System may receive lower than anticipated revenues due to reduced sales volumes. In contrast, in wet years, demands increase as prohibitions are lifted, and revenues increase due to higher sales volumes.

Such revenue surpluses and shortages could cause instability in Water System rates. To mitigate this risk, the City maintains financial reserves, with a minimum and target balance, to stabilize water rates during times of reduced water sales. The reserves hold revenues collected during times of high-water sales and are used to offset the need for revenues during times of low sales.

Water agencies that rely solely on surface water, such as the Water System, are more likely to experience water shortages than those agencies relying primarily on groundwater. The amount of Central Valley Project water available each year for the Water System is based, among other factors, on the storage of winter precipitation and the control of spring runoff in the Sacramento and San Joaquin River basins. The schedule of Central Valley Project water conveyed to and diverted from these rivers is determined by state water right permits, judicial decisions, and state and federal obligations to maintain water quality, enhance environmental conditions, and prevent flooding. As a result, the Water System’s surface water allocation may be decreased due to conditions outside of the City’s control. In addition to water allocation reductions, water supply shortages or interruptions can occur due to extended periods of drought, unexpected system failures, canal maintenance, regional power outages, earthquakes, etc.

While additional water sources are available to the Water System, the acquisition of additional water supplies would carry additional costs that could affect the Water System’s ability to make the Water Installment Payments.

## **Cybersecurity**

The City relies on computers and technology to conduct its operations, including the operation of the Water System and the Wastewater System. The City and its departments face cyber threats from time to time including, but not limited to, hacking, viruses, malware and other forms of technology attacks. While no network is completely immune from all possible compromise, the City exercises its due diligence in protecting the data it possesses and the systems it operates. To date, there have been no significant cyber-attacks on the City's computers and technologies.

While the City is routinely maintaining its technology systems and continuously implementing new information security controls, no assurances can be given that the City's security and operational control measures will be successful in guarding against all cyber threats and attacks. The results of any attack on the City's computer and technology could negatively impact the City's operations and the operation of the Water System and the Wastewater System, and the costs related to such attacks could be substantial.

## **Secondary Market**

There can be no guarantee that there will be a secondary market for the Bonds or, if a secondary market exists, that any Bonds 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.

## **Risks Relating to the Municipal Bond Insurance Policies**

In the event of default of the payment of principal of interest on the Bonds when all or some becomes due, any owner of the Bonds shall have a claim under the Municipal Bond Insurance Policies for such payments. The Municipal Bond Insurance Policies do not insure against redemption premium, if any. The payment of principal of interest in connection with mandatory sinking fund or optional prepayment of the Bonds by the Authority which is recovered by the Authority from the Owner as a voidable preference under applicable bankruptcy law is covered by the Municipal Bond Insurance Policies, however, such payments will be made by the Municipal Bond Insurer at such time and in such amounts as would have been due absent such prepayment by the Authority unless the Municipal Bond Insurer chooses to pay such amounts at an earlier date.

The Municipal Bond Insurer may direct and must consent to any remedies and the Municipal Bond Insurer's consent may be required in connection with amendments to any applicable legal documents.

In the event the Municipal Bond Insurer is unable to make payment of principal and interest as such payments become due under the Municipal Bond Insurance Policies, the Bonds are payable solely from the moneys received pursuant to the applicable legal documents. In the event the Municipal Bond Insurer becomes obligated to make payments with respect to the Bonds, no assurance is given that such event will not adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds.

The long-term ratings on the Bonds are dependent in part on the financial strength of the Municipal Bond Insurer and its claim paying ability. The financial strength and claims paying ability of the Municipal Bond Insurer are predicated upon a number of factors which could change over time. No assurance is given

that the long-term ratings of the Municipal Bond Insurer and of the ratings on the Bonds will not be subject to downgrade and such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds. See “RATINGS.”

The obligations of the Municipal Bond Insurer are general obligations of the Municipal Bond Insurer and in an event of default by the Municipal Bond Insurer, the remedies available may be limited by applicable bankruptcy law or other similar laws related to insolvency.

None of the Authority, the City or the Underwriter has made independent investigation into the claims paying ability of the Municipal Bond Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Municipal Bond Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the City to make the Water System Installment Payments and the Wastewater Installment Payments and the claims paying ability of the Municipal Bond Insurer, particularly over the life of the investment.

## **LEGAL MATTERS**

All legal matters in connection with the issuance, sale and delivery of the Bonds are subject to the approval of Quint & Thimmig LLP, Larkspur, California, Bond Counsel. Bond Counsel’s opinion with respect to the Bonds will be substantially in the form set forth in APPENDIX E—FORMS OF FINAL OPINIONS OF BOND COUNSEL. Certain legal matters will also be passed on for the City by Quint & Thimmig LLP, as Disclosure Counsel, and for the Authority and the City by Giswold, LaSalle, Cobb, Dowd & Gin, LLP, Hanford, California, Authority Counsel and City Attorney. Certain matters will be passed upon for the Underwriter by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California. The fees and expenses of Special Counsel, Disclosure Counsel and counsel to the Underwriter are contingent upon the issuance and delivery of the Bonds.

## **ABSENCE OF LITIGATION**

At the time of delivery of and payment for the Bonds, the City and the Authority will certify that there is no action, suit, proceedings, 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 City and the Authority, threatened against the City or the Authority affecting the existence of the City or the Authority or the titles of its officers to their respective offices or seeking to restrain or to enjoin the sale or delivery of the Bonds, the application of the proceeds thereof in accordance with the Indenture, or in any way contesting or affecting the validity or enforceability of the Bonds, the Indenture, the Water Installment Sale Agreement, or the pledge of Water System Net Revenues thereunder, or the Wastewater Installment Sale Agreement, or the pledge of Wastewater System Net Revenues thereunder, or any action of the City or the Authority 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 City or the Authority with respect to the Bonds or any action of the City or the Authority contemplated by any of said documents, nor to the knowledge of the City or the Authority, is there any basis therefor.

## **RATINGS**

S&P Global Ratings (“S&P”) is expected to assign the rating of “AA” (stable outlook) to the Bonds based on the issuance of the Municipal Bond Insurance Policies by the Municipal Bond Insurer at the time of delivery of the Bonds. See “MUNICIPAL BOND INSURANCE.” In addition, S&P has assigned the underlying rating of “\_\_\_\_” (stable outlook) to the Bonds without regard to the issuance of the Municipal Bond Insurance Policies. These ratings reflect only the views of S&P and an explanation of the significance of such rating may be obtained from S&P. There is no assurance that such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by S&P, if in the judgment of the S&P, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

## **CONTINUING DISCLOSURE**

The City has covenanted for the benefit of Bond Owners and beneficial owners of the Bonds to provide certain financial information and operating data relating to the Water System and the Wastewater System by not later than nine months following the end of the City’s fiscal year (currently ending June 30) (the “Annual Report”), commencing with the report for the fiscal year ended June 30, 2020, and to provide notices of the occurrence of certain enumerated events. The Annual Report and the notices of enumerated events will be filed by the City with the Municipal Securities Rulemaking Board through the Electronic Municipal Access (EMMA) System. The specific nature of the information to be contained in the Annual Report or the notices of material events is summarized below under the caption APPENDIX F—FORM OF CONTINUING DISCLOSURE CERTIFICATE. These covenants have been made in order to assist the Underwriter in complying with the Rule.

In the last five years, the City was obligated to file financial information and operating data with respect to the following issues:

- a. Coalinga Public Financing Authority Local Obligation Revenue Bonds, 1998 Series A, 1998 Series B and 1998 Series C (the “1998 Bonds”);
- b. Redevelopment Agency of the City of Coalinga, Coalinga Redevelopment Project, Tax Allocation Bonds, Series 2000 (the “2000 Bonds”);
- c. Redevelopment Agency of the City of Coalinga, Coalinga Redevelopment Project, Tax Allocation Bonds, 2009 Series A, 2009 Series B and 2009 Series C (the “2009 Bonds”); and
- d. 2012 Bonds.

In most cases, the City was substantially late in filing the required financial information and operating data for each of these issues. The City retained an independent dissemination agent to assist it in compiling and filing all required financial information and operating data and all filings have been made to bring the City into compliance for each issue. The 2009 Bonds are no longer outstanding.

In addition, on February 4, 2021, the City adopted Disclosure Procedures for Public Debt Issuances.

## VERIFICATION OF MATHEMATICAL COMPUTATIONS

The Verification Agent will verify as to the Escrow Agreement, the mathematical accuracy as of the date of the closing and delivery of the Series A Bonds of the computations contained in the provided schedules to determine that the maturing Escrowed Securities, the interest earning thereon and the cash deposited in the Escrow Fund shall be sufficient to pay, when due, the principal of and interest on the 2012 Bonds to and including April 1, 2022, and to pay the Redemption Price on the Redemption Date.

The report of the Verification Agent will include the statement that the scope of their engagement was limited to verifying the mathematical accuracy of the computations contained in such schedules provided to them and that they have no obligation to update their report because of events occurring, or data or information coming to their attention, subsequent to the date of their report.

## TAX MATTERS

*Series A Bonds.* Interest on the Series A Bonds is includible in gross income for federal income purposes. Ownership of the Series A Bonds may result in other federal income tax consequences to certain taxpayers. Owners should consult their tax advisors with respect to the inclusion of interest with respect to the Series A Bonds in gross income for federal income tax purposes and any collateral tax consequences.

In the opinion of Bond Counsel, interest on the Series A Bonds is exempt from California personal income taxes.

Ownership of the Series A Bonds may result in other State and local tax consequences to certain taxpayers, and Bond Counsel expresses no opinion regarding any such consequences arising with respect to the Series A Bonds.

The complete text of the final opinion that Bond Counsel expects to deliver upon the delivery of the Series A Bonds is set forth in APPENDIX E—FORMS OF FINAL OPINIONS OF BOND COUNSEL.

*Series B Bonds.* Federal tax law contains a number of requirements and restrictions which apply to the Series B Bonds, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the proper use of bond proceeds and the facilities financed therewith, and certain other matters. The Authority and the City have covenanted to comply with all requirements that must be satisfied in order for the interest on the Series B Bonds to be excludable from gross income for federal income tax purposes. Failure to comply with certain of such covenants could cause interest with respect to the Series B Bonds to become includable in gross income for federal income tax purposes retroactively to the date of delivery of the Series B Bonds.

Subject to the Authority's and the City's compliance with the above referenced covenants, under present law, in the opinion of Quint & Thimmig LLP, Bond Counsel, interest on the Series B Bonds is excludable from the gross income of the owners thereof for federal income tax purposes, and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals.

In rendering its opinion, Bond Counsel will rely upon certifications of the Authority and the City with respect to certain material facts within their knowledge. Bond Counsel's opinion represents its legal



judgment based upon its review of the law and the facts that it deems relevant to render such opinion and is not a guarantee of a result.

The Code includes provisions for an alternative minimum tax (“AMT”) for corporations in addition to the corporate regular tax in certain cases. The AMT for a corporation, if any, depends upon the corporation’s alternative minimum taxable income (“AMTI”), which is the corporations’ taxable income with certain adjustments. One of the adjustment items used in computing the AMTI of a corporation (with certain exceptions) is an amount equal to 75% of the excess of such corporation’s “adjusted current earnings” over an amount equal to its AMTI (before such adjustment item and the alternative tax net operating loss deduction). “Adjusted current earnings” would generally include certain tax-exempt interest, but not interest on the Series B Bonds.

Ownership of the Series B Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, corporations subject to the branch profits tax, financial institutions, certain insurance companies, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the Series B Bonds should consult their tax advisors as to applicability of any such collateral consequences.

The issue price (the “Issue Price”) for each maturity of the Series B Bonds is the price at which a substantial amount of such maturity of the Series B Bonds is first sold to the public. The Issue Price of a maturity of the Series B Bonds may be different from the price set forth, or the price corresponding to the yield set forth, on the inside cover page hereof.

Owners of Series B Bonds who dispose of Series B Bonds prior to the stated maturity (whether by sale, redemption or otherwise), purchase Series B Bonds in the initial public offering, but at a price different from the Issue Price, or purchase Series B Bonds subsequent to the initial public offering, should consult their own tax advisors.

If a Series B Bond is purchased at any time for a price that is less than the Series B Bond’s stated redemption price at maturity (the “Reduced Issue Price”), the purchaser will be treated as having purchased a Bond with market discount subject to the market discount rules of the Code (unless a statutory de minimis rule applies). Accrued market discount is treated as taxable ordinary income and is recognized when a Series B Bond is disposed of (to the extent such accrued discount does not exceed gain realized) or, at the purchaser’s election, as it accrues. Such treatment would apply to any purchaser who purchases a Series B Bond for a price that is less than its Revised Issue Price. The applicability of the market discount rules may adversely affect the liquidity or secondary market price of such Series B Bond. Purchasers should consult their own tax advisors regarding the potential implications of market discount with respect to the Series B Bonds.

An investor may purchase a Series B Bond at a price in excess of its stated principal amount. Such excess is characterized for federal income tax purposes as “bond premium” and must be amortized by an investor on a constant yield basis over the remaining term of the Series B Bond in a manner that takes into account potential call dates and call prices. An investor cannot deduct amortized bond premium relating to a tax-exempt bond. The amortized bond premium is treated as a reduction in the tax-exempt interest received. As bond premium is amortized, it reduces the investor’s basis in the Series B Bond. Investors who purchase a Bond at a premium should consult their own tax advisors regarding the amortization of bond

premium and its effect on the Series B Bond's basis for purposes of computing gain or loss in connection with the sale, exchange, redemption or early retirement of the Series B Bond.

There are or may be pending in the Congress of the United States legislative proposals, including some that carry retroactive effective dates, that, if enacted, could alter or amend the federal tax matters referred to above or affect the market value of the Series B Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to Series B Bonds issued prior to enactment. Prospective purchasers of the Series B Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

The Internal Revenue Service (the "Service") has an ongoing program of auditing tax exempt obligations to determine whether, in the view of the Service, interest on such tax exempt obligations is includable in the gross income of the owners thereof for federal income tax purposes. It cannot be predicted whether or not the Service will commence an audit of the Series B Bonds. If an audit is commenced, under current procedures the Service may treat the Authority or the City as a taxpayer and the Series B Bond Owners may have no right to participate in such procedure. The commencement of an audit could adversely affect the market value and liquidity of the Series B Bonds until the audit is concluded, regardless of the ultimate outcome.

Payments of interest with respect to, and proceeds of the sale, redemption or maturity of, tax exempt obligations, including the Series B Bonds, are in certain cases required to be reported to the Service. Additionally, backup withholding may apply to any such payments to any Series B Bond Owner who fails to provide an accurate Form W-9 Request for Taxpayer Identification Number and Certification, or a substantially identical form, or to any Series B Bond Owner who is notified by the Service of a failure to report any interest or dividends required to be shown on federal income tax returns. The reporting and backup withholding requirements do not affect the excludability of such interest from gross income for federal tax purposes.

In the further opinion of Bond Counsel, interest with respect to the Series B Bonds is exempt from California personal income taxes.

Ownership of the Series B Bonds may result in other state and local tax consequences to certain taxpayers. Bond Counsel expresses no opinion regarding any such collateral consequences arising with respect to the Series B Bonds. Prospective purchasers of the Series B Bonds should consult their tax advisors regarding the applicability of any such state and local taxes.

The complete text of the final opinion that Bond Counsel expects to deliver upon the delivery of the Series B Bonds is set forth in APPENDIX E—FORMS OF FINAL OPINIONS OF BOND COUNSEL.

## **UNDERWRITING**

The Series A Bonds are being purchased by Oppenheimer & Co., Inc. (the "Underwriter") at a price of \$ \_\_\_\_\_ (consisting of the \$ \_\_\_\_\_ .00 aggregate principal amount of the Series A Bonds, less \$ \_\_\_\_\_ of Underwriter's discount). The Underwriter may offer and sell the Series A Bonds to certain dealers and others at prices different from the prices stated on the inside cover page of this Official Statement. The offering prices may be changed from time to time by the Underwriter.

The Series B Bonds are being purchased by the Underwriter at a price of \$\_\_\_\_\_ (consisting of the \$\_\_\_\_\_ aggregate principal amount of the Series B Bonds, plus a net original issue premium of \$\_\_\_\_\_, less \$\_\_\_\_\_ of Underwriter's discount). The Underwriter may offer and sell the Series B Bonds to certain dealers and others at prices different from the prices stated on the inside cover page of this Official Statement. The offering prices may be changed from time to time by the Underwriter.

### **MUNICIPAL ADVISOR**

The City has entered into an agreement with Wulff Hansen & Co. (the "Municipal Advisor"), whereunder the Municipal Advisor is providing municipal advisory services to the City with respect to preparation and sale of the Bonds. The Municipal Advisor has read and participated in the drafting of certain portions of this Official Statement. The Municipal Advisor has not audited, authenticated or otherwise verified the information set forth in the Official Statement, or any other related information available to the City with respect to accuracy and completeness of disclosure of such information, and the Municipal Advisor makes no guaranty, warranty or other representation respecting accuracy and completeness of the Official Statement or any other matter related to the Official Statement. The compensation of the Municipal Advisor is contingent upon the sale of the Bonds.

### **FINANCIAL STATEMENTS**

The City's financial statements for the fiscal year ended June 30, 2019, included in APPENDIX B—AUDITED FINANCIAL STATEMENTS OF THE CITY FOR THE FISCAL YEAR ENDED JUNE 30, 2019, have been audited by the City's Auditor, as stated in its reports appearing in such appendix. The City's auditor has not undertaken to update its reports or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by the City's Auditor with respect to any event subsequent to its report.

### **OTHER INFORMATION**

All summaries and explanations of the Act, the Indenture, the Installment Sale Agreement and the other documents referred to herein are qualified in their entirety by reference to the Act and such documents and references herein to the Bonds are qualified in their entirety by reference to the form thereof included in the Indenture.

Any statements in this Official Statement involving matters of opinion are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Authority and the purchasers or owners of the Bonds.

Copies of the Indenture and the Installment Sale Agreement are available for inspection at the Principal Corporate Trust Office of the Trustee.

## MISCELLANEOUS

So far as any statements made in this Official Statement involve matters of opinion, assumptions, projections, anticipated events or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact, and actual results may differ substantially from those set forth herein. 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 Bonds.

The summaries of certain provisions of the Bonds, statutes and other documents or agreements referred to in this Official Statement do not purport to be complete, and reference is made to each of them for a complete statement of their provisions. Copies are available for review by making requests to the City.

The Appendices are an integral part of this Official Statement and must be read together with all other parts of this Official Statement. The audited financial statements of the City, including a summary of significant accounting policies, for the fiscal year ended June 30, 2019, are contained in Appendix B.

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

COALINGA PUBLIC FINANCING  
AUTHORITY

By \_\_\_\_\_  
Executive Director

CITY OF COALINGA

By \_\_\_\_\_  
City Manager

## APPENDIX A

### GENERAL, ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING TO THE CITY AND THE COUNTY

*The information in this section of the Official Statement is presented as general background data. The Water Installment Payments and the Wastewater Installment Payments are payable solely from the net revenues of the Water System and the Wastewater System, respectively, and other sources as described in the Official Statement. The taxing power of the City of Coalinga (the “City”), the State of California (the “State”), or any political subdivision thereof is not pledged to the payment of the Bonds.*

*Although reasonable efforts have been made to include up-to-date information in this Appendix A, some of the information is not current due to delays in reporting of information by various sources. It should not be assumed that the trends indicated by the following data would continue beyond the specific periods reflected herein.*

#### Introduction

*The City.* The City, incorporated on April 3, 1906, is located in Fresno County (the “County”) and the western San Joaquin Valley, in central California. The City is located 52 miles (84 km) southwest of Fresno and sits at an elevation of 673 feet (205 m). The City currently occupies a land area of 6.61 square miles and serves a population of approximately 17,200. The City is the third largest city in the County (the “County”) in terms of population. The City serves as a gateway to Sequoia National Forest, Giant Sequoia National Monument and Kings Canyon National Park.

The City’s main industries are agriculture, oil and incarceration. The City is home to the Coalinga Oil Field, operated by Chevron and Aera Energy; the Gujarral Hills Oil Field; Pleasant Valley State Prison; and Coalinga State Hospital. The City is also home to Harris Ranch, a major local cattle ranch that features a hotel, several restaurants, and a gift shop for travelers.

*The County.* The county seat of the County is the city of Fresno, the fifth-largest city in California. The County covers an area of over 6,011 square miles. The County serves as a financial, trade, commercial and educational center for central California. The County is one of eight counties in California’s central valley that account for one-half of California’s agricultural production. In addition to an extensive highway and road system, several motor freight carriers and a railway network, the County is also home to Fresno Yosemite International Airport which provides both passenger and cargo services.

The County remained one of the leading agricultural counties in the State and nation. The number one crop in value was Almonds followed by Grapes. Fruit and nut crops provide approximately half of the gross agricultural production value followed by Livestock. Major watercourses in the County are the San Joaquin, Kings River, Delta-Mendota Canal, Big Creek, Friant Kern Canal, Helm Canal and Madera Canal. It is bordered on the west by the Coast Range and on the east by the Sierra Nevada.

## Population

The table below summarizes population of the City, the County, and the State of California for the last five years.

### **CITY OF COALINGA, FRESNO COUNTY, and CALIFORNIA Population**

<u>Year</u>	<u>City of Coalinga</u>	<u>Fresno County</u>	<u>State of California</u>
2016	16,541	984,202	39,131,307
2017	16,793	993,773	39,398,702
2018	16,516	1,004,260	39,586,646
2019	16,944	1,015,195	39,695,376
2020	17,199	1,023,358	39,782,870

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Source: California Department of Finance, E-4 Population Estimate for Cities, Counties, and the State, 2015-16 through 2019-20, with 2010 Census Benchmark.

## Employment

The following table summarizes historical employment and unemployment for the County, the State of California and the United States for the years 2015 through 2019:

### FRESNO COUNTY, CALIFORNIA, and UNITED STATES Civilian Labor Force, Employment, and Unemployment (Annual Averages)

Year	Area	Labor Force	Employment	Unemployment	Unemployment Rate <sup>(1)</sup>
2015	Fresno County	444,200	398,900	45,300	10.2%
	California	18,981,800	17,798,600	1,183,200	6.2
	United States	157,130,000	148,834,000	8,296,000	5.3
2016	Fresno County	446,200	404,100	42,100	9.4
	California	19,102,700	18,065,000	1,037,700	5.4
	United States	159,187,000	151,436,000	7,751,000	4.9
2017	Fresno County	449,700	411,600	38,100	8.5
	California	19,312,000	18,393,100	918,900	4.8
	United States	160,320,000	153,337,000	6,982,000	4.4
2018	Fresno County	448,400	414,900	33,400	7.5
	California	19,398,200	18,582,800	815,400	4.2
	United States	162,075,000	155,761,000	6,314,000	3.9
2019 <sup>(2)</sup>	Fresno County	450,800	418,100	32,700	7.2
	California	19,411,600	18,627,400	784,200	4.0
	United States	163,539,000	157,538,000	6,001,000	3.7

Source: California Employment Development Department, Monthly Labor Force Data for Counties, Annual Average 2010-19, and US Department of Labor.

(1) The unemployment rate is computed from unrounded data; therefore, it may differ from rates computed from rounded figures available in this table.

(2) Latest available full-year data.

## Major Industries in the County

The table below sets forth the ten largest industries by employment in the County in 2019.

### FRESNO COUNTY Top 10 Industries as of June 30, 2019

Employer	Employees	% of Total County Employment
Fresno Unified School District	14,328	3.15%
Community Medical Centers	8,500	1.88
Fresno County	8,341	1.84
Clovis Unified School District	8,313	1.84
California State University Fresno	5,766	1.27
State Center Community College District	5,192	1.15
City of Fresno	4,556	1.01
Children's Hospital of Central CA	4,140	.92
Saint Agnes Medical	2,696	.60
Kaiser Permanente Medical	2,300	.51
Total Top 10	64,042	14.16

Source: Fresno County 2018-19 CAFR.



## Construction Activity

The following tables reflect the five-year history of building permit valuation for the City and the County:

### CITY OF COALINGA Building Permits and Valuation (Dollars in Thousands)

	2015	2016	2017	2018	2019 <sup>(1)</sup>
<b>Permit Valuation:</b>					
New Single-family	\$ 706	\$ 105	\$ 8,007	\$ 9,696	\$ 17,159
New Multi-family	3,122	-	-	-	-
Res. Alterations/Additions	144	301	218	78	1,899
Total Residential	3,972	406	8,225	9,775	19,059
Total Nonresidential	507	5,224	6,084	19,749	2,830
Total All Building	<u>4,480</u>	<u>5,631</u>	<u>14,310</u>	<u>29,524</u>	<u>21,890</u>
<b>New Dwelling Units:</b>					
Single Family	3	1	41	42	70
Multiple Family	41	-	-	-	-
Total	<u>44</u>	<u>1</u>	<u>41</u>	<u>42</u>	<u>70</u>

### FRESNO COUNTY Building Permits and Valuation (Dollars in Thousands)

	2015	2016	2017	2018	2019 <sup>(1)</sup>
<b>Permit Valuation:</b>					
New Single-family	\$ 580,986	\$ 689,016	\$ 512,951	\$ 703,307	\$ 770,423
New Multi-family	34,183	52,363	131,175	67,589	87,818
Res. Alterations/Additions	31,800	30,648	29,478	47,115	41,033
Total Residential	646,970	772,028	673,605	818,012	899,275
Total Nonresidential	428,291	409,794	353,349	497,051	499,336
Total All Building	<u>1,075,261</u>	<u>1,181,823</u>	<u>1,026,954</u>	<u>1,315,064</u>	<u>1,398,612</u>
<b>New Dwelling Units:</b>					
Single Family	2,153	2,559	1,886	2,560	2,732
Multiple Family	343	339	1,135	290	689
Total	<u>2,496</u>	<u>2,898</u>	<u>3,021</u>	<u>2,850</u>	<u>3,421</u>

Source: Construction Industry Research Board: "Building Permit Summary."

Note: Columns may not sum to totals due to independent rounding.

(1) Latest available full year data.

## **Median Household Income**

The following table summarizes the median household effective buying income for the City, the County, the State of California and the nation for the past five years.

### **CITY OF COALINGA, FRESNO COUNTY, STATE OF CALIFORNIA AND UNITED STATES Median Household Effective Buying Income**

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
City of Coalinga	\$ 45,217	\$ 48,622	\$ 47,528	\$ 50,815	\$ 53,279
Fresno County	41,237	44,641	46,028	48,980	48,681
California	55,681	59,646	62,637	65,870	67,956
United States	48,043	50,735	52,841	55,303	56,790

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Source: Nielsen, Inc.

**APPENDIX B**

**AUDITED FINANCIAL STATEMENTS OF THE CITY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**APPENDIX C**

**CITY INVESTMENT POLICY**

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## **APPENDIX D**

### **SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS**

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## FORMS OF FINAL OPINIONS OF BOND COUNSEL

**OPINION:** \$\_\_\_\_\_ \* Coalinga Public Financing Authority Revenue Bonds, Series 2021A  
(Water and Wastewater Projects) (Federally Taxable)

Appendix E  
Page 1

2. The Bonds constitute legal, valid and binding special obligations of the Authority enforceable in accordance with their terms and payable solely from the sources provided therefor in the Indenture.

3. The Indenture has been duly authorized, executed and delivered by the Authority and constitutes a legal, valid and binding obligation of the Authority enforceable against the Authority in accordance with its terms.

4. The Indenture establishes a valid first and exclusive lien on and pledge of the Revenues (as such term is defined in the Indenture) and other funds pledged thereby for the security of the Bonds, in accordance with the terms of the Indenture.

5. The Water Installment Sale Agreement and the Wastewater Installment Sale Agreement have been duly approved by the Authority and constitute legal, valid and binding obligations of the Authority enforceable against the Authority in accordance with their respective terms.

6. The City is a municipal corporation duly organized and existing under the laws of the State of California, with power to enter into the Water Installment Sale Agreement and the Wastewater Installment Sale Agreement and to perform the agreements on its part contained therein.

7. The Water Installment Sale Agreement and the Wastewater Installment Sale Agreement have been duly authorized, executed and delivered by the City and constitute the legal, valid and binding obligations of the City enforceable against the City in accordance with their terms.

8. The Water Installment Sale Agreement establishes a valid first and exclusive lien on and pledge of the Water System Net Revenues (as such term is defined in the Indenture) and other funds pledged thereby for the security of the Water Installment Sale Agreement, in accordance with the terms of the Water Installment Sale Agreement.

9. The Wastewater Installment Sale Agreement establishes a valid first and exclusive lien on and pledge of the Wastewater System Net Revenues (as such term is defined in the Indenture) and other funds pledged thereby for the security of the Wastewater Installment Sale Agreement, in accordance with the terms of the Wastewater Installment Sale Agreement.

10. Interest on the Bonds is includible in gross income for federal income tax purposes.

11. Interest on the Bonds is exempt from personal income taxation imposed by the State of California.

Ownership of the Bonds may result in other tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Bonds.

The rights of the owners of the Bonds and the enforceability of the Bonds, the Indenture, the Water Installment Sale Agreement and the Wastewater Installment Sale Agreement may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and also may be subject to the exercise of judicial discretion in accordance with general principles of equity.

With respect to the opinions expressed herein, the enforceability of the Water Installment Sale Agreement and the Wastewater Installment Sale Agreement is subject to the limitations on the imposition of certain fees and charges by the City related to its municipal water and Wastewater systems under Articles XIII C and XIII D of the California Constitution. In addition, the rights of the owners of the Bonds and the enforceability of the Bonds and the Indenture may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and also may be subject to the exercise of judicial discretion in accordance with general principles of equity.

In rendering this opinion, we have relied upon certifications of the Authority, the City and others with respect to certain material facts. Our opinion represents our legal judgment based upon such review of the law and the facts

that we deem relevant to render our opinion and is not a guarantee of a result. This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Respectfully submitted,

SERIES B BONDS

[Closing Date]

Board of Directors of the  
Coalinga Public Financing Authority  
155 West Durian  
Coalinga, California 93210

*OPINION:*        \$ \_\_\_\_\_ \* Coalinga Public Financing Authority Revenue Bonds, Series 2021B  
                              (Water Project)

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Members of the Board of Directors:

We have acted as bond counsel in connection with the delivery by the Coalinga Public Financing Authority (the “Authority”) of \$ \_\_\_\_\_ \* aggregate principal amount of the bonds of the Authority designated the “Coalinga Public Financing Authority Revenue Bonds, Series 2021B (Water Project)” (the “Bonds”), pursuant to the provisions of Article 4 (commencing with section 6584) of Chapter 5 of Division 7 of Title 1 of the California Government Code (the “Law”), and pursuant to an indenture of trust, dated as of March 1, 2021 (the “Indenture”), by and between the Authority and Wells Fargo Bank, National Association, as trustee, and a resolution of the governing body of the Authority adopted on February 4, 2021. The Bonds are secured by Revenues as defined in the Indenture, including installment payments (the “Water Installment Payments”) made by the City of Coalinga (the “City”) under an installment sale agreement, dated as of March 1, 2021 (the “Water Installment Sale Agreement”), by and between the Authority, as seller, and the City, as purchaser. We have examined the Law and such certified proceedings and other papers as we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the Authority and the City contained in the Indenture and the Water Installment Sale Agreement and in the certified proceedings, and upon other certifications furnished to us, without undertaking to verify the same by independent investigation.

Based upon our examination we are of the opinion, under existing law, that:

1. The Authority is a joint exercise of powers entity and public entity duly organized and existing under the laws of the State of California, with power to enter into the Indenture, to perform the agreements on its part contained therein and to issue the Bonds.
2. The Bonds constitute legal, valid and binding special obligations of the Authority enforceable in accordance with their terms and payable solely from the sources provided therefor in the Indenture.
3. The Indenture has been duly authorized, executed and delivered by the Authority and constitutes a legal, valid and binding obligation of the Authority enforceable against the Authority in accordance with its terms.
4. The Indenture establishes a valid first and exclusive lien on and pledge of the Revenues (as such term is defined in the Indenture) and other funds pledged thereby for the security of the Bonds, in accordance with the terms of the Indenture.
5. The Water Installment Sale Agreement has been duly approved by the Authority and constitutes the legal, valid and binding obligation of the Authority enforceable against the Authority in accordance with its terms.

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\* Preliminary, subject to change.

6. The City is a municipal corporation duly organized and existing under the laws of the State of California, with power to enter into the Water Installment Sale Agreement and to perform the agreements on its part contained therein.

7. The Water Installment Sale Agreement establishes a valid first and exclusive lien on and pledge of the Water System Net Revenues (as such term is defined in the Indenture) and other funds pledged thereby for the security of the Water Installment Sale Agreement, in accordance with the terms of the Water Installment Sale Agreement.

8. Subject to the Authority's and the City's compliance with certain covenants, interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Internal Revenue Code of 1986, as amended, but we express no opinion as to whether interest on the Bonds is taken into account in computing adjusted current earnings which is used in determining the federal alternative minimum tax for certain corporations. Failure to comply with certain of such covenants could cause interest on the Bonds to be includable in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

9. Interest on the Bonds is exempt from personal income taxation imposed by the State of California.

Ownership of the Bonds may result in other tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Bonds.

The rights of the owners of the Bonds and the enforceability of the Bonds, the Indenture and the Water Installment Sale Agreement may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and also may be subject to the exercise of judicial discretion in accordance with general principles of equity.

With respect to the opinions expressed herein, the enforceability of the Water Installment Sale Agreement is subject to the limitations on the imposition of certain fees and charges by the City related to its municipal water and Wastewater systems under Articles XIIIIC and XIID of the California Constitution. In addition, the rights of the owners of the Bonds and the enforceability of the Bonds and the Indenture may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and also may be subject to the exercise of judicial discretion in accordance with general principles of equity.

In rendering this opinion, we have relied upon certifications of the Authority, the City and others with respect to certain material facts. Our opinion represents our legal judgment based upon such review of the law and the facts that we deem relevant to render our opinion and is not a guarantee of a result. This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Respectfully submitted,

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## APPENDIX F

### FORM OF CONTINUING DISCLOSURE CERTIFICATE

This CONTINUING DISCLOSURE CERTIFICATE (the “Disclosure Certificate”) is executed and delivered by the CITY OF COALINGA (the “City”) in connection with the issuance by the Coalinga Public Financing Authority (the “Authority”) of \$\_\_\_\_\_ \* aggregate principal amount of Coalinga Public Financing Authority Revenue Bonds, Series 2021A (Water and Wastewater Projects) (Federally Taxable) (the “Series A Bonds”), and \$\_\_\_\_\_ \* aggregate principal amount of Coalinga Public Financing Authority Revenue Bonds, Series 2021B (Water Project) (Tax-Exempt) (the “Series B Bonds” and, with the Series A Bonds, the “Bonds”). The Bonds are being issued pursuant to an indenture of trust, dated as of March 1, 2021 (the “Indenture”), by and between the Authority and Wells Fargo Bank, National Association, as trustee (the “Trustee”). The City covenants and agrees as follows:

Section 1. **Definitions.** In addition to the definitions set forth above and, in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section 1, the following capitalized terms shall have the following meanings:

“*Annual Report*” means any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“*Annual Report Date*” means the March 31 after the end of the City’s fiscal year.

“*Dissemination Agent*” shall mean, initially, IGService, or any successor Dissemination Agent designed in writing by the City and which has been filed with the then current Dissemination Agent a written acceptance of such designation.

“*Fiscal Year*” means any twelve-month period beginning on July 1 in any year and extending to the next succeeding June 30, both dates inclusive, or any other twelve-month period selected and designated by the City as its official fiscal year period under a Certificate of the City filed with the Trustee.

“*MSRB*” means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

“*Official Statement*” means the final official statement executed by the City in connection with the issuance of the Bonds.

“*Participating Underwriter*” means Oppenheimer & Co., Inc., the original underwriter of the Bonds.

“*Rule*” means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as it may be amended from time to time.

“*Significant Events*” means any of the events listed in Section 5(a) of this Disclosure Certificate.

Section 2. **Purpose of the Disclosure Certificate.** This Disclosure Certificate is being executed and delivered by the City for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with the Rule.

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\* Preliminary, subject to change.

### Section 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing March 31, 2021, with the report for fiscal year 2019-20 provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 Business Days prior to the Annual Report Date, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the City) has not received a copy of the Annual Report, the Dissemination Agent shall contact the City to determine if the City is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the City's fiscal year changes, it shall give notice of such change in the same manner as for a Significant Event under Section 5(b). The City shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the City hereunder. The filing of the Official Statement will satisfy the City's filing requirement for 2021.

(b) If the City does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the City in a timely manner shall provide (or cause the Dissemination Agent to provide) to the MSRB, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A.

(c) With respect to each Annual Report, the Dissemination Agent shall:

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the City, file a report with the City certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

Section 4. Content of Annual Reports. The City's Annual Report shall contain or incorporate by reference the following:

(a) The City's audited financial statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the City's audited financial statements are not available by the Annual Report Date, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Unless otherwise provided in the audited financial statements filed on or prior to the annual filing deadline for Annual Reports provided for in Section 3 above, financial information and operating data with respect to the City for preceding fiscal year, substantially similar to that provided in the indicated tables in the Official Statement, as follows:

- (i) Water System Water Purchases (Table 1);
- (ii) Water System Treated Water Supply and Consumption (Table 3);
- (iii) Water System Consumption by Customer Type (Table 4);
- (iv) Water System Metered Accounts by Customer Type (Table 5);
- (v) Water System Ten Largest Users (Table 6);
- (vi) Water System Historical Operating Results and Debt Service Coverage (Table 10);
- (vii) Wastewater Accounts by Customer Type (Table 12);
- (viii) Wastewater System Ten Largest Customers (Table 13); and



(ix) Wastewater System Historical Operating Results and Debt Service Coverage (Table 17).

(c) In addition to any of the information expressly required to be provided under this Disclosure Certificate, the City shall provide such further material information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

(d) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which are available to the public on the MSRB's Internet web site or filed with the Securities and Exchange Commission. The City shall clearly identify each such other document so included by reference.

**Section 5. Reporting of Significant Events.**

(a) The City shall give, or cause to be given, notice of the occurrence of any of the following Significant Events with respect to the Bonds:

- (i) Principal and interest payment delinquencies;
- (ii) Non-payment related defaults, if material;
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) Substitution of credit or liquidity providers, or their failure to perform;
- (vi) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
- (vii) Modifications to rights of security holders, if material;
- (viii) Bond calls, if material, and tender offers;
- (ix) Defeasances;
- (x) Release, substitution, or sale of property securing repayment of the securities, if material;
- (xi) Rating changes;
- (xii) Bankruptcy, insolvency, receivership or similar event of the City or other obligated person;
- (xiii) The consummation of a merger, consolidation, or acquisition involving the City or an obligated person, or the sale of all or substantially all of the assets of the City or an 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, if material;
- (xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (xv) The incurrence of a financial obligation of the City or other obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City or other obligated person, any of which affect security holders, if material; or
- (xvi) A default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the City or other obligated person, any of which reflect financial difficulties.

(b) Whenever the City obtains knowledge of the occurrence of a Significant Event, the City shall, or shall cause the Dissemination Agent (if not the City) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the

Significant Event. Notwithstanding the foregoing, notice of Significant Events described in subsection (a)(viii) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds under the Indenture.

(c) The City acknowledges that the events described in subparagraphs (a)(ii), (a)(vii), (a)(viii) (if the event is a bond call), (a)(x), (a)(xiii), (a)(xiv) and (a) (xv) of this Section 5 contain the qualifier “if material.” The City shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that the City determines the event’s occurrence is material for purposes of U.S. federal securities law. The City intends that the words used in paragraphs (xv) and (xvi) and the definition of “financial obligation” to have the meanings ascribed thereto in SEC Release No. 34-83885 (August 20, 2018).

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(xii) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental City has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental City, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental City having supervision or jurisdiction over substantially all of the assets or business of the City.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under this Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The City’s obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the City shall give notice of such termination in the same manner as for a Significant Event under Section 5(b).

Section 8. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any Dissemination Agent, with or without appointing a successor Dissemination Agent. Any Dissemination Agent may resign by providing 30 days’ written notice to the City.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Bond Indenture for amendments to the Bond Indenture with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first annual financial information filed pursuant hereto containing the amended operating

data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the City to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative.

The Dissemination Agent shall not be obligated to enter into any amendment increasing or affecting its duties or obligations hereunder.

A notice of any amendment made pursuant to this Section 9 shall be filed in the same manner as for a Significant Event under Section 5(b).

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Significant Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any Annual Report or notice of occurrence of a Significant Event in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Significant Event.

Section 11. Default. If the City fails to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Bond Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

#### Section 12. Duties, Immunities and Liabilities of Dissemination Agent.

(a) Section 27 of the Bond Indenture is hereby made applicable to this Disclosure Certificate as if this Disclosure Certificate were (solely for this purpose) contained in the Bond Indenture. The Dissemination Agent shall be entitled to the protections and limitations from liability afforded to the Trustee thereunder. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have no duty or obligation to review any information provided to it by the City hereunder and shall not be deemed to be acting in any fiduciary capacity for the City, the Bond holders or any other party. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

(b) The Dissemination Agent shall be paid compensation by the City for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and shall be reimbursed for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriter and the holders and beneficial owners from time to time of the Bonds and shall create no rights in any other person or entity.

Section 14. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

Date: [Closing Date]

CITY OF COALINGA

By \_\_\_\_\_  
City Manager

ACKNOWLEDGED:

IGSERVICE, as Dissemination Agent

By \_\_\_\_\_  
Title \_\_\_\_\_

**EXHIBIT A**

**NOTICE TO EMMA OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: Coalinga Public Financing Authority

Name of Obligor: City of Coalinga, California

Name of Issues: Coalinga Public Financing Authority Revenue Bonds, Series 2021A (Water and Wastewater Projects) (Federally Taxable)

Coalinga Public Financing Authority Revenue Bonds, Series 2021B (Water Project)

Date of Issuance: [Closing Date]

NOTICE IS HEREBY GIVEN that the Obligor has not provided an Annual Report with respect to the above-named Issues as required by the Continuing Disclosure Certificate dated [Closing Date], furnished by the Obligor in connection with the Issues. The Obligor anticipates that the Annual Report will be filed by \_\_\_\_\_.

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

IGSERVICE, as Dissemination Agent

By \_\_\_\_\_  
Name \_\_\_\_\_  
Title \_\_\_\_\_

cc: Trustee

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## **APPENDIX G**

### **BOOK-ENTRY ONLY SYSTEM**

The following description of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, redemption premium, if any, and interest with respect to the Bonds to The Depository Trust Company (“DTC”), New York, NY, its Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the Bonds and other related transactions by and between DTC, its Participants and the Beneficial Owners is based solely on the understanding of the Authority of such procedures and record keeping from information provided by DTC. Accordingly, no representations can be made concerning these matters and neither DTC, its Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters but should instead confirm the same with DTC or its Participants, as the case may be. The City, the Authority, the Trustee and the Underwriter understand that the current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and that the current “Procedures” of DTC to be followed in dealing with Participants are on file with DTC.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest 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 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 a Standard & Poor’s rating of 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](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“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 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds 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 the Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds 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 the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Trust Agreement. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds 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.

Redemption notices shall be sent to DTC, if less than all of the Bonds within a maturity are being redeemed. DTC's practice is to determine by lot the amount of the interest of each Direct Participant in each issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of, premium, if any, and interest on the Bonds 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 City, the Authority 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, the City or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments of principal of, premium, if any, and interest on the Bonds by Cede & Co (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City, the Authority 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.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the City, the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

The foregoing information concerning DTC and DTC's book-entry system has been provided by DTC, and neither the Authority nor the Trustee takes any responsibility for the accuracy thereof.

**NEITHER THE AUTHORITY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS WITH RESPECT TO THE PAYMENTS OR THE PROVIDING OF NOTICE TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS OR THE SELECTION OF BONDS FOR REDEMPTION.**



Neither the Authority nor the Trustee can give any assurances that DTC, DTC Participants, Indirect Participants or others will distribute payments of principal of, premium, if any, and interest on the Bonds paid to DTC or its nominee, as the registered Owner, or any redemption or other notice, to the Beneficial Owners or that they will do so on a timely basis or that DTC will serve and act in a manner described in this Official Statement.

In the event that the book-entry system is discontinued as described above, the requirements of the Trust Agreement will apply.

The City, the Authority and the Trustee cannot and do not give any assurances that DTC, the Participants or others will distribute payments of principal, interest or premium, if any, evidenced by the Bonds paid to DTC or its nominee as the registered owner, or will distribute any redemption notices or other notices, to the Beneficial Owners, or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. Neither the Authority nor the Trustee are responsible or liable for the failure of DTC or any Participant to make any payment or give any notice to a Beneficial Owner with respect to the Bonds or an error or delay relating thereto.

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## **APPENDIX H**

### **SPECIMEN MUNICIPAL BOND INSURANCE POLICY**

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**STAFF REPORT - CITY COUNCIL/SUCCESSOR AGENCY/PUBLIC FINANCE  
AUTHORITY**

**Subject:** Approve MINUTES - January 21, 2021  
**Meeting Date:** February 4, 2021  
**From:** Marissa Trejo, City Manager  
**Prepared by:** Shannon Jensen, City Clerk

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**I. RECOMMENDATION:**

**II. BACKGROUND:**

**III. DISCUSSION:**

**IV. ALTERNATIVES:**

**V. FISCAL IMPACT:**

**ATTACHMENTS:**

	File Name	Description
▣	MINUTES_For_Approval_012121.pdf	Minutes - January 21, 2021

# MINUTES CITY COUNCIL/SUCCESSOR AGENCY/PUBLIC FINANCE AUTHORITY MEETING AGENDA January 21, 2021

1. **CALL TO ORDER 6:06PM** *Meeting also conducted via Zoom webinar for the public's participation.*

Council Members Present: Ramsey, Horn, Adkisson, Singleton, Ramirez (*attended remotely*)

Others Present: City Manager Marissa Trejo, Assistant City Manager Sean Brewer, City Attorney Megan Dodd, Chief of Police Darren Blevins, Financial Services Director Jasmin Bains, City Treasurer Dawn Kahikina, Fire Chief Greg DuPuis, Administrative Analyst Mercedes Garcia, Public Works, Utilities Coordinator Larry Miller, and Assistant to the City Manager/City Clerk Shannon Jensen

Council Members Absent: None

Others Absent: None

*Consensus of the Council to **Pull** Discussion Item Nos. 6.3 and 6.5 from the Agenda and **Approve** the Agenda for the Meeting of January 21, 2021. Motion **Approved** by a 5/0 Majority Voice Vote.*

2. **AWARDS, PRESENTATIONS, APPOINTMENTS AND PROCLAMATIONS (NONE)**

3. **CITIZEN COMMENTS**

*The following individual(s) submitted electronic comment(s):*

Anonymous – wrote in opposition of updating Sensitive Receptor Distance Requirements for Specific Cannabis Operation. (*Item No. 6.1*)

Melanie Vargas – thanked Gimmie Love Animal Shelter for returning her animal to her. Ms. Vargas urged the Council to participate in a donation drive to collect supplies for animals at the shelter.

*The following individual(s) spoke under Citizen Comments:*

Nathan Vosburg was pleased to hear the City will have a reserve police. (*Item No. 5.11*). Mr. Vosburg spoke in favor of updating the Sensitive Receptor Distance Requirements for Specific Cannabis Operations. (*Item No. 6.1*). Mr. Vosburg spoke in favor of selling the property located at Jayne Ave/SR33 and Alpine/SR33. (*Item No. 6.2*). Mr. Vosburg spoke in favor of the creation of the City of Coalinga Youth in Government Program. (*Item No. 6.4*).



#### 4. PUBLIC HEARINGS

1. Council Consideration and Adoption of the City of Coalinga 2015 Urban Water Management Plan  
**Sean Brewer, Assistant City Manager**

Mary Jones expressed concern with the length of the document and requested staff summarize the information.

Assistant City Manager Sean Brewer gave a brief overview of the item.

Mary Jones commented on ensuring the Plan addressed maintenance.

Alfonso Manrique of AM Consulting Engineers, Inc., explained approval of the Plan is required by the California Water Code.

Nathan Vosburg expressed concern over the City's water supply being negatively impacted and asked the Council to continue to take steps to increase consumption and therefore, our allowance.

*Motion by Adkisson, Second by Singleton to **Approve** the Adoption of the City of Coalinga 2015 Urban water Management Plan. Motion **Approved** by Roll-Call 5/0 Majority Vote.*

2. Public Hearing and Adoption of Resolution No. 4000 Approving the Submittal of a 2020 Community Development Block Grant – CV2&3 Application  
**Marissa Trejo, City Manager**

City Manager Marissa Trejo have a brief overview of the item.

Mayor Ramsey opened the Public Hearing for comments. Seeing none, Mayor Ramsey closed the Public Hearing.

*Motion by Singleton, Second by Horn to **Approve** Resolution No. 4000 Approving the Submittal of a 2020 Community Development Block Grant – CV2&3 Application. Motion **Approved** by Roll-Call 5/0 Majority Vote.*

#### 5. CONSENT CALENDAR

1. Approve MINUTES – January 7, 2021
2. Approve MINUTES – January 7, 2021 (Amended-Special)
3. Check Register: 12/01/2020 – 12/31/2020
4. Sales Tax Update for Quarter 3, 2020 (July 2020-September 2020) – Information Only
5. Approval of the City of Coalinga's Sidewalk Cost Sharing Program

*Councilman Adkisson pulled Item No. 5.5 for discussion.*

Councilman Adkisson requested the program be amended to prioritize residences that are occupied by residents that have a disability.

Utilities Coordinator Larry Miller gave a brief overview of the item, explaining how the program would work.

Mayor Ramsey is in favor of the program and wanted to ensure it would include curb and gutter as well as sidewalk repairs.

Mayor Pro-Tem Horn is in favor of the program but wanted to ensure the program would take into consideration people with disabilities and low-income residents, as well as situations of tenants vs. non-willing landlords.

Councilman Ramirez is in favor of the program but shared the same concerns over situations of tenants vs. non-willing landlords.

Councilman Adkisson is in favor and suggested the Council approve the program now and bring an item back that would address and concerns of the Council.

*Consensus of the Council is to Approve the program now and bring an item back for Council's consideration that addresses any concerns of the Council.*

6. Authorize the Police Department to Add a Temporary Sergeant Position

*Councilmember Singleton pulled Item No. 5.6 for discussion.*

Chief of Police Darren Blevins gave a brief overview of the item.

Councilman Singleton is in favor but wanted to ensure the position would temporary.

Chief Blevins stated it would be temporary and added that the Coalinga Police Officers' Association was in agreeance.

7. Direct City Manager to Prepare Council Options for Staffing Code Enforcement

*Mayor Ramsey pulled Item No. 5.7 for discussion.*

Councilman Adkisson stated this was his Future Agenda Item and explained he would like to see some money budgeted for Code Enforcement in the next budget.

8. Adopt Resolution No. 4001 Approving Emergency Medical Technician Job Description
9. Adopt Resolution No. 4002 Approving Paramedic Job Description
10. Adopt Resolution No. 4003 Approving Non-Safety Emergency Medical Services (NSEMS) Pay Scale
11. Adopt Resolution No. 4004 Approving the General Fund and Enterprise Funds Reserve Policy for the City of Coalinga for Fiscal Year 2020-2021
12. Adopt Resolution No. 4006 Approving Program Guidelines for Business Assistance Payment Program Funded with Community Development Block Grant CV2&3
13. Public Works, Utilities & Community Development Monthly Report for November-December 2020

*Motion by Adkisson, Second by Singleton to **Approve** Consent Calendar Item No. 5.1 through 5.13 with the changes to Item No. 5.5 to address residents with disabilities. Motion **Approved** by Roll-Call 4/0 Majority Vote. (Ramirez – Absent at the time of vote)*

## 6. ORDINANCE PRESENTATION, DISCUSSION AND POTENTIAL ACTION ITEMS

1. Discussion, Direction and Potential Action regarding Updating Sensitive Receptor Distance Requirements for Specific Cannabis Operations  
**Sean Brewer, Assistant City Manager**

Councilman Adkisson stated this was his Future Agenda Item and explained he was requesting Council update the distance requirement from 1,800 feet to 1,000 feet to encompass Pacific Street and the Blue Valley vacant property.

Jenny Johnson and Tawnya Stevens of Mid State Realty explained they have interested buyers in the vacant Blue Valley property; however, they fall through when the potential buyers learn they fall short of the distance requirement that would allow their business to legal operate there. Mrs. Johnson and Ms. Stevens are in favor of updating the distance requirement from 1,800 feet to 1,000 feet.

Councilman Singleton opposes any change to the current distance requirement of 1,800 feet.

Mayor Ramsey is in favor of updating the distance requirement from 1,800 feet to 1,000 feet.

Councilman Ramirez opposes any change to the current distance requirement of 1,800 feet.

City Treasurer Dawn Kahikina addressed the Council, however it was inaudible.

Nathan Vosburg is in favor of updating the distance requirement from 1,800 feet to 1,000 feet.

Mrs. Dawn Kahikina addressed the Council, however it was inaudible.

*Motion by Adkisson, Second by Ramsey to **Approve** Updating the Distance Requirements for Specific Cannabis Operations. Motion **Approved** by Roll-Call 4/1 Majority Vote. (Singleton voted "No")*

2. Discussion, Direction regarding Future Use of City Property Located at Jayne Ave/SR33 and Alpine/SR33  
**Sean Brewer, Assistant City Manager**

Assistant City Manager Sean Brewer gave a brief overview of the item, explaining there is no staff recommendation.

Mayor Ramsey is in favor of developing the property to accommodate future cannabis operations.

Councilman Adkisson is in favor of developing the property to accommodate future cannabis operations.

Councilman Ramirez is in favor of developing the property to accommodate future cannabis operations.

*Consensus of the Council is to make changes to allow for the development of the property to accommodate future cannabis operations.*

3. Discussion, Direction and Potential Action regarding Police Chief's Request to Increase Police Department Minimum Staffing Level  
**Darrin Blevins, Chief of Police**

*Item No. 6.3 was **Pulled** from the Agenda by City Manager Marissa Trejo during Changes to the Agenda.*

4. Discussion, Direction and Potential Action regarding City of Coalinga Youth in Government Program  
**Marissa Trejo, City Manager**

City Manager Marissa Trejo gave a brief overview of the item, explaining Councilman Singleton approached her with an opportunity to get local youth involved in local government.

Councilman Adkisson is in favor of taking the necessary steps to implement the City of Coalinga Youth in Government Program.

Mayor Ramsey is in favor of taking the necessary steps to implement the City of Coalinga Youth in Government Program.

Mayor Pro-Tem Horn is in favor of taking the necessary steps to implement the City of Coalinga Youth in Government Program.

Councilman Ramirez is in favor of taking the necessary steps to implement the City of Coalinga Youth in Government Program.

5. Discussion regarding City-Owned Parks  
**Sean Brewer, Assistant City Manager**

*Item No. 6.5 was **Pulled** from the Agenda by City Manager Marissa Trejo during Changes to the Agenda.*

## **7. ANNOUNCEMENTS**

### City Manager's Announcements:

City Manager Marissa Trejo announced a new grant is available to City of Coalinga residents through Self-Help Enterprises. The grant is available to residents who have been financially impacted by COVID-19. Assistance is available for rent, mortgage, and utilities assistance. Grant information can be found on the City Facebook page, website, or telephoning the City Manager at (559) 935-1533 x111.

### Council Member's Announcements:

None

### Mayor's Announcements:

Mayor Ramsey stated he often is approached with questions regarding COVID-19 vaccines. He said he was not aware of any place in Coalinga where vaccines were being administered. He suggested anyone interested in receiving a vaccine call the Fresno County Health Department for information and locations.

City Treasurer Dawn Kahikina stated she believed Aria Community Health Coalinga, the medical clinic next to Walgreens, was administering COVID-19 vaccines.

## **8. FUTURE AGENDA ITEMS**

Councilman Adkisson requested a Future Agenda Item to discuss cost estimates to remove the trees and repair the sidewalk along Elm Avenue in front of the Fire Department.

Councilman Ramirez requested a Future Agenda Item to discuss the placement of a stop sign at Pine Street and Glenn Avenue near the Terra Glenn Apartments.

Councilman Ramirez requested a Future Agenda Item to discuss the inoperable flashing crossing lights scattered throughout town.

Assistant City Manager Sean Brewer stated he was ware of some of the issues and would investigate it further.

## **9. CLOSED SESSION**

1. REAL PROPERTY NEGOTIATIONS – Government Code Section 54956.8. CONFERNECE WITH REAL PROPERTY NEGOTIATORS. PROPERTY: APN: 085-020-58T located off Jayne Avenue and HWY 33 in the City of Coalinga. CITY NEGOTIATORS: City Manager, Marissa Trejo, City Attorney Mario Zamora. NEGOTIATING PARTIES: Cal Becker and/or Assignee. UNDER NEGOTIATION: Price and Terms of Payment
2. CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION. Government Code Section 54956.9(d)(1): 1 Case. Fresno County Superior Court Case No. 17CECG04294, Fifth District Court of Appeal Case No. F078081, Nathan Vosburg, et al. v. County of Fresno, et al.
3. CONFERENCE WITH LABOR NEGOTIATORS – Government Code 54957.6. CITY NEGOTIATORS: City Manager, Marissa Trejo and City Attorney, Mario Zamora. EMPLOYEE (ORGANIZATION): Coalinga Police Officers' Association

## **10. CLOSED SESSION REPORT**

None

## **11. ADJOURNMENT 8:29PM**

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Ron Ramsey, Mayor

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Shannon Jensen, City Clerk

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Date

# **STAFF REPORT - CITY COUNCIL/SUCCESSOR AGENCY/PUBLIC FINANCE AUTHORITY**

**Subject:** Adopt Resolution No. 4005 Approving the City of Coalinga Debt Management and Continuing Disclosure Policies Consistent and Compliant with Section 8855(i) of the California Government Code

**Meeting Date:** February 4, 2021

**From:** Marissa Trejo, City Manager

**Prepared by:** Jasmin Bains, Financial Services Director

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## **I. RECOMMENDATION:**

Financial Services Director recommends the City Council adopt Council Resolution No. 4005 approving the City's Debt Management and Continuing Disclosure Policies.

## **II. BACKGROUND:**

California Government Code Section 8855(i) requires the City, as of 2017, to adopt local debt management policies prior to any issuance or incurrence of any debt.

Periodically, the City incurs indebtedness primarily for the purposes of capital improvement and for other reasons allowable by law and generally for the financing of acquisition, construction, improvement, and rehabilitation of land and/or capital facilities and/or equipment owned, to be owned or operated by the City. Cities also may incur short-term debt ordinarily to generate funding for cash-flow needs and as interim sources of funding in anticipation of long-term borrowing. Finally, some issuance of debt may occur on behalf of other entities such as other governmental agencies or third parties in order to further the public purposes of the City (in those instances of third-party issuances the City does not incur the liability or assume responsibilities for payment of debt service).

This Debt Management Policy outlines the key priorities achieved through the adoption of the policies, including: Maintaining the Sound Financial Position of the City; Ensuring flexibility to respond to changing service needs, and fluctuations in revenues and expenditures; protection of the City's credit-worthiness; ensuring all City debt is structured to best protect current and future rate payers and constituents; ensuring that all debt is consistent and coordinated with the City's Capital Improvement Plan and planning goals and objectives.

These priorities are achieved through implementation of guidelines for the issuance of debt that outline when long-term and short-term or third-party issuances are appropriate. It also outlines the types of debt that are generally acceptable and makes certain types of debt unacceptable, such as derivatives, and outlines favoring fixed-rate debt over variable rate debt (which is discouraged as a matter of policy).

Certain types of debt are incurred for capital projects and this policy outlines the coordination of the issuance of debt to the City's Capital Improvement Program and Budgets. It provides that the term of financing not generally exceed the life of the asset, and that debt issue be timely so as not to create a circumstance where unplanned expenditures for capital improvements or equipment cause impacts to the general fund.

The policy creates new internal controls and procedures and requires appropriate City officials to review and remain compliant with continuing disclosure undertakings, and assigns specific disclosure functions with oversight conducted by the City's Financial Services Director. Proceeds of issued debt is to include the involvement of third-party trustees who distribute funds through written requisitions to ensure the proceeds are used for the intended purposes.

For all initial and continuing disclosure procedures, a "Disclosure Working Group" is created with specifically assigned and divided functions for the Administrative Services Director, The City Manager and the City Attorney, as well as any other individual recommended and appointed by the City Manager, such as those from private entities contracted for the purposes of tracking and managing the City's timely and complete responses to and compliance with any disclosure requirements it has. This working group is required to provide annual reports to the City Council and provide advance copies of disclosure reports to them prior to submission of the reports with the Municipal Securities Rulemaking Board (MSRB) or other entities requiring the reports.

Finally, the policy provides for members of the Disclosure Working Group to be properly trained in order that they understand and perform their responsibilities with respect to initial and continuing disclosure obligations.

A note: Nothing in the resolution of council adopting the policy or in the policy itself causes the City to incur or issue debt.

### **III. DISCUSSION:**

### **IV. ALTERNATIVES:**

1. Council could decline to adopt the Policies in which case it could not incur future debt because of the requirements in Government Code 8855(i).
2. Council could request modifications to the Policies and return it to Staff to be brought forward again at a later date.

### **V. FISCAL IMPACT:**

Adoption of any of these policies does not, in and of itself cause the City to incur costs, however the policies provide for training for staff, which may separately result in training costs. It also contemplates the potential for the City to use an outside vendor, as it has both used in the past and is currently using, to meet and manage its continuing disclosure obligations. Any training costs or additional outside vendors retained for these purposes would be the subject of a separate Council action or as part of the annual budget process.

### **ATTACHMENTS:**

File Name	Description
<input type="checkbox"/> RESO#4005_Coalinga_Debt_Management_and_Continuing_Disclosure_Policy_020421.pdf	Resolution No. 4005 Coalinga Debt Management and Continuing Disclosures Policy

## **RESOLUTION NO. 4005**

### **RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COALINGA APPROVING A DEBT MANAGEMENT POLICY AND DISCLOSURE PROCEDURES FOR PUBLIC DEBT ISSUANCES AND RELATED DISCLOSURE OBLIGATIONS**

**RESOLVED**, by the City Council (the "Council") of the City of Coalinga (the "City"), Fresno County, State of California, as follows:

**WHEREAS**, pursuant to the provisions of section 8855(i) of the California Government Code, prior to the issuance or incurrence of any debt, the City is required to adopt local debt policies concerning the use of debt and that any proposed debt issuance is consistent with those local debt policies;

**WHEREAS**, a debt management policy has been developed for the City and the Council desires to adopt such policy in connection with any proposed debt of the City;

**WHEREAS**, from time to time the City incurs indebtedness (including but not limited to bonds, notes and certificates of participation) and, in connection therewith, prepare disclosure documents (a) describing the indebtedness for use in the offering and sale of the indebtedness or interests therein generally known as "official statements" or "placement memoranda" (the "Initial Disclosure Documents"); and (b) as required by continuing disclosure obligations entered into in connection with such indebtedness (the "Continuing Disclosure Documents") which typically are required to be filed with the Municipal Securities Rule Making Board's Electronic Municipal Market Access System (generally known as "EMMA"), and

**WHEREAS**, to (a) ensure that Initial Disclosure Documents do not contain any material misstatements or omit to state information material to prospective investors in connection with their decision to purchase obligations of the City, (b) ensure that Continuing Disclosure Documents filed with EMMA are timely filed, are accurate and are otherwise in accordance with continuing disclosure obligations of the City, (c) ensure that material event notices and any other filings with EMMA in connection with debt obligations of the City are accurate and comply with all applicable federal and state securities laws, and (d) promote best practices regarding the preparation of Initial Disclosure Documents and Continuing Disclosure Documents, disclosure procedures for public debt issuances and related disclosure obligations has been developed for the City and the Council desires to adopt such procedures in connection with any proposed debt of the City;

### **NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF COALINGA:**

*Section 1.* The debt management policy, in the form attached hereto as Exhibit A (the "Debt Policy"), is hereby adopted by the Council for the City. The Debt Policy has been developed to provide guidance in the issuance and management of debt by the City or its related entities and is intended to comply with section 8855(i) of the California Government Code effective on January 1, 2017. The main objectives are to establish conditions for the use of debt, to ensure that debt capacity and affordability are adequately considered, to minimize the City's interest and issuance costs, to maintain the highest possible credit rating, to provide complete financial disclosure and reporting and to maintain financial flexibility for the City.



*Section 2.* To (a) ensure that Initial Disclosure Documents do not contain any material misstatements or omit to state information material to prospective investors in connection with their decision to purchase obligations of the Public Agencies, (b) ensure that Continuing Disclosure Documents filed with EMMA by the Public Agencies are timely filed, are accurate and are otherwise in accordance with continuing disclosure obligations of the Public Agencies, (c) ensure that material event notices and any other filings with EMMA in connection with debt obligations of the Public Agencies are accurate and comply with all applicable federal and state securities laws, and (d) promote best practices regarding the preparation of Initial Disclosure Documents and Continuing Disclosure Documents, the City Council hereby adopts disclosure procedures for public debt issuances in the form attached hereto as Exhibit B.

*Section 3.* The City Manager, the Finance Director, the City Clerk, and other appropriate officials of the City are hereby authorized and directed to take any actions and execute and deliver any and all documents as are necessary to accomplish the provisions and directives of this Resolution.

*Section 4.* This Resolution shall be effective upon adoption by the Council.

\* \* \* \* \*

**PASSED AND ADOPTED** by the City Council of the City of Coalinga at a regular meeting held on the **4th day of February, 2021** by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

**APPROVED:**

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Ron Ramsey, Mayor

**ATTEST:**

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Shannon Jensen, City Clerk

## **EXHIBIT A**

### **DEBT MANAGEMENT POLICY**

This DEBT MANAGEMENT POLICY (the “Debt Policy”) of the City of Coalinga (the “City”) was approved by the City Council of the City (the “Council”) on February 4, 2021. The Debt Policy may be amended by Council as it deems appropriate from time to time in the prudent management of the debt of the City.

This Debt Policy will also apply to any debt issued by any public agency for which the Council acts as its legislative body.

The Debt Policy has been developed to provide guidance in the issuance and management of debt by the City or its related entities and is intended to comply with section 8855(i) of the California Government Code effective on January 1, 2017. The main objectives are to establish conditions for the use of debt; to ensure that debt capacity and affordability are adequately considered; to minimize the City’s interest and issuance costs; to maintain the highest possible credit rating; to provide complete financial disclosure and reporting; and to maintain financial flexibility for the City.

Debt, properly issued and managed, is a critical element in any financial management program. It assists in the City’s effort to allocate limited resources to provide the highest quality of service to the public. The City understands that poor debt management can have ripple effects that hurt other areas of the City. On the other hand, a properly managed debt program promotes economic growth and enhances the vitality of the City for its residents and businesses.

#### **1. Findings**

This Debt Policy shall govern all debt undertaken by the City. The City hereby recognizes that a fiscally prudent debt policy is required in order to:

- Maintain the City’s sound financial position.
- Ensure the City has the flexibility to respond to changes in future service priorities, revenue levels, and operating expenses.
- Protect the City’s credit-worthiness.
- Ensure that all debt is structured in order to protect both current and future taxpayers, ratepayers and constituents of the City.
- Ensure that the City’s debt is consistent with the City’s planning goals and objectives and capital improvement program or budget, as applicable.
- Encourage those that benefit from a facility/improvement to pay the cost of that facility/improvement without the need for the expenditure of limited general fund resources.

## 2. Policies

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

The City will consider the use of debt financing primarily for capital improvement projects (CIP) when the project's useful life will equal or exceed the term of the financing and when resources are identified sufficient to fund the debt service requirements. An exception to this CIP driven focus is the issuance of short-term instruments such as tax and revenue anticipation notes, which are to be used for prudent cash management purposes and conduit financing, as described below. Bonded debt should not be issued for projects with minimal public benefit or support, or to finance normal operating expenses.

If a department has any project which is expected to use debt financing, the department director is responsible for expeditiously providing the City Manager and the Finance Director with reasonable cost estimates, including specific revenue accounts that will provide payment for the debt service. This will allow an analysis of the project's potential impact on the City's debt capacity and limitations. The department director shall also provide an estimate of any incremental operating and/or additional maintenance costs associated with the project and identify sources of revenue, if any, to pay for such incremental costs.

(i) Long-Term Debt. Long-term debt may be issued to finance or refinance the construction, acquisition, and rehabilitation of capital improvements and facilities, equipment and land to be owned and/or operated by the City.

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

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

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

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

- The project to be financed has been or will be approved by the Council.
- The weighted average maturity of the debt (or the portion of the debt allocated to the project) will not exceed the average useful life of the project to be financed by more than 20%, unless specific conditions exist that would mitigate the extension of time to repay the debt and it would not cause the City to violate any covenants to maintain the tax-exempt status of such debt, if applicable.

- The City estimates that sufficient income or revenues will be available to service the debt through its maturity.
- The City determines that the issuance of the debt will comply with the applicable requirements of state and federal law.
- The City considers the improvement/facility to be of vital, time-sensitive need of the community and there are no plausible alternative financing sources

(d) Periodic reviews of outstanding long-term debt will be undertaken to identify refunding opportunities. Refunding will be considered (within federal tax law constraints, if applicable) if and when there is a net economic benefit of the refunding. Refundings which are non-economic may be undertaken to achieve City objectives relating to changes in covenants, call provisions, operational flexibility, tax status of the issuer, or the debt service profile.

In general, refundings which produce a net present value savings of at least three (3) percent of the refunded debt will be considered economically viable. Refundings which produce a net present value savings of less than three (3) percent or negative savings will be considered on a case-by-case basis, and are subject to Council approval.

(ii) Short-term debt. Short-term borrowing may be issued to generate funding for cash flow needs in the form of Tax and Revenue Anticipation Notes (TRAN).

Short-term borrowing, such as commercial paper, and lines of credit, will be considered as an interim source of funding in anticipation of long-term borrowing. Short-term debt may be issued for any purpose for which long-term debt may be issued, including capitalized interest and other financing-related costs. Prior to issuance of the short-term debt, a reliable revenue source shall be identified to secure repayment of the debt. The final maturity of the debt issued to finance the project shall be consistent with the economic or useful life of the project and, unless the Council determines that extraordinary circumstances exist, must not exceed seven (7) years.

Short-term debt may also be used to finance short-lived capital projects; for example, the City may undertake lease-purchase financing for equipment, and such equipment leases may be longer than seven (7) years.

(iii) Financings on Behalf of Other Entities. The City may also find it beneficial to issue debt on behalf of other governmental agencies or private third parties in order to further the public purposes of City. In such cases, the City shall take reasonable steps to confirm the financial feasibility of the project to be financed and the financial solvency of any borrower and that the issuance of such debt is consistent with the policies set forth herein. In no event will the City incur any liability or assume responsibility for payment of debt service on such debt.

## B. Types of Debt

In order to maximize the financial options available to benefit the public, it is the policy of the City of Coalinga to allow for the consideration of issuing all generally accepted types of debt, including, but not exclusive to the following:

- General Obligation (GO) Bonds: General Obligation Bonds are suitable for use in the construction or acquisition of improvements to real property that benefit the public at large. Examples of projects include libraries, parks, and public safety facilities. All GO bonds shall be authorized by the requisite number of voters in order to pass.
- Revenue Bonds: Revenue Bonds are limited-liability obligations tied to a specific enterprise or special fund revenue stream where the projects financed clearly benefit or relate to the enterprise or are otherwise permissible uses of the special revenue. An example of projects that would be financed by a Revenue Bond would be improvements to a water system, which would be paid back with money raised from the rates and charges to water users. Generally, no voter approval is required to issue this type of obligation but in some cases, the City must comply with proposition 218 regarding rate adjustments.
- Lease-Backed Debt/Certificates of Participation (COP/Lease Revenue Bonds): Issuance of Lease-backed debt is a commonly used form of debt that allows a City to finance projects where the debt service is secured via a lease agreement and where the payments are budgeted in the annual budget appropriation by the City from the general fund. Lease-Backed debt does not constitute indebtedness under the state or the City's constitutional debt limit and does not require voter approval.
- Special Assessment/Special District Debt: The City will consider requests from developers for the use of debt financing secured by property based assessments or special taxes in order to provide for necessary infrastructure for new development only under strict guidelines adopted by the Council, which may include minimum value-to-lien ratios and maximum tax burdens. Examples of this type of debt are Assessment Districts (AD) and Community Facilities Districts (CFD) or more commonly known as Mello-Roos Districts. In order to protect bondholders as well as the City's credit rating, the City will also comply with all State guidelines regarding the issuance of special district or special assessment debt, as well as any policy required to be adopted under Government Code Section 53312.7.

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

To maintain a predictable debt service burden, the City will give preference to debt that carries a fixed interest rate. An alternative to the use of fixed rate debt is variable rate debt. The City may choose to issue securities that pay a rate of interest that varies according to a pre-determined formula or results from a periodic remarketing of securities. When making the determination to issue bonds in a variable rate mode, consideration will be given in regard to the useful life of the project or facility being financed or the term of the project requiring the funding, market conditions, credit risk and third party risk analysis, and the overall debt portfolio structure when issuing variable rate debt for any purpose. The maximum amount of variable-rate debt should be limited to no more than 20 percent of the total debt portfolio.

The City will not employ derivatives, such as interest rate swaps, in its debt program. A derivative product is a financial instrument which derives its own value from the value of another instrument, usually an underlying asset such as a stock, bond, or an underlying reference such as an interest rate. Derivatives are commonly used as hedging devices in managing interest rate risk and thereby reducing borrowing costs. However, these products bear certain risks not associated with standard debt instruments.

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

The City intends to issue debt for the purposes stated in this Debt Policy and to implement policy decisions incorporated in the City's capital budget and the capital improvement plan.

The City shall strive to fund the upkeep and maintenance of its infrastructure and facilities due to normal wear and tear through the expenditure of available operating revenues. The City shall seek to avoid the use of debt to fund infrastructure and facilities improvements that are the result of normal wear and tear, unless a specific revenue source has been identified for this purpose, such as Gas Tax funds.

The City shall integrate its debt issuances with the goals of its capital improvement program by timing the issuance of debt to ensure that projects are available when needed in furtherance of the City's public purposes.

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

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

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

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

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

Except as described in Section 2.A., when refinancing debt, it shall be the policy goal of the City to realize, whenever possible, and subject to any overriding non-financial policy considerations minimum net present value debt service savings equal to or greater than 3% of the refunded principal amount.

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

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

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

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

Whenever reasonably possible, proceeds of debt will be held by a third-party trustee and the City will submit written requisitions for such proceeds. The City will submit a requisition only after obtaining the signature of the City Manager or the Finance Director.

### **F. Method of Sale**

For the sale of any City-issued debt, the City Manager or the Finance Director or designee shall recommend the method of sale with the potential to achieve the lowest financing cost and/or to generate other benefits to the City. Potential methods of sale include:

- A competitive bidding process through which the award is based on, among other factors, the lowest offered true interest cost
- Negotiated sale, subject to approval by the City to ensure that interest costs are in accordance with comparable market interest rates
- Private placement sale, when the financing can or must be structured for a single or limited number of purchasers or where the terms of the private placement are more beneficial to the City than either a negotiated or competitive sale

### **G. Waivers of Debt Policy**

There may be circumstances from time to time when strict adherence to a provision of this Debt Policy is not possible or in the best interests of the City and the failure of a debt financing to comply with one or more provisions of this Debt Policy shall in no way affect the validity of any debt issued by the City in accordance with applicable laws.

## EXHIBIT B

### DISCLOSURE PROCEDURES FOR PUBLIC DEBT ISSUANCES

These DISCLOSURE PROCEDURES FOR PUBLIC DEBT ISSUANCES AND RELATED DISCLOSURE OBLIGATIONS (the “Procedures”) of the City of Coalinga (the “City”) were approved by the City Council of the City (the “Council”) on February 4, 2021. The Policies may be amended by Council as it deems appropriate from time to time in the prudent management of the debt of the City.

The Policies will also apply to any debt issued by any public agency for which the Council acts as its legislative body.

#### I. INTRODUCTION

##### A. Purpose

The procedures are intended to (1) ensure that the City’s Initial Disclosure Documents and Continuing Disclosure Documents (as such terms are defined in Section II A.2 below) are accurate and comply with all applicable federal and state securities laws, and (2) promote best practices regarding the preparation of the City’s Initial Disclosure Documents and Continuing Disclosure Documents.

#### II. KEY PARTICIPANTS

##### A. Disclosure Practices Working Group

1. *Composition.* A Disclosure Practices Working Group (the “Disclosure Working Group”) will have general oversight over the entire initial and continuing disclosure process. Members of the Disclosure Working Group shall be appointed from time to time by the City Manager (in consultation with the Finance Director) and shall consist of persons relevant to the disclosure process. The initial Disclosure Working Group shall include the following persons:

- (a) the Finance Director;
- (b) the Disclosure Coordinator (as described below);
- (c) the City Attorney; and
- (d) and any other individuals appointed by the City Manager.

The Disclosure Working Group shall consult with finance team members for each applicable City debt obligation, or other interested parties as the Finance Director or any other member of the Disclosure Working Group determines is advisable, related to disclosure issues and practices. Meetings of the Disclosure Working Group may be held telephonically.



The Disclosure Working Group is an internal working group of City staff and not a decision-making or advisory body subject to the provisions of the Ralph M. Brown Act (Government Code Section 54950 et seq.).

2. *Responsibilities.* The Disclosure Working Group is responsible for:

(a) reviewing all Initial Disclosure Documents, and making recommendations to the City Council or appropriate governing board for their approval of Initial Disclosure Documents;

(b) reviewing all continuing disclosure obligations as contained in Initial Disclosure Documents before such documents are released to the prospective investors, and making recommendations to the City Council or appropriate governing board for their approval of such continuing disclosure obligations;

(c) reviewing annually the City's status and compliance with continuing disclosure obligations, including filings of Continuing Disclosure Documents, compliance with these Procedures and the annual report prepared by the Disclosure Consultant as described in Section II (C) below;

(d) reviewing any items referred to the Disclosure Working Group; and

(e) evaluating the effectiveness of these Procedures and approving changes to these Procedures.

For purposes of these Procedures, "Initial Disclosure Documents" means disclosure documents describing City indebtedness for use in connection with the offering and sale of the indebtedness or interests therein, including Official Statements (as defined in the next sentence); and "Continuing Disclosure Documents" means (i) annual continuing disclosure reports filed with the MSRB, and (ii) event notices and any other filings with the MSRB. As used in these Procedures, the term "Official Statements" means preliminary and final official statements, private placement memoranda and remarketing memoranda relating to the City's debt obligations, together with any supplements, for debt obligations for which a continuing disclosure obligation is required.

B. Disclosure Coordinator

1. *Appointment.* The Finance Director, in consultation with the other members of the Disclosure Working Group, shall select and appoint a Disclosure Coordinator. The Finance Director may serve as the Disclosure Coordinator.

2. *Responsibilities.* The Disclosure Coordinator is responsible for:

(a) serving as a "point person" for personnel to communicate issues or information that should be or may need to be included in any Initial Disclosure Document or Continuing Disclosure Document;

(b) in preparing Initial Disclosure Documents and in anticipation of preparing Continuing Disclosure Documents, soliciting "material" information (as defined in Securities and Exchange Rule 10b-5) from City departments and other relevant City Staff;

(c) following up with others, including management of outside consultants assisting the City, in the preparation and dissemination of Initial Disclosure Documents and Continuing Disclosure Documents to make sure that assigned tasks have been completed on a timely basis and making sure that the Continuing Disclosure Documents are filed on a timely basis and are accurate;

(d) In cooperation with the attorney or attorneys, or financial advisor, preparing any Initial Disclosure Document, and with other City or public agency Staff members with knowledge of the subject matter of the respective debt obligation, (i) reviewing each Initial Disclosure Document with the Disclosure Working Group and (ii) presenting the Initial Disclosure Document to the City Council or other appropriate governing board for approval, before it is disseminated to the public or prospective purchasers of the related debt obligation, all in order to ensure that all disclosure contained therein and not otherwise attributable to sources other than the City is accurate and does not omit to state information required to be stated therein in order to make the statements therein not misleading in any material respect;

(e) preparing and filing the required Continuing Disclosure Documents, to the extent such filings are not prepared and filed by the Disclosure Consultant;

(f) monitoring compliance by the City with these Procedures, including timely dissemination of annual report and event filings as described in Sections III (B) and (C) below;

(g) recommending changes to these Procedures to the Disclosure Working Group as necessary or appropriate;

(h) together with the Finance Director (if other than the Disclosure Coordinator), coordinating the timely provision of information to the Disclosure Consultant as needed to fulfill its responsibilities to the City;

(i) maintaining records documenting the City's compliance with these Procedures;

(j) reviewing compliance with and providing appropriate certifications in connection with the various covenants in documents for debt obligations; and the Disclosure Coordinator shall review the documents for debt obligations to determine which covenants require an annual or regular certification and maintain a list of those with the Disclosure Coordinator (the Disclosure Coordinator may delegate such compliance requirements to the Disclosure Consultant); and

(k) ensuring that members of the Disclosure Working Group and the City Council or other applicable governing board approving Initial Disclosure Documents or Continuing Disclosure Documents receive periodic training regarding disclosure responsibilities and practices.

3. *Consultation.* The Disclosure Coordinator shall consult with the disclosure counsel for a respective debt obligation to the extent the Disclosure Coordinator considers appropriate to perform the Disclosure Consultant's responsibilities.

C. Disclosure Consultant

1. *Appointment.* The Finance Director shall designate or hire, as applicable, a Disclosure Consultant (who may be a City Staff member, an attorney retained as disclosure counsel, a financial advisor or other appropriate consultant) in consultation with the Disclosure Working Group. The Disclosure Consultant shall have significant expertise and experience related to on-going disclosure requirements for municipal securities.

2. *Responsibilities.* The Disclosure Consultant is responsible for:

(a) communicating to the Disclosure Working Group its information needs, reviewing Initial Disclosure Documents, Continuing Disclosure Documents and other relevant information, consulting with appropriate City staff or interested parties needed to confirm that the City is meeting its disclosure obligations; and

(b) from time to time, making recommendations to the Disclosure Working Group regarding ways the City may improve these Procedures and methods of meeting City continuing disclosure obligations.

D. Others With Responsibility for Initial Disclosure Documents.

1. *Responsibilities of City Attorney.* The City Attorney (or a designee) shall review Initial Disclosure Documents and shall draft for Initial Disclosure Documents descriptions of (a) any material current, pending or threatened litigation, (b) any material settlements or court orders and (c) any other legal issues that are material information for purposes of any respective Initial Disclosure Document.

2. *Responsibilities of Finance Director.* The Finance Director shall review each Initial Disclosure Document, identify any material difference in presentation of financial information from the City's most recent financial statements and ensure there are no misstatements or omissions of material information in any sections that contain descriptions of information prepared by the Finance Director (or the Finance Director's staff) or of relevance to the finances of the City. In addition, the Finance Director shall determine whether the City's then-available financial statements are appropriate to be included in the respective Initial Disclosure Document and whether to seek the consent of the City's auditor to including financing statements in the respective Initial Disclosure Document.

**III. CONTINUING DISCLOSURE FILINGS**

A. Overview of Continuing Disclosure Filings

Under the continuing disclosure undertakings it has entered into in connection with its debt offerings, the City is required to file annual reports with the Municipal Securities Rulemaking Board's ("MSRB") Electronic Municipal Market Access ("EMMA") system in accordance with such undertakings in each year. Such annual reports are required to include certain updated financial and operating information (or may refer to a publicly-available document), which varies among the different obligations issued by the City, the City's audited financial statements and other information material to investors.

The City is also required under the continuing disclosure undertakings to file notices of certain events with EMMA.

**B. Annual Reports**

The Disclosure Coordinator shall ensure that the preparation of the City's annual reports commences as required to satisfy the filing requirements under each specific continuing disclosure obligation. Before any annual report is submitted to EMMA, the Disclosure Coordinator shall confer with the Disclosure Working Group as needed regarding the content and accuracy of any annual report. Prior to each filing, the Disclosure Coordinator will review each report with the Disclosure Consultant, and the Disclosure Consultant will confirm in writing (which may be by email) that such report appears to comply with the requirements of the applicable continuing disclosure undertaking.

**C. Event Filings**

Each member of the Disclosure Working Group shall notify the other members of the Disclosure Working Group if he or she becomes aware of any of the material events listed in any of the City's continuing disclosure undertakings. The Disclosure Working Group may meet to discuss the event and to determine, in consultation with the Disclosure Consultant, whether a filing is required or is otherwise desirable.

**D. Uncertainty**

The Finance Director may direct questions regarding the disclosure to the Disclosure Consultant, disclosure counsel, bond counsel or the City Attorney or such other counsel or consultant he/she deems appropriate.

**IV. CONTINUING DISCLOSURE DOCUMENTS TO BE RETAINED**

The Disclosure Coordinator shall be responsible for retaining records demonstrating compliance with the Continuing Disclosure Document requirements of these Procedures. The Disclosure Coordinator shall retain an electronic or paper file ("Disclosure File") for each continuing disclosure annual report that the City completes. Each Disclosure File shall include the final version of the applicable Initial Disclosure Document and all related Continuing Disclosure Documents; written confirmations, certifications, letters and legal opinions described herein; copies of these Disclosure Procedures and a list of individuals to whom they have been distributed and the dates of such distributions; and a written record of the dates of meetings of the Disclosure Working Group. The Disclosure File shall be maintained in a central depository for a period of five years from the later of the date of delivery of the securities referenced in the Continuing Disclosure Document, or the date the Continuing Disclosure Document is published, posted, or otherwise made publicly available, as applicable.

**V. EDUCATION**

The Finance Director shall ensure that the Disclosure Coordinator and the members of the Disclosure Working Group are properly trained to understand and perform their responsibilities. Such training may include training sessions conducted by consultants with expertise in municipal securities disclosure or by the Disclosure Consultant, attendance at conferences, or other appropriate methods identified by the Finance Director.



**STAFF REPORT - CITY COUNCIL/SUCCESSOR AGENCY/PUBLIC FINANCE  
AUTHORITY**

**Subject:** Authorize City Manager to Execute an Agreement for Remote Video Proceedings with the Superior Court of California, Fresno County for a Three Year Term

**Meeting Date:** February 4, 2021

**From:** Marissa Trejo, City Manager

**Prepared by:** Marissa Trejo, City Manager

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**I. RECOMMENDATION:**

Staff has no recommendation.

**II. BACKGROUND:**

On May 14, 2012 Governor Jerry Brown announced unprecedented and severe funding cuts to the State's judicial branch. In order to reduce costs before the beginning of the next fiscal year the Court made the necessary, but difficult decision, to close outlining branch courts and consolidate these operations into the courts in the downtown Fresno area. The Coalinga branch court closed July 30, 2012.

In early 2013 the Superior Court of California, Fresno County selected the cities of Coalinga and Mendota for a pilot project known as Remote Video Proceedings ("RVP"). The program was developed as a way to help service Fresno County residents living outside Fresno City limits.

As part of the RVP project, the City was responsible for providing the location, physical materials and electronic equipment needed to conduct remote video proceedings for traffic court. These costs were approximately \$2,900 to \$3,500.

The court provides a court staff person to coordinate the proceedings, operate the Remote Video Proceedings equipment, and perform basic courtroom activities. The court also covers the monthly cost of the Court Call video teleconferencing service.

On March 3, 2016 Council approved entering into a five year contract.

The RVP program has worked well and the City has continued to renew the contract each time it has been up for renewal.

**III. DISCUSSION:**

The Court is pleased with the RVP program and the services it provides and now wishes to renew for an additional three years.

**IV. ALTERNATIVES:**

Do not authorize the City Manager to execute a 3-year Agreement for Remote Video Proceedings with the

Superior Court of California, Fresno County.

## **V. FISCAL IMPACT:**

As per the attached contract, “no payment will exchange hands pursuant to this Agreement. Each party will work in cooperation and conjunction with the other for that benefit of Fresno County residents with these court use needs.”

However, ongoing costs to maintain the building may be expected as it was in the 1930s.

### **ATTACHMENTS:**

	File Name	Description
📎	10-2020-COAL-O.pdf	RVP Agreement

AGREEMENT NUMBER  
**10-2020-COAL-O**



1. In this agreement (the "Agreement"), the term "Contractor" refers to **City of Coalinga**, and the term "Court" refers to the **Superior Court of California, County of Fresno**.
2. This Agreement becomes effective as of **March 1, 2021**, (the "Effective Date") and expires on **February 29, 2024**.
3. The maximum amount that the Court may pay Contractor under this Agreement is **\$0.00** (the "Maximum Amount").
4. This Agreement incorporates and the parties agree to the attached provisions labeled "Services—Short Form Agreement Terms." This Agreement represents the parties' entire understanding regarding its subject matter.
5. Contractor will perform the following services (the "Services"), and deliver the following work product (the "Work Product"):

**Services:**

Description of Services	Contractor will provide location, physical materials, and electronic equipment per the Scope of Work (Attachment A) for the provision of Remote Video Proceedings for Fresno county residents living outside Fresno city limits.
Completion Date	February 29, 2024. Agreement may be terminated earlier, by either party, pursuant to paragraph H, below.

**Work Product: none.**

6. The Court's project manager is: **Craig Downing**, Director of Court Operations.
7. The Court will pay Contractor as follows: No payment will exchange hands pursuant to this Agreement. Each party will work in cooperation and conjunction with the other for the benefit of Fresno county residents with these court use needs.

COURT'S SIGNATURE	CONTRACTOR'S SIGNATURE
<b>Superior Court of California, County of Fresno</b>	CONTRACTOR'S NAME (if Contractor is not an individual person, state whether Contractor is a corporation, partnership, etc.) <b>City of Coalinga</b>
BY (Authorized Signature) 	BY (Authorized Signature) 
PRINTED NAME AND TITLE OF PERSON SIGNING <del>Michael L. Elliott</del> , Court Executive Officer	PRINTED NAME AND TITLE OF PERSON SIGNING <b>Marissa Trejo, City Manager</b>
DATE EXECUTED <b>1/13/21</b>	DATE EXECUTED
ADDRESS <b>Accounts Payable 1100 Van Ness Avenue Fresno CA 93724-0002</b>	ADDRESS <b>155 W. Durian Street Coalinga, CA 93210</b>



## **ATTACHMENT A SCOPE OF WORK**

### **I. OBLIGATIONS**

#### **Contractor**

1. Contractor shall provide the RVP space, 24 chairs, tables, podiums and microphones at no cost to Court.
2. Contractor shall provide an analog conference phone and two analog Telco (POTS) lines. It is acceptable for the two lines to be provided via VoIP ATA, VoIP VG, PBX or CENTREX as long as both lines have a direct inward dial (DID) number and support fax transmissions.
3. Contractor shall provide Internet connectivity with enough guaranteed available bandwidth to support the videoconferencing service. Wired or wireless (Wi-Fi) connectivity is acceptable.
4. Contractor shall provide, at no cost, onsite technology support for immediate troubleshooting on court days.
5. Contractor shall be responsible for maintaining the following necessary RVP equipment: a wall-mounted television monitor up to 70" in size as appropriate for the size of the RVP room; a compact camera; all necessary cables, adapters, and other technology support items for the interface with Court Call and the equipment; a computer terminal and monitor dedicated to the RVP feed; and a multi-functional device (printer, scanner and fax) to support courtroom operations.
7. Service will be provided one day per week and this agreement may be amended to increase days by mutual written agreement.

#### **Court**

1. Court shall provide a court staff person to coordinate proceedings, operate the RVP equipment, and perform basic courtroom activities in advance of and on court days.
2. Court shall provide training to Contractor staff on operating the RVP equipment and support duties on court days.
3. Court shall provide offsite technical support to trouble shoot problems on court days.
4. Court shall cover the monthly cost of the Court Call video teleconferencing service.

## **ATTACHMENT B AGREEMENT TERMS**

- A. PERFORMANCE AND DELIVERY.** Contractor will perform the Services as specified on the coversheet of this Agreement. Time is of the essence in Contractor's performance of the Services.
- B. ACCEPTANCE.** All Services are subject to written acceptance by both parties.
- C. INVOICES AND PAYMENT.** There will be no exchange of monies; each party performs for the benefit of Fresno county residents.
- D. WARRANTIES.** Contractor will perform all Services using skilled personnel only, in a good and workmanlike manner, in accordance with industry standards, and in compliance with all applicable laws, rules, and regulations.
- E. CHANGES.** Contractor may not alter, add to, or otherwise modify this Agreement. Contractor's additional or different terms and conditions are expressly excluded from this Agreement. This Agreement may be amended, supplemented, or otherwise modified only in writing and signed by the Court's authorized representative.
- F. AUDIT RIGHTS.** Contractor agrees to maintain records relating to performance by Contractor under this Agreement for a period of four years after contract ends. During the time that Contractor is required to retain these records, Contractor will make them available to the Court, the State Auditor, or their representatives during normal business hours for inspection and copying.
- G. INDEMNITY.** EACH PARTY HERETO (HEREAFTER, "INDEMNIFYING PARTY") SHALL INDEMNIFY, DEFEND AND HOLD HARMLESS THE OTHER PARTY, ITS OFFICERS, AGENTS, EMPLOYEES AND VOLUNTEERS AGAINST ANY LOSS, COST, DAMAGE, EXPENSE, CLAIM, SUIT, DEMAND, OR LIABILITY OF ANY KIND OR CHARACTER, INCLUDING BUT NOT LIMITED TO REASONABLE ATTORNEY FEES, ARISING FROM OR RELATING TO ANY NEGLIGENT OR WRONGFUL ACT OR OMISSION OF THE INDEMNIFYING PARTY, ITS OFFICERS, AGENTS OR EMPLOYEES, WHICH OCCURS IN THE PERFORMANCE OF, OR OTHERWISE IN CONNECTION WITH, THIS AGREEMENT, BUT ONLY IN PROPORTION TO AND TO THE EXTENT SUCH LOSS, COST, DAMAGE, EXPENSE, CLAIM, SUIT, DEMAND, OR LIABILITY OF ANY KIND OR CHARACTER, INCLUDING REASONABLE ATTORNEY FEES, IS CAUSED BY OR RESULTS FROM THE NEGLIGENT OR WRONGFUL ACT OR OMISSION OF THE INDEMNIFYING PARTY, ITS OFFICERS, AGENTS, OR EMPLOYEES.
- H. TERMINATION.** Either party may terminate all or part of this Agreement for convenience at any time by giving 30 days' written notice to the other party.
- I. INSURANCE.** Contractor will maintain insurance that is sufficient in scope and amount to permit Contractor to pay in the ordinary course of business insurable claims, losses and expenses, including insurable claims, losses and expenses that arise out of Contractor's performance of this Agreement. Contractor will maintain employer's liability and workers' compensation coverage at statutory levels covering all employees performing work under this Agreement.
- J. REPRESENTATIONS.** Contractor represents and warrants the following: (i) Contractor complies with all federal, state, city, and local laws, rules, and regulations, including the federal Americans with Disabilities Act of 1990, California's Fair Employment and Housing Act, and Government Code 16645-49; (ii) Contractor does not unlawfully discriminate against any employee or applicant for employment because of race, religion, color, national origin, ancestry, disability (mental or physical, including HIV or AIDS), medical condition (including cancer or genetic characteristics), request for family and medical care leave, marital or domestic partner status, age (over 40), sex (including gender identity) or sexual orientation; (iii) Contractor does not engage in unlawful harassment, including sexual harassment, with respect to any persons with whom Contractor may interact in the performance of this Agreement; (iv) Contractor will take all reasonable steps to prevent unlawful harassment from occurring; (v) no more than one, final un-appealable finding of contempt of court by a federal court has been issued against Contractor within the immediately preceding two-year period because of Contractor's failure to comply with an order of a federal court requiring Contractor to comply with an order of the National Labor Relations Board (this representation is made under penalty of perjury); (vi) Contractor has authority to enter into and perform its obligations under this Agreement; (vii) if Contractor is a corporation, limited liability company, or limited partnership and this Agreement will be performed in California, Contractor is qualified to do business and in good standing in California; and (viii) Contractor is not an expatriate corporation or subsidiary of an expatriate corporation within the meaning of Public Contract Code ("PCC") section 10286.1, and is eligible to contract with the Court. Contractor will take all action necessary to ensure

that the representations in this section remain true during the performance of this Agreement through final payment by the Court. Contractor must give written notice of its nondiscrimination obligations under this section to labor organizations with which it has a collective bargaining or other agreement.

**K. MISCELLANEOUS.** Contractor will maintain a system of accounting and internal controls that is sufficient to adhere to Generally Accepted Accounting Principles. Contractor is an independent contractor and Contractor will take all action available to Contractor to prevent Contractor, and its agents and employees, from being treated under the law as agents or employees of the Court. Contractor will not assign, subcontract or delegate its obligations under this Agreement without the prior written consent of the Court, and any attempted assignment, subcontract, or delegation is void. The terms and conditions of this Agreement apply to any assignee, subcontractor, trustee, successor, delegate or heir. California law, without regard to its choice-of-law provisions, governs this Agreement. In this Agreement, "including" means "including but not limited to." The parties shall attempt in good faith to resolve informally and promptly any dispute that arises under this Agreement. Contractor irrevocably consents to personal jurisdiction in the courts of the State of California, and any legal action filed by Contractor in connection with a dispute under this Agreement must be filed in Fresno County, California, which will be the sole venue for any such action. If any part of this Agreement is held unenforceable, all other parts remain enforceable. All headings are for reference purposes only and do not affect the interpretation of this Agreement. A party's waiver of enforcement of any of this Agreement's terms or conditions will be effective only if it is in writing. A party's specific waiver will not constitute a waiver by that party of any earlier, concurrent, or later breach or default. Contractor may not make a public announcement, or issue any press release or other writing, related to this Agreement, or the Services without first obtaining the Court's prior written approval, which may be denied for any or no reason.

**L. COUNTERPARTS.** This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all such separate counterparts shall together constitute but one and the same Agreement.

**STAFF REPORT - CITY COUNCIL/SUCCESSOR AGENCY/PUBLIC FINANCE  
AUTHORITY**

**Subject:** Direct Staff to Look into Adding a Stop Sign at Pine and Glenn and Repair  
Flashing Street Crossing Lights in the Area  
**Meeting Date:** Thursday, February 4, 2021  
**From:** Marissa Trejo, City Manager  
**Prepared by:** Marissa Trejo, City Manager

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**I. RECOMMENDATION:**

There is no staff recommendation. This was requested as a Future Agenda Item by Councilman Ramirez.

**II. BACKGROUND:**

**III. DISCUSSION:**

This item directs staff to look into placing a stop sign at Pine and Glenn. Staff would complete a study and bring information back to Council.

Staff is already working on repair the lights for crossing that are currently not working properly.

**IV. ALTERNATIVES:**

Do not direct staff to look into placing a stop sign and Pine and Glenn.

**V. FISCAL IMPACT:**

None.

**ATTACHMENTS:**

File Name	Description
No Attachments Available	

**STAFF REPORT - CITY COUNCIL/SUCCESSOR AGENCY/PUBLIC FINANCE  
AUTHORITY**

**Subject:** Fire Department Quarterly Report  
**Meeting Date:** 02/04/2021  
**From:** Marissa Trejo, City Manager  
**Prepared by:** Greg DuPuis, Fire Chief

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**I. RECOMMENDATION:**

**II. BACKGROUND:**

**III. DISCUSSION:**

Fire Department Quarterly Report

**IV. ALTERNATIVES:**

**V. FISCAL IMPACT:**

**ATTACHMENTS:**

	File Name	Description
▣	2020_2nd_quarter_report.pdf	Fire Department Quarterly Report



# COALINGA FIRE DEPARTMENT



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## MEMORANDUM

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Date: January 27, 2021

To: Honorable Mayor and Council Members  
Marissa Trejo, City Manager

From: Greg DuPuis, Fire Chief

Re: Fire Department Quarterly Report

This quarterly report is for the month of October, November, and December 2020. In October there were 186 calls for service, November, 195 calls for service and December, 208 call for service.

Our EMS call volume saw a 13% increase from last quarter due to the opening of the hospital and a surge in COVID19 related calls. The EMS call volume is a 68% increase from this time frame in 2019 and 37% in 2018. The 193 EMS calls in December is the highest number of calls for any month in the last three years. Of those calls for service the breakdown is as follows:

### **OCTOBER**

**EMS:** 163 (88% of total calls)

**Fires:** 4

2 building fire/cooking fire

1 grass/vegetation

1 outside trash/rubbish

**Public Service:** 12, which include public assist or smoke/odor removal without fire

**False Alarms:** 7

### **NOVEMBER**

**EMS:** 179 (92% of total calls)

**Fires:** 5

0 building fire/cooking fire

1 grass/vegetation

4 outside trash/rubbish

**Gas Leak: 2**

**Public Service: 6**, which include public assist or smoke/odor removal without fire

**False Alarms: 3**

### **DECEMBER**

**EMS: 193** (93% of total calls)

**Fires: 2**

0 building fire/cooking fire

0 grass/vegetation

2 outside trash/rubbish

**Gas Leaks: 2**

**Public Service: 8**, which include public assist or smoke/odor removal without fire

**False Alarms: 3**

\*Not listed are the calls that were dispatched but cancelled en route

### **EVENTS**

During this period, the fire department had events outside of normal day to day operations, mostly involving strike team deployments. For the first time since 2017 the fire department was able to provide mutual aid support to OES and the State of California for numerous fires across the state.

October 1-7: Provided a Type VI patrol as part of a taskforce to the Zogg Fire in Shasta County.

October 10-24: Provided a single resource Fire line Paramedic and an EMT to the Creek Fire in Shaver Lake.

The department participated in the NFPA annual fire prevention week. Due to COVID19 it was held virtually with fire prevention tips posted on social media each day of the week. We hope to provide an open house for the event in 2021.

In October we held testing for our vacant firefighter position. We had 8 applicants go through the process, which included, a physical agility test and an oral interview panel. The best candidate was selected and is going through the hiring process now. Hope to have him start by middle of February.

We participated in a few public events. One was handing out candy on Halloween to kids throughout the city as well as an event at the theater for their trunk or treat event, delivered Santa to the drive-through Christmas parade, and handed out toys on Christmas Eve for the cities “Reindeer Rounds” event.

The Fire Chief gave a “Stop the Bleed” class to Coalinga PD in two separate classes. The class taught the officers how to stop a bleed with wound packing and how to use a tourniquet.

### **PREVENTION/PUBLIC EDUCATION**

Due to COVID-19 all public education events have been postponed or cancelled.

On the prevention side, the department completed 4 new business inspections.

### **STAFFING**

We are currently at 17 out of 18 line personnel. We are in the final phase of hiring a firefighter for the vacant position.

### **OVERTIME**

The fire department used:

1152 hours in October

1032 hours in November

1128 hours in December

Most of this overtime is due to us being down 1 firefighter and the strike team assignments which will be reimbursed by the state, both the personnel assigned, and the callback needed to fill vacancies. We also had three employees quarantined for COVID19 exposure, one employee out on Worker Comp and another had elective surgery.



# STAFF REPORT - CITY COUNCIL/SUCCESSOR AGENCY/PUBLIC FINANCE AUTHORITY

**Subject:** Authorize the Assistant City Manager to Execute Design and Construction Engineering Task Orders with the City Engineer for the Rehabilitation of 7th Street between Forest and E. Elm Ave

**Meeting Date:** February 4, 2021

**From:** Marissa Trejo, City Manager

**Prepared by:** Sean Brewer, Assistant City Manager

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## I. RECOMMENDATION:

Authorize the Assistant City Manager to execute a task order with the City Engineer for preliminary design and construction engineering for the rehabilitation of 7th Street between Forest Street and Elm Ave.

## II. BACKGROUND:

Councilman Adkisson had requested staff look into the costs and scope of work for rehabilitating 7th Street between Forest Street and Elm Ave. The Council directed staff to use remaining 2009 RDA Bond Proceeds to cover the cost of this project pending approval of the Fresno County oversight board. On Thursday January 21, 2020 the Fresno County Oversight Board approved the use of those funds.

## III. DISCUSSION:

Staff, in working with the City Engineer developed a scope of work and cost estimate to rehabilitate 7th Street. A copy of the scope of work has been attached.

**Project Description:** Demolition of existing improvements, sawcutting, roadway excavation and grading, installation of curb and gutter, sidewalk, alley approach, driveway approach, A.C. pavement, aggregate base, sidewalk drain pipe, storm drain inlet, existing utility lid adjustment, thermoplastic striping, thermoplastic pavement markings, and construction surveying.

**Cost Estimate:** Approximately \$325,465

Staff is requesting authorization to execute a preliminary engineering task order for \$45,600 and a construction engineering task order for \$26,600 to allow the City Engineer to begin design on the project.

## IV. ALTERNATIVES:

None

## V. FISCAL IMPACT:

The total estimated costs for this project will be derived from the remaining 2009 RDA Bond Proceeds in the

amount of \$347,864.

**ATTACHMENTS:**

<b>File Name</b>	<b>Description</b>
▣ 2893_Work_Order_Construction_Engineering_7th_St.pdf	Construction Engineering Task Order
▣ 2893_Work_Order_Design_Engineering_7th_St.pdf	Design Engineering Task Order
▣ 2893_Prelim_Cost_Estimate.pdf	Preliminary Cost Estimate
▣ 7th_Street_Rehabilitation_(Elm_to_Forest)_Project_Scope.pdf	Project Scope

## PROFESSIONAL SERVICES WORK ORDER

This agreement entered into the \_\_\_\_\_ day of \_\_\_\_\_, 20 21 between City of Coalinga (hereinafter called the Client) and the Consultant Tri City Engineering (hereinafter called Consultant) for services in connection with the following project: 7<sup>th</sup> Street Reconstruction Project – Elm Avenue (SR198) to Forest Avenue. The Client and Consultant's rights, duties, and obligations hereunder will be performed in accordance with the terms and conditions of the Agreement for Professional Services between Client and Consultant dated September 2, 2014 which is fully incorporated herein by reference.

I. Scope of Services. The Consultant's services will consist of the following:

- Construction Coordination; Coordinate administrative, inspection, quality assurance, materials testing activities. Coordinate Contractors pre-construction meeting, project site meetings, punch list, project closeout activities, Staff Report to Council authorizing Notice of Completion/Project Acceptance filing. Coordinate Response to Contractors Request for Information, Construction Clarifications and Project Inspectors Request for Information, Supervise Contractor Construction Site Meetings.
- Product Submittals; review contractor product submittals for compliance with the Project Plans and Specifications.
- Labor Compliance: Perform labor compliance task, including verifying Certified Payrolls, Subcontractor Utilization and Labor Interviews.
- Progress Reports: Review daily progress reports addressing progress of the work, the project schedule to include City Public Works Inspectors provided daily photographs documenting the progress of the work.
- Contract Change Orders: Prepare Change Orders in compliance with the plans and specifications for City of Coalinga approval.
- Progress Payments: Review contractor's initial schedule of values. Reconcile and document items of work in compliance with the plans and specifications; Review monthly progress payments for compliance with City of Coalinga funding procedures for City approval.

II. Additional Services. Any services not specifically provided for under Section I above shall be Additional Services. Only if mutually agreed to in writing by client or consultant shall consultant perform such additional services.

III. Consultant's Compensation. In consideration for Consultant providing the services noted above, the Client agrees to compensate the Consultant as follows:

**\$26,600.00**

Retainer. The Client shall make an initial payment of -0- dollars (\$0.00) (retainer) upon execution of this Agreement. This retainer shall be held by the Consultant and applied

against final invoices.


Payment Due. Invoices shall be submitted by the Consultant monthly, are due upon presentation, and shall be considered past due if not paid within ten (10) calendar days of the due date.

Interest. If payment in full is not received by the Consultant within 30 calendar days of the due date, invoices shall bear interest at one-and-one-half (1.5) percent of the PAST DUE amount per month, which shall be calculated from the invoice due date. Payment thereafter shall first be applied to accrued interest and then to the unpaid principal.

Collection Costs. If the Client fails to make payments when due and the Consultant incurs any costs in order to collect overdue sums from the Client, the Client agrees that all such collection costs incurred shall immediately become due and payable to the Consultant. Collection costs shall include, without limitation, legal fees, and expenses, court costs, collection bonds and reasonable Consultant staff costs at standard billing rates for the Consultant's time spent in efforts to collect. This obligation of the Client to pay the Consultant's collection costs shall survive the term of this agreement or any earlier termination by either party.

Set-offs, Back charges, Discounts. Payment of invoices shall not be subject to any discount or set-offs by the Client, unless agreed to in writing by the Consultant. Payment to the Consultant for services rendered and expenses incurred shall be due and payable regardless of any subsequent suspension or termination of this Agreement by either party.

In witness thereof, the parties hereto have accepted, made and executed this agreement upon the terms, conditions and provisions above stated, the day and year first above written.

Consultant:	By	 _____ Signature	Client:	By	_____ Signature
Name:		<u>Daniel E. Jauregui</u> For: Tri City Engineering	Name:		<u>Marissa Trejo</u> For: City of Coalinga
Title:		<u>President</u>	Title:		<u>City Manager</u>
Address:		<u>4630 W Jennifer Ave #101</u>  <u>Fresno, CA 93722</u>	Address:		<u>155 W. Durian Ave</u>  <u>Coalinga, CA 93210</u>

Reference: 2893

## PROFESSIONAL SERVICES WORK ORDER

This agreement entered into the \_\_\_\_\_ day of \_\_\_\_\_, 2021 between City of Coalinga (hereinafter called the Client) and the Consultant Tri City Engineering (hereinafter called Consultant) for services in connection with the following project: 7th Street Reconstruction Project – Elm Avenue (SR198) to Forest Avenue. The Client and Consultant's rights, duties, and obligations hereunder will be performed in accordance with the terms and conditions of the Agreement for Professional Services between Client and Consultant dated September 2, 2014 which is fully incorporated herein by reference.

I. Scope of Services. The Consultant's services will consist of the following:

- Develop final design and analysis for City staff review; includes street reconstruction impacts on Business Owners along 7<sup>th</sup> Street, Prepare Preliminary construction cost estimates, City Staff meetings to review design, issues and costs.
- Prepare 1 set of Street Improvement Plans; includes design engineering and final working drawings of 7<sup>th</sup> Street removal of existing ac pavement, new ac pavement structural section reconstruction from Elm Avenue (SR198) to Forest Avenue; includes New Concrete curb & gutter, New sidewalk, Manhole/Valve lids adjustments, Storm Drain Inlet, Traffic striping and new AC Pavement Section Roadway Reconstruction.
- State Water Resources Control Board General Permit; includes preparation of NPDES General Permit (NOI), Rainfall Erosivity Waiver if required, Contractor Compliance.
- Prepare Bidding Documents and Final Engineers Cost Estimate for New Street Improvements and Release for Bidding; includes specifications, addendums, public advertising of project.
- Provide Project Management during bidding process including “Request for Information” through advertisement period. Supervise Contractor Bid opening and develop Contractor bids spread sheet summary for City Manager review. Prepare draft staff report for City Council Public Hearing and assist City Manager with award of bid.
- Topographic Field Survey; includes; topographic field survey of project limits, survey data reduction and calculations, Topographic Survey Base Map layout and preparation.

II. Additional Services. Any services not specifically provided for under Section I above shall be Additional Services. Only if mutually agreed to in writing by client or consultant shall consultant perform such additional services.

III. Consultant's Compensation. In consideration for Consultant providing the services noted above, the Client agrees to compensate the Consultant as follows:

**\$45,600.00**

Retainer. The Client shall make an initial payment of -0- dollars (\$0.00) (retainer) upon execution of this Agreement. This retainer shall be held by the Consultant and applied against final invoices.

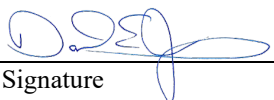
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In witness thereof, the parties hereto have accepted, made and executed this agreement upon the terms, conditions and provisions above stated, the day and year first above written.

Consultant:	By 	Client:	By _____
	Signature		Signature
Name:	<u>Daniel E. Jauregui</u>	Name:	<u>Marissa Trejo</u>
	For: Tri City Engineering		For: City of Coalinga
Title:	<u>President</u>	Title:	<u>City Manager</u>
Address:	<u>4630 W Jennifer Ave #101</u>	Address:	<u>155 W. Durian Ave</u>
	<u>Fresno, CA 93722</u>		<u>Coalinga, CA 93210</u>

Reference: 2893



## PRELIMINARY ENGINEER'S OPINION OF PROBABLE COST

### City of Coalinga - Fresno Street Rehabilitation

Elm Avenue to Forest Avenue

JN 2893

Created: *January 8, 2021*

Revised: *January 11, 2021*

#### GENERAL ITEMS

Item No.	Description	Unit	Quantity	Unit Price	Extension
1	MOBILIZATION / GENERAL REQUIREMENTS	LS	1	\$12,500.00	\$12,500.00
2	WORKER SAFETY	LS	1	\$1,500.00	\$1,500.00
3	TRAFFIC CONTROL	LS	1	\$5,500.00	\$5,500.00
4	DUST CONTROL	LS	1	\$1,400.00	\$1,400.00
5	CONSTRUCTION SURVEYING	LS	1	\$10,000.00	\$10,000.00
<b>ST-G</b>				<b>General Items Subtotal</b>	<b>\$30,900.00</b>

#### STREET IMPROVEMENT ITEMS

Item No.	Description	Unit	Quantity	Unit Price	Extension
6	SAWCUTTING	LF	210	\$2.00	\$420.00
7	CONCRETE REMOVAL AND DISPOSAL	CY	100	\$100.00	\$10,000.00
8	ROADWAY EXCAVATION & GRADING	CY	900	\$25.00	\$22,500.00
9	HOT MIX ASPHALT TYPE A (HMA-A)	TON	350	\$120.00	\$42,000.00
10	AGGREGATE BASE CLASS II	TON	1,180	\$35.00	\$41,300.00
11	CONCRETE DRIVEWAY APPROACH	SF	600	\$15.00	\$9,000.00
12	CONCRETE 6" CURB & GUTTER	LF	490	\$30.00	\$14,700.00
13	CONCRETE SIDEWALK	SF	4,220	\$10.00	\$42,200.00
14	SIDEWALK DRAIN PIPE	LF	18	\$65.00	\$1,170.00
15	TYPE "D" STORM DRAIN INLET	EA	1	\$7,500.00	\$7,500.00
16	ADJUST EXISTING VALVE/METER BOX	EA	8	\$800.00	\$6,400.00
17	ADJUST EXISTING SEWER MANHOLE	EA	1	\$1,200.00	\$1,200.00
18	THERMOPLASTIC TRAFFIC STRIPING	LF	225	\$3.00	\$675.00
19	THERMOPLASTIC PAVEMENT MARKINGS	EA	1	\$300.00	\$300.00
<b>ST-1</b>				<b>Street Improvement Items Subtotal</b>	<b>\$199,365.00</b>

#### PRELIMINARY ENGINEERING

Item No.	Description	Unit	Quantity	Unit Price	Extension
20	DESIGN ENGINEERING	LS	1	\$45,600.00	\$45,600.00
<b>PE-1</b>				<b>Preliminary Engineering Subtotal</b>	<b>\$45,600.00</b>

#### CONSTRUCTION ENGINEERING

Item No.	Description	Unit	Quantity	Unit Price	Extension
21	CONSTRUCTION MANAGEMENT	LS	1	\$26,600.00	\$26,600.00
<b>CE-1</b>				<b>Construction Engineering Subtotal</b>	<b>\$26,600.00</b>

#### SUMMARY OF CONSTRUCTION COSTS

Section	Description	Subtotal
<b>ST-G</b>	<b>GENERAL ITEMS SUBTOTAL</b>	\$30,900.00
<b>ST-1</b>	<b>STREET IMPROVEMENT ITEMS SUBTOTAL</b>	\$199,365.00
<b>CE-1</b>	<b>CONSTRUCTION ENGINEERING SUBTOTAL</b>	\$26,600.00
	<b>CONSTRUCTION TOTAL</b>	<b>\$256,865.00</b>
	<b>10% CONTINGENCY</b>	\$23,000.00
	<b>CONSTRUCTION TOTAL + 10% CONT.</b>	<b>\$279,865.00</b>
<b>PE-1</b>	<b>PRELIMINARY ENGINEERING SUBTOTAL</b>	\$45,600.00
	<b>PROJECT TOTAL</b>	<b>\$325,465.00</b>



# 7<sup>TH</sup> STREET REHABILITATION PROPOSED IMPROVEMENTS



7<sup>TH</sup> STREET

ELM AVE

PROJECT LIMITS  
WEST

7TH STREET PROPOSED IMPROVEMENTS

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Google Earth



NEW CURB &  
GUTTER

NEW DRAIN  
INLET.  
REPLACE  
W/CITY STD.  
SDDI

EXISTING  
SIDEWALK TO  
REMAIN





PAVEMENT FAILING

EXISTING CROSS SLOPES =  
4 - 4.5%.

COLD PLANE/GRIND  
ROADWAY. EXCAVATE &  
GRADE TO LOWER  
CROWN.

NEW PAVEMENT  
SECTION:  
3" AC PAVEMENT  
10" AGGREGATE BASE

THERMOPLASTIC  
DIAGONAL STRIPING



7TH STREET PROPOSED IMPROVEMENTS





SIDEWALK TO  
REMAIN

NEW CURB &  
GUTTER

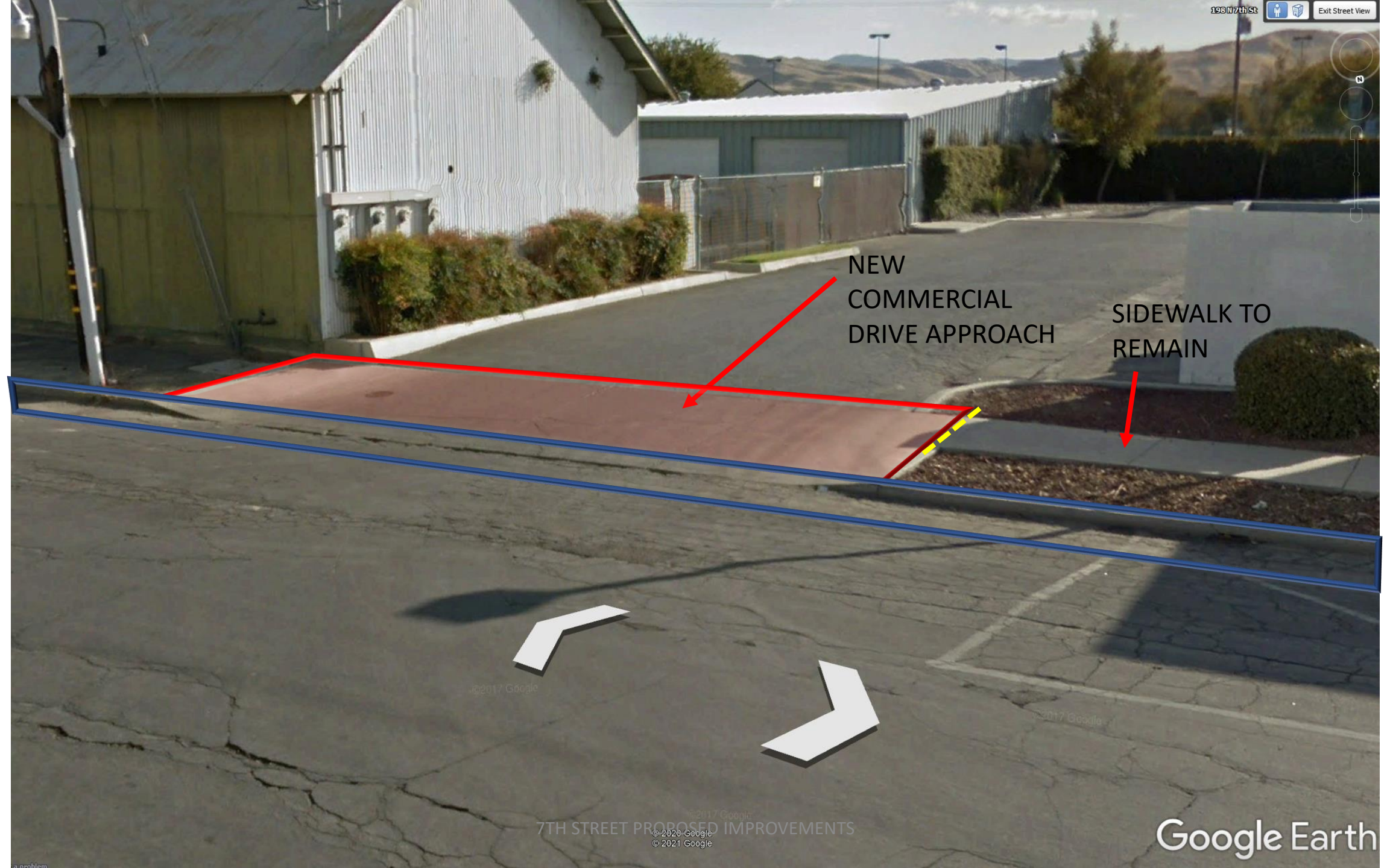


NEW  
COMMERCIAL  
DRIVE APPROACH

SIDEWALK TO  
REMAIN

7TH STREET PROPOSED IMPROVEMENTS

Google Earth





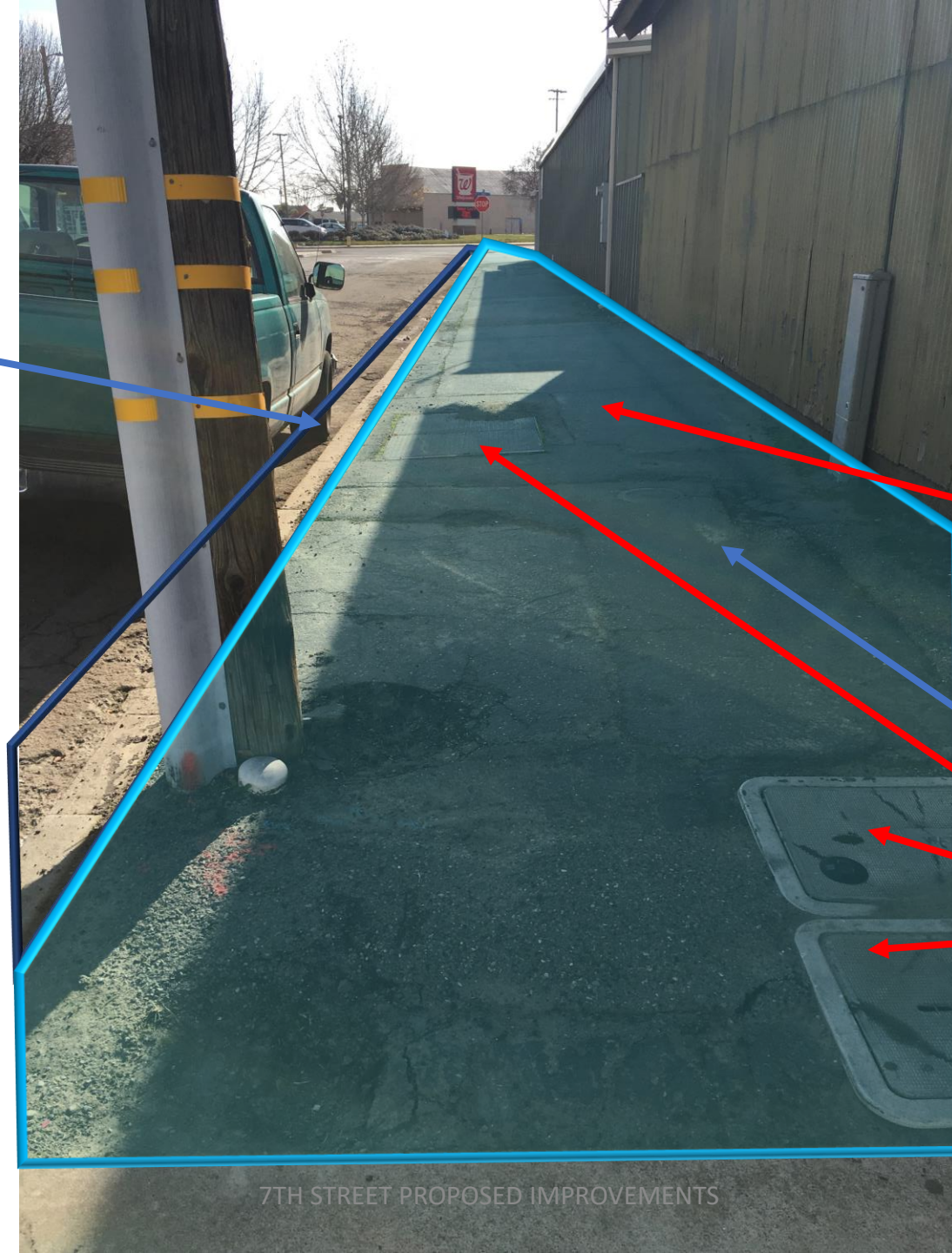
NEW CURB &  
GUTTER

DEMO ALL  
EXISTING AC  
PAVEMENT

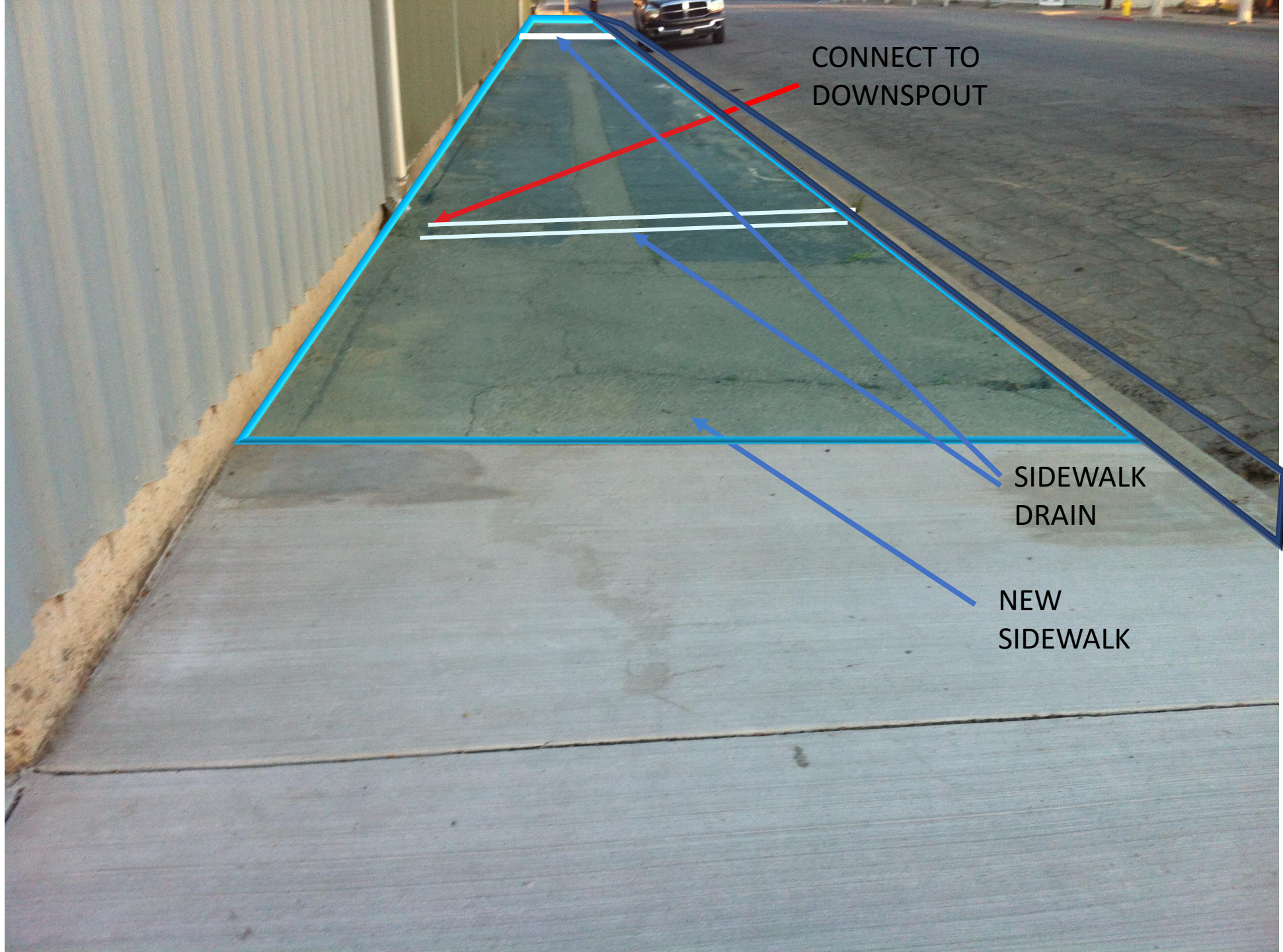
NEW  
SIDEWALK

ADJUST TO  
FINISH GRADE

7TH STREET PROPOSED IMPROVEMENTS







CONNECT TO  
DOWNSPOUT

SIDEWALK  
DRAIN

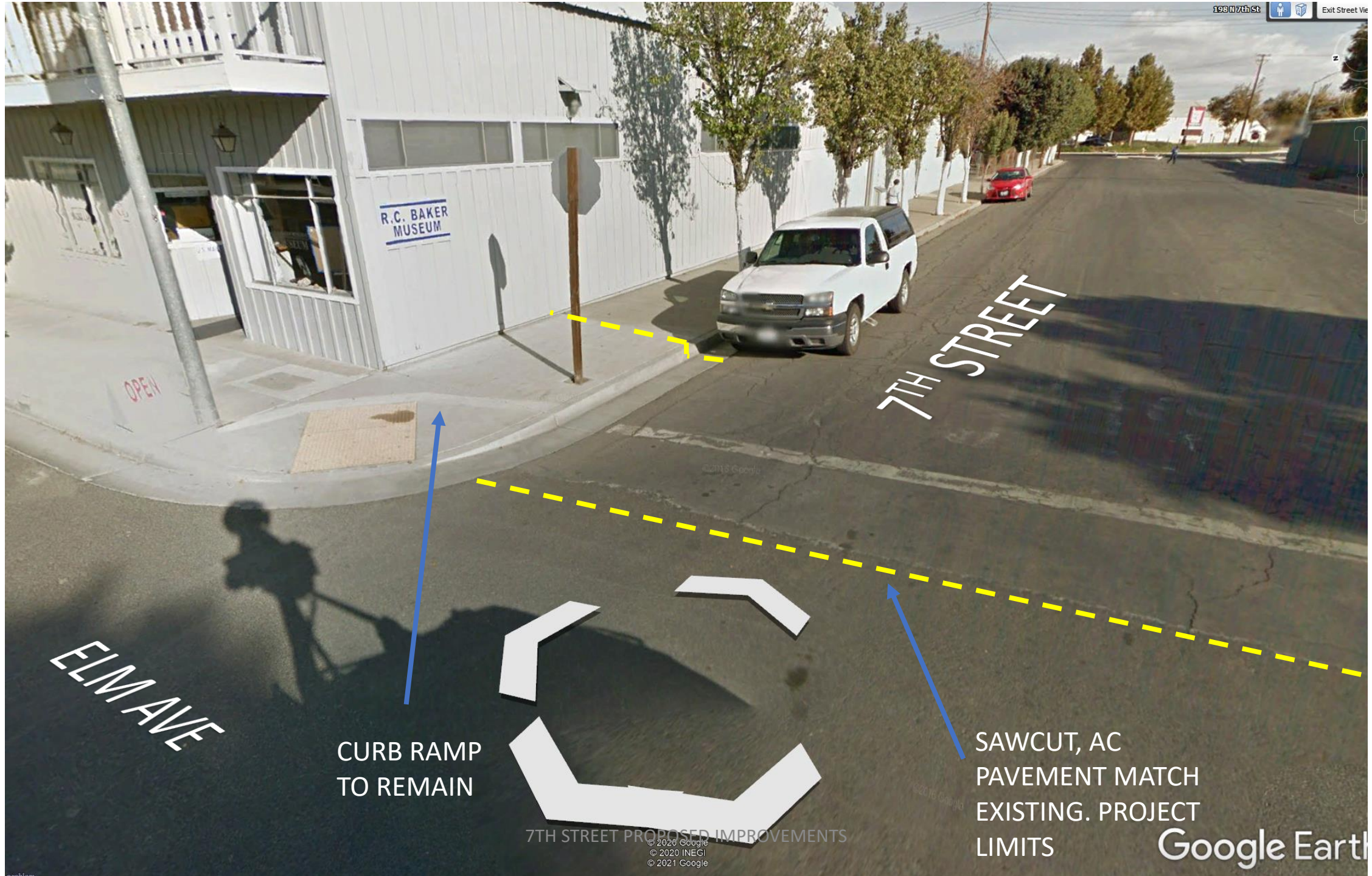
NEW  
SIDEWALK





EXISTING SD  
DRAIN INLET  
TO REMAIN





CURB RAMP  
TO REMAIN

SAWCUT, AC  
PAVEMENT MATCH  
EXISTING. PROJECT  
LIMITS

7TH STREET PROPOSED IMPROVEMENTS

Google Earth

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© 2020 INEGI  
© 2021 Google



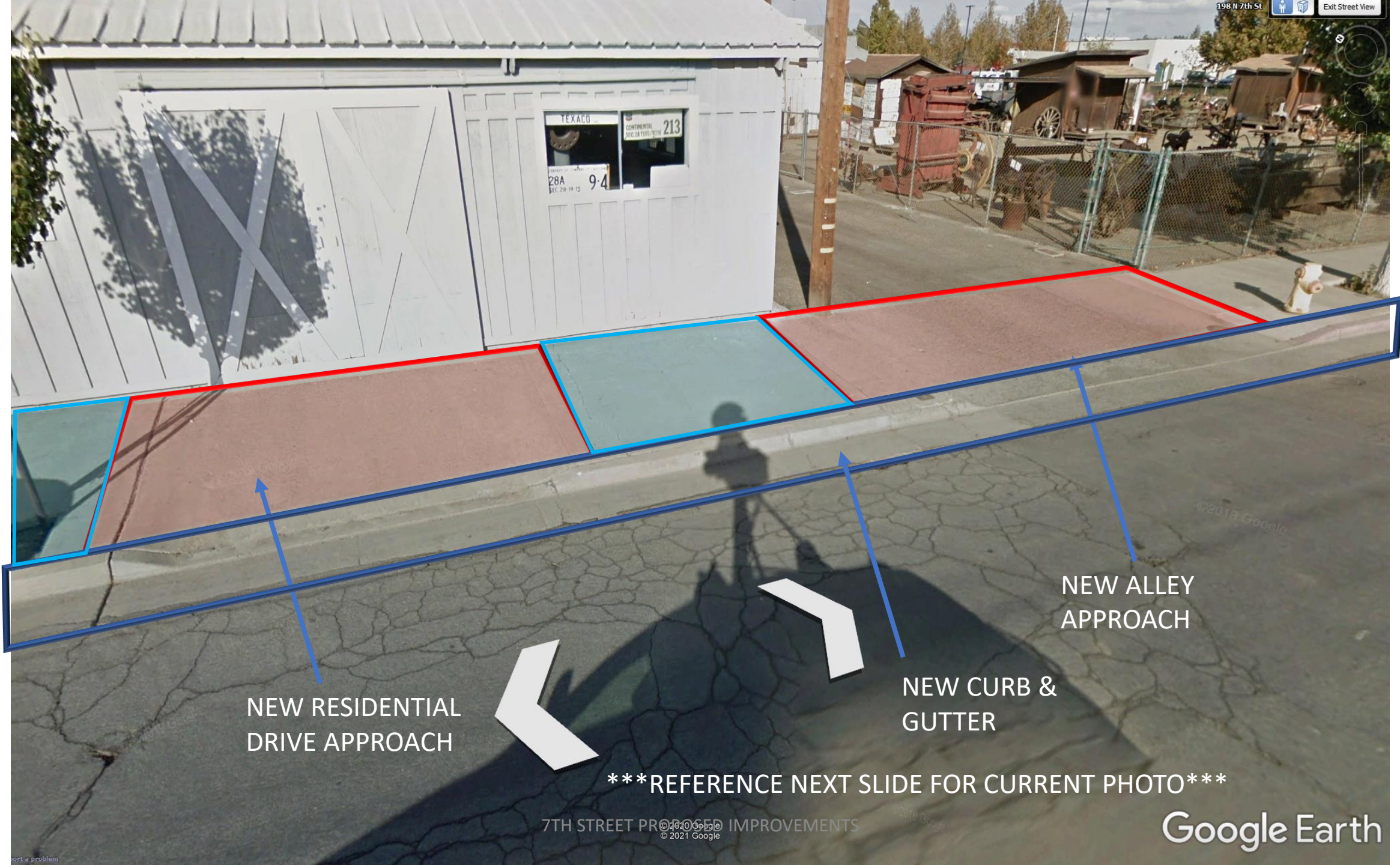


NEW SIDEWALK  
\*\*\*24"X24" TREE WELLS

NEW CURB &  
GUTTER

7TH STREET PROPOSED IMPROVEMENTS





NEW RESIDENTIAL  
DRIVE APPROACH

NEW CURB &  
GUTTER

NEW ALLEY  
APPROACH

\*\*\*REFERENCE NEXT SLIDE FOR CURRENT PHOTO\*\*\*





7TH STREET PROPOSED IMPROVEMENTS





NEW SIDEWALK

EXISTING CURB & GUTTER TO  
REMAIN

7TH STREET PROPOSED IMPROVEMENTS

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© 2020 INEGI  
© 2021 Google



FOREST AVENUE

PROJECT LIMITS  
EAST

7TH STREET PROPOSED IMPROVEMENTS

Google Earth

**STAFF REPORT - CITY COUNCIL/SUCCESSOR AGENCY/PUBLIC FINANCE  
AUTHORITY**

**Subject:** Discussion regarding City-Owned Parks  
**Meeting Date:** February 4, 2021  
**From:** Marissa Trejo, City Manager  
**Prepared by:** Marissa Trejo, City Manager

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**I. RECOMMENDATION:**

This was a future agenda item requested by Councilman Ramirez.

**II. BACKGROUND:**

Councilman Ramirez requested a future agenda item to discuss the use of City owned parks. It is expected the Council will discuss this item during the Council meeting. Staff will provide talking points.

**III. DISCUSSION:**

**IV. ALTERNATIVES:**

**V. FISCAL IMPACT:**

**ATTACHMENTS:**

	File Name	Description
□	Coalinga_Parks_Discussion_Feb.pptx	Presentation

# Coalinga Parks Discussion

CITY COUNCIL FEBRUARY 4, 2021

# City of Coalinga Parks

- City Maintains five (5) Parks
  - Vary from “Pocket” Parks to “Neighborhood” Parks to “Community Parks”
  - Centennial (neighborhood), Sandalwood (neighborhood), Frame (community)
  - Lynch (pocket/plot), Veterans (pocket/plot)
- CHRPD Maintains three (3) Parks
  - Varying from “Community Parks” to “Sports Complexes/Regional Parks”



# Status of Parks due to COVID-19

All parks within Coalinga, both those owned by the City and those owned by CHRPD, are open.

However, the California Department of Public Health has limited Youth and Recreational Sports. These types of activities occur at CHRPD parks, not City parks.

Examples include, but are not limited to the following:

Tennis, walking, hiking – permitted in purple county tier (widespread tier)

Baseball, Softball – permitted in red county tier (substantial tier)

Basketball, Football, Soccer, Volleyball – permitted outdoors only in orange county tier (moderate tier)

# Regional vs. Neighborhood Parks

- **Neighborhood Park**
- Smaller (typically 2-5 acres)
- Serves the citizens living within walking distance of the park.
- Allows for informal activity, passive recreation, and community cohesion.
- No exclusivity to ensure accessibility to the immediate neighborhood.
- Includes playground equipment, playfields, and picnic facilities.
- Larger neighborhood parks may include non-lite tennis courts, volleyball courts, and basketball courts.
- **Examples:** Centennial Park and Sandalwood Park

# Regional vs. Neighborhood Parks (con't)

- **Regional Park**
- Larger (typically 5-20 acres)
- Serves a larger geographic area (1-2 mile radius or more)
- Engage families and visitors for an entire day with multiple and diverse activities and amenities throughout.
- Includes all of the improvements found in a neighborhood park, plus ball diamonds and play fields designed for competitive athletics, tennis and basketball courts, off-street parking, and shelter and restroom facilities.
- Also may include: Lighted playfields, spectator areas, and concession areas.
- **Examples:** Keck Park and Olsen Park & CHRPD Sports Complex

# City Parks

- No Exclusivity
- Limited Hours
- City Parks within Subdivisions have been designated as Neighborhood Parks with the expectation that it would service the single-family homes in the direct vicinity.
- General Plan Goal is to Provide 2.5 acres of park space per 1,000 residents. CDRPD Parks alone meet the City's goal.
- Park space is to be provided either by dedication in-lieu of impact fee payment or through the payment of impact fees if the development is too small to warrant a neighborhood park.

# Intensifying Activity in Neighborhood Parks

- **Traffic** – Designed to serve the surrounding and immediate single/multi family dwellings
  - Walking and/or bicycling to the facility in lieu of using automobile transportation.
  - Increased vehicle trips and parking demand would affect the surrounding properties.
- **Parking** – These facilities are not designed with parking facilities to accommodate the increased traffic and vehicular demand from players and spectators. Parking will leak into the surrounding neighborhoods.
- **Noise** – Noise level may be intensified beyond that of passive recreation. Noise related activities tend to increase beyond that reasonably acceptable to the surrounding neighborhood. This could range from whistles, generators, crowd noise, and amplified music.

# Intensifying Activity in Neighborhood Parks

- **Sanitation** – Neighborhood parks have limited trash receptacle capacity and do not typically have restroom facilities which pose a health and safety risk.
- **General Plan Consistency** – City Plans encourage collaboration with other entities (CHRPD/CHUSD) to provide joint use facilities more appropriate for competitive athletics. CHRPD Sports Complex has ballfields and joint use fields appropriate for soccer or football.
- **Insurance** – Added insurance costs.
- **Operation** – The City does not own or operate any Regional Parks. CHRPD is responsible for the maintenance and operation related to special events, activities, sports and recreation programs.
- **Staffing** – The City does not employ any parks and recreation staff.
- **Prior Environmental Review** – Prior CEQA review limited the potential impacts to traffic since the immediate neighborhood was expected to be the primary users of the facility. Subsequent CEQA review would be necessary to analyze the impacts of intensified activity.