



# CITY of ESCONDIDO

## COUNCIL MEETING AGENDA

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**WEDNESDAY, MAY 11, 2022**

4:00 PM - Closed Session - Cancelled

**5:00 PM - Regular Session**

**Escondido City Council Chambers, 201 North Broadway, Escondido, CA 92025**

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### **WELCOME TO YOUR CITY COUNCIL MEETING**

We welcome your interest and involvement in the legislative process of Escondido. This agenda includes information about topics coming before the City Council and the action recommended by City staff.

#### **MAYOR**

Paul McNamara

#### **DEPUTY MAYOR**

Tina Inscoe (District 2)

#### **COUNCILMEMBERS**

Consuelo Martinez (District 1)

Joe Garcia (District 3)

Michael Morasco (District 4)

#### **CITY MANAGER**

Sean McGlynn

#### **CITY ATTORNEY**

Michael McGuinness

#### **CITY CLERK**

Zack Beck

#### **HOW TO WATCH**

The City of Escondido provides three ways to watch a City Council meeting:

##### **In Person**



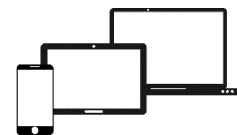
201 N. Broadway

##### **On TV**



Cox Cable Channel 19 and U-verse Channel 99

##### **Online**



[www.escondido.org](http://www.escondido.org)



# CITY of ESCONDIDO

## COUNCIL MEETING AGENDA

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### HOW TO PARTICIPATE

The City of Escondido provides two ways to communicate with the City Council during a meeting:

#### In Person



Fill out Speaker Slip and Submit to City Clerk

#### In Writing



<https://escondido-ca.municodemeetings.com>

### ASSISTANCE PROVIDED

If you need special assistance to participate in this meeting, please contact our ADA Coordinator at 760-839-4869. Notification 48 hours prior to the meeting will enable the city to make reasonable arrangements to ensure accessibility. Listening devices are available for the hearing impaired – please see the City Clerk.





# CITY *of* ESCONDIDO

## COUNCIL MEETING AGENDA

WEDNESDAY, MAY 11, 2022

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### REGULAR SESSION ESCONDIDO JOINT POWERS AUTHORITY 5:00 PM Regular Session

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#### **MOMENT OF REFLECTION**

City Council agendas allow an opportunity for a moment of silence and reflection at the beginning of the evening meeting. The City does not participate in the selection of speakers for this portion of the agenda, and does not endorse or sanction any remarks made by individuals during this time. If you wish to be recognized during this portion of the agenda, please notify the City Clerk in advance.

#### **FLAG SALUTE**

The City Council conducts the Pledge of Allegiance at the beginning of every City Council meeting.

#### **CALL TO ORDER**

Roll Call: Garcia, Inscoc, Martinez, Morasco, McNamara

#### **PROCLAMATIONS**

National Public Works Week, May 15-21, 2022

National Historic Preservation Month, May 2022

Water Awareness Month, May 2022

#### **ORAL COMMUNICATIONS**

In addition to speaking during particular agenda items, the public may address the Council on any item which is not on the agenda provided the item is within the subject matter jurisdiction of the City Council. State law prohibits the Council from discussing or taking action on such items, but the matter may be referred to the City Manager/staff or scheduled on a subsequent agenda. Speakers are limited to only one opportunity to address the Council under Oral Communications.

#### **CONSENT CALENDAR**

Items on the Consent Calendar are not discussed individually and are approved in a single motion. However, Council members always have the option to have an item considered separately, either on their own request or at the request of staff or a member of the public.

#### **1. AFFIDAVITS OF PUBLICATION, MAILING, AND POSTING (COUNCIL/RRB) -**



# CITY of ESCONDIDO

## COUNCIL MEETING AGENDA

WEDNESDAY, MAY 11, 2022

**2. APPROVAL OF WARRANT REGISTER (COUNCIL) -**

Request approval for City Council and Housing Successor Agency warrant numbers:

362489 – 362710 dated April 13, 2022

362711 – 362712 dated April 14, 2022

362713 – 362848 dated April 20, 2022

362849 – 363045 dated April 27, 2022

Staff Recommendation: Approval (Finance Department: Christina Holmes)

**3. APPROVAL OF MINUTES: None scheduled**

**4. \$5,000 LIBRARY INNOVATION LAB GRANT -**

Request the City Council adopt Resolution 2022-44 authorizing the Deputy City Manager/Director of Communications & Community Services to accept the \$5,000 California Humanities 2022 Library Innovation Lab Program grant and the completion of the associated budget adjustment and documents necessary to receive and spend the funding.

Staff Recommendation: Approval (Communications & Community Services Department: Joanna Axelrod)

Presenter: Dara Bradds

a. Resolution 2022-44

**5. BID AWARD FOR THE CITRACADO PARKWAY, ANDREASEN DRIVE TO WEST VALLEY PARKWAY -**

Request the City Council adopt Resolution No. 2022-56, authorizing the Mayor, on behalf of the City, to execute a public improvement agreement with Flatiron West, Inc. for construction of the Citracado Parkway, Andreasen Drive to West Valley Parkway Project ("Project") in the amount of \$23,792,400.50 to complete street improvements and extension of Citracado Parkway from Andreasen Drive to West Valley Parkway.

Staff Recommendation: Approval (Engineering Services Department: Julie Procopio)

Presenter: Julie Procopio

a. Resolution No. 2022-56



# CITY of ESCONDIDO

## COUNCIL MEETING AGENDA

WEDNESDAY, MAY 11, 2022

**6. EMERGENCY DISPATCH EQUIPMENT PURCHASE -**

Request the City Council adopt Resolution No. 2022-49 authorizing the Escondido Police Department to purchase hardware, software, and installation services through approved sole source acquisition from Motorola Solutions, Inc. ("Motorola Solutions"). This purchase will provide a required upgrade to the City of Escondido's ("City") emergency dispatch services. The upgrade includes interoperable two-way radio products which will enhance officer and community safety.

Staff Recommendation: Approval (Police Department: Edward Varso)

Presenter: Edward Varso

a. Resolution No. 2022-49

**7. SCHOOL RESOURCE OFFICER AGREEMENT -**

Request the City Council adopt Ordinance No. 2022-08, giving the Chief of Police authority to sign the School Resource Officer ("SRO") Agreement and other related agreements on behalf of the City. The SRO program allows local schools, the Escondido Police Department, and the community to provide a safe learning environment for students and school staff. The SRO Agreement states that the City will provide one uniformed, regularly appointed, full-time peace officer for the Escondido Union School Districts at a cost of \$136,500, which will be reimbursed by the school district.

Staff Recommendation: Approval (Police Department: Edward Varso)

Presenter: Edward Varso

a. Ordinance No. 2022-08

**8. TREASURER'S INVESTMENT REPORT FOR THE QUARTER ENDED March 31, 2022 -**

Request the City Council receive and file the Quarterly Investment Report for the quarter ended March 31, 2022.

Staff Recommendation: Receive and File (City Treasurer: Douglas Shultz)

Presenter: Douglas Shultz



# CITY of ESCONDIDO

## COUNCIL MEETING AGENDA

WEDNESDAY, MAY 11, 2022

**9. RENEW SIGNATURE AUTHORIZATIONS FOR INVESTING CITY FUNDS IN THE LOCAL AGENCY INVESTMENT FUND -**

Request the City Council adopt Resolution No. 2022-53, renewing the authorization to invest monies not required for immediate cash flow needs in the Local Agency Investment Fund (“LAIF”) which is administered by the State Treasury in accordance with Section 16429.1 of California Government Code.

Staff Recommendation: Receive and File (City Treasurer: Douglas Shultz)

Presenter: Douglas Shultz

a. Resolution 2022-53

**10. THE CITY OF ESCONDIDO'S INVESTMENT POLICY -**

Request the City Council adopt Resolution No. 2022-54, approving the City of Escondido’s May 2022 Investment Policy.

Staff Recommendation: Receive and File (City Treasurer: Douglas Shultz)

Presenter: Douglas Shultz

a. Resolution 2022-54

**11. FY2021 URBAN AREA SECURITY INITIATIVE (UASI) GRANT PROGRAM AND BUDGET ADJUSTMENT -**

Request the City Council accept a FY 2021 Urban Area Security Initiative (“UASI”) Grant Award in the amount of \$31,000; request the City Council accept a FY 2020 UASI Grant Amendment in the amount of \$57,140; authorize the Fire Chief or his designee to execute grant documents on behalf of the City of Escondido (“City”); and approve the budget adjustment needed to spend grant funds (see Attachment “1”).

Staff Recommendation: Approval (Fire Department: Rick Vogt)

Presenter: Art Holcomb

**12. GRAND VISION PROJECT PHASE I; - REQUEST THE CITY COUNCIL AUTHORIZE CHANGE ORDERS FOR THE GRAND VISION PROJECT PHASE 1 -**

Request the City Council adopt Resolution No. 2022-57 to authorize change orders for the Grand Vision Project Phase I (Project).

Staff Recommendation: Approval (Engineering Services Department: Julie Procopio)

Presenter: Jonathan Schauble

a. Resolution No. 2022-57



# CITY of ESCONDIDO

## COUNCIL MEETING AGENDA

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**13. APPROVAL OF FUNDS FOR LAKE HENSHAW ALGAE MITIGATION ACTIVITIES -**

Request the City Council adopt Resolution 2022-55, agreeing to equally share the cost of managing, mitigating, and treating harmful algal blooms in Lake Henshaw. The cost of algae mitigation shall be split equally between the City of Escondido (“City”) and the Vista Irrigation District (“VID”) pursuant to the Agreement Between the City of Escondido and the Vista Irrigation District for the Allocation and Management of Local Water Facilities, executed in January 2017 (“Local Entities’ Agreement”). The City of Escondido’s share of the cost for algae mitigation shall not exceed \$300,000.

Staff Recommendation: Approval (Utilities Department, Water Division: Christopher W. McKinney)

Presenter: Reed Harlan

- a. Resolution No. 2022-55

### **CONSENT RESOLUTIONS AND ORDINANCES (COUNCIL/RRB)**

The following Resolutions and Ordinances were heard and acted upon by the City Council/RRB at a previous City Council/Mobilehome Rent Review meeting. (The title of Ordinances listed on the Consent Calendar are deemed to have been read and further reading waived.)

**14. AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF ESCONDIDO, CALIFORNIA, APPROVING THE ESCONDIDO POLICE DEPARTMENT MILITARY EQUIPMENT USE POLICY -**

Approved on April 20, 2022 with a vote of 5/0

- a. Ordinance No. 2022-07 (Second Reading and Adoption)



# CITY of ESCONDIDO

## COUNCIL MEETING AGENDA

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### CURRENT BUSINESS

**15. APPROVAL TO EXECUTE A WATER INFRASTRUCTURE FINANCE AND INNOVATION ACT (WIFIA) LOAN FOR THE LAKE WOHLFORD DAM REPLACEMENT PROJECT -**

Request the City Council take the following actions:

Adopt Resolution No. 2022-03, approving execution of a loan agreement in an amount not to exceed \$66,000,000 from the U.S. Environmental Protection Agency, Water Infrastructure Finance and Innovation Act ("WIFIA") Program for construction costs associated with the Lake Wohlford Dam Replacement Project.

Authorize the Mayor, or his designee, to execute all documents related to this transaction.

It is requested that the Escondido Joint Powers Authority adopt Resolution No. EJPFA 2022-01, authorizing the execution and delivery of a WIFIA Loan Agreement, a WIFIA Note, an Installment Purchase Agreement, and certain documents and other matters in connection therewith (water system).

Staff Recommendation: Approval (Utilities Department: Christopher W. McKinney)

Presenter: Angela Morrow

a. Resolution No. 2022-03

b. Resolution No. EJPFA 2022-01

**16. FINANCIAL REPORT FOR THE QUARTER ENDED MARCH 31, 2022 AND BUDGET ADJUSTMENT REQUEST-**

Request the City Council receive and file the third quarter financial report and approve a budget adjustment to amend the Fiscal Year 2021/22 operating budget.

Staff Recommendation: Approval (Finance Department: Christina Holmes)

Presenters: Christina Holmes and Michelle Collett

### WORKSHOP

**17. FISCAL YEAR 2022/23 OPERATING BUDGET BRIEFING -**

Request the City Council provide direction regarding the Fiscal Year 2022/23 General Fund Operating Budget.

Staff Recommendation: Provide Direction (Finance Department: Christina Holmes)

Presenter: Christina Holmes





# CITY of ESCONDIDO

## COUNCIL MEETING AGENDA

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### **18. FIVE-YEAR CAPITAL IMPROVEMENT PROGRAM AND FISCAL YEAR 2022/23 CAPITAL IMPROVEMENT PROGRAM BUDGET STATUS -**

Request the City Council review the proposed Fiscal Year 2022/23 Five-Year Capital Improvement Program and Budget and authorize staff to return with the Fiscal Year 2022/23 Capital Improvement Program and Budget for final adoption on June 8, 2022.

Staff Recommendation: Provide Direction (Finance Department: Christina Holmes)

Presenter: Edrilyn D. Cruz

### **FUTURE AGENDA**

#### **19. FUTURE AGENDA**

The purpose of this item is to identify issues presently known to staff or which members of the City Council wish to place on an upcoming City Council agenda. Council comment on these future agenda items is limited by California Government Code Section 54954.2 to clarifying questions, brief announcements, or requests for factual information in connection with an item when it is discussed.

Staff Recommendation: None (City Clerk's Office: Zack Beck)

### **COUNCILMEMBERS SUBCOMMITTEE REPORTS AND OTHER REPORTS**

#### **CITY MANAGER'S WEEKLY ACTIVITY REPORT**

The most current information from the City Manager regarding Economic Development, Capital Improvement Projects, Public Safety, and Community Development. This report is also available on the City's website, [www.escondido.org](http://www.escondido.org).

#### **ORAL COMMUNICATIONS**

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#### **ADJOURNMENT**

#### **UPCOMING MEETING SCHEDULE**

Wednesday, May, 25, 2022	4:00 & 5:00 PM	Regular Meeting, <i>Council Chambers</i>
Wednesday, June, 08, 2022	4:00 & 5:00 PM	Regular Meeting, <i>Council Chambers</i>

#### **SUCCESSOR AGENCY**



# CITY *of* ESCONDIDO

COUNCIL MEETING AGENDA

WEDNESDAY, MAY 11, 2022

Members of the Escondido City Council also sit as the Successor Agency to the Community Development Commission, Escondido Joint Powers Financing Authority, and the Mobilehome Rent Review Board.



**AFFIDAVITS**  
**OF**  
**ITEM**  
**POSTING**



# STAFF REPORT

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May 11, 2022  
File Number 0400-40

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## **SUBJECT**

APPROVAL OF WARRANT REGISTER (COUNCIL)

## **DEPARTMENT**

Finance

## **RECOMMENDATION**

Request approval for City Council and Housing Successor Agency warrant numbers:

362489 – 362710 dated April 13, 2022

362711 – 362712 dated April 14, 2022

362713 – 362848 dated April 20, 2022

362849 – 363045 dated April 27, 2022

Staff Recommendation: Approval (Finance Department: Christina Holmes)

## **FISCAL ANALYSIS**

The total amount of the warrants for the following periods are as follows:

April 7 – April 13, 2022, is \$7,784,762.41

April 14 – April 20, 2022, is \$1,514,822.38

April 21 – April 27, 2022, is \$2,986,088.32

## **BACKGROUND**

The Escondido Municipal Code Section 10-49 states that warrants or checks may be issued and paid prior to audit by the City Council, provided the warrants or checks are certified and approved by the Director of Finance as conforming to the current budget. These warrants or checks must then be ratified and approved by the City Council at the next regular Council meeting.



**APPROVAL**  
**OF**  
**MINUTES**



# STAFF REPORT

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May 11, 2022  
File Number 0480-70

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## SUBJECT

**\$5,000 LIBRARY INNOVATION LAB GRANT**

## DEPARTMENT

Library

## RECOMMENDATION

Request the City Council adopt Resolution 2022-44 authorizing the Deputy City Manager/Director of Communications & Community Services to accept the \$5,000 California Humanities 2022 Library Innovation Lab Program grant and the completion of the associated budget adjustment and documents necessary to receive and spend the funding.

Staff Recommendation: Approval (Communications & Community Services: Joanna Axelrod)

Presenter: Dara Bradds, Library Director

## FISCAL ANALYSIS

There is no impact to the General Fund.

## PREVIOUS ACTION

None.

## BACKGROUND

Now entering its fifth year, the California Humanities Library Innovation Lab program supports the design and delivery of responsive and relevant public humanities programming in California's public libraries. The program provides a nine-month practice-based professional development experience and a cash grant of \$5,000 to ten participating library programmers each year. To date, 52 California libraries from across the state have participated in the program which aims to provide welcoming experiences for immigrants and foster more inclusive communities.

The Escondido Public Library will use this professional development opportunity to collaborate with a cohort of other library innovators to research, design, and implement an initiative around welcoming immigrants through cultural programming.



# CITY *of* ESCONDIDO

## STAFF REPORT

### RESOLUTIONS

- A. Resolution 2022-44

### ATTACHMENTS

- A. Budget Adjustment

## RESOLUTION NO. 2022-44

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF ESCONDIDO, CALIFORNIA, AUTHORIZING THE DEPUTY CITY MANAGER/DIRECTOR OF COMMUNICATIONS & COMMUNITY SERVICES TO EXECUTE, ON BEHALF OF THE CITY, A BUDGET ADJUSTMENT AND NECESSARY DOCUMENTS TO ACCEPT AND EXPEND FUNDS FROM THE 2022 CALIFORNIA HUMANITIES LIBRARY INNOVATION LAB GRANT PROGRAM

WHEREAS, California Humanities is a nonprofit organization and partner of the National Endowment for the Humanities and has a mission to connect Californians to ideas and one another in order to understand our shared heritage and diverse cultures, inspire civic participation, and shape our future; and

WHEREAS, California Humanities is in its fifth year of funding the Library Innovation Lab, a nationally recognized program, meant to train and develop professional library programmers to design and implement new public humanities projects that reach and engage underserved immigrant groups in California; and

WHEREAS, the City of Escondido celebrates and supports its culturally diverse community and aims to offer programming that reaches and engages with all community members; and

WHEREAS, the Escondido Public Library has been selected by California Humanities to receive a \$5,000 grant and participate in the 2022 Library Innovation Lab cohort.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Escondido, California:

1. That the above recitations are true.



2. That the City Council authorizes the Deputy City Manager/Director of Communications & Community Services to execute, on behalf of the City, a Budget Adjustment and necessary documents to accept and expend funds from the 2022 California Humanities Library Innovation Lab Grant Program



**CITY OF ESCONDIDO**  
**BUDGET ADJUSTMENT REQUEST**

For Finance Use Only	
Log #	_____
Fiscal Year	_____
_____	Budget Balances
_____	General Fund Accts
_____	Revenue
_____	Interfund Transfers
_____	Fund Balance

Date of Request: 4/26/22  
 Department: Library  
 Division: \_\_\_\_\_  
 Project/Budget Manager: Joanna Axelrod 4871  
 Name Extension  
 Council Date (if applicable): 5/11/22  
 (attach copy of staff report)

Project/Account Description	Account Number	Amount of Increase	Amount of Decrease
Grant from California Humanities	4121-401-449204	\$5,000	
2022 Library Innovation Lab Program	401-449204	\$5,000	

Explanation of Request:  
 Grant funding from California Humanities 2022 Library Innovation Lab program to support professional and program development.

**APPROVALS**

DocuSigned by: <i>Joanna Axelrod</i>	4/27/2022		
Department Head	Date	City Manager	Date
DocuSigned by: <i>Jodi Coco</i>	4/27/2022		
Finance	Date	City Clerk	Date

Distribution (after approval): Original: Finance  
 FM105 (Rev.11/06)



# STAFF REPORT

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May 11, 2022  
File Number 0600-10

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## SUBJECT

**BID AWARD FOR THE CITRACADO PARKWAY, ANDREASEN DRIVE TO WEST VALLEY PARKWAY; -**

## DEPARTMENT

Engineering Services

## RECOMMENDATION

Request the City Council adopt Resolution No. 2022-56, authorizing the Mayor, on behalf of the City, to execute a public improvement agreement with Flatiron West, Inc. for construction of the Citracado Parkway, Andreasen Drive to West Valley Parkway Project ("Project") in the amount of \$23,792,400.50 to complete street improvements and extension of Citracado Parkway from Andreasen Drive to West Valley Parkway.

Staff Recommendation: Approval (Engineering Services Department: Julie Procopio)

Presenter: Julie Procopio, Director of Engineering Services

## FISCAL ANALYSIS

Funds in the amount of \$29.7 million remain in the Project budget, including a \$12.5 million Local Partnership Program grant, a competitive grant selected by Caltrans. The engineer's cost estimate was updated in December 2021, and provided the anticipated range for cost of construction to be between \$27.5 and \$30.6 million. The Capital Improvement Program ("CIP") budget includes programming toward the project of \$2.3 million in Traffic Impact Fees in Fiscal Year 22/23.

## PREVIOUS ACTION

On April 18, 2012, the Council adopted Resolution No. 2012-40 approving the Specific Alignment Plan and certifying and approving the Final Environmental Impact Report, CEQA Findings, Statement of Overriding Considerations, and Mitigation Monitoring and Reporting Program for the Citracado Parkway Extension Project.

On May 26, 2021 the City Council adopted Resolution No. 2021-82, certifying and approving Addenda's 1 and 2 to an adopted EIR prepared for the Citracado Parkway Extension Project (ER 2006-10, ENG12-0011).



# CITY of ESCONDIDO

## STAFF REPORT

### BACKGROUND

The Citracado Parkway Extension Project will complete construction of the missing section of Citracado Parkway from Andreasen Drive to Harmony Grove Village Parkway, and widen the existing roadway segment between Avenida Del Diablo to West Valley Parkway. Planned improvements include pavement, curb, gutter, sidewalk, a Class 2 bike lane, updated and new street lights, landscaped medians-parkways-embankments, and sound walls. Major intersections will be signalized and a bridge structure constructed over Escondido Creek providing a major southern access to Palomar Hospital.

On April 21, 2022, four sealed bids were received in response to the advertised request for bids for the Project. The confirmed totals for the base bids are listed below:

Flatiron West, Inc.	\$23,792,400.50
Security Paving	\$25,904,990.20
Ortiz Enterprises, Inc.	\$26,298,637.26
SEMA Construction, Inc.	\$29,167,413.47

Staff recommends that the bid submitted by Flatiron West, Inc. be considered the lowest responsive and responsible bid, and that a contract be awarded to Flatiron West, Inc. in the amount of \$23,792,400.50. Flatiron West, Inc.’s bid was below the Engineer’s Estimate range of \$27,500,000 to \$30,600,000.

During the bid process, prospective bidders commented that the timeline for construction needed to be lengthened considering the environmental, cultural and utility relocation timelines. An addendum was issued adding two months to the contract duration. The highly competitive bid prices received were partially due to this change. City staff will return to the City Council in June to request changes to construction management contracts to reflect the extended construction period.

In January 2022, SDG&E and its contractor began relocation of their transmission electric facilities that conflict with the project. SDG&E’s relocation work is still on-going, and is anticipated to be completed prior to the start of Project.

City staff and the construction management team are preparing public outreach information to be shared with the community in advance of construction. It is anticipated that construction will begin during Fall 2022 and be completed by Summer 2024.

### RESOLUTIONS

- A. Resolution No. 2022-56
- B. Resolution No. 2022-56 - Exhibit A – Public Improvement Agreement

## RESOLUTION NO. 2022-56

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF ESCONDIDO, CALIFORNIA, AUTHORIZING THE MAYOR TO EXECUTE, ON BEHALF OF THE CITY, A PUBLIC IMPROVEMENT AGREEMENT FOR THE CITRACADO PARKWAY, ANDREASEN DRIVE TO WEST VALLEY PARKWAY PROJECT

WHEREAS, the City Council has allocated funding in the adopted Capital Improvement Program Budget for the Citracado Parkway, Andreasen Drive to West Valley Parkway Project; and

WHEREAS, a notice inviting bids for said improvements was duly published; and

WHEREAS, pursuant to said notice, four sealed bids for the project were opened and evaluated on April 21, 2022; and

WHEREAS, Flatiron West, Inc. was determined to be the lowest responsive and responsible bidder; and

WHEREAS, this City Council desires at this time and deems it to be in the best public interest to authorize a Public Improvement Agreement to Flatiron West, Inc. in the amount of \$23,792,400.50.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Escondido, California:

1. That the above recitations are true.
2. That the City Council authorizes the Mayor to execute, on behalf of the City, a Public Improvement Agreement with Flatiron West, Inc., in a substantially similar form to that which is attached and incorporated to this Resolution as Exhibit "A", and subject to final approval as to form by the City Attorney.



CITY OF ESCONDIDO  
PUBLIC IMPROVEMENT AGREEMENT

This Public Improvement Agreement (“Agreement”) is made and entered into as of this \_\_\_\_ day of \_\_\_\_\_, 2022 (“Effective Date”),

Between: CITY OF ESCONDIDO  
a California municipal corporation  
201 N. Broadway  
Escondido, CA 92025  
Attn: Matt Souttere  
760-839-4574  
("CITY")

And: Flatiron West, Inc.  
a Delaware corporation  
12121 Scripps Summit Drive, Suite 400  
San Diego, CA, 92131  
Attn: Mario Martinez, Vice President  
760-916-9100  
("CONTRACTOR").

(The CITY and CONTRACTOR each may be referred to herein as a “Party” and collectively as the “Parties.”)

WHEREAS, the Parties desire to enter into this Agreement for the performance of work relating to the Citracado Parkway Project (“Project”), occurring between West Valley Parkway and Andreasen Drive in the City of Escondido (“Property”), as further described herein.

NOW, THEREFORE, in consideration of the mutual covenants, promises, terms, and conditions set forth herein, and the mutual benefits derived therefrom, the Parties hereby agree as follows:

1. Project Documents. The Notice Inviting Sealed Bids/Notice to Contractors, Instructions to Bidders, Bid Form, Designation of Subcontractors, Workers' Compensation Certificate, Change Orders, Shop Drawing Transmittals, Information Required of CONTRACTOR, Non-collusion Affidavit, Insurance Certificates, Guarantees, General Conditions, Supplementary General Conditions, Special Conditions, Plans, Drawings, Specifications, the Agreement, and all modifications, addenda, and amendments thereto (“Project Documents”) are incorporated herein by this reference as if fully set forth herein. The Project Documents are complementary, and what is called for by any one shall be as binding as if called for by all.

2. Description and Performance of Work. CONTRACTOR shall furnish all work described in the Project Documents (“Work”).
3. Compensation. In exchange for CONTRACTOR’s completion of the Work, the CITY shall pay, and CONTRACTOR shall accept in full, an amount not to exceed the sum of **\$23,792,400.50** (“Contract Price”). CONTRACTOR shall be compensated only for performance of the Work described in this Agreement. No compensation shall be provided for any other work or services without the CITY’s prior written consent.
4. Term and Time of Performance. CONTRACTOR shall commence work within one week from the CITY’s notice to proceed. CONTRACTOR shall diligently perform and complete the Work with professional quality and technical accuracy by 350 working days from the Notice to Proceed Date established at the project pre-construction meeting (“Completion Date”). Extension of terms or time of performance shall be subject to the CITY’s sole discretion.
5. Time Is of the Essence. If the Work is not completed by the Completion Date, it is understood that the CITY will suffer damage. It being impractical and infeasible to determine the amount of actual damage, in accordance with Government Code section 53069.85, the Parties agree that CONTRACTOR shall pay to the CITY as fixed and liquidated damages, and not as a penalty, the sum of \$1,500 per day for each calendar day of delay until the Work is completed and accepted (“Liquidated Damages Amount”). The Liquidated Damages Amount shall be deducted from any payments due to, or that become due to, CONTRACTOR. CONTRACTOR and CONTRACTOR’S surety shall be liable for the Liquidated Damages Amount.
6. Insurance Requirements.
  - a. CONTRACTOR shall procure and maintain, at its own cost, during the entire term of this Agreement, insurance against claims for injuries to persons or damages to property that may arise from or in connection with the performance of the Work, and the results of such Work, by CONTRACTOR, its agents, representatives, employees, or subcontractors. Insurance coverage shall be at least as broad as the following:
    - (1) *Commercial General Liability.* Insurance Services Office (“ISO”) Form CG 0001 11188 covering Commercial General Liability on an “occurrence” basis, including products and completed operations, property damage, bodily injury (including emotional distress), sickness, disease, or death of any person other than the CONTRACTOR’s employees, and personal and advertising injury, and damages because of injury or destruction of tangible property, including loss of use resulting there from, with limits no less than \$3,000,000 combined single limit coverage per occurrence for bodily injury and property damage; or, if a general aggregate limit is applicable, either: (i) the general aggregate limit shall specifically apply to the project identified in the bid specifications or to the location of such project which is the subject of these bid specifications with coverage to be no less than \$3,000,000, or (ii) the general aggregate shall be at least \$3,000,000 combined single limit coverage per occurrence for bodily injury and property damage.
    - (2) *Automobile Liability.* ISO Form CA 00 01 covering any auto (Code 1), or if CONTRACTOR has no owned autos, hired (Code 8) and non-owned autos (Code 9), including damages because of bodily injury, death of a person, or property damage arising out of the ownership, maintenance, or use of a motor vehicle, all mobile equipment, and vehicles moving under CONTRACTOR’s control and engaged in the Work, with limits no less than \$3,000,000 combined single limit per accident for bodily injury and property damage.

- (3) *Workers' Compensation.* Workers' Compensation as required by the State of California, with Statutory Limits, and Employer's Liability Insurance with limits of no less than \$1,000,000 per accident for bodily injury or disease.
  - (4) *Fire Insurance.* Intentionally Omitted.
  - (5) *Builder's Risk/"All Risk" Insurance.* The CONTRACTOR, during the progress of the Work and until final acceptance of the Work by CITY, shall maintain Builder's Risk/"All Risk," course-of-construction insurance satisfactory to CITY issued on a completed value basis of all WORK pursuant to this Agreement. Coverage is to provide extended coverage and insurance against vandalism, theft, malicious mischief, perils of fire, sprinkler leakage, civil authority, sonic boom, earthquake, collapse, flood, wind, lightning, smoke, riot, debris removal (including demolition), and reasonable compensation for the Engineer's services and expenses required as a result of such insured loss upon the Work, including completed Work and Work in progress to the full insurable value thereof. Such insurance shall include the CITY and the City Engineer as an additional named insured and any other person with an insurable interest designated.
  - (6) If CONTRACTOR maintains broader coverage and/or higher limits than the minimums otherwise required by this Agreement, the CITY requires and shall be entitled to the broader coverage and/or the higher limits maintained by CONTRACTOR.
- b. Each insurance policy required by this Agreement must be acceptable to the City Attorney and shall meet the following requirements:
- (1) *Compliance with General Condition Requirements.* Insurance coverage shall comply with and meet all requirements set forth in Article 5.2 of General Conditions
  - (2) *Acceptability of Insurers.* Insurance coverage must be provided by an insurer authorized to conduct business in the state of California with a current A.M. Best's rating of no less than A-VII, or as approved by the CITY.
  - (3) *Additional Insured Status.* Both the Commercial General Liability and the Automobile Liability policies must name the CITY (including its officials, officers, agents, employees, and volunteers) specifically as an additional insured under the policy on a separate endorsement page. The Commercial General Liability additional insured endorsement shall be at least as broad as ISO Form CG 20 10 11 85, or if not available, through the addition of *both* CG 20 10, CG 20 26, CG 20 33, or CG 20 38, *and* CG 20 37 if a later edition is used. The Automobile Liability additional insured endorsement shall be at least as broad as ISO Form CA 20 01.
  - (4) *Primary Coverage.* CONTRACTOR's insurance coverage shall be primary coverage at least as broad as ISO CG 20 01 04 13 with respect to the CITY, its officials, officers, agents, employees, and volunteers. Any insurance or self-insurance maintained by the CITY, its officials, officers, agents, employees, or volunteers shall be in excess of CONTRACTOR's insurance and shall not contribute with it.
  - (5) *Notice of Cancellation.* Each insurance policy shall provide that coverage shall not be canceled, except with prior written notice to the CITY.



- (6) *Subcontractors.* If applicable, CONTRACTOR shall require and verify that all subcontractors maintain insurance meeting all the requirements stated within this Agreement, and CONTRACTOR shall ensure that the CITY (including its officials, officers, agents, employees, and volunteers) is an additional insured on any insurance required from a subcontractor.
  - (7) *Waiver of Subrogation.* CONTRACTOR hereby grants to the CITY a waiver of any right to subrogation that any insurer of CONTRACTOR may acquire against the CITY by virtue of the payment of any loss under such insurance. CONTRACTOR agrees to obtain any endorsement that may be necessary to affect this waiver of subrogation, but this subsection shall apply regardless of whether or not the CITY has received a waiver of subrogation endorsement from the insurer. Any Workers' Compensation policy required by this Agreement shall be endorsed with a waiver of subrogation in favor of the CITY for all work performed by the CONTRACTOR, its agents, representatives, employees and subcontractors.
  - (8) *Self-Insurance.* CONTRACTOR may, with the CITY's prior written consent, fulfill some or all of the insurance requirements contained in this Agreement under a plan of self-insurance. CONTRACTOR shall only be permitted to utilize such self-insurance if, in the opinion of the CITY, CONTRACTOR's (i) net worth and (ii) reserves for payment of claims of liability against CONTRACTOR are sufficient to adequately compensate for the lack of other insurance coverage required by this Agreement. CONTRACTOR's utilization of self-insurance shall not in any way limit the liabilities assumed by CONTRACTOR pursuant to this Agreement.
  - (9) *Self-Insured Retentions.* Self-insured retentions must be declared to and approved by the CITY.
- c. *Verification of Coverage.* At the time CONTRACTOR executes this Agreement, CONTRACTOR shall provide the CITY with original Certificates of Insurance including all required amendatory endorsements (or copies of the applicable policy language effecting the insurance coverage required by this Agreement), which shall meet all requirements under this Agreement. The CITY reserves the right to require complete, certified copies of all required insurance policies, including endorsements required by this Agreement, at any time.
  - d. *Special Risks or Circumstances.* The CITY reserves the right, at any point during the term of this Agreement, to modify the insurance requirements in this Agreement, including limits, based on the nature of the risk, prior experience, insurer, coverage, or other special circumstances.
  - e. *No Limitation of Obligations.* The insurance requirements within this Agreement, including the types and limits of insurance coverage CONTRACTOR must maintain, and any approval of such insurance by the CITY, are not intended to and shall not in any manner limit or qualify the liabilities and obligations otherwise assumed by CONTRACTOR pursuant to this Agreement, including but not limited to any provisions within this Agreement concerning indemnification.
  - f. *Compliance.* Failure to comply with any of the insurance requirements in this Agreement, including but not limited to a lapse in any required insurance coverage during the term of this Agreement, shall be a material breach of this Agreement. Compliance by CONTRACTOR with the requirement to carry insurance and furnish certificates, policies, Additional Insured Endorsement and Declarations Page evidencing the same shall not relieve the CONTRACTOR from liability assumed under any provision of this Agreement, including,

without limitation, the obligation to defend and indemnify the CTY and the City Engineer. In the event that CONTRACTOR fails to comply with any insurance requirement set forth in this Agreement, in addition to any other remedies the CITY may have, the CITY may, at its sole option, (i) immediately terminate this Agreement; or (ii) order CONTRACTOR to stop Work under this Agreement and/or withhold any payment that becomes due to CONTRACTOR until CONTRACTOR demonstrates compliance with the insurance requirements in this Agreement.

7. Indemnification, Duty to Defend, and Hold Harmless.

- a. CONTRACTOR (including CONTRACTOR's agents, employees, and subcontractors, if any) shall indemnify, defend, and hold harmless the CITY, its officials, officers, agents, employees, and volunteers from and against any and all claims, demands, actions, causes of action, proceedings (including but not limited to legal and administrative proceedings of any kind), suits, fines, penalties, judgments, orders, levies, costs, expenses, liabilities, losses, damages, or injuries, in law or equity, including without limitation the payment of all consequential damages and attorney's fees and other related litigation costs and expenses (collectively, "Claims"), of every nature caused by, arising out of, or in connection with CONTRACTOR's (including CONTRACTOR's agents, employees, and subcontractors, if any) Work pursuant to this Agreement or its failure to comply with any of its obligations contained herein, except where caused by the active negligence, sole negligence, or willful misconduct of the CITY.
- b. CONTRACTOR (including CONTRACTOR's agents, employees, and subcontractors, if any) shall indemnify, defend, and hold harmless the CITY, its officials, officers, agents, employees, and volunteers from and against any and all Claims caused by, arising under, or resulting from any violation, or claim of violation, of the San Diego Municipal Storm Water Permit (Order No. R9-2013-0001, as amended) of the California Regional Water Quality Control Board, Region 9, San Diego, that the CITY might suffer, incur, or become subject to by reason of, or occurring as a result of, or allegedly caused by, any Work performed pursuant to this Agreement.
- c. All terms and provisions within this Section 7 shall survive the termination of this Agreement.

8. Bonds.

- a. CONTRACTOR shall furnish and deliver to the CITY, simultaneously with the execution of this Agreement, the following surety bonds:
  - (1) *Faithful Performance Bond.* CONTRACTOR shall furnish to the CITY a surety bond in an amount equal to the Contract Price as security for faithful performance of this Agreement.
  - (2) *Labor and Materials Bond.* CONTRACTOR shall furnish to the CITY a surety bond in an amount equal to the Contract Price as security for payment to persons performing labor and furnishing materials in connection with the Project.
- b. All bonds furnished to the CITY pursuant to this Agreement shall be in the form set forth herein and approved by the City Attorney.
- c. All bonds shall be executed by sureties that are named in the current list of "Companies Holding Certificates of Authority as Acceptable Sureties on Federal bonds and as Acceptable Reinsuring Companies" as published in Circular 570 (amended) by the Audit Staff, Bureau of

Government Financial Operations, U.S. Treasury Department. All bonds signed by an agent must be accompanied by a certified copy of such agent's authority to act.

- d. If the surety on any bond furnished by the CONTRACTOR is declared bankrupt or becomes insolvent or its right to do business is terminated in any state where any part of the Work is located, the CONTRACTOR shall, within seven days thereafter, substitute another bond and surety, which must be acceptable to the CITY. No portion of the Work shall be performed without bonds, in a form and issued by a surety acceptable to the City. If one or more of such bonds shall, at any time, not be in full force and effect, CONTRACTOR shall immediately cease performance of the Work until CONTRACTOR is in full compliance with the bonding requirements of this Agreement and California law. All delays and costs incurred or resulting from such occurrence shall be to the exclusive account of CONTRACTOR. Failure of the CONTRACTOR to promptly cure any failure to have the necessary bonds in full force and effect shall be grounds for immediate termination of this Agreement.
  - e. All bonds shall be obtained from surety companies that are duly licensed or authorized in the State of California. Such surety companies shall also meet any additional requirements and qualifications as may be provided in the Supplementary General Conditions.
9. Substitution of Securities. This Agreement is subject to California Public Contract Code section 22300, which permits the substitution of securities for any monies withheld by the CITY to ensure performance of this Agreement. At the request and expense of the CONTRACTOR, securities equivalent to the amount withheld shall be deposited with the CITY, or with a state- or federally-chartered bank in this state as the escrow agent, who shall then pay those moneys to CONTRACTOR. Upon satisfactory completion and acceptance of the Work, such securities shall be returned to the CONTRACTOR.
10. Contractor Default. In the event CONTRACTOR, for a period of 10 calendar days after receipt of written demand from the CITY to do so ("Cure Period"), fails to furnish tools, equipment, or labor in the necessary quantity or quality required by this Agreement, or fails to prosecute the Work and all parts thereof in a diligent and workmanlike manner, or after commencing to do so within the Cure Period, fails to continue to do so, then the CITY in its sole discretion may exclude the CONTRACTOR from the Property, or any portion thereof, and take exclusive possession of the Property or any portion thereof, together with all material and equipment thereon, and may complete the Work or any portion of the Work, either by (i) furnishing the necessary tools, equipment, labor, or materials; or (ii) letting the unfinished portion of the work, or any portion thereof, to another contractor; or (iii) demanding the surety hire another contractor; or (iv) any combination of such methods. The CITY's procuring of the completion of the Work, or the portion of the Work taken over by the CITY, shall be a charge against the CONTRACTOR and may be deducted from any money due or to become due to CONTRACTOR from the CITY, or the CONTRACTOR shall pay the CITY the amount of such charge, or the portion thereof unsatisfied. The sureties provided for under this Agreement shall become liable for payment if CONTRACTOR fails to pay in full any such cost incurred by the CITY. The permissible charges for any such procurement of the completion of the Work include actual costs and fees incurred to third party individuals and entities (including but not limited to consultants, attorneys, inspectors, and designers) and actual costs incurred by the CITY for the increased dedication of time of the CITY's employees to the Project.
11. Other Legal Requirements Incorporated. Each and every provision of law and clause required by law to be inserted in this Agreement or its attachments shall be deemed to be inserted herein, and this Agreement shall be read and enforced as though such law or clause were included herein, and if through mistake or otherwise any such provision is not inserted, or is not currently inserted,

then upon application of either Party, the Agreement shall forthwith be physically amended to make such insertion or correction, without further changes to the remainder of the Agreement.

12. Merger Clause. This Agreement, together with its attachments or other documents described or incorporated herein, if any, constitutes the entire agreement and understanding of the CITY and CONTRACTOR concerning the subject of this Agreement and supersedes and replaces all prior negotiations, understandings, or proposed agreements, written or oral, except as otherwise provided herein. In the event of any conflict between the provisions of this Agreement and any of its attachments or related documents, if any, the provisions of this Agreement shall prevail.
13. Attorney's Fees and Costs. In any action to enforce the terms and conditions of this Agreement, the prevailing Party shall be entitled to reasonable attorney's fees and costs.
14. Independent Contractor. CONTRACTOR is an independent contractor, and no agency or employment relationship is created by the execution of this Agreement.
15. Amendment. This Agreement shall not be amended except in a writing signed by the CITY and CONTRACTOR, and pursuant to action of the Escondido City Council.
16. Anti-Waiver Clause. None of the provisions of this Agreement shall be waived by the CITY because of previous failure to insist upon strict performance, nor shall any provision be waived because any other provision has been waived by the CITY, in whole or in part.
17. Severability. This Agreement shall be performed and shall be enforceable to the full extent allowed by applicable law, and the illegality, invalidity, waiver, or unenforceability of any provision of this Agreement shall not affect the legality, validity, applicability, or enforceability of the remaining provisions of this Agreement.
18. Governing Law. This Agreement and all rights and obligations arising out of it shall be construed in accordance with the laws of the State of California. Venue for any action arising from this Agreement shall be conducted only in the state or federal courts of San Diego County, California.
19. Counterparts. This Agreement may be executed on separate counterparts, each of which shall be an original and all of which taken together shall constitute one and the same instrument. Delivery of an executed signature page of this Agreement by electronic means, including an attachment to an email, shall be effective as delivery of an executed original. The Agreement on file with the City is the copy of the Agreement that shall take precedence if any differences exist between or among copies or counterparts of the Agreement.
20. Provisions Cumulative. The foregoing provisions are cumulative to, in addition to, and not in limitation of any other rights or remedies available to the CITY.
21. Business License. CONTRACTOR shall obtain a City of Escondido Business License prior to execution of this Agreement and shall maintain such Business License throughout the term of this Agreement.
22. Compliance with Laws, Permits, and Licenses. CONTRACTOR shall keep itself informed of and comply with all applicable federal, state, and local laws, statutes, codes, ordinances, regulations, rules, and other legal requirements in effect during the term of this Agreement. This shall include, but shall not be limited to, all California Labor Code laws regarding payment of prevailing wages and all OSHA regulations. CONTRACTOR shall obtain any and all permits, licenses, and other authorizations necessary to perform the work under this Agreement. Neither the CITY, nor any

elected or appointed boards, officers, officials, employees, or agents of the CITY, shall be liable, at law or in equity, as a result of any failure of CONTRACTOR to comply with this section.

23. Prevailing Wages and Department of Industrial Relations Compliance. Pursuant to California Labor Code section 1770 et seq., CONTRACTOR agrees that a prevailing rate and scale of wages, in accordance with applicable laws, shall be paid in performing this Agreement. CONTRACTOR shall keep itself informed of and comply with all applicable federal, state, and local laws, statutes, codes, ordinances, regulations, rules, and other legal requirements pertaining to the payment of prevailing wages, including but not limited to the keeping of certified payroll records, overtime pay, employment of apprentices, and workers' compensation coverage, as further set forth in the General Conditions. CONTRACTOR shall file the required workers' compensation certificate before commencing work under this Agreement. This project is subject to compliance monitoring and enforcement by the Department of Industrial Relations. CONTRACTOR shall post all job site notices required by regulation. CONTRACTOR, as well as any subcontractors, shall be registered pursuant to California Labor Code section 1725.5 to be qualified to bid on, be listed in a bid proposal (subject to the requirements of Public Contract Code section 4104), or engage in the performance of any public works contract subject to the requirements of Division 2, Part 7, Chapter 1 of the California Labor Code. Neither the CITY, nor any elected or appointed boards, officers, officials, employees, or agents of the CITY, shall be liable, at law or in equity, as a result of any failure of CONTRACTOR to comply with this section.
24. Immigration Reform and Control Act of 1986. CONTRACTOR shall keep itself informed of and shall comply with the Immigration Reform and Control Act of 1986 ("IRCA"). CONTRACTOR represents and warrants that all of its employees and the employees of any subcontractor retained by CONTRACTOR who perform any portion of the Work under this Agreement are and will be authorized to perform the Work in full compliance with the IRCA. CONTRACTOR affirms that as a licensed contractor and employer in the State of California, all new employees must produce proof of eligibility to work in the United States within the first three days of employment and that only employees legally eligible to work in the United States will perform the Work. CONTRACTOR agrees to comply with the IRCA before commencing any portion of the Work, and continuously throughout the performance of the Work and the term of this Agreement.
25. Effective Date. Unless a different date is provided in this Agreement, the effective date of this Agreement shall be the latest date of execution set forth by the names of the signatories below.

(SIGNATURE PAGE FOLLOWS)

IN WITNESS WHEREOF, this Agreement is executed by the Parties or their duly authorized representatives as of the Effective Date:

CITY OF ESCONDIDO

Date: \_\_\_\_\_

\_\_\_\_\_  
Paul McNamara, Mayor

FLATIRON WEST, INC.

Date: \_\_\_\_\_

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Name & Title (please print)

\_\_\_\_\_  
Contractor's License No.

\_\_\_\_\_  
Tax ID/Social Security No.

APPROVED AS TO FORM:

OFFICE OF THE CITY ATTORNEY  
MICHAEL R. MCGUINNESS, City Attorney

BY: \_\_\_\_\_

THE CITY OF ESCONDIDO DOES NOT DISCRIMINATE AGAINST QUALIFIED PERSONS WITH DISABILITIES.



Bond No.: \_\_\_\_\_  
Premium: \_\_\_\_\_

**FAITHFUL PERFORMANCE BOND**

KNOW ALL BY THESE PRESENTS,

WHEREAS, The City Council of the City of Escondido, State of California, and Flatiron West, Inc., a Delaware corporation ("Principal"), have entered into that certain Public Improvement Agreement dated \_\_\_\_\_ ("Agreement," hereby referred to and made a part hereof), whereby Principal has agreed to install and complete certain designated public improvements associated with the Citracado Parkway, Andreasen Drive to West Valley Parkway Project.

WHEREAS, the Principal is required under the terms of the Agreement to furnish a bond for the faithful performance of the Agreement.

NOW, THEREFORE, we, the Principal and \_\_\_\_\_, a \_\_\_\_\_ organized and existing under the laws of the State of California and authorized to act as a surety in the State of California ("Surety"), are held and firmly bound unto the City of Escondido, a California municipal corporation ("City") in the penal sum of [spell out amount] ([\$Dollar Amount]), lawful money of the United States of America, for the payment of which sum well and truly to be made, we bind ourselves, our heirs, successors, executors, and administrators, jointly and severally, firmly by these presents.

THE CONDITION of this obligation is such that if the Principal, or its heirs, executors, administrators, successors, or assigns, shall in all things stand to and abide by, and well and truly keep and perform the covenants, conditions, and provisions in the Agreement and any alteration thereof made as therein provided, on its part, to be kept and performed at the time and in the manner therein specified, and in all respects according to their true intent and meaning, and shall indemnify and save harmless the City, its officers, agents, and employees, as therein stipulated, then this obligation shall become null and void; otherwise, it shall be and remain in full force and effect.

As a part of the obligation secured hereby and in addition to the face amount specified therefor, there shall be included costs and reasonable expenses and fees, including reasonable attorney's fees, incurred by the City in successfully enforcing such obligation, all to be taxed as costs and included in any judgment rendered.

The Surety hereby stipulates and agrees that no change, extension of time, alteration, or addition to the terms of the Agreement or to the work to be performed thereunder or the specifications accompanying the same shall in any manner affect its obligations on this bond, and the Surety hereby waives notice of any such change, extension of time, alteration, or addition to the terms of the Agreement or to the work or to the specifications.

IN WITNESS WHEREOF, this instrument has been duly executed by the Principal and Surety above named, as of this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

Flatiron West, Inc., a Delaware corporation

\_\_\_\_\_  
Name of Principal

12121 Scripps Summit Drive, Suite 400  
San Diego, CA, 92131

\_\_\_\_\_  
Address of Principal

By: \_\_\_\_\_  
Signature of Person Signing on Behalf of Principal

\_\_\_\_\_  
Name of Person Signing on Behalf of Principal

\_\_\_\_\_  
Title of Person Signing on Behalf of Principal

\_\_\_\_\_  
Name of Surety

\_\_\_\_\_  
Address of Surety

By: \_\_\_\_\_  
Signature of Person Signing on Behalf of Surety

\_\_\_\_\_  
Name of Person Signing on Behalf of Surety

\_\_\_\_\_  
Title of Person Signing on Behalf of Surety

(ACKNOWLEDGMENTS OF EXECUTION BY PRINCIPALS AND SURETY MUST BE ATTACHED.)

APPROVED AS TO FORM:

OFFICE OF THE CITY ATTORNEY  
MICHAEL R. MCGUINNESS, City Attorney

BY: \_\_\_\_\_





Bond No.: \_\_\_\_\_  
Premium: \_\_\_\_\_

**LABOR AND MATERIALS BOND**

KNOW ALL BY THESE PRESENTS,

WHEREAS, The City Council of the City of Escondido, State of California, and Flatiron West, Inc., a Delaware corporation ("Principal"), have entered into that certain Public Improvement Agreement dated \_\_\_\_\_ ("Agreement," hereby referred to and made a part hereof), whereby Principal has agreed to install and complete certain designated public improvements associated with the Citracado Parkway, Andreasen Drive to West Valley Parkway Project.

WHEREAS, under the terms of the Agreement, the Principal is required before entering upon the performance of the work, to file a good and sufficient payment bond with the City of Escondido, a California municipal corporation ("City"), to secure the claims to which reference is made in Title 3 (commencing with Section 9000) of Part 6 of Division 4 of the Civil Code.

NOW, THEREFORE, the Principal and \_\_\_\_\_, a \_\_\_\_\_ organized and existing under the laws of the State of California and authorized to act as a surety in the State of California ("Surety"), are held firmly bound unto the City and all contractors, subcontractors, laborers, material suppliers, and other persons employed in the performance of the Agreement and referred to in Title 3 (commencing with Section 9000) of Part 6 of Division 4 of the Civil Code in the sum of [spell out amount] ([\$Dollar Amount]), lawful money of the United States of America, for materials furnished or labor thereon of any kind, or for amounts due under the Unemployment Insurance Act with respect to this work or labor, that the Surety will pay the same in an amount not exceeding the amount hereinabove set forth, and also in case suit is brought upon this bond, will pay, in addition to the face amount thereof, costs and reasonable expenses and fees, including reasonable attorney's fees, incurred by the City in successfully enforcing this obligation, to be awarded and fixed by the court, and to be taxed as costs and to be included in the judgment therein rendered.

It is hereby expressly stipulated and agreed that this bond shall inure to the benefit of any and all persons, companies, and corporations entitled to file claims under Title 3 (commencing with Section 9000) of Part 6 of Division 4 of the Civil Code, so as to give a right of action to them or their assigns in any suit brought upon this bond.

If the condition of this bond is fully performed, then this obligation shall become null and void; otherwise, it shall be and remain in full force and effect.

The Surety hereby stipulates and agrees that no change, extension of time, alteration, or addition to the terms of the Agreement or to the work to be performed thereunder or the

specifications accompanying the same shall in any manner affect its obligations on this bond, and it does hereby waive notice of any such change, extension of time, alteration or addition.

IN WITNESS WHEREOF, this instrument has been duly executed by the Principal and Surety above named, as of this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

Flatiron West, Inc., a Delaware corporation

\_\_\_\_\_  
Name of Principal

12121 Scripps Summit Drive, Suite 400  
San Diego, CA, 92131

\_\_\_\_\_  
Address of Principal

By: \_\_\_\_\_  
Signature of Person Signing on Behalf of Principal

\_\_\_\_\_  
Name of Person Signing on Behalf of Principal

\_\_\_\_\_  
Title of Person Signing on Behalf of Principal

\_\_\_\_\_  
Name of Surety

\_\_\_\_\_  
Address of Surety

By: \_\_\_\_\_  
Signature of Person Signing on Behalf of Surety

\_\_\_\_\_  
Name of Person Signing on Behalf of Surety

\_\_\_\_\_  
Title of Person Signing on Behalf of Surety

(ACKNOWLEDGMENTS OF EXECUTION BY PRINCIPALS AND SURETY MUST BE ATTACHED.)

APPROVED AS TO FORM:

OFFICE OF THE CITY ATTORNEY  
MICHAEL R. MCGUINNESS, City Attorney

BY: \_\_\_\_\_



# STAFF REPORT

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May 11, 2022  
File Number 0470-20

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## SUBJECT

### EMERGENCY DISPATCH EQUIPMENT PURCHASE

## DEPARTMENT

### POLICE DEPARTMENT

## RECOMMENDATION

Request the City Council adopt Resolution No. 2022-49 authorizing the Escondido Police Department to purchase hardware, software, and installation services through approved sole source acquisition from Motorola Solutions, Inc. ("Motorola Solutions"). This purchase will provide a required upgrade to the City of Escondido's ("City") emergency dispatch services. The upgrade includes interoperable two-way radio products which will enhance officer and community safety.

Staff Recommendation: Approval (Police Department: Edward Varso)

Presenter: Edward Varso, Chief of Police

## FISCAL ANALYSIS

This action will have no impact on the General Fund Budget. Funds allocated to the City will be used to cover mandatory updates for dispatch equipment.

## PREVIOUS ACTION

On July 11, 2018, the City Council adopted Resolution No. 2018-118 authorizing the Mayor and City Clerk to execute a Public Service Agreement (PSA) between the City and Motorola Solutions, and authorized the Escondido Police Department to utilize County Contract #553982, to purchase upgraded equipment for the Dispatch Communications Center.

## BACKGROUND

The Escondido Police Department Communication Center has 11 workstations. Seven of the 11 workstations are RCS P25 MCC 7500 consoles. Four workstations need to be upgraded. The consoles will be purchased with Council-approved American Rescue Plan Funds allocated for Dispatch Center upgrades. It is requested that the City Council approve the purchase of the consoles for \$288,951 from Motorola Solutions utilizing an existing contract approved by the San Diego County Board of Supervisors. Motorola Solutions submitted a countywide comprehensive request for proposal to upgrade all Regional



# CITY *of* ESCONDIDO

## STAFF REPORT

Communication System (“RCS”) equipment. All San Diego County RCS equipment meets the standards to ensure interoperability.

The City Council’s action to adopt Resolution No. 2022-49 and authorize the Escondido Police Department to purchase hardware, software, and installation services through approved sole source acquisition from Motorola Solutions will enhance community safety by adding four upgraded Dispatch workstations.

### RESOLUTIONS

- A. Resolution No. 2022-49
- B. Resolution No. 2022-49 Exhibit “A” Public Services Agreement with Motorola Solutions, Inc.

RESOLUTION NO. 2022-49

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF ESCONDIDO, CALIFORNIA, AUTHORIZING THE MAYOR TO EXECUTE, ON BEHALF OF THE CITY, AN AGREEMENT TO PURCHASE HARDWARE, SOFTWARE, AND INSTALLATION SERVICES THROUGH AN APPROVED SOLE SOURCE ACQUISITION FROM MOTOROLA, SOLUTIONS, INC IN THE AMOUNT OF \$288,951

WHEREAS the City of Escondido desires to purchase emergency dispatch equipment; and

WHEREAS Motorola Solutions, Inc. is an approved sole source vendor to provide Dispatch Consoles for interoperability throughout the county; and

WHEREAS the Escondido Police Department Dispatch Center currently has 11 workstations. Seven of the 11 consoles are Motorola RCS P25 MCC 7500; and

WHEREAS the Escondido Police Department is requesting to upgrade four of the existing workstations with Motorola RCS P25 MCC 7500E; and

WHEREAS, the emergency dispatch equipment purchase will be funded from funds made available through the American Rescue Plan Funds in the amount of \$288,951.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Escondido, California:

1. That the above recitations are true.
2. That the selection of the vendor as a sole source is consistent with Escondido Municipal Code Sections 10-91 and 10-102(b) and (d)

3. That the City Council authorizes the City of Escondido to purchase the necessary Dispatch Consoles, and execute all documents necessary for the management and completion of the scope, including any extensions and amendments thereof.

4. That the City Council authorizes the Mayor to execute, on behalf of the City, the Public Services Agreement with Motorola Solutions, Inc., in substantially the same format as Exhibit "A" which is attached hereto and incorporated by this reference, subject to final approval as to form by the City Attorney.



CITY OF ESCONDIDO  
PUBLIC SERVICES AGREEMENT

This Public Services Agreement ("Agreement") is made and entered into as of this \_\_\_\_\_ day of \_\_\_\_\_, 2022 ("Effective Date"),

Between: CITY OF ESCONDIDO  
a California municipal corporation  
201 N. Broadway  
Escondido, CA 92025  
Attn: Jody Patt  
760-839-4709  
("CITY")

And: Motorola Solutions, Inc.  
a Delaware corporation  
500 W. Monroe St.  
Chicago, IL 60661-3781  
Attn: Andy Grimm  
858-864-3660  
("CONTRACTOR").

(The CITY and CONTRACTOR each may be referred to herein as a "Party" and collectively as the "Parties.")

WHEREAS, the Parties desire to enter into this Agreement for the performance of the Services described herein.

NOW, THEREFORE, in consideration of the mutual covenants, promises, terms, and conditions set forth herein, and the mutual benefits derived therefrom, the Parties hereby agree as follows:

1. Description of Services. CONTRACTOR shall furnish all of the Services described in the Scope of Work, which is attached to this Agreement as Attachment "A" and incorporated herein by this reference ("Services").
2. Compensation. In exchange for CONTRACTOR's completion of the Services, the CITY shall pay, and CONTRACTOR shall accept in full, an amount not to exceed the sum of **\$288,951**. CONTRACTOR shall be compensated only for performance of the Services described in this Agreement. No compensation shall be provided for any other work or services without the CITY's prior written consent. If this Agreement is amended at any time, additional compensation of CONTRACTOR contained in any subsequent amendments shall not exceed a cumulative total of 25% of the maximum payment provided for in this Section 2, unless approved by resolution of the City Council.

3. Performance. CONTRACTOR shall faithfully perform the Services in a proficient manner, to the satisfaction of the CITY, and in accord with the terms of this Agreement. CONTRACTOR shall be responsible for the professional quality, technical accuracy, timely completion, and coordination of all reports and other information furnished by CONTRACTOR pursuant to this Agreement, except that CONTRACTOR shall not be responsible for the accuracy of information supplied by the CITY.
4. Termination. The Parties may mutually terminate this Agreement through a writing signed by both Parties. The CITY may terminate this Agreement for any reason upon providing CONTRACTOR with 10 days' advance written notice. CONTRACTOR agrees to cease all work under this Agreement on or before the effective date of any notice of termination. If the CITY terminates this Agreement due to no fault or failure of performance by CONTRACTOR, then CONTRACTOR shall be compensated based on the work satisfactorily performed at the time of such termination. In no event shall CONTRACTOR be entitled to receive more than the amount that would be paid to CONTRACTOR for the full performance of the Services.
5. City Property. All original documents, drawings, electronic media, and other materials prepared by CONTRACTOR pursuant to this Agreement immediately become the exclusive property of the CITY, and shall not be used by CONTRACTOR for any other purpose without the CITY's prior written consent.
6. Insurance Requirements.
  - a. CONTRACTOR shall procure and maintain, at its own cost, during the entire term of this Agreement, insurance against claims for injuries to persons or damages to property that may arise from or in connection with the performance of the Services, and the results of such work, by CONTRACTOR, its agents, representatives, employees, or subcontractors. Insurance coverage shall be at least as broad as the following:
    - (1) *Commercial General Liability.* Insurance Services Office ("ISO") Form CG 00 01 covering Commercial General Liability on an "occurrence" basis, including products and completed operations, property damage, bodily injury, and personal & advertising injury, with limits no less than \$2,000,000 per occurrence and \$4,000,000 general aggregate.
    - (2) *Automobile Liability.* ISO Form CA 00 01 covering any auto (Code 1), or if CONTRACTOR has no owned autos, hired (Code 8) and non-owned autos (Code 9), with limits no less than \$1,000,000 per accident for bodily injury and property damage, unless waived by the CITY and approved in writing by the CITY's Risk and Safety Division.
    - (3) *Workers' Compensation.* Worker's Compensation as required by the State of California, with Statutory Limits, and Employer's Liability Insurance with limits of no less than \$1,000,000 per accident for bodily injury or disease.
    - (4) If CONTRACTOR maintains broader coverage and/or higher limits than the minimums otherwise required by this Agreement, the CITY requires and shall be entitled to the broader coverage and/or the higher limits maintained by CONTRACTOR.
  - b. Each insurance policy required by this Agreement must be acceptable to the City Attorney and shall meet the following requirements:
    - (1) *Acceptability of Insurers.* Insurance coverage must be provided by an insurer authorized to conduct business in the state of California with a current A.M. Best's rating of no less than A-: FSC VII, or as approved by the CITY.
    - (2) *Additional Insured Status.* Both the Commercial General Liability and the Automobile Liability policies must name the CITY (including its officials, officers, agents, employees, and volunteers) specifically as an additional insured under the policy on a separate endorsement page. The Commercial General Liability additional insured endorsement shall be at least as broad as ISO Form CG 20 10 11 85, or if not available, through the



addition of *both* CG 20 10, CG 20 26, CG 20 33, or CG 20 38, *and* CG 20 37 if a later edition is used. The Automobile Liability endorsement shall be at least as broad as ISO Form CA 20 01.

- (3) *Primary Coverage.* CONTRACTOR's insurance coverage shall be primary coverage at least as broad as ISO CG 20 01 04 13 with respect to the CITY, its officials, officers, agents, employees, and volunteers. Any insurance or self-insurance maintained by the CITY, its officials, officers, agents, employees, or volunteers shall be in excess of CONTRACTOR's insurance and shall not contribute with it.
  - (4) *Notice of Cancellation.* Each insurance policy shall provide that coverage shall not be canceled, except with prior written notice to the CITY.
  - (5) *Subcontractors.* If applicable, CONTRACTOR shall require and verify that all subcontractors maintain insurance meeting all the requirements stated in this Agreement, and CONTRACTOR shall ensure that the CITY (including its officials, officers, agents, employees, and volunteers) is an additional insured on any insurance required from a subcontractor.
  - (6) *Waiver of Subrogation.* CONTRACTOR hereby grants to the CITY a waiver of any right to subrogation that any insurer of CONTRACTOR may acquire against the CITY by virtue of the payment of any loss under such insurance. CONTRACTOR agrees to obtain any endorsement that may be necessary to affect this waiver of subrogation, but this subsection shall apply regardless of whether or not the CITY has received a waiver of subrogation endorsement from the insurer. Any Workers' Compensation policy required by this Agreement shall be endorsed with a waiver of subrogation in favor of the CITY for all work performed by the CONTRACTOR, its agents, representatives, employees and subcontractors.
  - (7) *Self-Insurance.* CONTRACTOR may, with the CITY's prior written consent, fulfill some or all of the insurance requirements contained in this Agreement under a plan of self-insurance. CONTRACTOR shall only be permitted to utilize such self-insurance if, in the opinion of the CITY, CONTRACTOR's (i) net worth and (ii) reserves for payment of claims of liability against CONTRACTOR are sufficient to adequately compensate for the lack of other insurance coverage required by this Agreement. CONTRACTOR's utilization of self-insurance shall not in any way limit the liabilities assumed by CONTRACTOR pursuant to this Agreement.
  - (8) *Self-Insured Retentions.* Self-insured retentions must be declared to and approved by the CITY.
- c. *Verification of Coverage.* At the time CONTRACTOR executes this Agreement, CONTRACTOR shall provide the CITY with original Certificates of Insurance including all required amendatory endorsements (or copies of the applicable policy language effecting the insurance coverage required by this Agreement), which shall meet all requirements under this Agreement. The CITY reserves the right to require complete, certified copies of all required insurance policies, including endorsements required by this Agreement, at any time.
  - d. *Special Risks or Circumstances.* The CITY reserves the right, at any point during the term of this Agreement, to modify the insurance requirements in this Agreement, including limits, based on the nature of the risk, prior experience, insurer, coverage, or other special circumstances.
  - e. *No Limitation of Obligations.* The insurance requirements in this Agreement, including the types and limits of insurance coverage CONTRACTOR must maintain, and any approval of such insurance by the CITY, are not intended to and shall not in any manner limit or qualify the liabilities and obligations otherwise assumed by CONTRACTOR pursuant to this Agreement, including but not limited to any provisions in this Agreement concerning indemnification.
  - f. Failure to comply with any of the insurance requirements in this Agreement, including but not limited to a lapse in any required insurance coverage during the term of this Agreement, shall be a material breach of this Agreement. In the event that CONTRACTOR fails to comply with

any such insurance requirements in this Agreement, in addition to any other remedies the CITY may have, the CITY may, at its sole option, (i) immediately terminate this Agreement; or (ii) order CONTRACTOR to stop work under this Agreement and/or withhold any payment that becomes due to CONTRACTOR until CONTRACTOR demonstrates compliance with the insurance requirements in this Agreement.

7. Indemnification, Duty to Defend, and Hold Harmless.

- a. CONTRACTOR (including CONTRACTOR's agents, employees, and subcontractors, if any) shall indemnify, defend, and hold harmless the CITY, its officials, officers, agents, employees, and volunteers from and against any and all claims, demands, actions, causes of action, proceedings (including but not limited to legal and administrative proceedings of any kind), suits, fines, penalties, judgments, orders, levies, costs, expenses, liabilities, losses, damages, or injuries, in law or equity, including without limitation the payment of all consequential damages and attorney's fees and other related litigation costs and expenses (collectively, "Claims"), of every nature caused by, arising out of, or in connection with CONTRACTOR's performance of the Services or its failure to comply with any of its obligations contained in this Agreement, except where caused by the sole negligence or willful misconduct of the CITY.
- b. CONTRACTOR (including CONTRACTOR's agents, employees, and subcontractors, if any) shall defend, indemnify, and hold harmless the CITY, its officials, officers, agents, employees, and volunteers from and against any and all Claims caused by, arising under, or resulting from any violation, or claim of violation, of the San Diego Municipal Storm Water Permit (Order No. R9-2013-0001, as amended) of the California Regional Water Quality Control Board, Region 9, San Diego, that the CITY might suffer, incur, or become subject to by reason of, or occurring as a result of, or allegedly caused by, any work performed pursuant to this Agreement.
- c. All terms and provisions within this Section 7 shall survive the termination of this Agreement.

8. Anti-Assignment Clause. Because the CITY has relied on the particular skills of CONTRACTOR in entering into this Agreement, CONTRACTOR shall not assign, delegate, subcontract, or otherwise transfer any duty or right under this Agreement, including as to any portion of the Services, without the CITY's prior written consent. Any purported assignment, delegation, subcontract, or other transfer made without the CITY's consent shall be void and ineffective. Unless CONTRACTOR assigns this entire Agreement, including all rights and duties herein, to a third party with the CITY's prior written consent, CONTRACTOR shall be the sole payee under this Agreement. Any and all payments made pursuant to the terms of this Agreement are otherwise not assignable.

9. Attorney's Fees and Costs. In any action to enforce the terms and conditions of this Agreement, the prevailing Party shall be entitled to reasonable attorney's fees and costs.

10. Independent Contractor. CONTRACTOR is an independent contractor, and no agency or employment relationship is created by the execution of this Agreement.

11. Amendment. This Agreement shall not be amended except in a writing signed by the CITY and CONTRACTOR.

12. Merger Clause. This Agreement, together with its attachments or other documents described or incorporated herein, if any, constitutes the entire agreement and understanding of the CITY and CONTRACTOR concerning the subject of this Agreement and supersedes and replaces all prior negotiations, understandings, or proposed agreements, written or oral, except as otherwise provided herein. In the event of any conflict between the provisions of this Agreement and any of its attachments or related documents, if any, the provisions of this Agreement shall prevail.

13. Anti-Waiver Clause. None of the provisions of this Agreement shall be waived by the CITY because of previous failure to insist upon strict performance, nor shall any provision be waived because any other provision has been waived by the CITY, in whole or in part.
14. Severability. This Agreement shall be performed and shall be enforceable to the full extent allowed by applicable law, and the illegality, invalidity, waiver, or unenforceability of any provision of this Agreement shall not affect the legality, validity, applicability, or enforceability of the remaining provisions of this Agreement.
15. Governing Law. This Agreement and all rights and obligations arising out of it shall be construed in accordance with the laws of the State of California. Venue for any action arising from this Agreement shall be conducted only in the state or federal courts of San Diego County, California.
16. Counterparts. This Agreement may be executed on separate counterparts, each of which shall be an original and all of which taken together shall constitute one and the same instrument. Delivery of an executed signature page of this Agreement by electronic means, including an attachment to an email, shall be effective as delivery of an executed original. The Agreement on file with the City is the copy of the Agreement that shall take precedence if any differences exist between or among copies or counterparts of the Agreement.
17. Provisions Cumulative. The foregoing provisions are cumulative to, in addition to, and not in limitation of any other rights or remedies available to the CITY.
18. Notice. Any statements, communications, or notices to be provided pursuant to this Agreement shall be sent to the attention of the persons indicated herein, and the CITY and CONTRACTOR shall promptly provide the other Party with notice of any changes to such contact information.
19. Business License. CONTRACTOR shall obtain a City of Escondido Business License prior to execution of this Agreement and shall maintain such Business License throughout the term of this Agreement.
20. Compliance with Laws, Permits, and Licenses. CONTRACTOR shall keep itself informed of and comply with all applicable federal, state, and local laws, statutes, codes, ordinances, regulations, rules, and other legal requirements in effect during the term of this Agreement. CONTRACTOR shall obtain any and all permits, licenses, and other authorizations necessary to perform the Services. Neither the CITY, nor any elected or appointed boards, officers, officials, employees, or agents of the CITY, shall be liable, at law or in equity, as a result of any failure of CONTRACTOR to comply with this section.
21. Prevailing Wages. If applicable, pursuant to California Labor Code section 1770 et seq., CONTRACTOR agrees that a prevailing rate and scale of wages, in accordance with applicable laws, shall be paid in performing this Agreement. CONTRACTOR shall keep itself informed of and comply with all applicable federal, state, and local laws, statutes, codes, ordinances, regulations, rules, and other legal requirements pertaining to the payment of prevailing wages. The prevailing rate and scale to be paid shall be the same as the applicable "General Prevailing Wage Determination" approved by the Department of Industrial Relations as of the Effective Date of this Agreement, which are available online at <http://www.dir.ca.gov/oprl/dprevagedetermination.htm> and incorporated into this Agreement by this reference. Neither the CITY, nor any elected or appointed boards, officers, officials, employees, or agents of the CITY, shall be liable, at law or in equity, as a result of any failure of CONTRACTOR to comply with this section.
22. Department of Industrial Relations Compliance. This public project is subject to compliance monitoring and enforcement by the Department of Industrial Relations. CONTRACTOR shall post all job site notices required by regulation. CONTRACTOR, as well as any subcontractors, shall be registered pursuant to California Labor Code section 1725.5 to be qualified to bid on, be listed in a bid proposal (subject to the requirements of Public Contract Code section 4104), or engage in the

performance of any public works contract subject to the requirements of Division 2, Part 7, Chapter 1 of the California Labor Code. Neither the CITY, nor any elected or appointed boards, officers, officials, employees, or agents of the CITY, shall be liable, at law or in equity, as a result of any failure of CONTRACTOR to comply with this section.

23. Immigration Reform and Control Act of 1986. CONTRACTOR shall keep itself informed of and shall comply with the Immigration Reform and Control Act of 1986 ("IRCA"). CONTRACTOR represents and warrants that all of its employees and the employees of any subcontractor retained by CONTRACTOR who perform any of the Services under this Agreement, are and will be authorized to perform the Services in full compliance with the IRCA. CONTRACTOR affirms that as a licensed contractor and employer in the State of California, all new employees must produce proof of eligibility to work in the United States within the first three days of employment and that only employees legally eligible to work in the United States will perform the Services. CONTRACTOR agrees to comply with the IRCA before commencing any Services, and continuously throughout the performance of the Services and the term of this Agreement.

24. Effective Date. Unless a different date is provided in this Agreement, the effective date of this Agreement shall be the latest date of execution set forth by the names of the signatories below.

IN WITNESS WHEREOF, this Agreement is executed by the Parties or their duly authorized representatives as of the Effective Date:

CITY OF ESCONDIDO

Date: \_\_\_\_\_

\_\_\_\_\_  
Paul McNamara, Mayor

Motorola Solutions, Inc.

Date: \_\_\_\_\_

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Name and Title (please print)

APPROVED AS TO FORM:  
OFFICE OF THE CITY ATTORNEY  
MICHAEL R. MCGUINNESS, CITY ATTORNEY

BY: \_\_\_\_\_

THE CITY OF ESCONDIDO DOES NOT DISCRIMINATE AGAINST QUALIFIED PERSONS WITH DISABILITIES.



# STAFF REPORT

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May 11, 2022  
File Number 0600-10

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## **SUBJECT**

### **SCHOOL RESOURCE OFFICER AGREEMENT**

## **DEPARTMENT**

Police Department

## **RECOMMENDATION**

Request the City Council adopt Ordinance No. 2022-08, giving the Chief of Police authority to sign the School Resource Officer (“SRO”) Agreement and other related agreements on behalf of the City. The SRO program allows local schools, the Escondido Police Department, and the community to provide a safe learning environment for students and school staff. The SRO Agreement states that the City will provide one uniformed, regularly appointed, full-time peace officer for the Escondido Union School Districts at a cost of \$136,500, which will be reimbursed by the school district.

Staff Recommendation: Approval (Police Department: Edward Varso)

Presenter: Edward Varso, Chief of Police

## **FISCAL ANALYSIS**

This action will have no impact on the General Fund Budget. The Escondido Union School District will be financially responsible for expenses related to the SRO performing the services described in the Agreement and Scope of Work.

## **PREVIOUS ACTION**

The Escondido Police Department and the Escondido Union School District entered into an agreement on June 24, 2021 stating that the District would provide financial assistance for a School Resource Officer. The district paid a lump sum payment for the SRO Cost.

## **BACKGROUND**

This Agreement provides an SRO for schools in the Escondido Union School District. The SRO is, and at all times will be, an employee of the City. The SRO will, in addition to typical crime-related issues, have the following responsibilities:

- A. Make presentations to the Schools as requested.



# CITY of ESCONDIDO

## STAFF REPORT

- B. Be the liaison for subject matter experts in specific fields of law enforcement for presentations.
- C. Be the liaison of information with intelligence systems and intelligence units for the Schools.
- D. Be the liaison of information to other police agencies including, but not limited to, school police agencies and agencies with school police officers.
- E. Present information internally at the Escondido Police Department in the form of briefing training as well as individual ongoing information exchange.
- F. Make court appearances on behalf of active cases.
- G. Be a subject matter expert regarding events where students are impacted in any way.

The City Council's action today to adopt Ordinance No. 2022-08 giving the Chief of Police authority to sign the School Resource Officer (SRO) Agreement and other agreements on behalf of the City, will enhance community safety.

### ORDINANCES

- A. Ordinance No. 2022-08

### ATTACHMENTS

- A. Attachment "1" – School Resource Officer Agreement

## ORDINANCE NO. 2022-08

## AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF ESCONDIDO, CALIFORNIA, AUTHORIZING THE CHIEF OF POLICE, ON BEHALF OF THE CITY OF ESCONDIDO, TO ENTER INTO AND SIGN SCHOOL RESOURCE OFFICER AGREEMENTS

The City Council of the City of Escondido, California does ordain as follows:

SECTION 1. The City Council makes the following findings:

a) Government Code Section 40602 requires that the Mayor shall sign all warrants drawn on the city treasurer, all written contracts and conveyances made or entered into by the city, and all instruments requiring the city seal, unless the legislative body has provided by ordinance that such instruments be signed by an officer other than the mayor.

b) In the interests of efficiency and in compliance with Government Code Section 40602, the City Council desires to authorize the Chief of Police to enter into and sign on behalf of the City, without the prior approval of the City Manager or City Council, all contracts for School Resource Officer services, including all accompanying documents necessary for implementation of such contracts, for a period of one year from the effective date of this ordinance.

SECTION 2: Proper notices of a public hearing have been given and public hearings have been held before the City Council on this issue.

SECTION 3. The City Council has duly reviewed and considered all evidence submitted at said hearing, including, without limitation:

a. Written information;

b. Oral testimony from City staff, interested parties, and the public;

c. The staff report, dated May 11, 2022, which along with its attachments is incorporated herein by this reference as though fully set forth herein; and

d. Additional information submitted during the Public Hearing.

SECTION 4. Upon consideration of the written information, the staff report, all public testimony presented at the hearing held on this issue, this City Council authorizes the Chief of Police to enter into and sign on behalf of the City, without the prior approval of the City Manager or City Council, all contracts for School Resource Officer services, including all accompanying documents necessary for implementation of such contracts, for a period of one year from the effective date of this ordinance.

SECTION 5. SEVERABILITY. If any section, subsection sentence, clause, phrase, or portion of this ordinance is held invalid or unconstitutional for any reason by any court of competent jurisdiction, such portion shall be deemed a separate, distinct, and independent provision and such holding shall not affect the validity of the remaining portions.

SECTION 6. As of the effective date of this ordinance, all ordinances or parts of ordinances in conflict herewith are hereby repealed.

SECTION 7. The City Clerk is hereby directed to certify to the passage of this ordinance and to cause the same or a summary to be published one time within 15 days of its passage in a newspaper of general circulation for the City of Escondido.





CITY OF ESCONDIDO
SCHOOL RESOURCE OFFICER AGREEMENT

This School Resource Officer Agreement ("Agreement") is made and entered into as of this
day of \_\_\_\_\_, 2022 ("Effective Date"),

Between: CITY OF ESCONDIDO
a California municipal corporation
201 N. Broadway
Escondido, CA 92025
Attn: Lisa Rodelo
760- 839-4905
("CITY")

And: Escondido Union School District
School Facilities Corporation
a California corporation
2310 Aldergrove Ave.
Escondido, CA 92029
Attn: Andrew McGuire
760-432-2127
("DISTRICT").

(The CITY and DISTRICT each may be referred to herein as a "Party" and collectively as the "Parties.")

WHEREAS, the Parties desire to create an atmosphere of cooperation toward the common
goals of providing a safe learning environment for students and DISTRICT staff;

WHEREAS, the Parties desire to promote positive relationships between DISTRICT students,
CITY police, and the community;

WHEREAS, the Parties desire to enter into this Agreement for the performance of school
resource officer ("SRO") services described herein; and

NOW, THEREFORE, in consideration of the mutual covenants and conditions set forth herein,
the Parties agree as follows:

- 1. Description of Services. CITY shall furnish all of the SRO services described in the Scope of Work,
which is attached to this Agreement as Attachment "A" and incorporated herein by this reference
("Services").
2. SRO Cost. In exchange for CITY's completion of the Services, the DISTRICT shall pay the CITY

**\$136,500** for actual costs of providing the Services ("SRO Cost"). The CITY shall be compensated only for actual costs of providing the Services described in this Agreement. No additional compensation shall be provided for any other work or services.

- a. The DISTRICT shall pay the SRO Cost as follows: One lump sum (100%) payment for the SRO Cost as specified in this Agreement upon receiving an invoice from the CITY. The CITY will submit the invoice for the SRO Cost for the term of this Agreement to the DISTRICT on or before November 1 for the following school year and be paid in full within 30 days. If the Agreement is terminated as provided herein, the CITY shall remit to the DISTRICT the proportional balance of any unused funds for that school year.
  - b. A failure to timely pay the CITY for the SRO Cost as billed shall relieve the CITY from providing the Services.
3. **Performance.** The CITY will provide one uniformed, regularly appointed, full-time peace officers to act as SROs for the benefit and use by Escondido Union School District, Escondido Union High School District, Escondido Charter, Classical Academy, Calvin Christian School, Grace Lutheran, and Escondido Christian (collectively, "Schools"). Each SRO is, and at all times will be, an employee of the CITY.
- a. **SRO Responsibilities.** Each SRO will, in addition to typical crime-related issues, have the following responsibilities:
    - (1) Make presentations to the Schools as requested;
    - (2) Be the liaison for subject matter experts in specific fields of law enforcement for presentations;
    - (3) Be the liaison of information with intelligence systems and intelligence units for the Schools;
    - (4) Be the liaison of information to other police agencies, including but not limited to school police agencies and agencies with school police officers;
    - (5) Present information internally at the Escondido Police Department in the form of briefing, and ongoing information exchange;
    - (6) Make court appearances on behalf of active cases; and
    - (7) Be a subject matter expert regarding events where students are impacted in any way.
  - b. **SRO Qualifications.** The CITY will provide three SROs for the Schools. Each SRO shall meet the following qualifications:
    - (1) Must have completed probation;
    - (2) Must have obtained a basic P.O.S.T. certificate;
    - (3) Must have a minimum of two years sworn police experience;
    - (4) Must be able to relate to youth in a positive manner;
    - (5) Must possess the personal qualities necessary to be a positive role model;
    - (6) Must have knowledge of all areas of law enforcement;
    - (7) Must possess the personal qualities necessary to effectively work with school administrators and teachers; and
    - (8) Must be able to make effective presentations to students.
  - c. **Schedules, Coverage, and Changes.** The CITY, through the Escondido Police Department, will provide the appropriate SRO coverage at the times it determines are appropriate on all days during which the Schools are in session, provided that the CITY's determination of the times for coverage will be made only after consultation with DISTRICT representatives. The CITY reserves the right to add, delete, or revise the schedule or location for the SRO when appropriate, provided that the CITY will meet and consult with DISTRICT representatives prior to any addition, deletion, or revision to any SRO schedule or location, and provided that no addition, deletion, or revision in SRO coverage shall be made without at least 90 days written

notice to the DISTRICT of the proposed action.

4. Termination. The Parties may mutually terminate this Agreement through a writing signed by both Parties. Either Party may terminate this Agreement for any reason upon providing the other Party with 60 days' advance written notice. The Party receiving the 60 days' advance written notice of termination agrees to cease all work under this Agreement on or before the effective date of any notice of termination.
5. Insurance Requirements.
  - a. DISTRICT shall procure and maintain, at its own cost, during the entire term of this Agreement, insurance against claims for injuries to persons or damages to property that may arise from or in connection with performance of the Services, including results of such Services by the CITY, its agents, representatives, employees, or subcontractors. Insurance coverage shall be at least as broad as the following:
    - (1) *Commercial General Liability*. Insurance Services Office ("ISO") Form CG 00 01 covering Commercial General Liability on an "occurrence" basis, including products and completed operations, property damage, bodily injury, and personal & advertising injury, with limits no less than \$2,000,000 per occurrence and \$4,000,000 general aggregate.
    - (2) *Automobile Liability*. ISO Form CA 00 01 covering any auto (Code 1), or if DISTRICT has no owned autos, hired (Code 8) and non-owned autos (Code 9), with limits no less than \$1,000,000 per accident for bodily injury and property damage, unless waived by the CITY and approved in writing by the CITY's Risk and Safety Division.
    - (3) If DISTRICT maintains broader coverage and/or higher limits than the minimums otherwise required by this Agreement, the CITY requires and shall be entitled to the broader coverage and/or the higher limits maintained by DISTRICT.
  - b. Each insurance policy required by this Agreement must be acceptable to the City Attorney and shall meet the following requirements:
    - (1) *Acceptability of Insurers*. Insurance coverage must be provided by an insurer authorized to conduct business in the state of California with a current A.M. Best's rating of no less than A-: VII, or as approved by the CITY.
    - (2) *Additional Insured Status*. Both the Commercial General Liability and the Automobile Liability policies must name the CITY (including its officials, officers, agents, employees, and volunteers) specifically as an additional insured under the policy on a separate endorsement page. The Commercial General Liability additional insured endorsement shall be at least as broad as ISO Form CG 20 10 11 85, or if not available, through the addition of *both* CG 20 10, CG 20 26, CG 20 33, or CG 20 38, *and* CG 20 37 if a later edition is used. The Automobile Liability endorsement shall be at least as broad as ISO Form CA 20 01.
    - (3) *Primary Coverage*. DISTRICT's insurance coverage shall be primary coverage at least as broad as ISO CG 20 01 04 13 with respect to the CITY, its officials, officers, agents, employees, and volunteers. Any insurance or self-insurance maintained by the CITY, its officials, officers, agents, employees, or volunteers shall be in excess of DISTRICT's insurance and shall not contribute with it.
    - (4) *Notice of Cancellation*. Each insurance policy shall provide that coverage shall not be canceled, except with prior written notice to the CITY.
    - (5) *Subcontractors*. If applicable, DISTRICT shall require and verify that all subcontractors maintain insurance meeting all the requirements stated in this Agreement, and DISTRICT shall ensure that the CITY (including its officials, officers, agents, employees, and volunteers) is an additional insured on any insurance required from a subcontractor.

- (6) *Waiver of Subrogation.* DISTRICT hereby grants to the CITY a waiver of any right to subrogation that any insurer of DISTRICT may acquire against the CITY by virtue of the payment of any loss under such insurance. DISTRICT agrees to obtain any endorsement that may be necessary to affect this waiver of subrogation, but this subsection shall apply regardless of whether or not the CITY has received a waiver of subrogation endorsement from the insurer. Any Workers' Compensation policy required by this Agreement shall be endorsed with a waiver of subrogation in favor of the CITY for all work performed by the DISTRICT, its agents, representatives, employees and subcontractors.
- (7) *Self-Insurance.* DISTRICT may, with the CITY's prior written consent, fulfill some or all of the insurance requirements contained in this Agreement under a plan of self-insurance. DISTRICT shall only be permitted to utilize such self-insurance if, in the opinion of the CITY, DISTRICT's (i) net worth and (ii) reserves for payment of claims of liability against DISTRICT's are sufficient to adequately compensate for the lack of other insurance coverage required by this Agreement. DISTRICT's utilization of self-insurance shall not in any way limit the liabilities assumed by DISTRICT pursuant to this Agreement.
- (8) *Self-Insured Retentions.* Self-insured retentions must be declared to and approved by the CITY.
- c. *Verification of Coverage.* At the time DISTRICT executes this Agreement, DISTRICT shall provide the CITY with original Certificates of Insurance including all required amendatory endorsements (or copies of the applicable policy language effecting the insurance coverage required by this Agreement), which shall meet all requirements under this Agreement. The CITY reserves the right to require complete, certified copies of all required insurance policies, including endorsements required by this Agreement, at any time.
- d. *Special Risks or Circumstances.* The CITY reserves the right, at any point during the term of this Agreement, to modify the insurance requirements in this Agreement, including limits, based on the nature of the risk, prior experience, insurer, coverage, or other special circumstances.
- e. *No Limitation of Obligations.* The insurance requirements in this Agreement, including the types and limits of insurance coverage DISTRICT must maintain, and any approval of such insurance by the CITY, are not intended to and shall not in any manner limit or qualify the liabilities and obligations otherwise assumed by DISTRICT pursuant to this Agreement, including but not limited to any provisions in this Agreement concerning indemnification.
- f. Failure to comply with any of the insurance requirements in this Agreement, including but not limited to a lapse in any required insurance coverage during the term of this Agreement, shall be a material breach of this Agreement. In the event that DISTRICT fails to comply with any such insurance requirements in this Agreement, in addition to any other remedies the CITY may have, the CITY may, at its sole option, (i) immediately terminate this Agreement; or (ii) order DISTRICT to stop work under this Agreement and/or withhold any payment that becomes due to DISTRICT until DISTRICT demonstrates compliance with the insurance requirements in this Agreement.
6. Indemnification, Duty to Defend, and Hold Harmless. DISTRICT (including DISTRICT's agents, employees, and subcontractors, if any) shall indemnify, defend, and hold harmless the CITY, its officials, officers, agents, employees, and volunteers from and against any and all claims, demands, actions, causes of action, proceedings (including but not limited to legal and administrative proceedings of any kind), suits, fines, penalties, judgments, orders, levies, costs, expenses, liabilities, losses, damages, or injuries, in law or equity, including without limitation the payment of all consequential damages and attorney's fees and other related litigation costs and expenses (collectively, "Claims"), of every nature caused by, arising out of, or in connection with the CITY's performance of the Services, except where caused by the sole negligence or willful misconduct of the CITY. All terms and provisions within this Section 6 shall survive the termination of this Agreement.

7. Administrator of Agreement. This Agreement shall be administered on behalf of, and any notice desired or required to be sent to a party hereunder shall be addressed to:

For DISTRICT: Andrew McGuire  
Assistant Superintendent of Business Services  
Escondido Union School District  
2310 Aldergrove Ave.  
Escondido, CA 92029  
Telephone: 760-432-2127  
Fax: 760-432-6956

For CITY: Edward Varso  
Chief of Police  
Escondido Police Department  
1163 N. Center City Parkway  
Escondido, CA 92026  
Telephone: 760-839-4706  
Fax: 760-839-4921

8. Notice. All notices to be provided under this Agreement by either party to the other shall be in writing and given either by: (a) personal service; (b) U.S. Mail, mailed either by registered or certified mail, return receipt requested with postage prepaid; or (c) by facsimile with written and verbal confirmation obtained from the party to whom the notice is addressed. The addresses to which notices are to be provided are specified in Section 7 and may be changed by written notice given in accordance with the notice provisions of this section.
9. Board of Education Authorization. The DISTRICT shall approve this Agreement through action of its Board of Education.
10. Anti-Assignment Clause. DISTRICT shall not assign, delegate, subcontract, or otherwise transfer any duty or right under this Agreement, including as to any portion of the Services, without the CITY's prior written consent. Any purported assignment, delegation, subcontract, or other transfer made without the CITY's consent shall be void and ineffective.
11. Attorney's Fees and Costs. In any action to enforce the terms and conditions of this Agreement, the prevailing Party shall be entitled to reasonable attorney's fees and costs.
12. Independent Contractor. No agency or employment relationship is created, expressly or impliedly, by the execution of this Agreement.
13. Amendment. This Agreement shall not be amended except in a writing signed by the CITY and DISTRICT.
14. Merger Clause. This Agreement, together with its attachments or other documents described or incorporated herein, if any, constitutes the entire agreement and understanding of the CITY and DISTRICT concerning the subject of this Agreement and supersedes and replaces all prior negotiations, understandings, or proposed agreements, written or oral, except as otherwise provided herein. In the event of any conflict between the provisions of this Agreement and any of its attachments or related documents, if any, the provisions of this Agreement shall prevail.
15. Anti-Waiver Clause. None of the provisions of this Agreement shall be waived by the CITY because of previous failure to insist upon strict performance, nor shall any provision be waived because any other provision has been waived by the CITY, in whole or in part.

16. Severability. This Agreement shall be performed and shall be enforceable to the full extent allowed by applicable law, and the illegality, invalidity, waiver, or unenforceability of any provision of this Agreement shall not affect the legality, validity, applicability, or enforceability of the remaining provisions of this Agreement.
17. Governing Law. This Agreement and all rights and obligations arising out of it shall be construed in accordance with the laws of the State of California. Venue for any action arising from this Agreement shall be conducted only in the state or federal courts of San Diego County, California.
18. Counterparts. This Agreement may be executed on separate counterparts, each of which shall be an original and all of which taken together shall constitute one and the same instrument. Delivery of an executed signature page of this Agreement by electronic means, including an attachment to an email, shall be effective as delivery of an executed original. The Agreement on file with the City is the copy of the Agreement that shall take precedence if any differences exist between or among copies or counterparts of the Agreement.
19. Provisions Cumulative. The foregoing provisions are cumulative to, in addition to, and not in limitation of any other rights or remedies available to the CITY.
20. Notice. Any statements, communications, or notices to be provided pursuant to this Agreement shall be sent to the attention of the persons indicated herein, and the CITY and DISTRICT shall promptly provide the other Party with notice of any changes to such contact information.
21. Compliance with Laws, Permits, and Licenses. DISTRICT shall keep itself informed of and comply with all applicable federal, state, and local laws, statutes, codes, ordinances, regulations, rules, and other legal requirements in effect during the term of this Agreement. Neither the CITY, nor any elected or appointed boards, officers, officials, employees, or agents of the CITY, shall be liable, at law or in equity, as a result of any failure of DISTRICT to comply with this section.
22. Effective Date. Unless a different date is provided in this Agreement, the effective date of this Agreement shall be the latest date of execution set forth by the names of the signatories below.

(SIGNATURE PAGE FOLLOWS)

IN WITNESS WHEREOF, this Agreement is executed by the Parties or their duly authorized representatives as of the Effective Date:

CITY OF ESCONDIDO

Date: \_\_\_\_\_

\_\_\_\_\_  
Edward Varso, Chief of Police

ESCONDIDO UNION SCHOOL DISTRICT  
SCHOOL FACILITIES CORPORATION

Date: \_\_\_\_\_

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Name & Title (please print)

APPROVED AS TO FORM:  
OFFICE OF THE CITY ATTORNEY  
MICHAEL R. MCGUINNESS, CITY ATTORNEY

BY: \_\_\_\_\_

THE CITY OF ESCONDIDO DOES NOT DISCRIMINATE AGAINST QUALIFIED PERSONS WITH DISABILI



# STAFF REPORT

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May 11, 2022  
File Number 0490-55

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## SUBJECT

### TREASURER'S INVESTMENT REPORT FOR THE QUARTER ENDED MARCH 31, 2022

## DEPARTMENT

City Treasurer

## RECOMMENDATION

Request the City Council receive and file the Quarterly Investment Report for the quarter ended March 31, 2022.

Staff Recommendation: Receive and File (City Treasurer: Douglas Shultz)

Presenter: Douglas Shultz, City Treasurer

## FISCAL ANALYSIS

From January 1, 2022 to March 31, 2022, the City's investment portfolio decreased from \$195.8 million to \$194.2 million. The adjusted average annual yield decreased from 0.786 percent to 0.764 percent with the portfolio duration at 2.49. An excess of cash payment outflows over cash receipt inflows for the quarter resulted in a decrease of \$1.6 million in the book value of the investment portfolio.

## PREVIOUS ACTION

The Investment Report for the quarter ended December 31, 2021, was filed with the City Clerk's Office on January 25, 2022 and presented to the City Council on February 2, 2022.

## BACKGROUND

The City of Escondido's ("City") Investment Policy requires the City Treasurer to submit a quarterly investment report to the City Council and City Manager. The quarterly investment report should include the type of investment, issuer, date of maturity, par and dollar amount invested and market value for each security held by the City. Details of the City's investment portfolio are included in the attached reports that are listed below:

- Summary of Investment Allocation as of March 31, 2022 (Attachment "1")
- Summary of Investment Portfolio Yield for the last 12 months (Attachment "2")
- Schedule of Funds Managed by Outside Parties as of March 31, 2022 (Attachment "3")





# CITY of ESCONDIDO

## STAFF REPORT

- PFM's Investment Performance Review as of March 31, 2022 (Attachment "4")

PFM Asset Management Firm was onboarded as the City's Investment Advisor in May 2019. In their Investment Performance Review (Attachment "4") you will find a Market Update, the City's Portfolio Strategy and Performance, Issuer Distributions, Portfolio Distributions and Portfolio Holdings. The Summary of Investment Allocation (Attachment "1") and the Summary of Investment Portfolio Yield for the last 12 months (Attachment "2") shows the total investment portfolio including funds in LAIF, CAMP, Stone Castle, and the City's money market account with BNY.

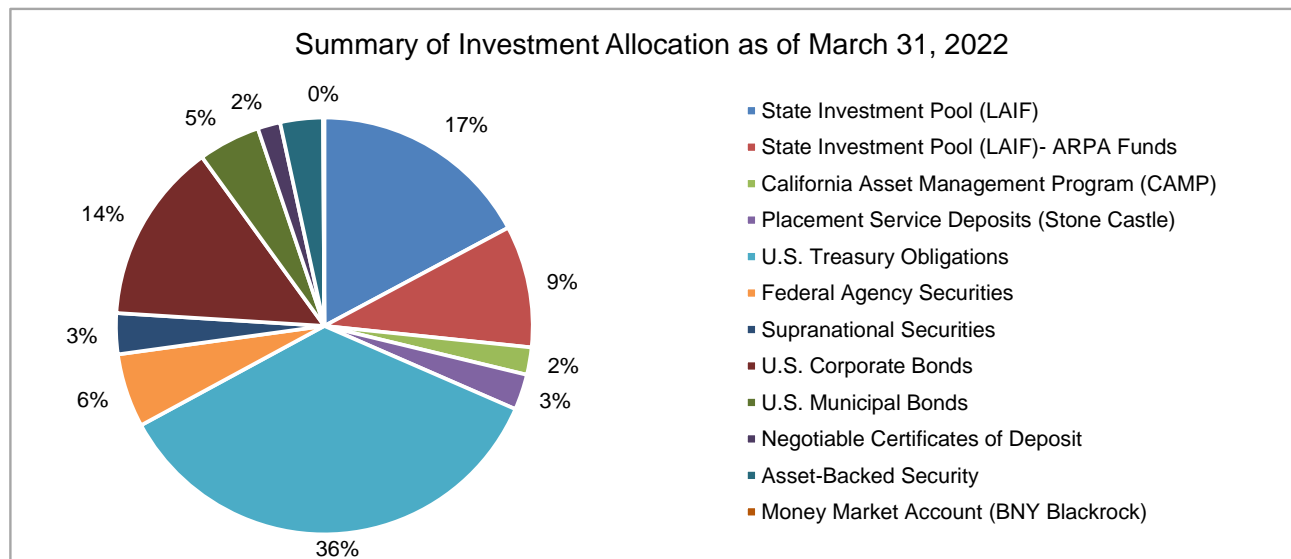
There are adequate funds to meet the next six-month's expected expenditures. As of March 31, 2022, the City complies with all requirements of the City's Investment Policy.

### ATTACHMENTS

1. Attachment "1" – Summary of Investment Allocation as of March 31, 2022
2. Attachment "2" – Summary of Investment Portfolio Yield for the last 12 months
3. Attachment "3" – Schedule of Funds Managed by Outside Parties as of March 31, 2022
4. Attachment "4" – Investment Performance Review for the Quarter Ended March 31, 2022

**City of Escondido  
Summary of Investment Allocation  
as of March 31, 2022**

Investment Type	Book Value	Market Value	Percent of Portfolio at Market
State Investment Pool (LAIF)	\$ 32,579,871	\$ 32,579,871	17.19%
State Investment Pool (LAIF)- ARPA Funds	17,922,880	17,922,880	9.46%
California Asset Management Program (CAMP)	4,020,321	4,020,321	2.12%
Placement Service Deposits (Stone Castle)	5,246,215	5,246,215	2.77%
U.S. Treasury Obligations	70,163,119	67,395,985	35.56%
Federal Agency Securities	11,315,169	10,846,030	5.72%
Supranational Securities	6,206,752	6,007,954	3.17%
U.S. Corporate Bonds	27,254,780	26,593,730	14.03%
U.S. Municipal Bonds	9,518,171	9,125,057	4.81%
Negotiable Certificates of Deposit	3,330,000	3,330,512	1.76%
Asset-Backed Security	6,454,815	6,276,180	3.31%
Money Market Account (BNY Blackrock)	183,903	183,903	0.10%
<b>Total Investment Portfolio - March 2022</b>	<b>\$ 194,195,996</b>	<b>\$ 189,528,638</b>	<b>100%</b>
<b>Reported Total Investments - December 2021</b>	<b>\$ 195,823,371</b>	<b>\$ 195,665,399</b>	
<b>Change from Prior Quarter</b>	<b>\$ (1,627,375)</b>	<b>\$ (6,136,761)</b>	
<b>Portfolio Duration</b>	<b>2.49</b>		



<b>SUMMARY OF INVESTMENT PORTFOLIO YIELDS FOR THE LAST 12 MONTHS As of March 31, 2022</b>		
<u>Date</u>	<u>Book Value</u>	<u>Yield</u>
<b>Mar-22</b>	<b>\$194,195,995.42</b>	<b>0.862%</b>
<b>Feb-22</b>	<b>\$195,493,163.15</b>	<b>0.817%</b>
<b>Jan-22</b>	<b>\$203,430,713.46</b>	<b>0.756%</b>
<b>Dec-21</b>	<b>\$195,823,370.83</b>	<b>0.755%</b>
<b>Nov-21</b>	<b>\$192,786,704.93</b>	<b>0.762%</b>
<b>Oct-21</b>	<b>\$196,151,361.13</b>	<b>0.683%</b>
<b>Sep-21</b>	<b>\$195,998,026.11</b>	<b>0.696%</b>
<b>Aug-21</b>	<b>\$187,820,654.45</b>	<b>0.727%</b>
<b>Jul-21</b>	<b>\$193,141,091.46</b>	<b>0.707%</b>
<b>Jun-21</b>	<b>\$206,611,764.40</b>	<b>0.804%</b>
<b>May-21</b>	<b>\$186,179,808.93</b>	<b>0.783%</b>
<b>Apr-21</b>	<b>\$181,102,353.76</b>	<b>0.816%</b>
<b>Average Portfolio Interest Yields</b>		<b>0.764%</b>

*\* Includes Assets managed by PFM, LAIF, and Stone Castle.*

**CITY OF ESCONDIDO**  
**FUNDS MANAGED BY OUTSIDE PARTIES**  
**As of March 31, 2022**

<u>Type of Funds / Institution</u>	<u>Market Value</u>	<u>Interest Rate</u>	<u>Type of Investment</u>
<b><u>BOND FUNDS</u></b>			
<b>BANK OF NEW YORK:</b>			
1998-1 Rancho San Pasqual Assessment District	\$ 353,589.71	0.170%	Treasury
2013 JPFA Reidy Creek Lease Revenue Bonds (2001 Refunding)	49,834.39	0.160%	Treasury
2013 Community Facility District - Hidden Trails (2001 Refunding)	0.01	0.000%	Treasury
2015 Community Facility District - Eureka Ranch (2006 Refunding)	113.79	0.000%	Cash/Treasury
2015A Wastewater Bond (2004A Refunding)	640,019.20	0.200%	Dreyfus Cash Management Fund
2015B Wastewater Bond (2004B Refunding)	237,507.15	0.200%	Dreyfus Cash Management Fund
2019 Water Bond	5.23	0.000%	Dreyfus Cash Management Fund
	<u>\$ 1,281,069.48</u>		
<b><u>SECTION 115 TRUST FUNDS</u></b>			
<b>PUBLIC AGENCY RETIREMENT SERVICES:</b>			
PARS Post-Employment Benefits Trust	\$25,840,637.88		Moderately Conservative HighMark PLUS
<b>TOTAL FUNDS MANAGED BY OUTSIDE PARTIES</b>	<b><u><u>\$27,121,707.36</u></u></b>		



# City of Escondido

## Investment Performance Review For the Quarter Ended March 31, 2022

### Client Management Team

### PFM Asset Management LLC

Sarah Meacham, Managing Director  
Meredith LaBuda Sullivan, Senior Portfolio Manager  
Richard Babbe, CCM, Senior Managing Consultant  
Jeremy King, Key Account Manager

633 W 5th St., 25th Floor  
Los Angeles, CA 90071  
213-415-1699

213 Market Street  
Harrisburg, PA 17101-2141  
717-232-2723

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# Market Update

## Summary

► In Q1, U.S. economic conditions were characterized by: (1) persistent high inflation; (2) the Federal Reserve (Fed) kicking off a shift to tighter monetary policy; (3) rapidly rising interest rates; (4) elevated energy and commodity prices; (5) increased volatility and risk-off sentiment in credit and equity markets; (6) stronger than ever labor market.

► Just as Omicron's potential to impact the economy waned, geopolitical tensions in Ukraine dominated headlines, applying further pressure to an already fragile inflation narrative. Simultaneously, the macro focus on economic growth and continued recovery shifted from elevated virus infections to surging consumer prices. The U.S. Personal Consumption Expenditure Core Price Index, the Fed's preferred inflation measure, rose to a nearly four-decade high of 5.4% on a year-on-year basis in February, while the headline Consumer Price Index increased 8.5% year-over-year through March.

► On the heels of rising consumer prices, geopolitical uncertainty stemming from Russia's invasion of Ukraine has stoked risks for both hampering global economic growth and creating additional pressures on supply chains and commodity prices. While the U.S. is largely insulated from the direct conflict, the global impact on energy prices is undeniable, as Russia produces about 12% of global crude oil supplies. Europe's heavier dependence on Russian natural gas suggests that the EU's economy may face stiffer headwinds, ultimately dampening global growth in 2022 and beyond.

► As a result of surging inflation that proved not to be transitory, the Fed raised the overnight federal funds target rate to 0.25% in March 2022 for the first time since December 2018, underscoring the risk that inflation now poses to economic growth and stability. The Fed also forecasts as many as six more rate hikes this year. In addition, the Fed will likely begin reducing its balance sheet through a reduction in the reinvestment of maturities and principal payments on its nearly nine trillion holdings of Treasuries and agency mortgage-backed securities.

## Economic Snapshot

► Underneath the headlines, the American consumer remains in good standing with strong household balance sheets supporting consumer demand. The final reading for Q4 2021 GDP showed that the U.S. economy grew at an annualized growth rate of 6.9%. Given current conditions, economists forecast a large drop for Q1 2022 and more moderate growth for the year, around 3.2%. That path will depend, in part, on how well the economy can handle an aggressive series of rate hikes.

► The U.S. labor market remains a strength of the economy, adding 6.7 million new jobs in 2021 and another 1.7 million jobs in Q1. The unemployment rate returned to a pandemic-cycle low of 3.6%. At the same time, initial jobless claims fell to a 50-year low and 11.3 million jobs remain unfilled. Averaged 199,000 a week in December, figures that are firmly below the pre-pandemic average of 225,000. The labor force participation rate also improved steadily through the quarter, reaching a two-year high of 62.4.

► Manufacturing and services remained expansionary in Q1 and above five-year averages. On the housing front, sales of both new and existing homes remained strong and continued the decade-long improvement following the 2007-2008 housing crash. However, refinancing activity fell drastically in Q1 as mortgage rates increased noticeably, and more recent readings appear to be softening.

## Interest Rates

► U.S. Treasury yields rose meaningfully in Q1 on surging inflation data and growing expectations for multiple Fed rate hikes in 2022. Given their maturity horizon, two- and three-year yields were most impacted by the increased probability of future rate hikes, with both tenors increasing over 150 basis points (1.50%) during the quarter.

► Ten-year yields, which are more influenced by inflation expectations than Fed policy, increased 83 basis points, resulting in a briefly inverted yield curve between three- and ten-year maturities, suggesting markets expect inflation levels to ease over the longer run. Fed policy remains on a rate-hiking trajectory for the foreseeable future.

► As a result of sharply higher Treasury yields, fixed income indices posted some of the worst total returns dating back over 40 years. For example, the ICE BofA 1-, 5- and 10-year U.S. Treasury indices returned -0.73%, -4.92% and -7.21%, respectively.

## Sector Performance

► Diversification away from U.S. Treasury securities generally detracted from fixed-income performance during Q1 as no sector was immune from spread widening caused by risk-off sentiment during the quarter.

► Investment-grade (IG) corporate credit spreads widened to a two-year wide in mid-March before partially retreating into quarter-end. Despite the late quarter retracement, IG corporate spreads remained elevated from a post-pandemic perspective. As a result, the corporate sector underperformed Treasuries in Q1, with lower quality bonds like those rated BBB performing worst. On the other hand, spreads now look attractive, assuming strong underlying fundamentals persist and the economy avoids a recession.

► AAA-rated asset-backed securities (ABS) also experienced noticeable spread widening during Q1. However, contrary to the retracement experienced in IG corporates, ABS spreads remained relatively wide at quarter-end. The result was underperformance vs. duration-matched Treasuries and therefore negative excess returns from the sector regardless of collateral type (auto or credit card receivables).

► Mortgage-backed securities (MBS) continued their trend of underperformance as rate increases and volatility impacted the sector more than others. As the Fed embarks on their tightening cycle and the reduction of the balance sheet, MBS have felt pressure from the combination of higher rates, slower prepayments (and therefore duration extensions), and demand concerns with the removal of the Fed as the larger price-insensitive purchaser for the past two years. The result was significant negative excess returns from the sector and continuing concerns for the balance of 2022.

Economic Snapshot

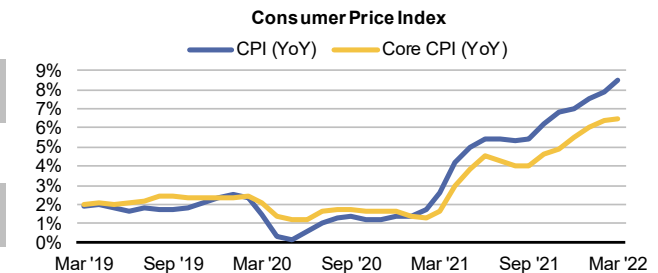
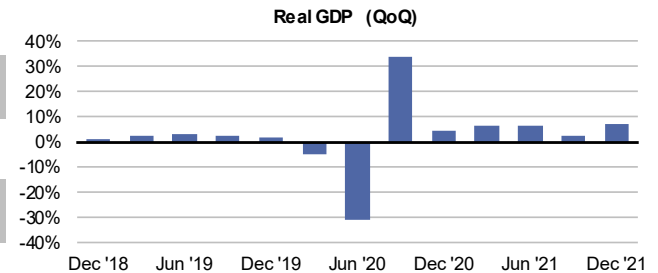
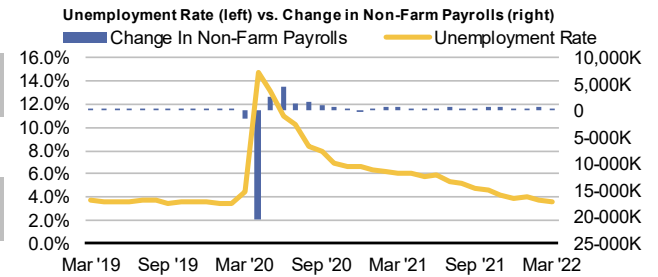
Labor Market		Latest	Dec '21	Mar '21
Unemployment Rate	Mar '22	3.6%	3.9%	6.0%
Change In Non-Farm Payrolls	Mar '22	431,000	588,000	704,000
Average Hourly Earnings (YoY)	Mar '22	5.6%	4.9%	4.4%
Personal Income (YoY)	Feb '22	6.0%	7.6%	29.5%
Initial Jobless Claims (week)	4/2/22	166,000	224,000	658,000

Growth		Latest	Dec '21	Mar '21
Real GDP (QoQ SAAR)	2022 Q4	6.9%	2.3% <sup>1</sup>	4.5% <sup>2</sup>
GDP Personal Consumption (QoQ SAAR)	2022 Q4	2.5%	2.0% <sup>1</sup>	3.4% <sup>2</sup>
Retail Sales (YoY)	Feb '22	17.6%	16.6%	29.7%
ISM Manufacturing Survey (month)	Mar '22	57.1	58.8	63.7
Existing Home Sales SAAR (month)	Feb '22	6.02 mil.	6.09 mil.	6.04 mil.

Inflation/Prices		Latest	Dec '21	Mar '21
Personal Consumption Expenditures (YoY)	Feb '22	6.4%	5.8%	2.5%
Consumer Price Index (YoY)	Mar '22	8.5%	7.0%	2.6%
Consumer Price Index Core (YoY)	Mar '22	6.5%	5.5%	1.6%
Crude Oil Futures (WTI, per barrel)	Mar 31	\$100.28	\$75.21	\$59.16
Gold Futures (oz.)	Mar 31	\$1,949	\$1,829	\$1,714



1. Data as of Third Quarter 2021.

2. Data as of Fourth Quarter 2020.

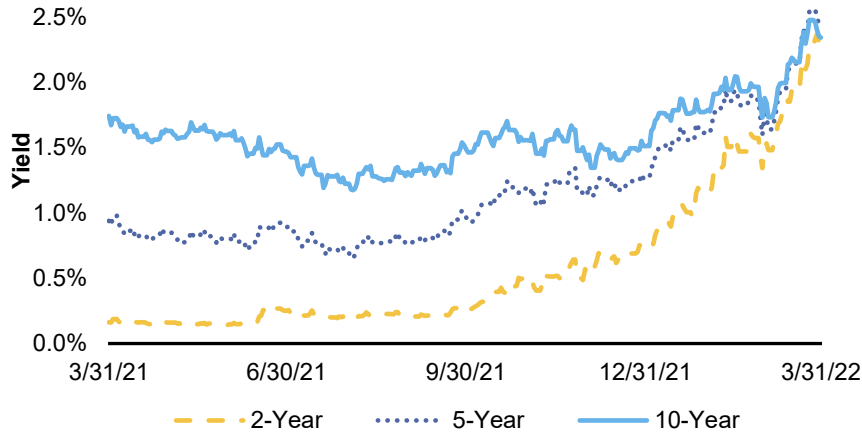
Note: YoY = year-over-year, QoQ = quarter-over-quarter, SAAR = seasonally adjusted annual rate, WTI = West Texas Intermediate crude oil.

Source: Bloomberg.

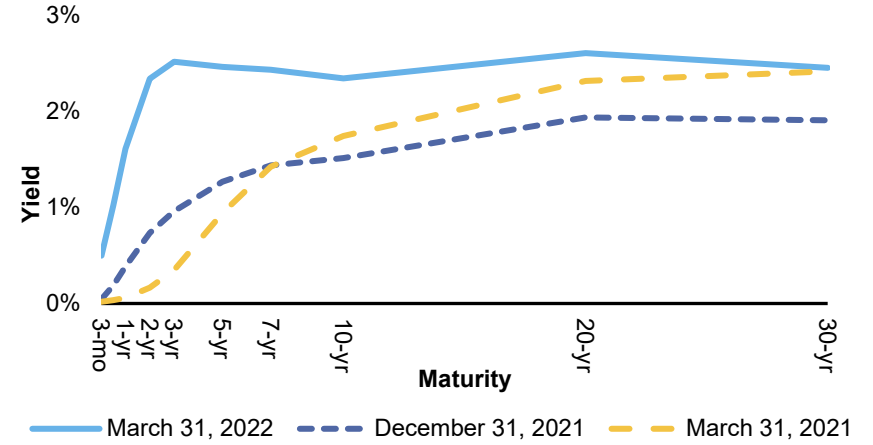


### Interest Rate Overview

U.S. Treasury Note Yields



U.S. Treasury Yield Curve

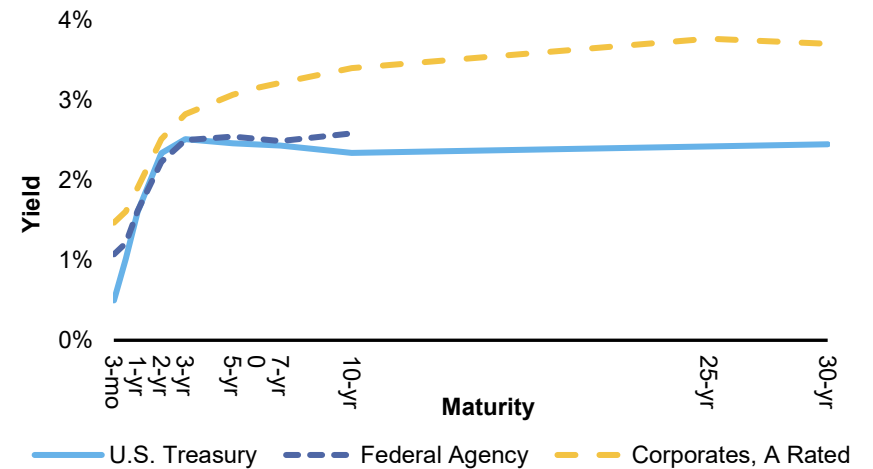


U.S. Treasury Yields

Maturity	Mar '22	Dec '21	Change over Quarter	Mar '21	Change over Year
3-Month	0.50%	0.04%	0.46%	0.02%	0.48%
1-Year	1.61%	0.38%	1.23%	0.06%	1.55%
2-Year	2.34%	0.73%	1.61%	0.16%	2.18%
5-Year	2.46%	1.26%	1.20%	0.94%	1.52%
10-Year	2.34%	1.51%	0.83%	1.74%	0.60%
30-Year	2.45%	1.90%	0.55%	2.41%	0.04%

Source: Bloomberg.

Yield Curves as of 03/31/2022



### ICE BofAML Index Returns

March 31, 2022	As of 03/31/2022	Yield	Returns for Periods ended 03/31/2022		
	Duration		3 Month	1 Year	3 Years
<b>1-3 Year Indices</b>					
<b>U.S. Treasury</b>	1.86	2.22%	(2.34%)	(2.84%)	0.88%
<b>Federal Agency</b>	1.82	2.18%	(2.28%)	(2.68%)	0.79%
<b>U.S. Corporates, A-AAA rated</b>	1.90	2.66%	(2.44%)	(2.63%)	1.49%
<b>Agency MBS (0 to 3 years)</b>	2.13	2.59%	(3.48%)	(4.88%)	0.55%
<b>Taxable Municipals</b>	1.57	2.49%	(1.93%)	(0.86%)	2.39%
<b>1-5 Year Indices</b>					
<b>U.S. Treasury</b>	2.61	2.32%	(3.16%)	(3.72%)	0.92%
<b>Federal Agency</b>	2.46	2.28%	(3.08%)	(3.49%)	0.64%
<b>U.S. Corporates, A-AAA rated</b>	2.77	2.86%	(3.62%)	(3.65%)	1.62%
<b>Agency MBS (0 to 5 years)</b>	3.40	2.69%	(3.79%)	(4.52%)	0.63%
<b>Taxable Municipals</b>	2.33	2.68%	(3.10%)	(2.80%)	1.62%
<b>Master Indices (Maturities 1 Year or Greater)</b>					
<b>U.S. Treasury</b>	7.02	2.39%	(5.56%)	(3.35%)	1.47%
<b>Federal Agency</b>	3.91	2.39%	(4.25%)	(3.65%)	1.33%
<b>U.S. Corporates, A-AAA rated</b>	7.90	3.30%	(7.27%)	(4.04%)	2.56%
<b>Agency MBS (0 to 30 years)</b>	5.15	3.00%	(5.05%)	(5.10%)	0.56%
<b>Taxable Municipals</b>	10.46	3.55%	(9.37%)	(3.98%)	3.59%

Returns for periods greater than one year are annualized.

Source: ICE BofAML Indices.

## Disclosures

*PFM Asset Management LLC (“PFMAM”) is an investment adviser registered with the U.S. Securities and Exchange Commission and a subsidiary of U.S. Bancorp Asset Management, Inc. (“USBAM”). USBAM is a subsidiary of U.S. Bank National Association (“U.S. Bank”). U.S. Bank is a separate entity and subsidiary of U.S. Bancorp. U.S. Bank is not responsible for and does not guarantee the products, services or performance of PFMAM.*

*The views expressed within this material constitute the perspective and judgment of PFM Asset Management LLC at the time of distribution and are subject to change. Information is obtained from sources generally believed to be reliable and available to the public; however, PFM Asset Management LLC cannot guarantee its accuracy, completeness, or suitability. The information contained in this report is not an offer to purchase or sell any securities.*

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*Further distribution is not permitted without prior written consent.*

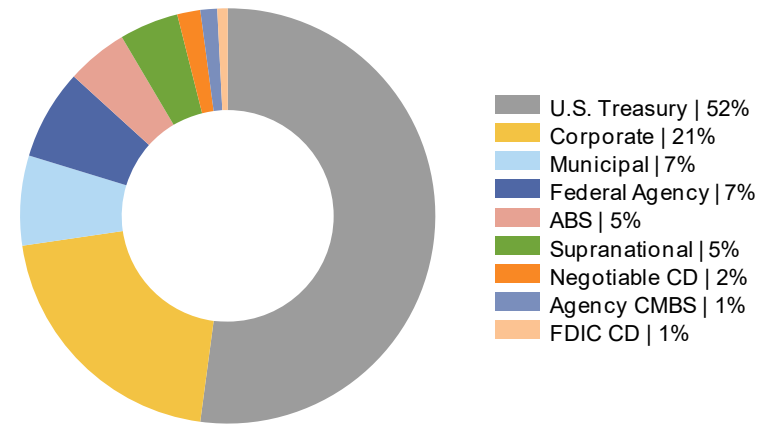
# Portfolio Review

## Portfolio Snapshot<sup>1</sup>

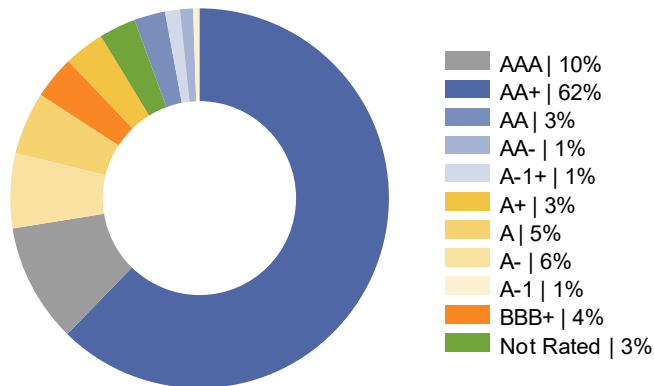
### Portfolio Statistics

<b>Total Market Value</b>	\$130,135,054.13
<i>Securities Sub-Total</i>	\$129,575,417.96
<i>Accrued Interest</i>	\$375,732.96
<i>Cash</i>	\$183,903.21
<b>Portfolio Effective Duration</b>	2.49 years
<b>Benchmark Effective Duration</b>	2.54 years
<b>Yield At Cost</b>	1.10%
<b>Yield At Market</b>	2.37%
<b>Portfolio Credit Quality</b>	AA

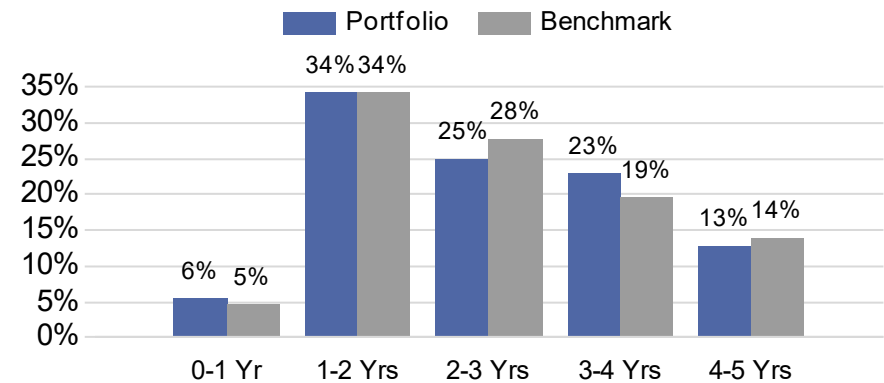
### Sector Allocation



### Credit Quality - S&P

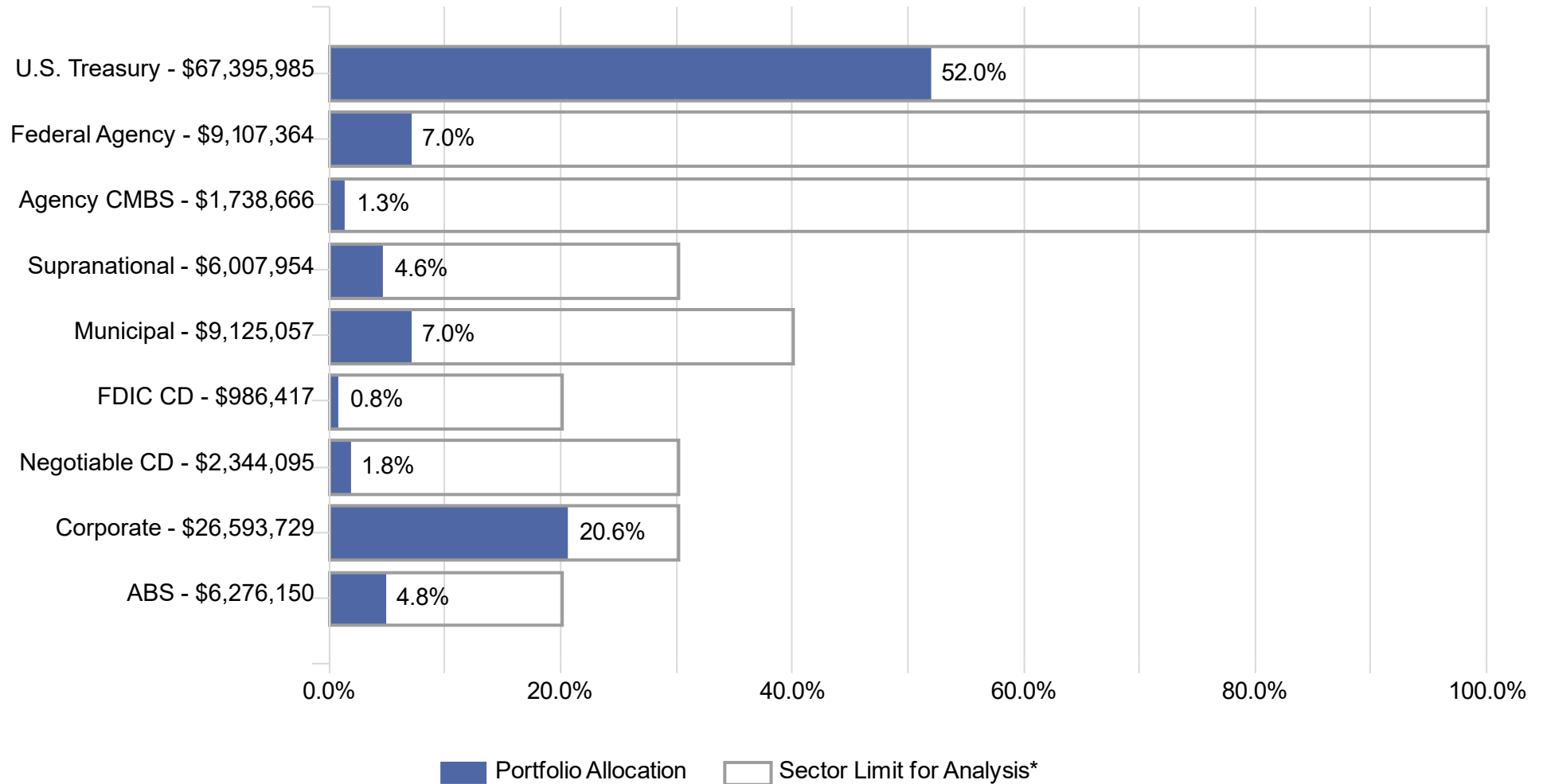


### Duration Distribution



1. Yield and duration calculations exclude cash and cash equivalents. Sector allocation includes market values and accrued interests. The portfolio's benchmark is the ICE BofAML 1-5 Year U.S. Treasury Index. Source: Bloomberg. An average of each security's credit rating was assigned a numeric value and adjusted for its relative weighting in the portfolio.

### Sector Allocation Analytics



*For informational/analytical purposes only and is not provided for compliance assurance.*

Market values excluding accrued interest.

*\*Sector Limit for Analysis is as derived from our interpretation of your most recent Investment Policy as provided.*

## Certificate of Compliance

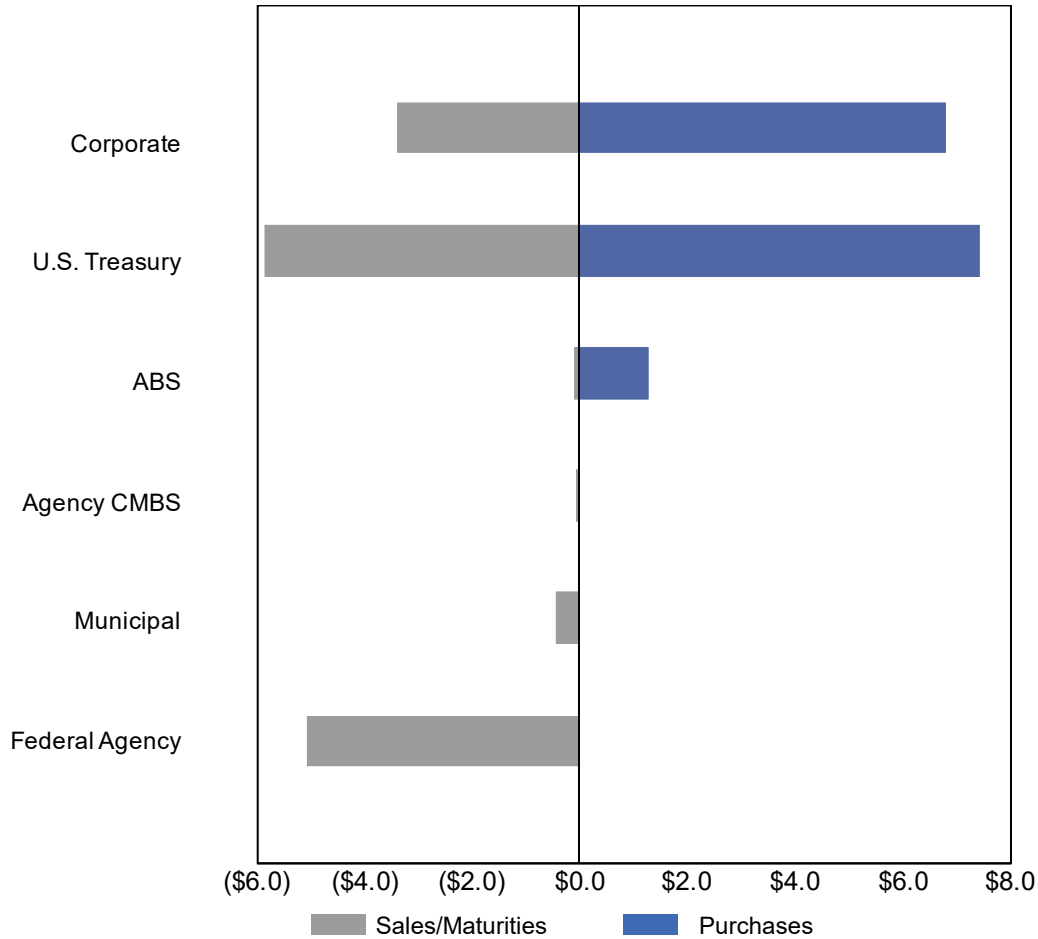
During the reporting period for the quarter ended March 31, 2022, the account(s) managed by PFM Asset Management ("PFMAM") were in compliance with the applicable investment policy and guidelines as furnished to PFMAM.

Acknowledged : *PFM Asset Management LLC*

*Note: Pre- and post-trade compliance for the account(s) managed by PFM Asset Management is provided via Bloomberg Asset and Investment Management ("AIM").*

## Portfolio Activity

**Net Activity by Sector**  
(\$ millions)



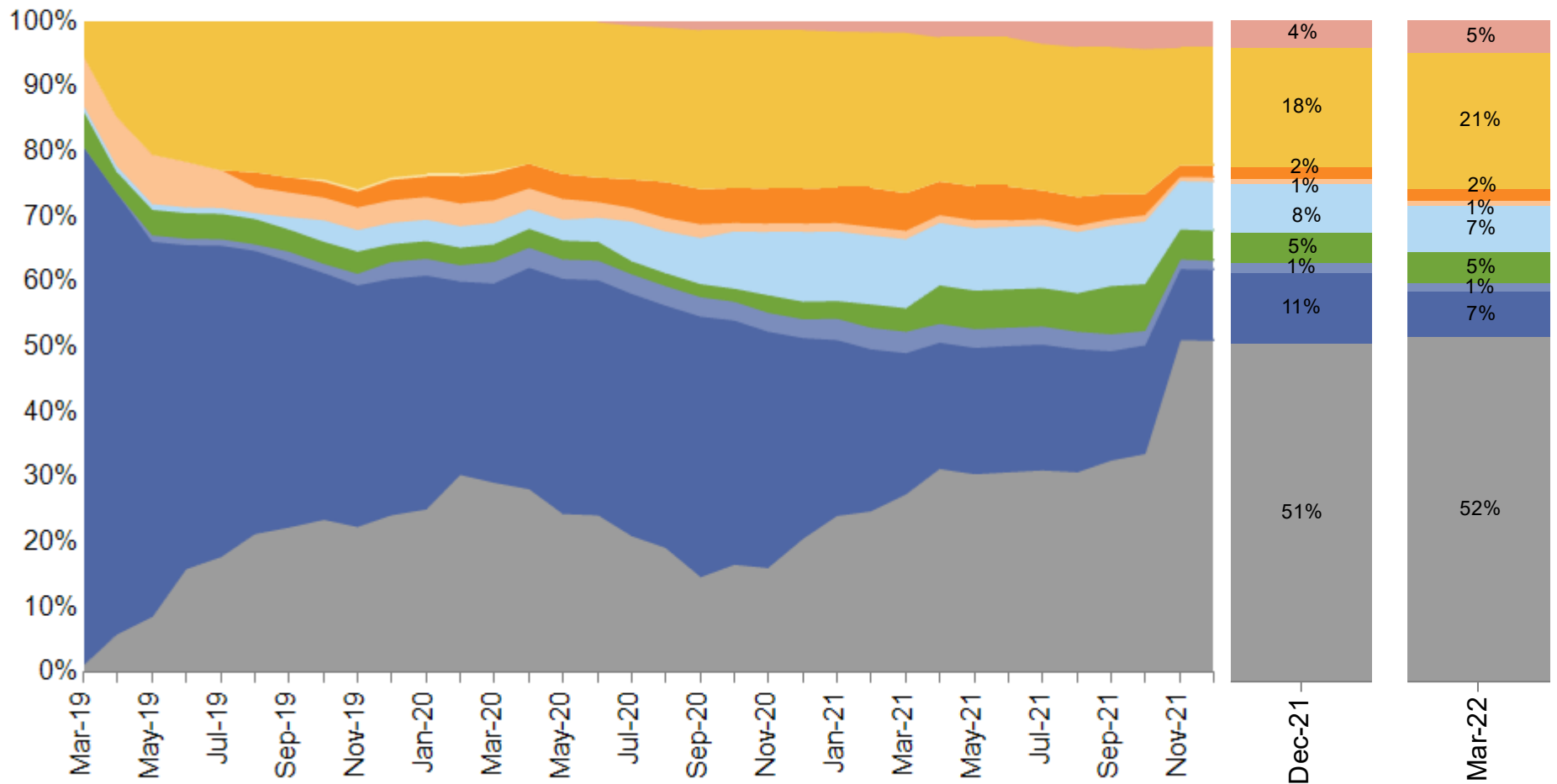
Sector	Net Activity
Corporate	\$3,424,263
U.S. Treasury	\$1,605,906
ABS	\$1,160,342
Agency CMBS	(\$52,030)
Municipal	(\$436,272)
Federal Agency	(\$5,066,261)
<b>Total Net Activity</b>	<b>\$635,948</b>

*Based on total proceeds (principal and accrued interest) of buys, sells, maturities, and principal paydowns. Detail may not add to total due to rounding.*



### Historical Sector Allocation

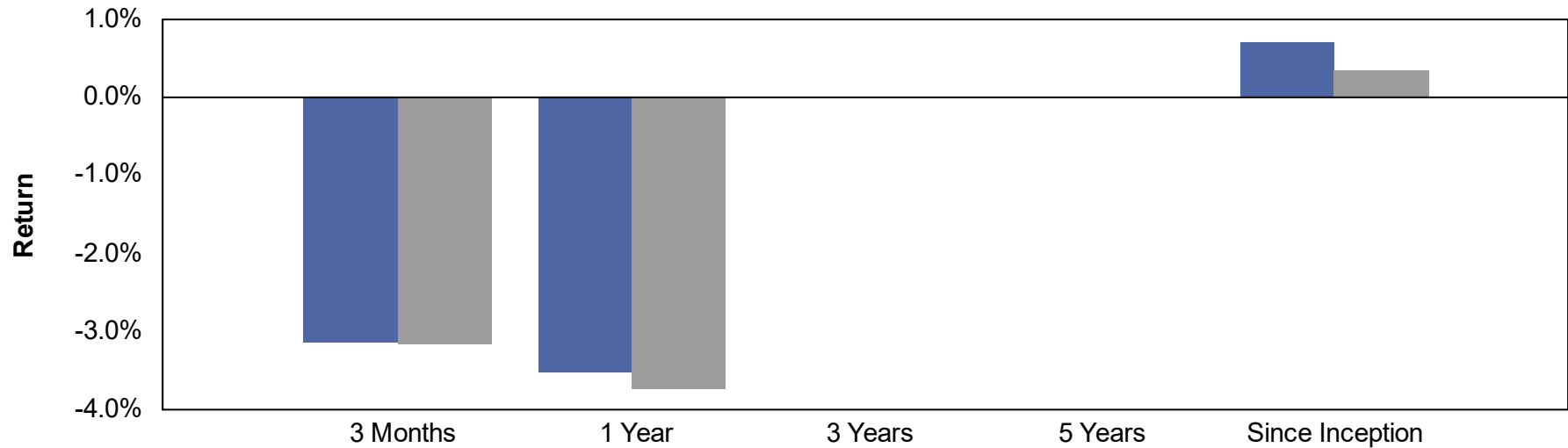
U.S. Treasury    
  Agency CMBS    
  Municipal    
  FDIC CD    
  Negotiable CD    
  Commercial Paper    
  Corporate    
  ABS  
 Federal Agency    
 Supranational



Only includes investments held within the separately managed account(s), excludes cash held in funds not managed by PFMAM.

### Portfolio Performance

■ Portfolio ■ Benchmark



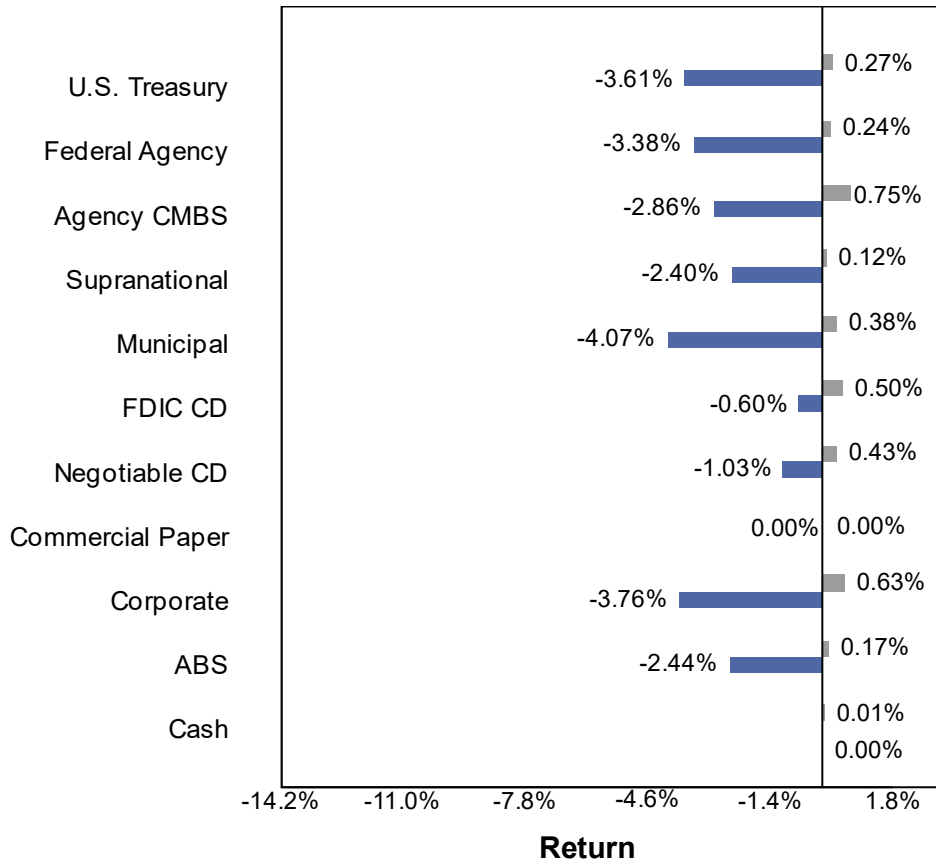
Market Value Basis Earnings	3 Months	1 Year	3 Years	5 Years	Since Inception <sup>1</sup>
Interest Earned <sup>2</sup>	\$441,169	\$1,627,634	-	-	\$4,725,318
Change in Market Value	(\$4,648,476)	(\$6,389,197)	-	-	(\$4,630,383)
<b>Total Dollar Return</b>	<b>(\$4,207,307)</b>	<b>(\$4,761,563)</b>	-	-	<b>\$94,935</b>
<b>Total Return<sup>3</sup></b>					
Portfolio	-3.13%	-3.52%	-	-	0.71%
Benchmark <sup>4</sup>	-3.16%	-3.72%	-	-	0.34%
<b>Difference</b>	<b>0.03%</b>	<b>0.20%</b>	-	-	<b>0.37%</b>

1. The lesser of 10 years or since inception is shown. Since inception returns for periods one year or less are not shown. Performance inception date is June 30, 2019.  
 2. Interest earned calculated as the ending accrued interest less beginning accrued interest, plus net interest activity.  
 3. Returns for periods one year or less are presented on a periodic basis. Returns for periods greater than one year are presented on an annualized basis.  
 4. The portfolio's benchmark is the ICE BofAML 1-5 Year U.S. Treasury Index. Source: Bloomberg.

### Quarterly Sector Performance

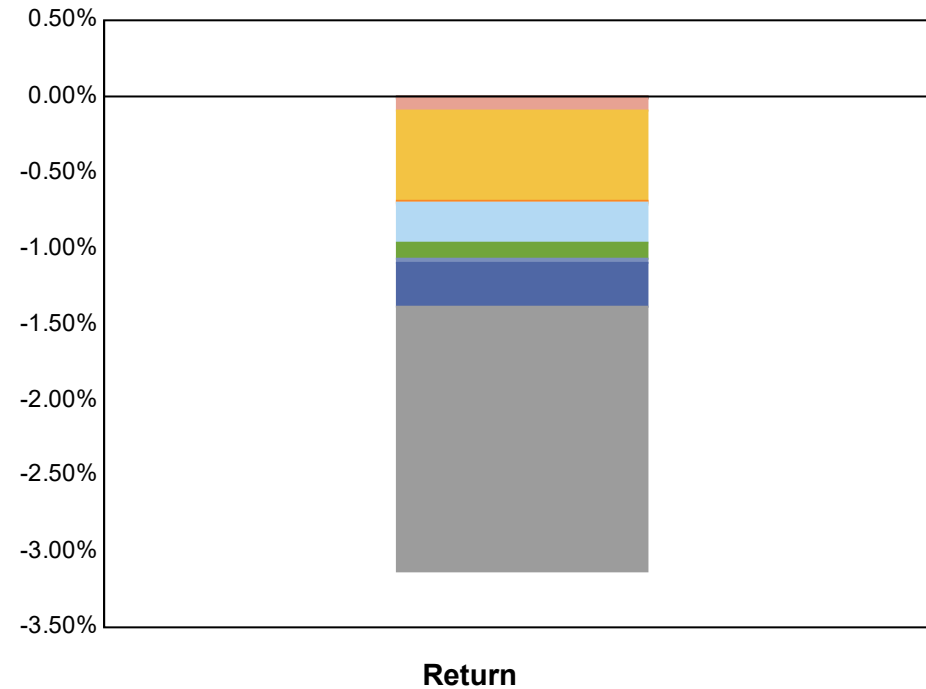
**Total Return by Sector**

Price Returns    Income Returns



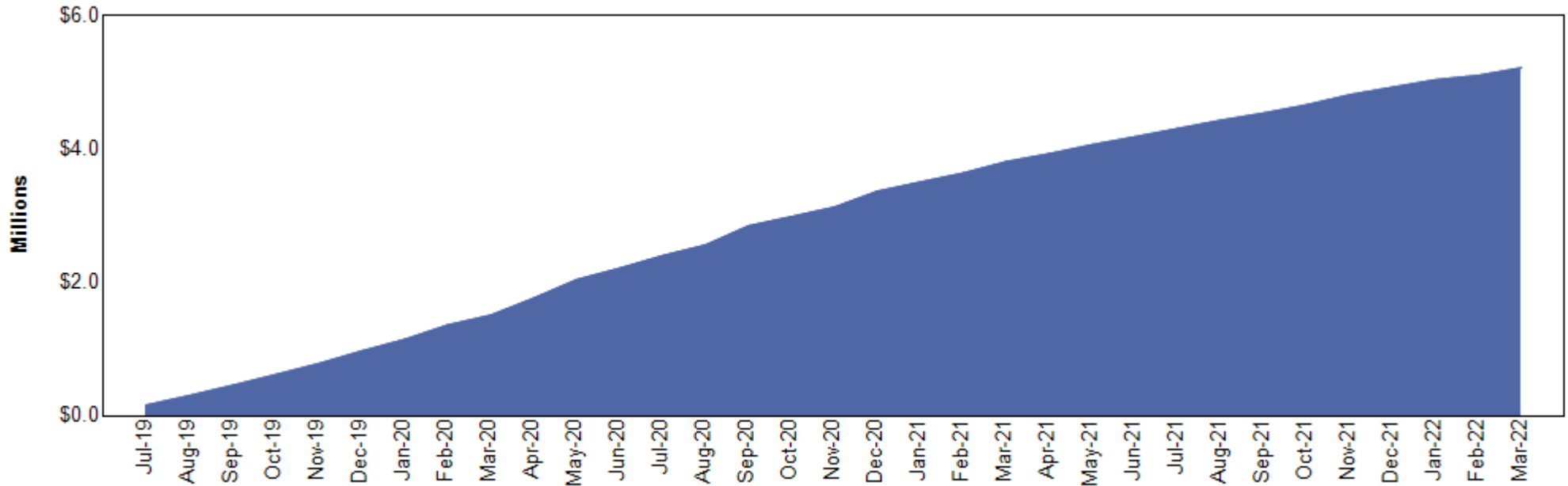
**Contribution to Total Return**

U.S. Treasury | -1.75%    Negotiable CD | -0.01%  
 Federal Agency | -0.27%    Commercial Paper | <0.01%  
 Agency CMBS | -0.03%    Corporate | -0.60%  
 Supranational | -0.11%    ABS | -0.10%  
 Municipal | -0.27%    Cash | <0.01%  
 FDIC CD | >-0.01%



1. Performance on trade-date basis, gross (i.e., before fees), in accordance with the CFA Institute's Global Investment Performance Standards (GIPS).
2. Income returns calculated as interest earned on investments during the period.
3. Price returns calculated as the change in market value of each security for the period.
4. Returns are presented on a periodic basis.

### Accrual Basis Earnings



Accrual Basis Earnings	3 Months	1 Year	3 Years	5 Year	Since Inception <sup>1</sup>
Interest Earned <sup>2</sup>	\$441,169	\$1,627,634	-	-	\$4,725,318
Realized Gains / (Losses) <sup>3</sup>	(\$60,409)	\$140,170	-	-	\$1,272,700
Change in Amortized Cost	(\$88,650)	(\$358,341)	-	-	(\$780,700)
<b>Total Earnings</b>	<b>\$292,109</b>	<b>\$1,409,463</b>	-	-	<b>\$5,217,318</b>

1. The lesser of 10 years or since inception is shown. Performance inception date is June 30, 2019.  
 2. Interest earned calculated as the ending accrued interest less beginning accrued interest, plus net interest activity.  
 3. Realized gains / (losses) are shown on an amortized cost basis.

## Issuer Distribution

## Issuer Diversification

Security Type / Issuer	Market Value (%)	S&P / Moody's / Fitch
<b>U.S. Treasury</b>	<b>52.0%</b>	
UNITED STATES TREASURY	52.0%	AA / Aaa / AAA
<b>Federal Agency</b>	<b>7.0%</b>	
FANNIE MAE	4.1%	AA / Aaa / AAA
FREDDIE MAC	2.9%	AA / Aaa / AAA
<b>Agency CMBS</b>	<b>1.3%</b>	
FANNIE MAE	0.5%	AA / Aaa / AAA
FREDDIE MAC	0.9%	AA / Aaa / AAA
<b>Supranational</b>	<b>4.6%</b>	
INTER-AMERICAN DEVELOPMENT BANK	2.1%	AAA / Aaa / AAA
INTL BANK OF RECONSTRUCTION AND DEV	2.6%	AAA / Aaa / AAA
<b>Municipal</b>	<b>7.0%</b>	
CITY & COUNTY OF SAN FRANCISCO	0.6%	NR / NR / AA
FLORIDA STATE BOARD OF ADMIN FIN CORP	0.5%	AA / Aa / AA
LONG BEACH COMMUNITY COLLEGE DISTRICT	0.3%	AA / Aa / NR
LOS ANGELES COMMUNITY COLLEGE DISTRICT	0.3%	AA / Aaa / NR
LOS ANGELES UNIFIED SCHOOL DISTRICT	0.2%	NR / Aa / AA
NEW YORK ST URBAN DEVELOPMENT CORP	0.7%	AA / NR / AA
PALOMAR COMMUNITY COLLEGE DISTRICT	0.3%	AA / Aa / NR
SAN DIEGO COMMUNITY COLLEGE DISTRICT	0.2%	AAA / Aaa / NR
SAN DIEGO COUNTY WATER AUTHORITY	0.3%	AAA / Aa / AA
SAN JUAN UNIFIED SCHOOL DISTRICT	0.3%	NR / Aa / NR
SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT	0.3%	AA / Aa / NR
STATE OF CONNECTICUT	0.6%	A / Aa / AA
STATE OF MARYLAND	0.3%	AAA / Aaa / AAA

Security Type / Issuer	Market Value (%)	S&P / Moody's / Fitch
<b>Municipal</b>	<b>7.0%</b>	
STATE OF MINNESOTA	0.2%	AAA / Aa / AAA
STATE OF MISSISSIPPI	0.1%	AA / Aa / AA
STATE OF WISCONSIN	0.5%	AAA / NR / AA
TAMALPAIS UNION HIGH SCHOOL DISTRICT	0.5%	NR / Aaa / NR
UNIVERSITY OF CALIFORNIA	0.3%	AA / Aa / AA
VENTURA COUNTY COMM COLLEGE DISTRICT	0.6%	AA / Aa / NR
<b>FDIC CD</b>	<b>0.8%</b>	
BENEFICIAL BANK	0.2%	NR / NR / NR
CAPITAL ONE FINANCIAL CORP	0.2%	NR / NR / NR
FOCUS BANK	0.2%	NR / NR / NR
GOLDMAN SACHS GROUP INC	0.2%	NR / NR / NR
<b>Negotiable CD</b>	<b>1.8%</b>	
CREDIT SUISSE GROUP RK	0.5%	A / Aa / A
DNB ASA	0.5%	AA / Aa / NR
NORDEA BANK ABP	0.8%	AA / Aa / AA
<b>Corporate</b>	<b>20.6%</b>	
ABBOTT LABORATORIES	0.7%	AA / A / NR
AMAZON.COM INC	0.2%	AA / A / AA
AMERICAN EXPRESS CO	0.9%	BBB / A / A
AMERICAN HONDA FINANCE	0.7%	A / A / A
ASTRAZENECA PLC	0.5%	A / A / NR
BANK OF AMERICA CO	1.1%	A / A / AA
BMW FINANCIAL SERVICES NA LLC	0.6%	A / A / NR
BRISTOL-MYERS SQUIBB CO	0.4%	A / A / NR
CATERPILLAR INC	1.2%	A / A / A

Ratings shown are calculated by assigning a numeral value to each security rating, then calculating a weighted average rating for each security type / issuer category using all available security ratings, excluding Not-Rated (NR) ratings. For security type / issuer categories where a rating from the applicable NRSRO is not available, a rating of NR is assigned. Includes accrued interest and excludes balances invested in overnight funds.

## Issuer Diversification

Security Type / Issuer	Market Value (%)	S&P / Moody's / Fitch
<b>Corporate</b>	<b>20.6%</b>	
CHARLES SCHWAB	0.6%	A / A / A
CHEVRON CORPORATION	0.5%	AA / Aa / NR
CITIGROUP INC	0.6%	BBB / A / A
COMCAST CORP	0.5%	A / A / A
DEERE & COMPANY	0.6%	A / A / A
GENERAL DYNAMICS CORP	0.6%	A / A / NR
GOLDMAN SACHS GROUP INC	0.8%	BBB / A / A
HOME DEPOT INC	0.1%	A / A / A
HONEYWELL INTERNATIONAL	0.5%	A / A / A
IBM CORP	0.7%	A / A / NR
JP MORGAN CHASE & CO	1.0%	A / A / AA
LOCKHEED MARTIN CORP	0.2%	A / A / A
MORGAN STANLEY	0.8%	BBB / A / A
PACCAR FINANCIAL CORP	0.3%	A / A / NR
PNC FINANCIAL SERVICES GROUP	0.5%	A / A / A
Roche Holding AG	1.0%	AA / Aa / NR
TARGET CORP	0.6%	A / A / A
THE BANK OF NEW YORK MELLON CORPORATION	1.1%	A / A / AA
THE WALT DISNEY CORPORATION	0.6%	BBB / A / A
TOYOTA MOTOR CORP	0.8%	A / A / A
TRUIST FIN CORP	0.6%	A / A / A
UNILEVER PLC	0.1%	A / A / A
UNITEDHEALTH GROUP INC	0.5%	A / A / A
US BANCORP	0.6%	A / A / A

Security Type / Issuer	Market Value (%)	S&P / Moody's / Fitch
<b>ABS</b>	<b>4.8%</b>	
BMW FINANCIAL SERVICES NA LLC	0.1%	AAA / Aaa / NR
CAPITAL ONE FINANCIAL CORP	0.5%	AAA / NR / AAA
CARMAX AUTO OWNER TRUST	0.9%	AAA / Aaa / AAA
FORD CREDIT AUTO OWNER TRUST	0.2%	AAA / NR / AAA
GM FINANCIAL CONSUMER AUTOMOBILE TRUST	0.4%	AAA / Aaa / AAA
GM FINANCIAL LEASINGTRUST	0.2%	AAA / NR / AAA
HONDA AUTO RECEIVABLES	0.4%	AAA / Aaa / AAA
HYUNDAI AUTO LEASE SECURITIZATION TRUST	0.1%	AAA / Aaa / NR
HYUNDAI AUTO RECEIVABLES	0.7%	AAA / NR / AAA
KUBOTA CREDIT OWNER TRUST	0.4%	NR / Aaa / AAA
MERCEDES-BENZ AUTO LEASE TRUST	0.1%	AAA / NR / AAA
NISSAN AUTO LEASE TRUST	0.2%	AAA / Aaa / NR
Toyota Lease Owner Trust	0.2%	AAA / Aaa / NR
TOYOTA MOTOR CORP	0.2%	AAA / Aaa / NR
WORLD OMNI AUTO REC TRUST	0.3%	AAA / NR / AAA
<b>Total</b>	<b>100.0%</b>	

Ratings shown are calculated by assigning a numeral value to each security rating, then calculating a weighted average rating for each security type / issuer category using all available security ratings, excluding Not-Rated (NR) ratings. For security type / issuer categories where a rating from the applicable NRSRO is not available, a rating of NR is assigned. Includes accrued interest and excludes balances invested in overnight funds.

# Portfolio Transactions



## Quarterly Portfolio Transactions

Trade Date	Settle Date	Par (\$)	CUSIP	Security Description	Coupon	Maturity Date	Transact Amount (\$)	Yield at Market	Realized G/L (BV)
<b>BUY</b>									
1/3/2022	1/5/2022	3,375,000.00	912828ZL7	US TREASURY NOTES	0.37%	4/30/2025	3,296,492.06	1.11%	
1/10/2022	1/12/2022	800,000.00	14913R2U0	CATERPILLAR FINL SERVICE CORPORATE NOTES	1.70%	1/8/2027	794,683.56	1.84%	
1/11/2022	1/13/2022	800,000.00	24422EWA3	JOHN DEERE CAPITAL CORP CORPORATE NOTES	1.70%	1/11/2027	795,601.33	1.82%	
1/11/2022	1/19/2022	285,000.00	380146AC4	GMCAR 2022-1 A3	1.26%	11/16/2026	284,975.23	1.26%	
1/13/2022	1/18/2022	1,420,000.00	912828W71	US TREASURY NOTES	2.12%	3/31/2024	1,464,119.60	0.99%	
1/18/2022	1/25/2022	245,000.00	17327CAN3	CITIGROUP INC CORP NOTES (CALLABLE)	2.01%	1/25/2026	245,000.00	2.01%	
1/19/2022	1/24/2022	180,000.00	87612EBM7	TARGET CORP CORPORATE NOTES	1.95%	1/15/2027	179,694.00	1.99%	
1/19/2022	1/24/2022	255,000.00	345286AC2	FORDO 2022-A A3	1.29%	6/15/2026	254,969.71	1.29%	
1/19/2022	1/24/2022	400,000.00	38141GZH0	GOLDMAN SACHS GROUP INC CORPORATE NOTES	1.75%	1/24/2025	400,000.00	1.76%	
1/21/2022	1/25/2022	650,000.00	87612EBM7	TARGET CORP CORPORATE NOTES	1.95%	1/15/2027	651,458.71	1.90%	
2/11/2022	2/14/2022	400,000.00	91282CDG3	US TREASURY N/B NOTES	1.12%	10/31/2026	387,145.81	1.92%	
2/15/2022	2/17/2022	2,400,000.00	91282CCF6	US TREASURY N/B NOTES	0.75%	5/31/2026	2,285,219.09	1.96%	
2/16/2022	2/18/2022	310,000.00	61747YEM3	MORGAN STANLEY CORP NOTES (CALLABLE)	2.63%	2/18/2026	310,000.00	2.63%	
2/23/2022	2/25/2022	1,000,000.00	459200KM2	IBM CORP CORPORATE NOTES	2.20%	2/9/2027	988,637.78	2.47%	
3/1/2022	3/3/2022	700,000.00	438516CE4	HONEYWELL INTERNATIONAL (CALLABLE) CORP	1.10%	3/1/2027	667,338.78	2.09%	
3/1/2022	3/4/2022	350,000.00	025816CQ0	AMERICAN EXPRESS CO CORP NOTES (CALLABLE)	2.25%	3/4/2025	349,646.50	2.29%	
3/3/2022	3/10/2022	1,295,000.00	771196BT8	ROCHE HOLDINGS INC (CALLABLE) CORPORATE	2.13%	3/10/2025	1,295,000.00	2.13%	

## Quarterly Portfolio Transactions

Trade Date	Settle Date	Par (\$)	CUSIP	Security Description	Coupon	Maturity Date	Transact Amount (\$)	Yield at Market	Realized G/L (BV)
<b>BUY</b>									
3/9/2022	3/16/2022	720,000.00	448977AD0	HART 2022-A A3	2.22%	10/15/2026	719,972.28	2.22%	
3/24/2022	3/28/2022	105,000.00	437076CM2	HOME DEPOT INC (CALLABLE) CORPORATE NOTE	2.70%	4/15/2025	104,816.25	2.76%	
<b>Total BUY</b>		<b>15,690,000.00</b>					<b>15,474,770.69</b>		<b>0.00</b>
<b>INTEREST</b>									
1/1/2022	1/1/2022	705,000.00	341271AD6	FL ST BOARD OF ADMIN TXBL REV BONDS	1.25%	7/1/2025	4,434.45		
1/1/2022	1/1/2022	150,000.00	20772KJW0	CT ST TXBL GO BONDS	1.99%	7/1/2024	1,498.50		
1/1/2022	1/1/2022	310,000.00	544647FC9	LOS ANGELES USD, CA TXBL GO BONDS	1.45%	7/1/2026	638.99		
1/1/2022	1/1/2022	640,000.00	977123X60	WI DEPT OF TRANS TXBL REV BONDS	0.62%	7/1/2024	1,996.80		
1/1/2022	1/25/2022	79,350.98	3137FQ3V3	FHMS KJ27 A1	2.09%	7/1/2024	335.19		
1/1/2022	1/25/2022	169,149.15	3136AEGQ4	FNA 2013-M7 A2	2.28%	12/1/2022	321.38		
1/1/2022	1/25/2022	445,885.79	3136AJB54	FANNIEMAE-ACES	3.34%	3/1/2024	1,243.28		
1/1/2022	1/25/2022	665,000.00	3137BGK24	FHMS K043 A2	3.06%	12/1/2024	1,696.86		
1/1/2022	1/25/2022	400,000.00	3137BTU25	FHMS K724 A2	3.06%	11/1/2023	1,020.67		
1/3/2022	1/3/2022		MONEY0002	MONEY MARKET FUND			2.75		
1/7/2022	1/7/2022	700,000.00	3135G0X24	FANNIE MAE NOTES	1.62%	1/7/2025	5,687.50		
1/10/2022	1/10/2022	570,000.00	3135G05G4	FANNIE MAE NOTES	0.25%	7/10/2023	712.50		
1/15/2022	1/15/2022	610,000.00	14317DAC4	CARMX 2021-3 A3	0.55%	6/15/2026	279.58		

## Quarterly Portfolio Transactions

Trade Date	Settle Date	Par (\$)	CUSIP	Security Description	Coupon	Maturity Date	Transact Amount (\$)	Yield at Market	Realized G/L (BV)
<b>INTEREST</b>									
1/15/2022	1/15/2022	90,000.00	58769EAC2	MBALT 2020-B A3	0.40%	11/15/2023	30.00		
1/15/2022	1/15/2022	220,000.00	65480EAD3	NALT 2020-B A3	0.43%	10/16/2023	78.83		
1/15/2022	1/15/2022	290,000.00	89237VAB5	TAOT 2020-C A3	0.44%	10/15/2024	106.33		
1/15/2022	1/15/2022	140,000.00	44891TAD8	HALST 2021-A A4	0.42%	12/16/2024	49.00		
1/15/2022	1/15/2022	120,000.00	14316NAC3	CARMX 2021-1 A3	0.34%	12/15/2025	34.00		
1/15/2022	1/15/2022	370,000.00	50117XAE2	KCOT 2021-2A A3	0.56%	11/17/2025	172.67		
1/15/2022	1/15/2022	350,000.00	98163KAC6	WOART 2021-D A3	0.81%	10/15/2026	236.25		
1/15/2022	1/15/2022	155,000.00	50117TAC5	KCOT 2021-1A A3	0.62%	8/15/2025	80.08		
1/15/2022	1/15/2022	220,000.00	44933LAC7	HART 2021-A A3	0.38%	9/15/2025	69.67		
1/15/2022	1/15/2022	715,000.00	14041NFY2	COMET 2021-A3 A3	1.04%	11/16/2026	929.50		
1/15/2022	1/15/2022	300,000.00	14314QAC8	CARMX 2021-2 A3	0.52%	2/17/2026	130.00		
1/15/2022	1/15/2022	205,000.00	14315FAD9	CARMX 2020-3 A3	0.62%	3/17/2025	105.92		
1/16/2022	1/16/2022	300,000.00	362590AC5	GMCAR 2020-3 A3	0.45%	4/16/2025	112.50		
1/18/2022	1/18/2022	305,000.00	43815EAC8	HAROT 2021-3 A3	0.41%	11/18/2025	104.21		
1/20/2022	1/20/2022	225,000.00	36262XAD6	GMALT 2021-3 A4	0.50%	7/21/2025	93.75		
1/20/2022	1/20/2022	235,000.00	89238EAC0	TLOT 2021-A A3	0.39%	4/22/2024	76.38		
1/21/2022	1/21/2022	285,000.00	43815GAC3	HAROT 2021-4 A3	0.88%	1/21/2026	209.00		

## Quarterly Portfolio Transactions

Trade Date	Settle Date	Par (\$)	CUSIP	Security Description	Coupon	Maturity Date	Transact Amount (\$)	Yield at Market	Realized G/L (BV)
<b>INTEREST</b>									
1/22/2022	1/22/2022	1,395,000.00	06051GFB0	BANK OF AMERICA CORP NOTE	4.12%	1/22/2024	28,771.88		
1/25/2022	1/25/2022	160,000.00	05591RAD6	BMWLT 2021-1 A4	0.37%	7/25/2024	49.33		
1/30/2022	1/30/2022	845,000.00	91159HHX1	US BANCORP NOTES (CALLABLE)	2.40%	7/30/2024	10,140.00		
1/31/2022	1/31/2022	740,000.00	912828Y87	US TREASURY NOTES	1.75%	7/31/2024	6,475.00		
1/31/2022	1/31/2022	600,000.00	912828V80	US TREASURY NOTES	2.25%	1/31/2024	6,750.00		
1/31/2022	1/31/2022	2,500,000.00	91282CAB7	US TREASURY NOTES	0.25%	7/31/2025	3,125.00		
1/31/2022	1/31/2022	280,000.00	9128283V0	US TREASURY NOTES	2.50%	1/31/2025	3,500.00		
1/31/2022	1/31/2022	145,000.00	912828Y61	US TREASURY NOTES	2.75%	7/31/2023	1,993.75		
1/31/2022	1/31/2022	240,000.00	91282CCN9	US TREASURY N/B NOTES	0.12%	7/31/2023	150.00		
1/31/2022	1/31/2022	5,325,000.00	91282CBH3	US TREASURY NOTES	0.37%	1/31/2026	9,984.38		
2/1/2022	2/1/2022	415,000.00	798306WN2	SAN JUAN USD, CA TXBL GO BONDS	0.70%	8/1/2024	1,456.65		
2/1/2022	2/1/2022	95,000.00	00724PAA7	ADOBE INC CORP NOTE	1.70%	2/1/2023	807.50		
2/1/2022	2/1/2022	275,000.00	60412AVJ9	MN ST TXBL GO BONDS	0.63%	8/1/2025	866.25		
2/1/2022	2/1/2022	440,000.00	697511FB4	PALOMAR COMM COLL DIST, CA TXBL GO BONDS	0.79%	8/1/2024	1,746.80		
2/1/2022	2/1/2022	350,000.00	542411NH2	LONG BEACH CCD, CA TXBL GO BONDS	1.74%	8/1/2023	3,050.25		
2/1/2022	2/1/2022	350,000.00	923040GT0	VENTURA CNTY CCD, CA TXBL GO BONDS	1.75%	8/1/2023	3,062.50		
2/1/2022	2/1/2022	405,000.00	799408Z85	SAN RAMON VALLEY USD, CA TXBL GO BONDS	0.74%	8/1/2025	1,498.50		

## Quarterly Portfolio Transactions

Trade Date	Settle Date	Par (\$)	CUSIP	Security Description	Coupon	Maturity Date	Transact Amount (\$)	Yield at Market	Realized G/L (BV)
<b>INTEREST</b>									
2/1/2022	2/1/2022	615,000.00	874857KJ3	TAMALPAIS UHSD, CA TXBL GO BONDS	1.97%	8/1/2023	6,060.83		
2/1/2022	2/1/2022	410,000.00	54438CYK2	LOS ANGELES CCD, CA TXBL GO BONDS	0.77%	8/1/2025	1,584.65		
2/1/2022	2/1/2022	815,000.00	808513AY1	CHARLES SCHWAB CORP NOTES	3.55%	2/1/2024	14,466.25		
2/1/2022	2/1/2022	375,000.00	574193TQ1	MD ST TXBL GO BONDS	0.51%	8/1/2024	956.25		
2/1/2022	2/1/2022	245,000.00	797272QP9	SAN DIEGO CCD, CA TXBL GO BONDS	2.04%	8/1/2024	2,506.35		
2/1/2022	2/1/2022	490,000.00	923040GU7	VENTURA CNTY CCD, CA TXBL GO BONDS	1.80%	8/1/2024	4,410.00		
2/1/2022	2/25/2022	168,773.44	3136AEGQ4	FNA 2013-M7 A2	2.28%	12/1/2022	336.38		
2/1/2022	2/25/2022	445,008.84	3136AJB54	FANNIEMAE-ACES	3.34%	3/1/2024	1,264.85		
2/1/2022	2/25/2022	72,789.86	3137FQ3V3	FHMS KJ27 A1	2.09%	7/1/2024	126.90		
2/1/2022	2/25/2022	665,000.00	3137BGK24	FHMS K043 A2	3.06%	12/1/2024	1,696.86		
2/1/2022	2/25/2022	400,000.00	3137BTU25	FHMS K724 A2	3.06%	11/1/2023	1,020.67		
2/2/2022	2/2/2022		MONEY0002	MONEY MARKET FUND			3.81		
2/3/2022	2/3/2022	800,000.00	025816BW8	AMERICAN EXPRESS CREDIT CORP NOTES (CALL	3.70%	8/3/2023	14,800.00		
2/12/2022	2/12/2022	790,000.00	3137EAEP0	FREDDIE MAC NOTES	1.50%	2/12/2025	5,925.00		
2/12/2022	2/12/2022	215,000.00	05565EBU8	BMW US CAPITAL LLC CORPORATE NOTES	0.75%	8/12/2024	806.25		
2/12/2022	2/12/2022	160,000.00	904764BN6	UNILEVER CAPITAL CORP (CALLABLE) CORPORA	0.62%	8/12/2024	500.80		
2/12/2022	2/12/2022	650,000.00	38141GXS8	GOLDMAN SACHS GROUP INC CORPORATE NOTES	0.85%	2/12/2026	2,778.75		

### Quarterly Portfolio Transactions

Trade Date	Settle Date	Par (\$)	CUSIP	Security Description	Coupon	Maturity Date	Transact Amount (\$)	Yield at Market	Realized G/L (BV)
<b>INTEREST</b>									
2/15/2022	2/15/2022	220,000.00	44933LAC7	HART 2021-A A3	0.38%	9/15/2025	69.67		
2/15/2022	2/15/2022	300,000.00	14314QAC8	CARMX 2021-2 A3	0.52%	2/17/2026	130.00		
2/15/2022	2/15/2022	715,000.00	14041NFY2	COMET 2021-A3 A3	1.04%	11/16/2026	619.67		
2/15/2022	2/15/2022	155,000.00	50117TAC5	KCOT 2021-1A A3	0.62%	8/15/2025	80.08		
2/15/2022	2/15/2022	286,623.31	89237VAB5	TAOT 2020-C A3	0.44%	10/15/2024	105.10		
2/15/2022	2/15/2022	120,000.00	14316NAC3	CARMX 2021-1 A3	0.34%	12/15/2025	34.00		
2/15/2022	2/15/2022	90,000.00	58769EAC2	MBALT 2020-B A3	0.40%	11/15/2023	30.00		
2/15/2022	2/15/2022	201,673.89	14315FAD9	CARMX 2020-3 A3	0.62%	3/17/2025	104.20		
2/15/2022	2/15/2022	220,000.00	65480EAD3	NALT 2020-B A3	0.43%	10/16/2023	78.83		
2/15/2022	2/15/2022	575,000.00	912828D56	US TREASURY NOTES	2.37%	8/15/2024	6,828.13		
2/15/2022	2/15/2022	255,000.00	345286AC2	FORDO 2022-A A3	1.29%	6/15/2026	191.89		
2/15/2022	2/15/2022	370,000.00	50117XAE2	KCOT 2021-2A A3	0.56%	11/17/2025	172.67		
2/15/2022	2/15/2022	140,000.00	44891TAD8	HALST 2021-A A4	0.42%	12/16/2024	49.00		
2/15/2022	2/15/2022	350,000.00	98163KAC6	WOART 2021-D A3	0.81%	10/15/2026	236.25		
2/15/2022	2/15/2022	610,000.00	14317DAC4	CARMX 2021-3 A3	0.55%	6/15/2026	279.58		
2/16/2022	2/16/2022	285,000.00	380146AC4	GMCAR 2022-1 A3	1.26%	11/16/2026	269.33		
2/16/2022	2/16/2022	300,000.00	362590AC5	GMCAR 2020-3 A3	0.45%	4/16/2025	112.50		

## Quarterly Portfolio Transactions

Trade Date	Settle Date	Par (\$)	CUSIP	Security Description	Coupon	Maturity Date	Transact Amount (\$)	Yield at Market	Realized G/L (BV)
<b>INTEREST</b>									
2/17/2022	2/17/2022	2,290,000.00	3130AJ7E3	FEDERAL HOME LOAN BANKS NOTES	1.37%	2/17/2023	15,743.75		
2/18/2022	2/18/2022	305,000.00	43815EAC8	HAROT 2021-3 A3	0.41%	11/18/2025	104.21		
2/20/2022	2/20/2022	235,000.00	89238EAC0	TLOT 2021-A A3	0.39%	4/22/2024	76.38		
2/20/2022	2/20/2022	225,000.00	36262XAD6	GMALT 2021-3 A4	0.50%	7/21/2025	93.75		
2/21/2022	2/21/2022	285,000.00	43815GAC3	HAROT 2021-4 A3	0.88%	1/21/2026	209.00		
2/22/2022	2/22/2022	880,000.00	023135AW6	AMAZON.COM INC BONDS	2.40%	2/22/2023	10,560.00		
2/24/2022	2/24/2022	275,000.00	3137EAEV7	FREDDIE MAC NOTES	0.25%	8/24/2023	343.75		
2/25/2022	2/25/2022	2,000,000.00	3135G05X7	FANNIE MAE NOTES	0.37%	8/25/2025	3,750.00		
2/25/2022	2/25/2022	160,000.00	05591RAD6	BMWLT 2021-1 A4	0.37%	7/25/2024	49.33		
2/28/2022	2/28/2022	1,000,000.00	65558TLL7	NORDEA BANK ABP NEW YORK CERT DEPOS	1.85%	8/26/2022	9,558.33		
2/28/2022	2/28/2022	900,000.00	91282CCU3	US TREASURY N/B NOTES	0.12%	8/31/2023	562.50		
2/28/2022	2/28/2022	3,400,000.00	91282CBQ3	US TREASURY NOTES	0.50%	2/28/2026	8,500.00		
2/28/2022	2/28/2022	845,000.00	254687FK7	WALT DISNEY COMPANY/THE	1.75%	8/30/2024	7,393.75		
2/28/2022	2/28/2022	95,000.00	912828W48	US TREASURY NOTES	2.12%	2/29/2024	1,009.38		
3/1/2022	3/1/2022	350,000.00	79772EAX7	SAN FRAN COMM FAC DIST, CA TXBL REV BNDS	2.50%	9/1/2022	4,375.00		
3/1/2022	3/1/2022	235,000.00	539830BE8	LOCKHEED MARTIN CORP NOTES (CALLABLE)	2.90%	3/1/2025	3,407.50		
3/1/2022	3/1/2022	380,000.00	79772EAE9	SAN FRAN COMM FAC DIST, CA TXBL REV BNDS	2.50%	9/1/2022	4,750.00		

## Quarterly Portfolio Transactions

Trade Date	Settle Date	Par (\$)	CUSIP	Security Description	Coupon	Maturity Date	Transact Amount (\$)	Yield at Market	Realized G/L (BV)
<b>INTEREST</b>									
3/1/2022	3/25/2022	442,498.18	3136AJB54	FANNIEMAE-ACES	3.34%	3/1/2024	1,257.52		
3/1/2022	3/25/2022	665,000.00	3137BGK24	FHMS K043 A2	3.06%	12/1/2024	1,696.86		
3/1/2022	3/25/2022	400,000.00	3137BTU25	FHMS K724 A2	3.06%	11/1/2023	1,020.67		
3/1/2022	3/25/2022	72,542.54	3137FQ3V3	FHMS KJ27 A1	2.09%	7/1/2024	185.46		
3/1/2022	3/25/2022	161,705.04	3136AEGQ4	FNA 2013-M7 A2	2.28%	12/1/2022	307.24		
3/2/2022	3/2/2022		MONEY0002	MONEY MARKET FUND			2.49		
3/9/2022	3/9/2022	1,000,000.00	02665WDZ1	AMERICAN HONDA FINANCE CORPORATE NOTES	1.30%	9/9/2026	6,500.00		
3/12/2022	3/12/2022	1,500,000.00	3135G0U43	FANNIE MAE NOTES	2.87%	9/12/2023	21,562.50		
3/13/2022	3/13/2022	750,000.00	46647PBH8	JPMORGAN CHASE & CO CORP NOTE	2.00%	3/13/2026	7,518.75		
3/14/2022	3/14/2022	835,000.00	4581X0DK1	INTER-AMERICAN DEVELOPMENT BANK NOTES	1.75%	3/14/2025	7,306.25		
3/15/2022	3/15/2022	188,415.84	14315FAD9	CARMX 2020-3 A3	0.62%	3/17/2025	97.35		
3/15/2022	3/15/2022	300,000.00	14314QAC8	CARMX 2021-2 A3	0.52%	2/17/2026	130.00		
3/15/2022	3/15/2022	640,000.00	91324PCC4	UNITEDHEALTH GROUP INC CORP NOTES	2.87%	3/15/2023	9,200.00		
3/15/2022	3/15/2022	155,000.00	50117TAC5	KCOT 2021-1A A3	0.62%	8/15/2025	80.08		
3/15/2022	3/15/2022	220,000.00	44933LAC7	HART 2021-A A3	0.38%	9/15/2025	69.67		
3/15/2022	3/15/2022	90,000.00	58769EAC2	MBALT 2020-B A3	0.40%	11/15/2023	30.00		
3/15/2022	3/15/2022	220,000.00	65480EAD3	NALT 2020-B A3	0.43%	10/16/2023	78.83		



### Quarterly Portfolio Transactions

Trade Date	Settle Date	Par (\$)	CUSIP	Security Description	Coupon	Maturity Date	Transact Amount (\$)	Yield at Market	Realized G/L (BV)
<b>INTEREST</b>									
3/15/2022	3/15/2022	255,000.00	345286AC2	FORDO 2022-A A3	1.29%	6/15/2026	274.13		
3/15/2022	3/15/2022	350,000.00	98163KAC6	WOART 2021-D A3	0.81%	10/15/2026	236.25		
3/15/2022	3/15/2022	120,000.00	14316NAC3	CARMX 2021-1 A3	0.34%	12/15/2025	34.00		
3/15/2022	3/15/2022	945,000.00	650036DT0	NY ST URBAN DEV CORP TXBL REV BONDS	0.87%	3/15/2025	4,110.75		
3/15/2022	3/15/2022	370,000.00	50117XAE2	KCOT 2021-2A A3	0.56%	11/17/2025	172.67		
3/15/2022	3/15/2022	610,000.00	14317DAC4	CARMX 2021-3 A3	0.55%	6/15/2026	279.58		
3/15/2022	3/15/2022	267,295.96	89237VAB5	TAOT 2020-C A3	0.44%	10/15/2024	98.01		
3/15/2022	3/15/2022	715,000.00	14041NFY2	COMET 2021-A3 A3	1.04%	11/16/2026	619.67		
3/15/2022	3/15/2022	630,000.00	20772KEW5	CT ST TXBL GO BONDS	3.74%	9/15/2025	11,790.45		
3/15/2022	3/15/2022	140,000.00	44891TAD8	HALST 2021-A A4	0.42%	12/16/2024	49.00		
3/16/2022	3/16/2022	290,381.54	362590AC5	GMCAR 2020-3 A3	0.45%	4/16/2025	108.89		
3/16/2022	3/16/2022	285,000.00	380146AC4	GMCAR 2022-1 A3	1.26%	11/16/2026	299.25		
3/17/2022	3/17/2022	715,000.00	22552G3C2	CREDIT SUISSE NEW YORK CERT DEPOS	0.59%	3/17/2023	4,206.78		
3/18/2022	3/18/2022	305,000.00	43815EAC8	HAROT 2021-3 A3	0.41%	11/18/2025	104.21		
3/20/2022	3/20/2022	225,000.00	36262XAD6	GMALT 2021-3 A4	0.50%	7/21/2025	93.75		
3/20/2022	3/20/2022	235,000.00	89238EAC0	TLOT 2021-A A3	0.39%	4/22/2024	76.38		
3/21/2022	3/21/2022	285,000.00	43815GAC3	HAROT 2021-4 A3	0.88%	1/21/2026	209.00		

## Quarterly Portfolio Transactions

Trade Date	Settle Date	Par (\$)	CUSIP	Security Description	Coupon	Maturity Date	Transact Amount (\$)	Yield at Market	Realized G/L (BV)
<b>INTEREST</b>									
3/23/2022	3/23/2022	1,530,000.00	4581X0DZ8	INTER-AMERICAN DEVEL BK NOTES	0.50%	9/23/2024	3,825.00		
3/23/2022	3/23/2022	1,150,000.00	3137EAEX3	FREDDIE MAC NOTES	0.37%	9/23/2025	2,156.25		
3/25/2022	3/25/2022	160,000.00	05591RAD6	BMWLT 2021-1 A4	0.37%	7/25/2024	49.33		
3/31/2022	3/31/2022	4,070,000.00	912828W71	US TREASURY NOTES	2.12%	3/31/2024	43,243.75		
3/31/2022	3/31/2022	5,000,000.00	9128285D8	US TREASURY NOTES	2.87%	9/30/2023	71,875.00		
3/31/2022	3/31/2022	2,000,000.00	91282CBT7	US TREASURY N/B NOTES	0.75%	3/31/2026	7,500.00		
3/31/2022	3/31/2022	795,000.00	9128282Y5	US TREASURY NOTES	2.12%	9/30/2024	8,446.88		
3/31/2022	3/31/2022	800,000.00	91282CDA6	US TREASURY NOTES	0.25%	9/30/2023	1,000.00		
3/31/2022	3/31/2022	620,000.00	91282CAM3	US TREASURY NOTES	0.25%	9/30/2025	775.00		
<b>Total INTEREST</b>		<b>81,407,094.36</b>					<b>463,714.11</b>		<b>0.00</b>
<b>MATURITY</b>									
1/1/2022	1/1/2022	18,256.99	3137BHXY8	FHLMC MULTIFAMILY STRUCTURED P	2.79%	1/1/2022	18,299.45		
<b>Total MATURITY</b>		<b>18,256.99</b>					<b>18,299.45</b>		<b>0.00</b>
<b>PAYDOWNS</b>									
1/1/2022	1/25/2022	876.95	3136AJB54	FANNIEMAE-ACES	3.34%	3/1/2024	876.95		
1/1/2022	1/25/2022	375.71	3136AEGQ4	FNA 2013-M7 A2	2.28%	12/1/2022	375.71		
1/1/2022	1/25/2022	6,561.12	3137FQ3V3	FHMS KJ27 A1	2.09%	7/1/2024	6,561.12		

## Quarterly Portfolio Transactions

Trade Date	Settle Date	Par (\$)	CUSIP	Security Description	Coupon	Maturity Date	Transact Amount (\$)	Yield at Market	Realized G/L (BV)
<b>PAYDOWNS</b>									
1/15/2022	1/15/2022	3,376.69	89237VAB5	TAOT 2020-C A3	0.44%	10/15/2024	3,376.69		
1/15/2022	1/15/2022	3,326.11	14315FAD9	CARMX 2020-3 A3	0.62%	3/17/2025	3,326.11		
2/1/2022	2/25/2022	7,068.40	3136AEGQ4	FNA 2013-M7 A2	2.28%	12/1/2022	7,068.40		
2/1/2022	2/25/2022	247.32	3137FQ3V3	FHMS KJ27 A1	2.09%	7/1/2024	247.32		
2/1/2022	2/25/2022	2,510.66	3136AJB54	FANNIEMAE-ACES	3.34%	3/1/2024	2,510.66		
2/15/2022	2/15/2022	19,327.35	89237VAB5	TAOT 2020-C A3	0.44%	10/15/2024	19,327.35		
2/15/2022	2/15/2022	13,258.05	14315FAD9	CARMX 2020-3 A3	0.62%	3/17/2025	13,258.05		
2/16/2022	2/16/2022	9,618.46	362590AC5	GMCAR 2020-3 A3	0.45%	4/16/2025	9,618.46		
3/1/2022	3/25/2022	13,422.05	3137FQ3V3	FHMS KJ27 A1	2.09%	7/1/2024	13,422.05		
3/1/2022	3/25/2022	410.69	3136AEGQ4	FNA 2013-M7 A2	2.28%	12/1/2022	410.69		
3/1/2022	3/25/2022	2,257.59	3136AJB54	FANNIEMAE-ACES	3.34%	3/1/2024	2,257.59		
3/15/2022	3/15/2022	18,001.94	89237VAB5	TAOT 2020-C A3	0.44%	10/15/2024	18,001.94		
3/15/2022	3/15/2022	2,623.19	65480EAD3	NALT 2020-B A3	0.43%	10/16/2023	2,623.19		
3/15/2022	3/15/2022	12,842.68	14315FAD9	CARMX 2020-3 A3	0.62%	3/17/2025	12,842.68		
3/16/2022	3/16/2022	17,200.73	362590AC5	GMCAR 2020-3 A3	0.45%	4/16/2025	17,200.73		
<b>Total PAYDOWNS</b>		<b>133,305.69</b>					<b>133,305.69</b>		<b>0.00</b>

### Quarterly Portfolio Transactions

Trade Date	Settle Date	Par (\$)	CUSIP	Security Description	Coupon	Maturity Date	Transact Amount (\$)	Yield at Market	Realized G/L (BV)
<b>SELL</b>									
1/3/2022	1/5/2022	3,000,000.00	91282CAX9	US TREASURY NOTES	0.12%	11/30/2022	2,993,691.19		-5,617.58
1/10/2022	1/12/2022	455,000.00	91282CBH3	US TREASURY NOTES	0.37%	1/31/2026	436,747.45		-13,258.39
1/10/2022	1/12/2022	345,000.00	91282CBH3	US TREASURY NOTES	0.37%	1/31/2026	331,160.16		-8,946.04
1/11/2022	1/13/2022	835,000.00	24422ETG4	JOHN DEERE CAPITAL CORP	2.80%	3/6/2023	862,143.99		17,775.60
1/12/2022	1/19/2022	285,000.00	91282CAX9	US TREASURY NOTES	0.12%	11/30/2022	284,269.64		-682.69
1/13/2022	1/18/2022	1,420,000.00	09247XAL5	BLACKROCK INC CORP NOTES	3.50%	3/18/2024	1,510,790.07		54,544.90
1/18/2022	1/21/2022	250,000.00	3135G04Z3	FANNIE MAE NOTES	0.50%	6/17/2025	242,175.56		-8,472.27
1/20/2022	1/24/2022	65,000.00	9128283C2	US TREASURY NOTES	2.00%	10/31/2022	66,056.81		483.49
1/21/2022	1/24/2022	1,290,000.00	3135G04Z3	FANNIE MAE NOTES	0.50%	6/17/2025	1,253,820.52		-39,569.41
2/10/2022	2/14/2022	400,000.00	20772KKL2	CT ST T/E GO BONDS	4.00%	6/1/2025	436,272.44		-6,271.78
2/15/2022	2/17/2022	95,000.00	00724PAA7	ADOBE INC CORP NOTE	1.70%	2/1/2023	95,496.43		466.17
2/15/2022	2/17/2022	390,000.00	3130AJ7E3	FEDERAL HOME LOAN BANKS NOTES	1.37%	2/17/2023	390,549.90		789.76
2/15/2022	2/17/2022	1,110,000.00	3130AJ7E3	FEDERAL HOME LOAN BANKS NOTES	1.37%	2/17/2023	1,111,565.10		-8,985.19
2/15/2022	2/17/2022	500,000.00	3135G03U5	FANNIE MAE NOTES	0.62%	4/22/2025	481,748.26		-21,058.64
2/16/2022	2/18/2022	310,000.00	3130AJ7E3	FEDERAL HOME LOAN BANKS NOTES	1.37%	2/17/2023	310,647.34		-2,302.91
2/23/2022	2/25/2022	700,000.00	3135G0X24	FANNIE MAE NOTES	1.62%	1/7/2025	698,184.67		-2,050.23
2/23/2022	2/25/2022	100,000.00	3135G04Z3	FANNIE MAE NOTES	0.50%	6/17/2025	95,783.44		-4,516.94

### Quarterly Portfolio Transactions

Trade Date	Settle Date	Par (\$)	CUSIP	Security Description	Coupon	Maturity Date	Transact Amount (\$)	Yield at Market	Realized G/L (BV)
<b>SELL</b>									
2/23/2022	2/25/2022	120,000.00	91282CAB7	US TREASURY NOTES	0.25%	7/31/2025	113,706.66		-4,535.09
3/1/2022	3/3/2022	480,000.00	3130AJ7E3	FEDERAL HOME LOAN BANKS NOTES	1.37%	2/17/2023	481,786.13		-2,894.50
3/1/2022	3/3/2022	40,000.00	912828N30	US TREASURY NOTES	2.12%	12/31/2022	40,548.70		-262.55
3/1/2022	3/3/2022	235,000.00	912828N30	US TREASURY NOTES	2.12%	12/31/2022	238,223.64		-1,466.66
3/2/2022	3/4/2022	350,000.00	023135AW6	AMAZON.COM INC BONDS	2.40%	2/22/2023	353,465.00		3,848.63
3/4/2022	3/10/2022	530,000.00	023135AW6	AMAZON.COM INC BONDS	2.40%	2/22/2023	535,718.70		6,070.64
3/4/2022	3/10/2022	650,000.00	91282CBV2	US TREASURY N/B NOTES	0.37%	4/15/2024	635,565.57		-11,451.17
3/17/2022	3/17/2022	400,000.00	91282CAX9	US TREASURY NOTES	0.12%	11/30/2022	397,475.11		-2,560.82
3/17/2022	3/17/2022	185,000.00	9128283C2	US TREASURY NOTES	2.00%	10/31/2022	187,563.76		542.21
3/28/2022	3/28/2022	50,000.00	9128284L1	US TREASURY NOTES	2.75%	4/30/2023	51,062.15		38.50
3/28/2022	3/28/2022	50,000.00	9128284D9	US TREASURY NOTES	2.50%	3/31/2023	50,999.47		-66.22
<b>Total SELL</b>		<b>14,640,000.00</b>					<b>14,687,217.86</b>		<b>-60,409.18</b>

## Portfolio Holdings

### Managed Account Detail of Securities Held

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
<b>U.S. Treasury</b>											
US TREASURY NOTES DTD 11/30/2020 0.125% 11/30/2022	91282CAX9	250,000.00	AA+	Aaa	12/4/2020	12/4/2020	249,853.52	0.15	104.74	249,950.97	248,007.80
US TREASURY NOTES DTD 11/30/2020 0.125% 11/30/2022	91282CAX9	315,000.00	AA+	Aaa	12/2/2020	12/4/2020	314,753.91	0.16	131.97	314,917.63	312,489.83
US TREASURY NOTES DTD 12/31/2015 2.125% 12/31/2022	912828N30	155,000.00	AA+	Aaa	1/29/2021	2/2/2021	160,933.59	0.12	827.99	157,332.57	155,775.00
US TREASURY NOTES DTD 04/30/2018 2.750% 04/30/2023	9128284L1	50,000.00	AA+	Aaa	6/3/2019	6/5/2019	51,652.34	1.87	577.35	50,456.86	50,507.81
US TREASURY NOTES DTD 05/02/2016 1.625% 04/30/2023	912828R28	4,800,000.00	AA+	Aaa	11/10/2021	11/12/2021	4,890,187.50	0.34	32,751.38	4,866,542.84	4,791,000.00
US TREASURY NOTES DTD 05/15/2020 0.125% 05/15/2023	912828ZP8	2,285,000.00	AA+	Aaa	1/4/2021	1/6/2021	2,284,732.23	0.13	1,080.96	2,284,872.51	2,241,085.04
US TREASURY NOTES DTD 06/30/2016 1.375% 06/30/2023	912828S35	775,000.00	AA+	Aaa	5/8/2019	5/9/2019	747,511.72	2.28	2,678.78	766,733.53	769,187.50
US TREASURY NOTES DTD 07/31/2018 2.750% 07/31/2023	912828Y61	145,000.00	AA+	Aaa	9/3/2019	9/5/2019	152,657.81	1.36	660.91	147,611.72	146,314.06
US TREASURY N/B NOTES DTD 07/31/2021 0.125% 07/31/2023	91282CCN9	240,000.00	AA+	Aaa	8/5/2021	8/9/2021	239,634.38	0.20	49.72	239,753.55	233,925.00
US TREASURY N/B NOTES DTD 08/31/2021 0.125% 08/31/2023	91282CCU3	900,000.00	AA+	Aaa	9/1/2021	9/3/2021	898,558.59	0.21	97.83	898,974.95	875,390.58
US TREASURY NOTES DTD 10/01/2018 2.875% 09/30/2023	9128285D8	5,000,000.00	AA+	Aaa	11/10/2021	11/12/2021	5,224,609.38	0.47	392.76	5,178,837.45	5,054,687.50
US TREASURY NOTES DTD 09/30/2021 0.250% 09/30/2023	91282CDA6	800,000.00	AA+	Aaa	10/1/2021	10/6/2021	799,718.75	0.27	5.46	799,787.51	777,875.04
US TREASURY N/B NOTES DTD 10/31/2021 0.375% 10/31/2023	91282CDD0	2,350,000.00	AA+	Aaa	11/1/2021	11/3/2021	2,343,390.63	0.52	3,700.28	2,344,745.23	2,284,640.63
US TREASURY NOTES DTD 01/31/2017 2.250% 01/31/2024	912828V80	600,000.00	AA+	Aaa	5/8/2019	5/9/2019	598,851.56	2.29	2,237.57	599,554.71	599,250.00
US TREASURY NOTES DTD 02/28/2017 2.125% 02/29/2024	912828W48	95,000.00	AA+	Aaa	4/29/2019	5/1/2019	94,157.62	2.32	175.54	94,666.39	94,658.59

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
<b>U.S. Treasury</b>											
US TREASURY NOTES DTD 03/31/2017 2.125% 03/31/2024	912828W71	1,420,000.00	AA+	Aaa	1/13/2022	1/18/2022	1,455,000.78	0.99	82.44	1,451,818.89	1,414,009.30
US TREASURY NOTES DTD 03/31/2017 2.125% 03/31/2024	912828W71	2,650,000.00	AA+	Aaa	4/15/2021	4/16/2021	2,789,539.06	0.33	153.86	2,744,318.07	2,638,820.18
US TREASURY N/B NOTES DTD 04/15/2021 0.375% 04/15/2024	91282CBV2	4,350,000.00	AA+	Aaa	11/10/2021	11/12/2021	4,319,414.06	0.67	7,528.85	4,324,252.51	4,178,039.28
US TREASURY NOTES DTD 06/30/2017 2.000% 06/30/2024	912828XX3	1,225,000.00	AA+	Aaa	7/1/2019	7/3/2019	1,238,159.18	1.77	6,158.84	1,230,923.07	1,213,898.44
US TREASURY NOTES DTD 07/31/2019 1.750% 07/31/2024	912828Y87	740,000.00	AA+	Aaa	12/2/2019	12/4/2019	742,572.66	1.67	2,146.41	741,288.60	728,437.50
US TREASURY NOTES DTD 08/15/2014 2.375% 08/15/2024	912828D56	575,000.00	AA+	Aaa	10/25/201	10/28/201	595,282.23	1.61	1,697.60	585,031.20	573,742.19
US TREASURY NOTES DTD 10/02/2017 2.125% 09/30/2024	9128282Y5	795,000.00	AA+	Aaa	12/2/2019	12/4/2019	811,334.77	1.68	46.16	803,464.04	788,167.93
US TREASURY NOTES DTD 10/31/2019 1.500% 10/31/2024	912828YM6	635,000.00	AA+	Aaa	2/4/2021	2/5/2021	663,773.44	0.28	3,999.45	654,913.58	619,422.69
US TREASURY N/B NOTES DTD 11/15/2021 0.750% 11/15/2024	91282CDH1	5,000,000.00	AA+	Aaa	11/10/2021	11/15/2021	4,991,406.25	0.81	14,191.99	4,992,480.47	4,778,906.00
US TREASURY NOTES DTD 11/30/2017 2.125% 11/30/2024	9128283J7	1,480,000.00	AA+	Aaa	1/2/2020	1/6/2020	1,512,085.94	1.66	10,540.93	1,497,459.05	1,465,200.00
US TREASURY NOTES DTD 01/31/2018 2.500% 01/31/2025	9128283V0	280,000.00	AA+	Aaa	2/3/2020	2/5/2020	295,301.56	1.36	1,160.22	288,700.56	279,912.50
US TREASURY NOTES DTD 04/30/2020 0.375% 04/30/2025	912828ZL7	3,375,000.00	AA+	Aaa	1/3/2022	1/5/2022	3,294,184.57	1.11	5,314.23	3,299,923.73	3,160,370.93
US TREASURY NOTES DTD 05/31/2020 0.250% 05/31/2025	912828ZT0	2,000,000.00	AA+	Aaa	11/10/2021	11/12/2021	1,950,078.13	0.97	1,675.82	1,955,470.92	1,861,875.00
US TREASURY NOTES DTD 07/31/2020 0.250% 07/31/2025	91282CAB7	2,380,000.00	AA+	Aaa	4/15/2021	4/16/2021	2,335,839.84	0.69	986.19	2,345,703.31	2,206,334.26
US TREASURY NOTES DTD 09/30/2020 0.250% 09/30/2025	91282CAM3	620,000.00	AA+	Aaa	9/1/2021	9/3/2021	610,578.91	0.63	4.23	611,908.50	572,628.16
US TREASURY NOTES DTD 12/31/2020 0.375% 12/31/2025	91282CBC4	1,200,000.00	AA+	Aaa	1/29/2021	2/2/2021	1,197,421.88	0.42	1,131.22	1,198,030.10	1,107,937.44
US TREASURY NOTES DTD 01/31/2021 0.375% 01/31/2026	91282CBH3	1,600,000.00	AA+	Aaa	11/1/2021	11/3/2021	1,550,500.00	1.12	994.48	1,555,258.39	1,474,249.92



Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
<b>U.S. Treasury</b>											
US TREASURY NOTES DTD 01/31/2021 0.375% 01/31/2026	91282CBH3	800,000.00	AA+	Aaa	10/1/2021	10/6/2021	784,500.00	0.83	497.24	786,238.59	737,124.96
US TREASURY NOTES DTD 01/31/2021 0.375% 01/31/2026	91282CBH3	1,280,000.00	AA+	Aaa	7/2/2021	7/7/2021	1,255,400.00	0.80	795.58	1,259,350.15	1,179,399.94
US TREASURY NOTES DTD 01/31/2021 0.375% 01/31/2026	91282CBH3	645,000.00	AA+	Aaa	3/1/2021	3/3/2021	635,098.24	0.69	400.90	637,271.66	594,307.00
US TREASURY NOTES DTD 01/31/2021 0.375% 01/31/2026	91282CBH3	1,000,000.00	AA+	Aaa	9/1/2021	9/3/2021	986,445.31	0.69	621.55	988,212.22	921,406.20
US TREASURY NOTES DTD 02/28/2021 0.500% 02/28/2026	91282CBQ3	400,000.00	AA+	Aaa	3/31/2021	4/5/2021	392,359.38	0.90	173.91	393,900.31	369,812.48
US TREASURY NOTES DTD 02/28/2021 0.500% 02/28/2026	91282CBQ3	3,000,000.00	AA+	Aaa	11/10/2021	11/12/2021	2,923,710.94	1.11	1,304.35	2,930,518.12	2,773,593.60
US TREASURY N/B NOTES DTD 03/31/2021 0.750% 03/31/2026	91282CBT7	2,000,000.00	AA+	Aaa	4/15/2021	4/16/2021	1,991,015.63	0.84	40.98	1,992,752.94	1,865,000.00
US TREASURY N/B NOTES DTD 05/31/2021 0.750% 05/31/2026	91282CCF6	1,680,000.00	AA+	Aaa	6/2/2021	6/4/2021	1,676,325.00	0.79	4,223.08	1,676,932.12	1,562,400.00
US TREASURY N/B NOTES DTD 05/31/2021 0.750% 05/31/2026	91282CCF6	2,400,000.00	AA+	Aaa	2/15/2022	2/17/2022	2,281,312.50	1.96	6,032.96	2,284,575.65	2,232,000.00
US TREASURY N/B NOTES DTD 06/30/2021 0.875% 06/30/2026	91282CCJ8	2,050,000.00	AA+	Aaa	8/2/2021	8/4/2021	2,070,820.31	0.66	4,509.15	2,068,030.32	1,914,507.71
US TREASURY N/B NOTES DTD 10/31/2021 1.125% 10/31/2026	91282CDG3	500,000.00	AA+	Aaa	11/1/2021	11/3/2021	497,675.78	1.22	2,361.88	497,865.75	470,312.50
US TREASURY N/B NOTES DTD 10/31/2021 1.125% 10/31/2026	91282CDG3	5,000,000.00	AA+	Aaa	11/10/2021	11/12/2021	4,984,375.00	1.19	23,618.79	4,985,580.90	4,703,125.00
US TREASURY N/B NOTES DTD 10/31/2021 1.125% 10/31/2026	91282CDG3	400,000.00	AA+	Aaa	2/11/2022	2/14/2022	385,828.13	1.92	1,889.50	386,207.15	376,250.00
<b>Security Type Sub-Total</b>		<b>70,240,000.00</b>					<b>70,268,543.01</b>	<b>0.86</b>	<b>149,756.03</b>	<b>70,163,119.29</b>	<b>67,395,985.49</b>
<b>Supranational</b>											
INTL BK OF RECON AND DEV NOTE DTD 04/20/2021 0.126% 04/20/2023	459058JV6	2,750,000.00	AAA	Aaa	4/15/2021	4/20/2021	2,744,912.50	0.22	1,549.63	2,747,323.84	2,698,572.25
INTER-AMERICAN DEVEL BK NOTES DTD 04/24/2020 0.500% 05/24/2023	4581X0DM7	400,000.00	AAA	Aaa	4/17/2020	4/24/2020	399,864.00	0.51	705.56	399,949.47	393,176.80

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
<b>Supranational</b>											
INTL BK RECON & DEVELOP NOTES DTD 11/24/2020 0.250% 11/24/2023	459058JM6	665,000.00	AAA	Aaa	11/17/2020	11/24/2020	663,570.25	0.32	586.49	664,213.96	643,274.45
INTER-AMERICAN DEVEL BK NOTES DTD 09/23/2021 0.500% 09/23/2024	4581X0DZ8	1,530,000.00	AAA	Aaa	9/15/2021	9/23/2021	1,528,867.80	0.52	170.00	1,529,064.08	1,456,783.38
INTER-AMERICAN DEVELOPMENT BANK NOTES DTD 01/16/2020 1.750% 03/14/2025	4581X0DK1	835,000.00	AAA	Aaa	2/19/2021	2/23/2021	877,835.50	0.47	690.03	866,200.45	816,147.37
<b>Security Type Sub-Total</b>		<b>6,180,000.00</b>					<b>6,215,050.05</b>	<b>0.36</b>	<b>3,701.71</b>	<b>6,206,751.80</b>	<b>6,007,954.25</b>
<b>Negotiable CD</b>											
NORDEA BANK ABP NEW YORK CERT DEPOS DTD 08/29/2019 1.850% 08/26/2022	65558TLL7	1,000,000.00	A-1+	P-1	8/27/2019	8/29/2019	1,000,000.00	1.84	1,644.44	1,000,000.00	1,002,775.00
DNB BANK ASA/NY LT CD DTD 12/06/2019 2.040% 12/02/2022	23341VZT1	635,000.00	A-1+	P-1	12/4/2019	12/6/2019	635,000.00	2.03	4,318.00	635,000.00	636,743.71
CREDIT SUISSE NEW YORK CERT DEPOS DTD 03/23/2021 0.590% 03/17/2023	22552G3C2	715,000.00	A-1	P-1	3/19/2021	3/23/2021	715,000.00	0.59	175.77	715,000.00	704,576.73
<b>Security Type Sub-Total</b>		<b>2,350,000.00</b>					<b>2,350,000.00</b>	<b>1.52</b>	<b>6,138.21</b>	<b>2,350,000.00</b>	<b>2,344,095.44</b>
<b>Municipal</b>											
SAN FRAN COMM FAC DIST, CA TXBL REV BNDS DTD 11/09/2017 2.500% 09/01/2022	79772EAX7	350,000.00	NR	NR	10/27/2017	11/9/2017	348,355.00	2.61	729.17	349,856.75	351,722.00
SAN FRAN COMM FAC DIST, CA TXBL REV BNDS DTD 11/09/2017 2.500% 09/01/2022	79772EAE9	380,000.00	NR	NR	10/27/2017	11/9/2017	377,362.80	2.66	791.67	379,770.35	381,869.60
VENTURA CNTY CCD, CA TXBL GO BONDS DTD 10/31/2019 1.750% 08/01/2023	923040GT0	350,000.00	AA+	Aa1	10/3/2019	10/31/2019	350,000.00	1.75	1,020.83	350,000.00	347,816.00
TAMALPAIS UHSD, CA TXBL GO BONDS DTD 10/09/2019 1.971% 08/01/2023	874857KJ3	615,000.00	NR	Aaa	9/20/2019	10/9/2019	615,000.00	1.97	2,020.28	615,000.00	615,282.90

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
<b>Municipal</b>											
LONG BEACH CCD, CA TXBL GO BONDS DTD 10/23/2019 1.743% 08/01/2023	542411NH2	350,000.00	AA	Aa2	10/9/2019	10/23/201	350,000.00	1.74	1,016.75	350,000.00	348,131.00
WI DEPT OF TRANS TXBL REV BONDS DTD 07/30/2020 0.624% 07/01/2024	977123X60	640,000.00	AAA	NR	7/10/2020	7/30/2020	640,000.00	0.62	998.40	640,000.00	613,510.40
CT ST TXBL GO BONDS DTD 06/11/2020 1.998% 07/01/2024	20772KJW0	150,000.00	A+	Aa3	5/29/2020	6/11/2020	150,000.00	2.00	749.25	150,000.00	147,673.50
SAN DIEGO CCD, CA TXBL GO BONDS DTD 10/16/2019 2.046% 08/01/2024	797272QP9	245,000.00	AAA	Aaa	9/18/2019	10/16/201	245,000.00	2.05	835.45	245,000.00	241,489.15
VENTURA CNTY CCD, CA TXBL GO BONDS DTD 10/31/2019 1.800% 08/01/2024	923040GU7	490,000.00	AA+	Aa1	10/3/2019	10/31/201	490,000.00	1.80	1,470.00	490,000.00	479,318.00
SAN JUAN USD, CA TXBL GO BONDS DTD 10/29/2020 0.702% 08/01/2024	798306WN2	415,000.00	NR	Aa2	10/16/202	10/29/202	415,000.00	0.70	485.55	415,000.00	396,495.15
PALOMAR COMM COLL DIST, CA TXBL GO BONDS DTD 11/03/2020 0.794% 08/01/2024	697511FB4	440,000.00	AA	Aa2	10/16/202	11/3/2020	440,000.00	0.79	582.27	440,000.00	419,927.20
MD ST TXBL GO BONDS DTD 08/05/2020 0.510% 08/01/2024	574193TQ1	375,000.00	AAA	Aaa	7/23/2020	8/5/2020	374,895.00	0.52	318.75	374,938.53	358,728.75
MS ST TXBL GO BONDS DTD 08/06/2020 0.565% 11/01/2024	605581MZ7	120,000.00	AA	Aa2	7/24/2020	8/6/2020	120,000.00	0.57	282.50	120,000.00	113,719.20
NY ST URBAN DEV CORP TXBL REV BONDS DTD 12/23/2020 0.870% 03/15/2025	650036DT0	945,000.00	AA+	NR	12/16/202	12/23/202	945,000.00	0.87	365.40	945,000.00	885,361.05
SAN DEIGO CNTY WTR AUTH, CA TXBL REV BON DTD 07/22/2020 0.743% 05/01/2025	797412DM2	480,000.00	AAA	Aa2	7/9/2020	7/22/2020	480,000.00	0.74	1,486.00	480,000.00	450,518.40
UNIV OF CAL TXBL REV BONDS DTD 07/16/2020 0.883% 05/15/2025	91412HGE7	375,000.00	AA	Aa2	7/10/2020	7/16/2020	375,000.00	0.88	1,250.92	375,000.00	353,392.50
FL ST BOARD OF ADMIN TXBL REV BONDS DTD 09/16/2020 1.258% 07/01/2025	341271AD6	150,000.00	AA	Aa3	9/3/2020	9/16/2020	150,994.50	1.12	471.75	150,674.94	142,416.00
FL ST BOARD OF ADMIN TXBL REV BONDS DTD 09/16/2020 1.258% 07/01/2025	341271AD6	400,000.00	AA	Aa3	9/3/2020	9/16/2020	400,000.00	1.26	1,258.00	400,000.00	379,776.00

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
<b>Municipal</b>											
FL ST BOARD OF ADMIN TXBL REV BONDS DTD 09/16/2020 1.258% 07/01/2025	341271AD6	155,000.00	AA	Aa3	9/3/2020	9/16/2020	156,095.85	1.11	487.48	155,743.72	147,163.20
SAN RAMON VALLEY USD, CA TXBL GO BONDS DTD 10/20/2020 0.740% 08/01/2025	799408Z85	405,000.00	AA+	Aa1	10/2/2020	10/20/202	405,000.00	0.74	499.50	405,000.00	377,079.30
LOS ANGELES CCD, CA TXBL GO BONDS DTD 11/10/2020 0.773% 08/01/2025	54438CYK2	410,000.00	AA+	Aaa	10/30/202	11/10/2020	410,000.00	0.77	528.22	410,000.00	379,606.70
MN ST TXBL GO BONDS DTD 08/25/2020 0.630% 08/01/2025	60412AVJ9	275,000.00	AAA	Aa1	8/11/2020	8/25/2020	275,000.00	0.63	288.75	275,000.00	257,279.00
CT ST TXBL GO BONDS DTD 09/13/2018 3.743% 09/15/2025	20772KEW5	630,000.00	A+	Aa3	11/17/2020	11/19/2020	716,706.90	0.83	1,048.04	692,186.72	648,717.30
LOS ANGELES USD, CA TXBL GO BONDS DTD 11/10/2021 1.455% 07/01/2026	544647FC9	310,000.00	NR	Aa3	10/28/202	11/10/2021	310,000.00	1.46	1,127.63	310,000.00	288,064.40
<b>Security Type Sub-Total</b>		<b>9,455,000.00</b>					<b>9,539,410.05</b>	<b>1.22</b>	<b>20,112.56</b>	<b>9,518,171.01</b>	<b>9,125,056.70</b>
<b>Federal Agency</b>											
FREDDIE MAC NOTES DTD 04/20/2020 0.375% 04/20/2023	3137EAEQ8	660,000.00	AA+	Aaa	4/17/2020	4/20/2020	658,350.00	0.46	1,106.88	659,421.37	650,699.94
FREDDIE MAC NOTES DTD 05/07/2020 0.375% 05/05/2023	3137EAER6	760,000.00	AA+	Aaa	5/5/2020	5/7/2020	759,680.80	0.39	1,155.83	759,883.48	748,546.04
FANNIE MAE NOTES DTD 07/10/2020 0.250% 07/10/2023	3135G05G4	570,000.00	AA+	Aaa	7/8/2020	7/10/2020	568,774.50	0.32	320.63	569,479.58	557,205.21
FREDDIE MAC NOTES DTD 08/21/2020 0.250% 08/24/2023	3137EAEV7	275,000.00	AA+	Aaa	9/1/2020	9/3/2020	274,994.50	0.25	70.66	274,997.41	267,984.48
FANNIE MAE NOTES DTD 09/14/2018 2.875% 09/12/2023	3135G0U43	1,500,000.00	AA+	Aaa	4/1/2020	4/3/2020	1,625,340.00	0.43	2,276.04	1,552,748.50	1,515,565.50
FREDDIE MAC NOTES DTD 12/04/2020 0.250% 12/04/2023	3137EAF2	300,000.00	AA+	Aaa	12/2/2020	12/4/2020	299,703.00	0.28	243.75	299,834.01	290,178.90
FREDDIE MAC NOTES DTD 02/14/2020 1.500% 02/12/2025	3137EAEP0	790,000.00	AA+	Aaa	3/3/2020	3/4/2020	813,020.60	0.90	1,612.92	803,358.58	767,849.19

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
<b>Federal Agency</b>											
FANNIE MAE NOTES DTD 08/27/2020 0.375% 08/25/2025	3135G05X7	2,000,000.00	AA+	Aaa	9/1/2020	9/3/2020	1,992,920.00	0.45	750.00	1,995,160.51	1,859,606.00
FREDDIE MAC NOTES DTD 09/25/2020 0.375% 09/23/2025	3137EAEX3	1,150,000.00	AA+	Aaa	9/23/2020	9/25/2020	1,146,538.50	0.44	95.83	1,147,587.96	1,067,508.20
FANNIE MAE NOTES DTD 11/12/2020 0.500% 11/07/2025	3135G06G3	360,000.00	AA+	Aaa	11/9/2020	11/12/2020	358,711.20	0.57	720.00	359,068.61	335,083.68
FANNIE MAE NOTES DTD 11/12/2020 0.500% 11/07/2025	3135G06G3	1,125,000.00	AA+	Aaa	12/2/2020	12/4/2020	1,122,828.75	0.54	2,250.00	1,123,411.69	1,047,136.50
<b>Security Type Sub-Total</b>		<b>9,490,000.00</b>					<b>9,620,861.85</b>	<b>0.47</b>	<b>10,602.54</b>	<b>9,544,951.70</b>	<b>9,107,363.64</b>
<b>FDIC CD</b>											
CAPITAL ONE BANK USA NA CD DTD 06/01/2017 2.400% 06/01/2022	1404203C2	245,000.00	NR	NR	5/25/2017	6/1/2017	245,000.00	2.40	1,949.26	245,000.00	245,876.37
GOLDMAN SACHS GROUP INC CD DTD 06/21/2017 2.350% 06/21/2022	38148PKX4	245,000.00	NR	NR	6/13/2017	6/21/2017	245,000.00	2.35	1,593.17	245,000.00	246,125.04
BENEFICIAL BANK CD DTD 10/18/2017 2.150% 10/18/2022	08173QBX3	245,000.00	NR	NR	9/27/2017	10/18/2017	245,000.00	2.15	2,381.20	245,000.00	247,041.59
FOCUS BANK CD DTD 11/24/2017 2.200% 11/24/2022	34415LAP6	245,000.00	NR	NR	11/14/2017	11/24/2017	245,000.00	2.20	1,890.19	245,000.00	247,373.81
<b>Security Type Sub-Total</b>		<b>980,000.00</b>					<b>980,000.00</b>	<b>2.27</b>	<b>7,813.82</b>	<b>980,000.00</b>	<b>986,416.81</b>
<b>Corporate</b>											
UNITEDHEALTH GROUP INC CORP NOTES DTD 02/28/2013 2.875% 03/15/2023	91324PCC4	640,000.00	A+	A3	11/20/2019	11/22/2019	656,358.40	2.07	817.78	644,708.62	645,509.12
BANK OF NY MELLON CORP NOTES DTD 04/30/2018 3.500% 04/28/2023	06406RAG2	1,410,000.00	A	A1	4/24/2019	4/26/2019	1,445,376.90	2.83	20,973.75	1,419,478.98	1,429,163.31
CHEVRON CORP CORPORATE NOTES DTD 05/11/2020 1.141% 05/11/2023	166764BV1	200,000.00	AA-	Aa2	5/7/2020	5/11/2020	200,000.00	1.14	887.44	200,000.00	197,734.40
PACCAR FINANCIAL CORP CORPORATE NOTES DTD 06/08/2020 0.800% 06/08/2023	69371RQ82	360,000.00	A+	A1	6/1/2020	6/8/2020	359,499.60	0.85	904.00	359,802.12	354,197.16

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
<b>Corporate</b>											
AMERICAN EXPRESS CREDIT CORP NOTES (CALL DTD 08/03/2018 3.700% 08/03/2023	025816BW8	800,000.00	BBB+	A2	4/23/2019	4/26/2019	821,480.00	3.02	4,768.89	806,434.17	814,947.20
TOYOTA MOTOR CREDIT CORP CORP NOTES DTD 10/18/2016 2.250% 10/18/2023	89236TDK8	1,090,000.00	A+	A1	2/5/2020	2/7/2020	1,107,374.60	1.80	11,104.38	1,097,276.98	1,086,290.73
CATERPILLAR FINANCIAL SERVICES CORP NOTE DTD 11/26/2013 3.750% 11/24/2023	14912L5X5	790,000.00	A	A2	5/8/2019	5/10/2019	823,243.20	2.76	10,451.04	802,062.93	807,285.99
ABBOTT LABORATORIES CORP NOTES DTD 11/22/2016 3.400% 11/30/2023	002824BE9	825,000.00	AA-	A1	5/10/2019	5/14/2019	846,441.75	2.79	9,427.92	832,330.40	837,529.28
BB&T CORPORATION NOTES (CALLABLE) DTD 12/06/2018 3.750% 12/06/2023	05531FBF9	800,000.00	A-	A3	4/23/2019	4/25/2019	824,928.00	3.02	9,583.33	808,791.03	814,906.40
BANK OF AMERICA CORP NOTE DTD 01/21/2014 4.125% 01/22/2024	06051GFB0	1,395,000.00	A-	A2	4/23/2019	4/25/2019	1,456,477.65	3.12	11,029.22	1,418,448.77	1,431,348.12
CHARLES SCHWAB CORP NOTES DTD 10/31/2018 3.550% 02/01/2024	808513AY1	815,000.00	A	A2	4/25/2019	4/29/2019	843,321.25	2.76	4,822.08	825,927.87	827,557.52
COMCAST CORP (CALLABLE) CORPORATE NOTES DTD 10/05/2018 3.700% 04/15/2024	20030NCR0	635,000.00	A-	A3	5/7/2020	5/11/2020	695,623.45	1.20	10,833.81	665,829.87	648,925.55
MORGAN STANLEY CORP NOTES DTD 04/28/2014 3.875% 04/29/2024	61746BDQ6	745,000.00	BBB+	A1	7/19/2019	7/23/2019	788,604.85	2.56	12,189.03	763,998.90	759,846.36
AMAZON.COM INC CORPORATE NOTES DTD 05/12/2021 0.450% 05/12/2024	023135BW5	300,000.00	AA	A1	5/10/2021	5/12/2021	299,562.00	0.50	521.25	299,691.48	288,102.00
US BANCORP NOTES (CALLABLE) DTD 07/29/2019 2.400% 07/30/2024	91159HHX1	845,000.00	A+	A2	7/30/2019	8/1/2019	844,247.95	2.42	3,436.33	844,649.32	839,271.75
UNILEVER CAPITAL CORP (CALLABLE) CORPORA DTD 08/12/2021 0.626% 08/12/2024	904764BN6	160,000.00	A+	A1	8/9/2021	8/12/2021	160,000.00	0.63	136.33	160,000.00	152,448.64
BMW US CAPITAL LLC CORPORATE NOTES DTD 08/12/2021 0.750% 08/12/2024	05565EBU8	215,000.00	A	A2	8/9/2021	8/12/2021	214,980.65	0.75	219.48	214,984.75	205,073.67

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
<b>Corporate</b>											
WALT DISNEY COMPANY/THE DTD 09/06/2019 1.750% 08/30/2024	254687FK7	845,000.00	BBB+	A2	9/3/2019	9/6/2019	841,552.40	1.84	1,273.37	843,329.24	829,456.23
PNC BANK NA CORP NOTES (CALLABLE) DTD 11/01/2019 2.200% 11/01/2024	693475AY1	600,000.00	A-	A3	11/5/2019	11/8/2019	599,802.00	2.21	5,500.00	599,897.19	589,992.60
GOLDMAN SACHS GROUP INC CORPORATE NOTES DTD 01/24/2022 1.757% 01/24/2025	38141GZH0	400,000.00	BBB+	A2	1/19/2022	1/24/2022	400,000.00	1.76	1,307.99	400,000.00	389,678.40
LOCKHEED MARTIN CORP NOTES (CALLABLE) DTD 02/20/2015 2.900% 03/01/2025	539830BE8	235,000.00	A-	A3	2/23/2021	2/25/2021	253,767.10	0.87	567.92	248,307.58	235,974.08
AMERICAN EXPRESS CO CORP NOTES (CALLABLE) DTD 03/04/2022 2.250% 03/04/2025	025816CQ0	350,000.00	BBB+	A2	3/1/2022	3/4/2022	349,646.50	2.29	590.63	349,655.53	343,574.35
ROCHE HOLDINGS INC (CALLABLE) CORPORATE DTD 03/10/2022 2.132% 03/10/2025	771196BT8	1,295,000.00	AA	Aa3	3/3/2022	3/10/2022	1,295,000.00	2.13	1,610.55	1,295,000.00	1,269,077.99
BMW US CAPITAL LLC CORP NOTES (CALLABLE) DTD 04/09/2020 3.900% 04/09/2025	05565EBK0	575,000.00	A	A2	8/12/2021	8/16/2021	632,005.50	1.12	10,714.17	622,015.30	587,165.85
HOME DEPOT INC (CALLABLE) CORPORATE NOTE DTD 03/28/2022 2.700% 04/15/2025	437076CM2	105,000.00	A	A2	3/24/2022	3/28/2022	104,816.25	2.76	23.63	104,816.91	104,701.80
CITIGROUP INC CORPORATE NOTES DTD 05/04/2021 0.981% 05/01/2025	172967MX6	255,000.00	BBB+	A3	4/27/2021	5/4/2021	255,000.00	0.98	1,042.31	255,000.00	242,934.68
CITIGROUP INC CORPORATE NOTES DTD 05/04/2021 0.981% 05/01/2025	172967MX6	270,000.00	BBB+	A3	4/28/2021	5/4/2021	270,715.50	0.91	1,103.63	270,552.57	257,224.95
CHEVRON CORP (CALLABLE) NOTES DTD 05/11/2020 1.554% 05/11/2025	166764BW9	425,000.00	AA-	Aa2	5/13/2020	5/15/2020	427,108.00	1.45	2,568.42	426,301.03	409,478.58
GENERAL DYNAMICS CORP (CALLABLE) CORP NO DTD 05/11/2018 3.500% 05/15/2025	369550BG2	700,000.00	A-	A3	3/4/2021	3/8/2021	772,884.00	0.96	9,255.56	753,570.73	711,671.10
JPMORGAN CHASE & CO CORPORATE NOTES DTD 06/01/2021 0.824% 06/01/2025	46647PCH7	585,000.00	A-	A2	5/24/2021	6/1/2021	585,000.00	0.82	1,606.80	585,000.00	557,549.46

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
<b>Corporate</b>											
BRISTOL-MYERS SQUIBB CO CORPORATE NOTES DTD 11/13/2020 0.750% 11/13/2025	110122DN5	353,000.00	A+	A2	6/17/2021	6/21/2021	349,484.12	0.98	1,014.88	350,105.86	328,363.42
BRISTOL-MYERS SQUIBB CO CORPORATE NOTES DTD 11/13/2020 0.750% 11/13/2025	110122DN5	250,000.00	A+	A2	6/23/2021	6/25/2021	247,857.50	0.95	718.75	248,231.97	232,552.00
CITIGROUP INC CORP NOTES (CALLABLE) DTD 01/25/2022 2.014% 01/25/2026	17327CAN3	245,000.00	BBB+	A3	1/18/2022	1/25/2022	245,000.00	2.01	904.62	245,000.00	235,795.11
GOLDMAN SACHS GROUP INC CORPORATE NOTES DTD 02/12/2021 0.855% 02/12/2026	38141GXS8	650,000.00	BBB+	A2	2/12/2021	2/17/2021	651,326.00	0.81	756.44	651,028.91	605,396.35
MORGAN STANLEY CORP NOTES (CALLABLE) DTD 02/18/2022 2.630% 02/18/2026	61747YEM3	310,000.00	BBB+	A1	2/16/2022	2/18/2022	310,000.00	2.63	973.83	310,000.00	300,802.30
JPMORGAN CHASE & CO CORP NOTE DTD 03/13/2020 2.005% 03/13/2026	46647PBH8	750,000.00	A-	A2	10/1/2021	10/6/2021	770,182.50	1.38	751.88	767,976.01	722,698.50
ASTRAZENECA FINANCE LLC (CALLABLE) CORP DTD 05/28/2021 1.200% 05/28/2026	04636NAA1	700,000.00	A-	A3	7/15/2021	7/19/2021	700,742.00	1.18	2,870.00	700,633.08	651,954.10
AMERICAN HONDA FINANCE CORPORATE NOTES DTD 09/09/2021 1.300% 09/09/2026	02665WDZ1	1,000,000.00	A-	A3	11/29/2021	12/1/2021	985,630.00	1.61	794.44	986,627.57	925,170.00
CATERPILLAR FINL SERVICE CORPORATE NOTES DTD 01/10/2022 1.700% 01/08/2027	14913R2U0	800,000.00	A	A2	1/10/2022	1/12/2022	794,608.00	1.84	3,060.00	794,841.79	756,873.60
JOHN DEERE CAPITAL CORP CORPORATE NOTES DTD 01/10/2022 1.700% 01/11/2027	24422EWA3	800,000.00	A	A2	1/11/2022	1/13/2022	795,488.00	1.82	3,060.00	795,680.95	755,747.20
TARGET CORP CORPORATE NOTES DTD 01/24/2022 1.950% 01/15/2027	87612EBM7	180,000.00	A	A2	1/19/2022	1/24/2022	179,694.00	1.99	653.25	179,705.28	173,908.26
TARGET CORP CORPORATE NOTES DTD 01/24/2022 1.950% 01/15/2027	87612EBM7	650,000.00	A	A2	1/21/2022	1/25/2022	651,423.50	1.90	2,358.96	651,371.76	628,002.05
IBM CORP CORPORATE NOTES DTD 02/09/2022 2.200% 02/09/2027	459200KM2	1,000,000.00	A-	A3	2/23/2022	2/25/2022	987,660.00	2.47	3,177.78	987,898.62	964,242.00



Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
<b>Corporate</b>											
HONEYWELL INTERNATIONAL (CALLABLE) CORP DTD 08/16/2021 1.100% 03/01/2027	438516CE4	700,000.00	A	A2	3/1/2022	3/3/2022	667,296.00	2.09	641.67	667,815.96	643,607.30
<b>Security Type Sub-Total</b>		<b>27,053,000.00</b>					<b>27,511,209.12</b>	<b>2.00</b>	<b>171,007.54</b>	<b>27,254,780.03</b>	<b>26,593,729.46</b>
<b>Agency CMBS</b>											
FNA 2013-M7 A2 DTD 05/01/2013 2.280% 12/01/2022	3136AEGQ4	161,294.35	AA+	Aaa	9/4/2019	9/9/2019	163,407.47	1.86	306.46	161,731.67	161,378.88
FHMS K724 A2 DTD 01/01/2017 3.062% 11/01/2023	3137BTU25	400,000.00	AA+	Aaa	1/28/2021	2/2/2021	427,015.63	0.58	1,020.67	415,610.83	402,918.30
FANNIEMAE-ACES DTD 04/01/2014 3.346% 03/01/2024	3136AJB54	440,240.59	AA+	Aaa	12/13/201	12/18/201	461,633.54	2.14	1,227.54	449,996.33	445,095.94
FHMS KJ27 A1 DTD 11/01/2019 2.092% 07/01/2024	3137FQ3V3	59,120.49	AA+	Aaa	11/20/2019	11/26/2019	59,119.08	2.09	103.07	59,119.80	59,107.89
FHMS K043 A2 DTD 03/01/2015 3.062% 12/01/2024	3137BGK24	665,000.00	AA+	Aaa	3/19/2020	3/25/2020	697,938.28	1.95	1,696.86	683,758.66	670,164.98
<b>Security Type Sub-Total</b>		<b>1,725,655.43</b>					<b>1,809,114.00</b>	<b>1.68</b>	<b>4,354.60</b>	<b>1,770,217.29</b>	<b>1,738,665.99</b>
<b>ABS</b>											
NALT 2020-B A3 DTD 09/29/2020 0.430% 10/16/2023	65480EAD3	217,376.81	AAA	Aaa	9/22/2020	9/29/2020	217,354.44	0.43	41.54	217,365.48	216,482.20
MBALT 2020-B A3 DTD 09/23/2020 0.400% 11/15/2023	58769EAC2	90,000.00	AAA	NR	9/15/2020	9/23/2020	89,995.44	0.40	16.00	89,997.64	89,454.02
TLOT 2021-A A3 DTD 04/21/2021 0.390% 04/22/2024	89238EAC0	235,000.00	AAA	Aaa	4/13/2021	4/21/2021	234,972.58	0.39	28.00	234,981.20	230,681.29
BMWLT 2021-1 A4 DTD 03/10/2021 0.370% 07/25/2024	05591RAD6	160,000.00	AAA	Aaa	3/2/2021	3/10/2021	159,993.65	0.37	9.87	159,995.64	156,072.42
TAOT 2020-C A3 DTD 07/27/2020 0.440% 10/15/2024	89237VAB5	249,294.02	AAA	Aaa	7/21/2020	7/27/2020	249,274.83	0.44	48.75	249,282.46	246,828.20
HALST 2021-A A4 DTD 01/20/2021 0.420% 12/16/2024	44891TAD8	140,000.00	AAA	Aaa	1/12/2021	1/20/2021	139,988.35	0.42	26.13	139,991.91	137,119.29

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
<b>ABS</b>											
CARMX 2020-3 A3 DTD 07/22/2020 0.620% 03/17/2025	14315FAD9	175,573.16	AAA	NR	7/14/2020	7/22/2020	175,543.06	0.62	48.38	175,554.01	174,035.61
GMCAR 2020-3 A3 DTD 08/19/2020 0.450% 04/16/2025	362590AC5	273,180.81	NR	Aaa	8/11/2020	8/19/2020	273,118.31	0.46	51.22	273,139.99	269,818.58
GMALT 2021-3 A4 DTD 08/18/2021 0.500% 07/21/2025	36262XAD6	225,000.00	AAA	NR	8/10/2021	8/18/2021	224,991.88	0.50	34.38	224,993.16	214,403.96
KCOT 2021-1A A3 DTD 04/14/2021 0.620% 08/15/2025	50117TAC5	155,000.00	NR	Aaa	4/6/2021	4/14/2021	154,968.29	0.62	42.71	154,975.34	148,817.52
HART 2021-A A3 DTD 04/28/2021 0.380% 09/15/2025	44933LAC7	220,000.00	AAA	NR	4/20/2021	4/28/2021	219,976.86	0.38	37.16	219,981.75	214,346.55
KCOT 2021-2A A3 DTD 07/28/2021 0.560% 11/17/2025	50117XAE2	370,000.00	NR	Aaa	7/20/2021	7/28/2021	369,986.05	0.56	92.09	369,988.24	351,078.80
HAROT 2021-3 A3 DTD 08/25/2021 0.410% 11/18/2025	43815EAC8	305,000.00	AAA	NR	8/17/2021	8/25/2021	304,995.55	0.41	45.16	304,996.18	294,043.73
CARMX 2021-1 A3 DTD 01/27/2021 0.340% 12/15/2025	14316NAC3	120,000.00	AAA	NR	1/20/2021	1/27/2021	119,976.29	0.34	18.13	119,981.99	117,059.28
HAROT 2021-4 A3 DTD 11/24/2021 0.880% 01/21/2026	43815GAC3	285,000.00	NR	Aaa	11/16/2021	11/24/2021	284,939.92	0.89	69.67	284,944.98	275,979.15
CARMX 2021-2 A3 DTD 04/21/2021 0.520% 02/17/2026	14314QAC8	300,000.00	AAA	NR	4/13/2021	4/21/2021	299,935.35	0.52	69.33	299,948.00	293,064.12
CARMX 2021-3 A3 DTD 07/28/2021 0.550% 06/15/2026	14317DAC4	610,000.00	AAA	Aaa	7/21/2021	7/28/2021	609,899.66	0.55	149.11	609,913.56	591,796.69
FORDO 2022-A A3 DTD 01/24/2022 1.290% 06/15/2026	345286AC2	255,000.00	AAA	NR	1/19/2022	1/24/2022	254,969.71	1.29	146.20	254,970.98	245,596.77
WOART 2021-D A3 DTD 11/03/2021 0.810% 10/15/2026	98163KAC6	350,000.00	AAA	NR	10/26/2021	11/3/2021	349,952.33	0.81	126.00	349,956.26	336,245.21
HART 2022-A A3 DTD 03/16/2022 2.220% 10/15/2026	448977AD0	720,000.00	AAA	NR	3/9/2022	3/16/2022	719,972.28	2.22	666.00	719,972.54	711,160.34
COMET 2021-A3 A3 DTD 11/30/2021 1.040% 11/16/2026	14041NFY2	715,000.00	AAA	NR	11/18/2021	11/30/2021	714,901.47	1.04	330.49	714,908.10	684,676.92

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
<b>ABS</b>											
GMCAR 2022-1 A3 DTD 01/19/2022 1.260% 11/16/2026	380146AC4	285,000.00	AAA	NR	1/11/2022	1/19/2022	284,975.23	1.26	149.63	284,976.24	277,389.53
<b>Security Type Sub-Total</b>		<b>6,455,424.80</b>					<b>6,454,681.53</b>	<b>0.84</b>	<b>2,245.95</b>	<b>6,454,815.65</b>	<b>6,276,150.18</b>
<b>Managed Account Sub Total</b>		<b>133,929,080.23</b>					<b>134,748,869.61</b>	<b>1.10</b>	<b>375,732.96</b>	<b>134,242,806.77</b>	<b>129,575,417.96</b>
<b>Securities Sub Total</b>		<b>\$133,929,080.23</b>					<b>\$134,748,869.61</b>	<b>1.10%</b>	<b>\$375,732.96</b>	<b>\$134,242,806.77</b>	<b>\$129,575,417.96</b>
<b>Accrued Interest</b>											<b>\$375,732.96</b>
<b>Total Investments</b>											<b>\$129,951,150.92</b>

## Important Disclosures

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It is not possible to invest directly in an index. The index returns shown throughout this material do not represent the results of actual trading of investor assets. Third-party providers maintain the indices shown and calculate the index levels and performance shown or discussed. Index returns do not reflect payment of any sales charges or fees an investor would pay to purchase the securities they represent. The imposition of these fees and charges would cause investment performance to be lower than the performance shown.

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- In accordance with generally accepted accounting principles, information is presented on a trade date basis; forward settling purchases are included in the monthly balances, and forward settling sales are excluded.
- Performance is presented in accordance with the CFA Institute's Global Investment Performance Standards (GIPS). Unless otherwise noted, performance is shown gross of fees. Quarterly returns are presented on an unannualized basis. Returns for periods greater than one year are presented on an annualized basis. Past performance is not indicative of future returns.
- Bank of America/Merrill Lynch Indices provided by Bloomberg Financial Markets.
- Money market fund/cash balances are included in performance and duration computations.
- Standard & Poor's is the source of the credit ratings. Distribution of credit rating is exclusive of money market fund/LGIP holdings.
- Callable securities in the portfolio are included in the maturity distribution analysis to their stated maturity date, although, they may be called prior to maturity.
- MBS maturities are represented by expected average life.

## Glossary

- **Accrued Interest:** Interest that is due on a bond or other fixed income security since the last interest payment was made.
- **Agencies:** Federal agency securities and/or Government-sponsored enterprises.
- **Amortized Cost:** The original cost of the principal of the security is adjusted for the amount of the periodic reduction of any discount or premium from the purchase date until the date of the report. Discount or premium with respect to short-term securities (those with less than one year to maturity at time of issuance) is amortized on a straight line basis. Such discount or premium with respect to longer-term securities is amortized using the constant yield basis.
- **Asset-Backed Security:** A financial instrument collateralized by an underlying pool of assets – usually ones that generate a cash flow from debt, such as loans, leases, credit card balances, and receivables.
- **Bankers' Acceptance:** A draft or bill of exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill as well as the insurer.
- **Commercial Paper:** An unsecured obligation issued by a corporation or bank to finance its short-term credit needs, such as accounts receivable and inventory.
- **Contribution to Total Return:** The weight of each individual security multiplied by its return, then summed for each sector to determine how much each sector added or subtracted from the overall portfolio performance.
- **Effective Duration:** A measure of the sensitivity of a security's price to a change in interest rates, stated in years.
- **Effective Yield:** The total yield an investor receives in relation to the nominal yield or coupon of a bond. Effective yield takes into account the power of compounding on investment returns, while nominal yield does not.
- **FDIC:** Federal Deposit Insurance Corporation. A federal agency that insures bank deposits to a specified amount.
- **Interest Rate:** Interest per year divided by principal amount and expressed as a percentage.
- **Market Value:** The value that would be received or paid for an investment in an orderly transaction between market participants at the measurement date.
- **Maturity:** The date upon which the principal or stated value of an investment becomes due and payable.
- **Negotiable Certificates of Deposit:** A CD with a very large denomination, usually \$1 million or more, that can be traded in secondary markets.
- **Par Value:** The nominal dollar face amount of a security.
- **Pass-through Security:** A security representing pooled debt obligations that passes income from debtors to its shareholders. The most common type is the mortgage-backed security.

## Glossary

- **Repurchase Agreements:** A holder of securities sells these securities to an investor with an agreement to repurchase them at a fixed price on a fixed date.
- **Settle Date:** The date on which the transaction is settled and monies/securities are exchanged. If the settle date of the transaction (i.e., coupon payments and maturity proceeds) occurs on a non-business day, the funds are exchanged on the next business day.
- **Supranational:** A multinational union or association in which member countries cede authority and sovereignty on at least some internal matters to the group, whose decisions are binding on its members.
- **Trade Date:** The date on which the transaction occurred; however, the final consummation of the security transaction and payment has not yet taken place.
- **Unsettled Trade:** A trade which has been executed; however, the final consummation of the security transaction and payment has not yet taken place.
- **U.S. Treasury:** The department of the U.S. government that issues Treasury securities.
- **Yield:** The rate of return based on the current market value, the annual interest receipts, maturity value, and the time period remaining until maturity, stated as a percentage on an annualized basis.
- **YTM at Cost:** The yield to maturity at cost is the expected rate of return based on the original cost, the annual interest receipts, maturity value, and the time period from purchase date to maturity, stated as a percentage on an annualized basis.
- **YTM at Market:** The yield to maturity at market is the rate of return based on the current market value, the annual interest receipts, maturity value, and the time period remaining until maturity, stated as a percentage on an annualized basis.



# STAFF REPORT

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May 11, 2022  
File Number 0490-30

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## SUBJECT

### RENEW SIGNATURE AUTHORIZATIONS FOR INVESTING CITY FUNDS IN THE LOCAL AGENCY INVESTMENT FUND

## DEPARTMENT

City Treasurer

## RECOMMENDATION

Request the City Council adopt Resolution No. 2022-53, renewing the authorization to invest monies not required for immediate cash flow needs in the Local Agency Investment Fund ("LAIF") which is administered by the State Treasury in accordance with Section 16429.1 of California Government Code.

Staff Recommendation: Receive and File (City Treasurer: Douglas Shultz)

Presenter: Douglas Shultz, City Treasurer

## PREVIOUS ACTION

In 1977, the City Council adopted Resolution No. 1977-23, which gave the City Treasurer authorization to participate in the LAIF for investment of surplus City funds. Council most recently adopted Resolution 2021-111 renewing authorization to invest monies in the LAIF by updating the list of authorized users.

## BACKGROUND

The LAIF is a voluntary program created by State statute in 1977 as an investment alternative for California's local governments. This program is administered by the State Treasurer's Office with monies from the LAIF invested with State monies through the Pooled Money Investment Account ("PMIA"). This program offers local agencies the opportunity to participate in a major portfolio that invests billions of dollars using the investment expertise of the State Treasurer's Office investment staff. LAIF has grown from 293 participants and \$468 million in 1977 to 2,394 participants and \$35.9 billion as of March 31, 2022.

At the end of each calendar quarter, all interest earned in the Fund is distributed by LAIF to the participating governmental agencies directly proportionate to their respective amounts deposited in the Fund and the length of time such amounts remained therein. Prior to the distribution, an amount equal to the reasonable costs of making the investments, not to exceed one-half of 1 percent of the earnings of the Fund, are deducted from the interest earnings. A statement is sent to all fund participants showing balances and transactions for the month.





# CITY of ESCONDIDO

## STAFF REPORT

As of March 31, 2022, the City had \$50.5 million invested in LAIF. Investing in LAIF is an authorized investment in the City’s Investment Policy that meets the investment objective of safety. Under Federal Law, the State of California cannot declare bankruptcy, specifically Section 16429.3 of the State Government Code states that money’s placed with the Treasurer for deposit in the LAIF shall not be subject to impound or seizure by any State official or State agency. California Government Code Section 16429.4 was added in 2002 and states that the State cannot withhold LAIF monies if they fail to adopt a budget by the June 30th deadline.

Due to staff turnover and title changes staff is requesting the approval of Resolution 2022-53 which will renew authorization to invest monies not required for immediate cash flow needs in the LAIF and designate those authorized to complete such transactions.

### RESOLUTIONS

- a. Resolution 2022-53

RESOLUTION NO. 2022-53

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF ESCONDIDO, CALIFORNIA, AUTHORIZING INVESTMENT OF MONIES IN THE LOCAL AGENCY INVESTMENT FUND

WHEREAS, The Local Agency Investment Fund is established in the State Treasury under Government Code section 16429.1 for the deposit of money of a local agency for purposes of investment by the State Treasurer; and

WHEREAS, the City Council of the City of Escondido hereby finds that the deposit and withdrawal of money in the Local Agency Investment Fund in accordance with Government Code section 16429.1 for the purpose of investment as provided therein is in the best interests of the City of Escondido.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Escondido, California, as follows:

1. That the above recitations are true.
2. That the City Council does hereby authorize the deposit and withdrawal of City of Escondido monies in the Local Agency Investment Fund in the State Treasury in accordance with the provisions of Government Code Section 16429.1 for the purpose of investment as stated herein.
3. That the following City of Escondido officers holding the title(s) specified herein below or their successors in office shall be authorized to order the deposit or withdrawal of monies in the Local Agency Investment Fund and may execute and deliver any and all documents necessary or advisable in order to effectuate the purposes of this resolution and the transaction contemplated hereby: Douglas Shultz, City Treasurer, or Christina Holmes, Finance Director or, Michelle Collett, Revenue Manager, or Derak Morrell, Accountant.

4. That this Resolution shall remain in full force and effect until rescinded by the City Council by resolution and a copy of the resolution rescinding this resolution is filed with the State Treasurer's Office.



# STAFF REPORT

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May 11, 2022  
File Number 0490-60

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## SUBJECT

### THE CITY OF ESCONDIDO'S INVESTMENT POLICY

## DEPARTMENT

City Treasurer

## RECOMMENDATION

Request the City Council adopt Resolution No. 2022-54, approving the City of Escondido's May 2022 Investment Policy.

Staff Recommendation: Receive and File (City Treasurer: Douglas Shultz)

Presenter: Douglas Shultz, City Treasurer

## PREVIOUS ACTION

The last adoption of the Investment Policy was on May 20, 2020, with Resolution No. 2020-34.

## BACKGROUND

In compliance with California Government Code Section 53646, the City Treasurer may annually present the City's Investment Policy to the legislative body at a public meeting to reaffirm or make any changes to the existing policy. The Investment Policy provides the City with guidelines for the investment of City funds. The Policy's guidelines set forth the investment selection criteria of safety, liquidity, and yield.

The City of Escondido's May 2020 Investment Policy has been deemed current and up-to-date per the California Debt and Investment Advisory Commission ("CDIAC") Local Agency Investment Guidelines. The May 2020 Investment Policy was also submitted to the California Municipal Treasurer's Association who certified that the City of Escondido's Investment Policy complies with the current State statutes governing the investment practices of local government entities with the State of California.

There are no changes from the City of Escondido's May 2020 Investment Policy to the May 2022 Investment Policy. The Escondido Municipal Code vests authority for and control of investments to the City Treasurer. Responsibility for the investment program is delegated by the City Council to the City Treasurer, during the annual Investment Policy Update. The City Council may renew the delegation of authority each year. Attached as Exhibit 1 to Resolution 2022-54 is the May 2022 Investment Policy for the City Council review and approval.

## RESOLUTIONS

- a. Resolution 2022-54
- b. Resolution No. 2022-54 Exhibit "A" – May 2022 Investment Policy

## RESOLUTION NO. 2022-54

## A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF ESCONDIDO, CALIFORNIA, ADOPTING THE CITY OF ESCONDIDO'S INVESTMENT POLICY DATED MAY 2022

WHEREAS, the City Council has previously adopted annual Investment Policies pursuant to the requirements of the California Government Code; and

WHEREAS, the City of Escondido's May 2022 Investment Policy is in accordance with Government Code Section 53601 and meets Association of Public Treasurers of the United States & Canada ("APT US & C") Investment Policy Certification standards; and

WHEREAS, the City Council desires at this time, and deems it to be in the best public interest, to adopt the City of Escondido's May 2022 Investment Policy.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Escondido, California:

1. That the above recitations are true.
2. That the City Council hereby adopts the City of Escondido's May 2022 Investment Policy, which is attached to this Resolution as Exhibit "A" and incorporated by this reference.



**City of Escondido**

**INVESTMENT POLICY**

**May 2022**

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## **CITY OF ESCONDIDO INVESTMENT POLICY**

### **I. Policy Statement**

This policy establishes the limits within which the City's investment program shall be conducted. Investment goals and objectives are defined. Qualified investment instrumentalities and reporting requirements are identified. Authority, accountability, audit control and procedures governing the investment program are delineated.

The investment policies and practices of the City of Escondido are based upon state law, city ordinance, and prudent money management.

### **II. Scope**

This policy applies to the investment of all funds under the control of the City Treasurer. These funds are accounted for in the City of Escondido's Comprehensive Annual Financial Report and include:

- General Fund
- Special Revenue Funds
- Debt Service Funds
- Capital Project Funds
- Enterprise Funds
- Internal Service Funds
- Trust Funds

This policy does not apply to the Employees Deferred Compensation Fund and PERS funds, which are administered separately. Also, this investment policy does not apply to stocks, bonds, or other securities donated to the Escondido Public Library until such time as the Library Board of Trustees determines to dispose of such securities

Bond proceeds shall be invested in the securities permitted by the applicable bond documents. If the bond documents are silent as to the permitted investments, the bond proceeds will be invested in the securities permitted by this Policy. Notwithstanding the other provisions of this Policy, the percentage limitations listed in elsewhere in this Policy do not apply to bond proceeds.

### **III. Prudence**



Pursuant to California Government Code Section 53600.3, as amended, the City Council and all persons authorized to make investment decisions on behalf of the City are trustees of the public funds and therefore fiduciaries subject to the following prudent investor standard.

When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill prudence and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency. Within the limitations of this section and considering individual investments as part of an overall strategy, investments may be acquired as authorized by law.

The City Treasurer and other individuals who are assigned to manage the investment portfolio, when they are acting in accordance with the City's investment policy, with written procedures and in reasonable reliance on existing California statutes and when they have properly exercised due diligence, will be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

#### **IV. Investment Objectives**

A. The criteria for selecting investments by order of priority shall be:

1. *Safety.* Safety of principal is the City of Escondido's foremost objective. Investments shall seek to ensure that capital losses resulting from institution default, broker-dealer default, or the erosion of market value are avoided. The City of Escondido shall seek to preserve principal by mitigating the two types of risk: credit risk and market risk.
  - a. Credit risk, defined as the risk of loss due to failure of the issuer of a security, shall be mitigated by investing in only the highest quality securities (see authorized investments) and by diversifying the investment portfolio so that the failure of any one issuer would not unduly harm the City's cash flow.
  - b. Market risk, defined as the risk of market value fluctuations due to overall changes in the general level of interest rates, shall be mitigated by structuring the portfolio to eliminate the need to sell securities prior to maturity; and by prohibiting the taking of short positions, that is, selling securities that the City does not own. It is explicitly recognized, however, that in a diversified portfolio, occasional measured losses may occur, and must be considered within the context of overall investment return.

2. *Liquidity.* The portfolio will be structured with sufficient liquidity to allow the City to meet expected cash requirements. The investment portfolio shall remain sufficiently liquid to ensure that projected expenditure requirements of the next six months can be met with a combination of anticipated revenues, maturing securities, and highly liquid investments and shall maintain a minimum level of short-term investments (one year or less) equivalent to 25% of the General Fund operating budget. The duration is also mentioned in the "Maturity" section.
  3. *Yield.* In a manner consistent with the objectives of safety of principal and liquidity uppermost, a yield higher than the market rate of return shall be sought. The core of investments is limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed. Securities shall generally be held until maturity with the following exceptions:
    - A security with declining credit may be sold early to minimize loss of principal.
    - A security swap would improve the quality, yield, or target duration in the portfolio.
    - Liquidity needs of the portfolio require that the security be sold.
- B. It shall be the policy of the City that all idle funds shall be invested consistent with providing adequate cash to meet the City's obligation.

## **V. Executive Investment Committee**

The Executive Investment Committee will act in an advisory and oversight capacity to review and discuss investment portfolio management and investment policy compliance. The City Manager, the City Treasurer, and the Finance Director will serve as permanent members of the Executive Investment Committee. Other members, as deemed necessary or desirable, may be appointed to the committee by the City Treasurer or the City Manager. The Treasury and Finance Department personnel shall serve as staff to the committee.

## **VI. Required Reporting**

The City Treasurer or his designees shall report to the City Manager and City Council the following reports:

- A. A monthly list of list of transactions.
- B. Quarterly investment report (as per Government Code Section 53646) will include the type of investment, issuer, date of maturity, par, and dollar amount invested and market value for each security held by the City. The report shall state compliance of the portfolio to the statement of investment policy, or manner in which the portfolio is not in compliance. The report shall state the source of the market value valuation and include a statement denoting the ability to meet the City's expected expenditure

requirements for the next six months. The quarterly report shall be submitted within 30 days of the end of the quarter.

- C. An annual report setting forth a statement of investment policy.

**VII. Authorized Financial Institutions and Broker/Dealers**

- A. The following requirements only apply to purchases made directly by the City and not purchased directly from the issuer
- B. General criteria for the selection of financial institutions and broker/dealers shall be developed by the City Treasurer and reviewed by the City Investment Committee.
- C. Selection of financial institutions and broker/dealers shall be performed by authorized City staff under direction of the Executive Investment Committee. The City has an established formal procedure process in place for the selection of financial institutions and broker/dealers. As determined necessary by the Executive Investment Committee, the City will distribute a broker/dealer questionnaire to interested and known financial institutions and broker/dealers. The City Treasurer will maintain a list of qualified broker/dealers authorized to provide investment services to the City of Escondido. The list may include primary or regional dealers that are credit worthy and qualify under the uniform net capital rule of the Securities & Exchange Commission Rule 15C3-1.

All financial institutions and broker/dealers who desire to provide investment services must participate in the City's formal broker/dealer questionnaire process. To be considered, the financial institution or broker/dealers must supply the following as appropriate:

- Completed broker/dealer questionnaire
  - Proof of Financial Industry Regulatory Authority (FINRA) registration
- License to conduct business in the state of California
- Audited financial statements demonstrating compliance with state and federal capital adequacy guidelines
- Certification of having read and understood and agreeing to comply with the City of Escondido's investment policy
- Evidence of adequate insurance coverage

Qualified broker/dealers selected to do business with the City shall submit annually a current audited financial statement.

After the annual adoption of the City's Investment Policy by the City Council, a copy shall be sent to all broker/dealers approved to do business with the City. Confirmation of receipt of this policy shall be considered evidence that the dealer understands the City's investment policies and intends to sell the City only appropriate investments authorized by this investment policy.

- D. General criteria for the selection of banks and savings and loans into which the City shall invest its funds shall be developed by the City Treasurer and reviewed by the Executive Investment Committee subject to the limitations set forth in this policy.
- E. Selection of specific institutions in which City funds may be invested shall be performed by authorized City staff under the direction of the Executive Investment Committee.
- F. Institutions in which City funds may be invested shall be classified by the City Treasurer and reviewed by the Executive Investment Committee. The classification shall determine the maximum dollar amount allowable for investment in the specified institution.
- G. If the City has contracted with an investment advisor to provide investment services, the investment advisor may use their own list of approved issuers, brokers/dealers and financial institutions with which to conduct transactions on the City's behalf.

#### **VIII. Safekeeping and Custody**

To protect against potential losses by the collapse of individual securities dealers, all deliverable securities owned by the City shall be held in safekeeping by a third party bank trust department acting as agent for the City under the terms of a custody agreement executed by the bank and the City. All deliverable securities will be received and delivered using standard delivery versus payment (DVP) procedures.

#### **IX. Accountability and Authority**

- A. The Escondido Municipal Code vests authority for and control of investments to the City Treasurer. Responsibility for the investment program is hereby delegated by the City Council to the City Treasurer, for a period of one-year, who shall thereafter assume full responsibility for the investment program until the delegation of authority is revoked. Subject to review, the City Council may renew the delegation of authority each year.
- B. The City Treasurer may delegate the authority to conduct investment transactions to qualified and competent officials and employees of the City. Daily management responsibility of the investment program may be delegated to Treasury staff and/or the Finance Director who shall establish procedures for operation consistent with the investment policy.
- C. The City Treasurer may utilize the services of an external investment advisor to assist with the investment program. The advisor shall act in a manner consistent with this Investment Policy and any written directions provided by the City Treasurer or other delegated officials per subsection B above. Furthermore, the advisor may not take possession of the City's cash or securities. Such investment advisors must be registered under the Investment Advisers Act of 1940.

**X. Ethics and Conflicts of Interest**

Officers and employees involved in the investment process shall refrain from personal business activity that conflicts with proper execution of the investment program or impairs their ability to make impartial investment decisions. Additionally, the City Treasurer and the Finance Director are required to annually file a Statement of Economic Interest as mandated by Government Code Section 91013.

**XI. Internal Control**

The City Treasurer or his designee shall establish procedures for controlling daily investment transactions and monthly reconciliation of accounts. Separation of functions between the City Treasurer's Office and the Finance Department is designed to provide an internal review to prevent the potential for converting assets or concealing transactions. The investment portfolio and all related transactions are balanced to appropriate general ledger accounts by the Finance Department on a monthly basis. Such procedures and controls shall be subject to review and comments by the City's independent auditor.

**XII. Authorized and Suitable Investments**

A. Qualifying Investment Instruments Policy:

1. The following instruments are generally approved as qualifying investment instruments for City funds:
  - a. U.S. Treasury Obligations
  - b. U.S. Agency Securities
  - c. Municipal Securities
  - d. Supranationals
  - e. Negotiable Certificates of Deposit
  - f. Banker's Acceptances
  - g. Commercial Paper
  - h. Repurchase Agreements
  - i. Local Agency Investment Fund (LAIF) of the State of California
  - j. Local Government Investment Pools
  - k. Bank Deposits
  - l. Placement Service Deposits
  - m. Medium-Term Notes
  - n. Asset-Backed Securities
  - o. Money Market Funds

2. Within the qualified investment instrument listing, the Executive Investment Committee may further define, qualify, and restrict use of City investment monies.
  3. Trading is prohibited when cash or liquid securities are not available to pay for the securities being purchased. The taking of short positions, that is, selling securities which the City does not own, is also prohibited.
  4. Investments which exceed 5 years in maturity require that authority be granted by City Council before purchase. Written authority of the City Council must be granted specifically or as part of an investment program no less than three months prior to the date of purchase (California Government Code Section 53601).
  5. Callable agency securities (i.e. securities redeemable in part or in full by the issuer prior to the maturity date) shall not exceed 30% of the value of the portfolio. Callable agency securities which have passed their final call date and are no longer callable will not be included when calculating the 30% limit.
  6. The City may invest in floating-rate securities whose coupon resets are based upon a single fixed income index which would be representative of an eligible investment (e.g. LIBOR, T-bill, prime, 2-year CMT), provided that the security is not leveraged (e.g. 2 times an index) or has a coupon that resets inversely to the underlying index.
- B. Diversification by Type of Investment:

The City is governed by California Government Code, Sections 53600 (et seq.). It shall be the policy of the City that investments shall be diversified with respect to the type of investment instruments used. Percentage limitations and credit rating requirements listed in this policy apply at the time of purchase. If a security owned by the City is downgraded below the minimum credit rating required at purchase, the City Treasurer shall determine the course of action on a case-by-case basis considering such factors as the reason for the downgrade, prognosis for recovery or further rating downgrades, and the market price of the security. Within the context of these limitations, the following investments are generally approved as qualifying investment instruments for City funds, as further limited herein:

1. United States Treasury Bills, Bonds, and Notes, or those for which the full faith and credit of the United States are pledged for payment of principal and interest. There is no limitation as to the percentage of the portfolio, which can be invested in this category.
2. Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises. There is no limitation as to the percentage of the portfolio, which can be invested in this category. However, no more than 30% of the portfolio can be invested in any one agency name.

3. Municipal Debt to include registered state warrants or treasury notes or bonds of this state, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the state or by a department, board, agency, or authority of the state.

Registered treasury notes or bonds of any of the other 49 states in addition to California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any of the other 49 states, in addition to California.

Bonds, notes, warrants, or other evidences of indebtedness of a local agency within this state, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency, or by a department, board, agency, or authority of the local agency.

Purchases are limited to securities rated in a rating category of "A" (long-term) or "A-1" (short-term) or their equivalents or better by an Nationally Recognized Statistical Rating Organizations (NRSRO). A maximum of 40% of the portfolio may be invested in this category.

4. United States dollar denominated senior unsecured, unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development (IBRD), International Finance Corporation (IFC), or Inter-American Development Bank (IADB) with a maximum remaining maturity of five years or less, and eligible for purchase and sale within the United States. Investments under this subdivision shall be rated in a rating category of "AA" or better by an NRSRO. A maximum of 30% of the portfolio may be invested in this category. These investments shall be classified as "Supranationals" for reporting purposes.
5. Negotiable Certificates of Deposit (NCD) issued by a nationally or state-chartered bank, a savings association or a federal association (as defined by Section 5102 of the Financial Code), a state or federal credit union, or by a federally-licensed or state-licensed branch of a foreign bank. Purchases are limited to securities rated in a rating category of "A" (long-term) or "A-1" (short-term) or their equivalents or better by an NRSRO. NCDs for which the full amount of the principal and the interest that may be accrued during the maximum term of each certificate is insured by federal deposit insurance are exempt from the rating requirements. A maximum of 30% of the portfolio may be invested in this category.
6. Bills of exchange or time drafts drawn on and accepted by a commercial bank otherwise known as bankers' acceptances. Eligible bankers' acceptances are restricted to issuing financial institutions that have short-term debt rated in the rating category of "A-1" or its equivalent or better by a NRSRO. Purchases of banker's acceptances may not exceed 180 days to maturity. A maximum of 30% of the portfolio may be invested in this category.

7. Commercial paper of "prime" quality of the highest ranking or of the highest letter and number rating as provided by a NRSRO. The entity that issues the commercial paper shall meet all of the following conditions: (A) Is organized and operating in the United States as a general corporation; (B) Has total assets in excess of five hundred million dollars (\$500,000,000), and (C) Has debt other than commercial paper, if any, that is rated in a rating category of "A" or its equivalent or better by an NRSRO. Purchases of eligible commercial paper may not exceed 270 days. A maximum of 25% of the portfolio may be invested in this category. The City may not purchase more than 10 percent of the outstanding commercial paper of any single issuer.
8. Repurchase Agreements used solely as short-term investments not to exceed one year. The following collateral restrictions will be observed: Only U.S. Treasury securities or Federal Agency securities. All securities underlying Repurchase Agreements must be delivered to the City's custodian bank or held by a third party custodial agreement. The City or its trustee shall have a perfected first security interest under the Uniform Commercial Code in all securities subject to repurchase agreement. The City shall have properly executed a Master Repurchase Agreement with each counter party with which it enters into repurchase agreements. The total of all collateral for each Repurchase Agreement must equal or exceed, on the basis of market value, 102% of the funds invested against those securities. For any Repurchase Agreement with a term of more than one day, the value of the underlying securities must be reviewed on a weekly basis and the value of the underlying securities brought back up to 102% no later than the next business day. Market value must be calculated each time there is a substitution of collateral.
9. Local Agency Investment Fund. The City may invest in the Local Agency Investment Fund (LAIF) established by the State Treasurer for the benefit of local agencies up to the maximum amount permitted by State Law. The City's investment in LAIF will be determined according to the City's liquidity needs and may not exceed the limit set by LAIF for operating accounts. When calculating this limit, the City does not include bond proceeds invested with LAIF. These bond proceeds are held separately to meet arbitrage regulations and are not part of our pooled investments. LAIF has traditionally limited investments to short-term government type bonds. Treasury staff reviews the LAIF statements quarterly to ensure that this practice is maintained.
10. Local Government Investment Pools (LGIP). Shares of beneficial interest issued by a joint powers authority organized pursuant to Section 6509.7 that invests in the securities and obligations authorized in Government Code. Investments will be limited to LGIPs that seek to maintain a stable net asset value. Whenever the City has any funds invested in a LGIP, the City Treasurer shall maintain on file a copy of the LGIP's current information statement and periodically review the LGIP's investments. There is no limitation as to the percentage of the portfolio that can be invested in this category.



11. FDIC insured or fully collateralized bank deposits, including, but not limited to, demand deposit accounts, savings accounts, market rate accounts, and time deposits. To be eligible to receive City deposits, the financial institution must be located in California and have received a minimum overall satisfactory rating, under the Community Redevelopment Act, for meeting the credit needs of California Communities in its most recent evaluation. The amount on deposit in any financial institution shall not exceed the shareholder's equity. Bank deposits are required to be collateralized as specified under Government Code Section 53630 et. seq. The City Treasurer, at his/her discretion, may waive the collateralization requirements for any portion that is covered by federal deposit insurance. The City shall have a signed agreement with any depository accepting City funds per Government Code Section 53649. The maturity of time certificate of deposits (TCDs) may not exceed 3 years. There is no limit on the percentage of the portfolio that may be invested in bank deposits. However, a maximum of 20 percent of the portfolio may be invested in TCDs
12. Insured deposits placed with a private sector entity that assists in the placement of deposits with eligible financial institutions located in the United States (Government Code Section 53601.8). The full amount of the principal and the interest that may be accrued during the maximum term of each deposit shall at all times be insured by federal deposit insurance. A maximum of 30 percent of the portfolio may be invested in this category. The maximum investment maturity will be restricted to three (3) years.
13. Medium-term notes, defined as all corporate and depository institution debt securities with a maximum remaining maturity of five years or less, issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States. Purchases are limited to securities rated in a rating category of "A" or its equivalent or better by an NRSRO. A maximum of 30% of the portfolio may be invested in this category.
14. Mortgage passthrough security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable passthrough certificate, or consumer receivable-backed bond with a maximum remaining maturity of five years or less. Securities eligible for purchase shall be rated in a rating category of "AA" or its equivalent or better by an NRSRO. A maximum of 20% of the portfolio may be invested in this category.
15. Money market funds (MMF) are restricted to Government Money Market Funds. Furthermore, these Money Market Funds must have met either of the following criteria: (A) Attained the highest ranking or the highest letter and numerical rating provided by not less than two NRSROs, or (B) Retained an investment advisor with not less than five years' experience and registered or exempt from registration with the SEC, with assets under management in excess of five hundred million dollars (\$500,000,000). Whenever the City has any funds invested in a MMF, the

City Treasurer shall maintain on file a copy of the MMF's current information statement. A maximum of 20% of the portfolio may be invested in this category

16. Ineligible Investments. Investments not described herein, including, but not limited to, common stocks, inverse floaters, range notes, or mortgage-derived interest-only strips are prohibited from use in this portfolio.

C. Diversification by Institution.

The City shall seek to diversify its investments within the portfolio to avoid incurring unreasonable risks inherent in over investing in specific investment types, individual financial institutions or maturities.

To promote diversification, no more than 5% of the portfolio may be invested in the securities of any one issuer, regardless of security type; excluding U.S. Treasuries, federal agencies, supranationals, and pooled investments such as LAIF, money market funds, or local government investment pools.

D. Investment Compliance Review

All securities held by the City will be maintained in compliance with Section XII, Authorized and Suitable Investments. The investment portfolio shall be reviewed quarterly to determine compliance with these parameters. Non-compliance events will be evaluated to determine and initiate actions needed to adjust investment yields, maturities, percentage requirements or other, in order to bring the portfolio back into compliance. In the event an instance of non-compliance is recommended by the City Treasurer, authorization may be given by the Executive Investment Committee and the Mayor if done unanimously. All major and critical incidences of non-compliance shall be reported in the quarterly treasurer's report to the City Council.

Summary Table of the Policy's Authorized and Suitable Investments: <sup>1</sup>

Investment Type	Maximum Maturity <sup>2</sup>	Maximum % of Portfolio	Maximum % with One Issuer	Minimum Rating <sup>3</sup>
U.S. Treasury Obligations	5 years	None	None	None
U.S. Agency Securities	5 years	100%	30%	None
Municipal Securities	5 years	40%	5%	A
Supranationals	5 years	30%	30%	AA
Negotiable Certificates of Deposit <sup>4</sup>	5 years	30%	5%	A
Bankers' Acceptances <sup>4</sup>	180 days	30%	5%	A-1
Commercial Paper <sup>4</sup>	270 days	25%	5%	A-1
Repurchase Agreements <sup>4</sup>	1 year	None	None	(5)

Investment Type	Maximum Maturity <sup>2</sup>	Maximum % of Portfolio	Maximum % with One Issuer	Minimum Rating <sup>3</sup>
Local Agency Investment Fund	N/A	\$75M	None	None
Local Government Investment Pools	N/A	None	None	(6)
Bank Deposits <sup>7</sup>	5 years	100%	100%	(5)
Placement Service Deposits <sup>7</sup>	5 years	30%	30%	(7)
Medium Term Notes <sup>4</sup>	5 years	30%	5%	A
Asset-Backed Securities <sup>4</sup>	5 years	20%	5%	AA
Money Market Funds <sup>8</sup>	N/A	20%	20%	(8)

1. Within the investments permitted by the Code, the City seeks to further restrict eligible investments to the guidelines listed above. In the event a discrepancy is found between this Policy and the Summary Table above, the more restrictive parameters will take precedence. See Section XII of the City Treasurer’s Investment Policy for additional detail.
2. In the absence of a specified maximum, the maximum is 5 years.
3. Minimum credit rating categories apply to the category without regards to modifications (+/-). Credit ratings are from any NRSRO.
4. Per issuer limitations apply across investment types.
5. Collateralization is required. See Section XII of the City Treasurer’s Investment Policy for additional detail.
6. The LGIP must have retained an advisor that is registered or exempt from registration with the Securities and Exchange Commission, has not less than five years of experience investing in the securities and obligations authorized by Code, and has assets under management in excess of five hundred million dollars (\$500,000,000).
7. Federal deposit is required for the full amount of the deposit and any accrued interest.
8. Money market funds must have the highest ranking or the highest letter and numerical rating provided by not less than two NRSROs or have an investment advisor that meets certain criteria.

**XIII. Maturity Goals**

1. Subject to the availability of funds, short-term investments (maturity of one year or less) of the City shall not be less than 25 percent of the General Fund annual operating budget of the City.
2. The percentage of the City's portfolio that may be invested intermediate term (maturity term over one year and not greater than five years) shall be determined by the City Treasurer based on estimated cash requirements.

3. Long-term investments (over five years to maturity date) shall be made only after review and approval by the City Council. Accordingly, no fixed percentage of the City's portfolio is designed for long-term investments.
4. Additional and/or clarifying maturity guidelines shall be adopted from time to time as devised by the City Treasurer and reviewed by the Executive Investment Committee.

#### **XIV. Policy Review**

This investment policy shall be reviewed at least annually to ensure its consistency with the overall objectives of preservation of principal, liquidity, yield, and its relevance to current law and financial and economic trends. The City of Escondido's investment policy shall be approved by the City Council on an annual basis.

#### **XV. Investment Procedures**

The City Treasurer and his/her delegated staff shall establish written investment policy procedures for the day-to-day operations of the investment program consistent with this policy. The procedures should include reference to cash balancing, safekeeping, wire transfer agreements, collateral/depository agreements, and the selection process for financial institutions and broker/dealers. The procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the City Treasurer.

#### **XVI. Investment Strategy and Performance Standards**

The investment portfolio shall be managed with the objective of obtaining a rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow needs. The City will employ an active management approach that allows for the sale of securities prior to their scheduled maturity dates for purposes of improving the portfolio's credit quality, liquidity, or return in response to changing market conditions or the City's circumstances. This Policy recognizes that in a diversified portfolio occasional measured losses are inevitable and must be considered within the context of the overall portfolio's structure and expected investment return, with the proviso that adequate diversification and credit analysis have been implemented.

An appropriate performance benchmark shall be established against which portfolio performance shall be compared on a regular basis. The selected performance benchmark shall be representative of the City's overall investment objectives and liquidity requirements.

## **XVII. Investment Pools/Mutual Funds**

A thorough investigation of the pool/fund is required prior to investing, and on a continual basis. There shall be a questionnaire developed which will answer the following general questions:

1. A description of eligible investment securities, and a written statement of investment policy and objectives.
2. A description of interest calculations and how it is distributed, and how gains and losses are treated.
3. A description of how the securities are safeguarded (including the settlement processes), and how often the securities are priced and the program audited.
4. A description of who may invest in the program, how often, what size deposit and withdrawal are allowed.
5. A schedule for receiving statements and portfolio listings.
6. Are reserves, retained earnings, etc. utilized by the pool/fund?
7. A fee schedule, and when and how is it assessed.
8. Is the pool/fund eligible for bond proceeds and/or will it accept such proceeds?

**APPENDIX**  
**CITY OF ESCONDIDO**  
**INVESTMENT PROCEDURE MANUAL**

**Purpose**

The purpose of these guidelines is to help create a Procedure Manual to assist Treasury staff with day-to-day investment operations.

*References and subjects at the beginning of each section refer to elements in the Investment Policy. In the event a discrepancy between this Appendix and the requirements in the body of the Policy, the requirements listed in the Body of the Policy take precedence.*

**Cash Review**

- I. Policy
- II. Scope
- IX. Accountability and Authority

The City Treasurer or his/her designee, must review the cash balances and investment portfolio daily, or as needed. Items to be reviewed should include:

- a) Balance of City of Escondido's General Account
- b) Maturing Investments (includes all investments)
- c) Large incoming wires from the State, County, and other miscellaneous agencies
- d) Large outgoing wires such as debt service payments and routine wires such as San Diego County Water Authority, Kaiser, and Workers' Compensation Service provider and any other routine that may be added
- e) Accounts payable and payroll disbursements

**Investment Selection**

- III. Prudence
- IV. Objective
- XII. Authorized and Suitable Investments
- XII B. Diversification
- XIII. Maturity Goals

The City Treasurer or designee determines how much of the cash balance is available for investment and selects the area of the yield curve that most closely matches the required maturity date based on cash flow needs.

In determining the maturity date, the Treasurer designee, should consider liquidity, cash flow, and expected expenditures. A review of some of the following sources should determine whether the investments should be placed to match projected expenditures or shorter, or take advantage of current and expected interest rate environments:

- a) Review daily business publications and commentaries from financial institutions and brokers.
- b) Read publications, Wall Street Journal, and watch media (CNBC) for general trends of economic interests.
- c) Input from approved broker/dealers.

### **Purchasing an Investment**

- VII. Authorized Financial Institutions and Broker/Dealers
- VIII. Safekeeping and Custody
- XII. Authorized and Suitable Investments
- XII B. Diversification of Investments
- XIII. Maturity Goals

Financial institutions are selected through a "Request for Proposal" (RFP) process. Broker/dealers are selected through a formal questionnaire process, which helps provide the following evaluation:

- a) Financial conditions, strength, and capability to fulfill commitments.
- b) Overall reputation with other investors.
- c) Regulatory status of the broker/dealer (all providers).
- d) Background and expertise of the individual representative.

Selection of financial institutions and broker/dealers shall be performed by authorized City staff under direction of the Executive Investment Committee. The City has an established formal procedure process in place for the selection of financial institutions and broker/dealers. Every three to five years the City will distribute a broker/dealer questionnaire to interested and known financial institutions and broker/dealers. The City Treasurer will maintain a list of qualified broker/dealers authorized to provide investment services to the City of Escondido. The list may include primary or regional dealers that are credit worthy and Rule 15C3-1.

All financial institutions and broker/dealers who desire to provide investment services must participate in the City's formal broker/dealer questionnaire process. To be considered, the financial institution or broker/dealers must supply the following as appropriate:

- Completed broker/dealer questionnaire
- Proof of Financial Industry Regulatory Authority (FINRA) registration
- License to conduct business in the State of California
- Audited financial statements demonstrating compliance with state and federal capital adequacy guidelines
- Certification of having read and understood and agreeing to comply with the City of Escondido's investment policy
- Evidence of adequate insurance coverage

Qualified broker/dealers selected to do business with the City shall submit annually current audited financial statement.

After the annual adoption of the City's investment policy by the City Council, a copy shall be sent to all broker/dealers approved to do business with the City. Confirmation of receipt of this policy shall be considered evidence that the dealer understands the City's investment policies and intends to sell the City only appropriate investments authorized by this investment policy.

The Treasurer designee shall be as specific as possible in requesting the offering in purchasing a security. If a particular type of investment or a particular agency is to be excluded due to policy limitations that should be stated to the providers. If collateral is required (i.e. for Repo's or CD's) the collateral limitations (excess margin, types of securities, maximum maturity, etc.) should be specified. The City may invest in repurchase agreements provided it has a signed master repurchase contract, which specifies terms and conditions of repurchase agreements.

The following must be determined prior to contacting the providers:

- a) Settlement – cash, regular (next day), skip (2 business days), corporate (3 business days) or when-issued if a new issue.
- b) Amount – either par value or total dollars to be invested.
- c) Type of security to be purchased or type to be excluded.
- d) Targeted maturity or maturity range.
- e) Time limit to show offering – 5 minutes, 15 minutes, or a specified time.

If choosing an external pool (or LAIF or Money Market) as the preferred investment vehicle at the time, the following should be available for inspection prior to purchase and at reasonable time thereafter:

- a) LAIF written investment policy and a copy of the "LAIF ANSWER BOOK" (which contains detailed information about LAIF).



- b) A prospectus for the Money Market funds or bank-managed funds.
- c) The balance of the LAIF account is reviewed to adhere to the City's investment pool limit.

Before concluding the transaction, the following should be validated:

- a) The security selected for purchase meets all criteria including portfolio-diversification, collateralization (if appropriate), and maturity. If the security has any imbedded options such as call provisions or coupon adjustments, these should also be reviewed. Current practice is to buy bullet securities, no callable. The strategy is buy and hold.
- b) Verify yield.
- c) Total purchase cost (including accrued interest) does not exceed funds available for investment.
- d) Advise the successful provider that their offering has been selected for purchase.
- e) After confirmation of the purchase, as a courtesy, notify the other broker/dealers that you have placed the investment. Best price may be disclosed if the other broker/dealers ask.

After consummation of the transaction, and prior to settlement date, the following information should be confirmed with the provider in order to ensure prompt and uninterrupted settlement:

- a) Reconfirm amounts of transaction (principal, accrued interest, if any, and total cost).
- b) Reconfirm settlement date.
- c) Acquire CUSIP number of security, if applicable.
- d) Obtain a copy of the Bloomberg (trade ticket plus description page).

All qualified broker/dealers have the City's delivery instructions, which consist of the following:

- a) Name of third-party safekeeping agent (currently Bank of New York Mellon Trust, contact designated customer service representative)
- b) ABA number of safekeeping agent.
- c) Safekeeping account number.

### **Settlement and Follow-Through**

#### IX. Accountability and Authority

The City Treasurer or other designee should forward to the safekeeping agent, by fax or e-mail, detailed information regarding investment transaction. The detailed information of the purchased security will consist of:

- a) Type of security.
- b) Par amount, stated coupon, interest yield, maturity date, and CUSIP number.

- c) Specified dollar amount (principal amount, accrued interest, if applicable, and total cost).
- d) Note the broker of the investment transaction.
- e) Signature of the Treasurer designee.

A phone call should be made to the safekeeping agent to inform of purchase and confirm receipt of the investment information. When applicable the following should be verified:

- a) Provision of receipt or disbursement of funds.
- b) Internal transfer or wiring of funds.
- c) Written validation from safekeeping agent.
- d) Notification of discrepancy prior to acceptance or rejection of the transaction.
- e) Immediate notification if a fail has occurred: by provider if they are responsible, by safekeeping agent if they are responsible.
- f) That all verbal and written verifications have been forwarded to and received from applicable parties to ensure that transaction was successfully executed.

### **Investment Strategy and Performance Standards**

#### XVI. Accountability and Authority

The investment portfolio shall be managed with the objective of obtaining a rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow needs. The City will employ an active management approach that allows for the sale of securities prior to their scheduled maturity dates for purposes of improving the portfolio's credit quality, liquidity, or return in response to changing market conditions or the City's circumstances. This Policy recognizes that in a diversified portfolio occasional measured losses are inevitable and must be considered within the context of the overall portfolio's structure and expected investment return, with the proviso that adequate diversification and credit analysis have been implemented.

An appropriate performance benchmark shall be established against which portfolio performance shall be compared on a regular basis. The selected performance benchmark shall be representative of the City's overall investment objectives and liquidity requirements.

## **GLOSSARY OF TERMS**

*Agencies* — agencies of the federal government set up to supply credit to various classes of institutions (e.g., S&Ls, small business firms, students, farmers, housing agencies, etc.)

*Amortized Cost* — cost of investments adjusted for premiums and discounts. Amortized cost is used to maintain comparability with market value.

*Asked* — the price at which securities are offered.

*Asset-Backed Securities* — Securities whose income payments and hence value is derived from and collateralized (or "backed") by a specified pool of underlying assets which are receivables. Pooling the assets into financial instruments allows them to be sold to general investors, a process called securitization, and allows the risk of investing in the underlying assets to be diversified because each security will represent a fraction of the total value of the diverse pool of underlying assets. The pools of underlying assets can comprise common payments credit cards, auto loans, mortgage loans, and other types of assets. Interest and principal is paid to investors from borrowers who are paying down their debt.

*Bankers' Acceptance (BA)* — a draft, bill or exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill, as well as the issuer.

*Benchmark* — a comparative base for measuring the performance or risk tolerance of the investment portfolio. A benchmark should represent a close correlation to the level of risk and the average duration of the portfolio's investments.

*Bid* — price a prospective buyer is ready to pay.

*Bond Indenture* — written agreement specifying the terms and conditions for issuing bonds, stating the form of the bond being offered for sale, interest to be paid, the maturity date, call provisions and protective covenants, if any, collateral pledged, the repayment schedule, and other terms. It describes the legal obligations of a bond issuer and the powers of the bond trustee, who has the responsibility for ensuring that interest payments are made to registered bondholders.

*Book Value* — a term synonymous with amortized cost.

*Broker/Dealer* — individual or firm acting as principal in securities transaction.

*Callables* — securities that the issuer has the right to redeem prior to maturity.

*Certificates of Deposit (CD)* — a time deposit with a specific maturity evidenced by a certificate.

*Collateral* — securities pledged to secure the value of an investment or deposit.

*Commercial Paper* — short-term IOU, or unsecured money market obligation, issued by prime rated commercial firms and financial companies, with maturities from 2 days up to 270 days. It

is a promissory note of the issuer used to finance current obligations, and is a negotiable instrument.

*Comprehensive Annual Financial Report (CAFR)* — an annual financial report that contains at a minimum, three sections: introductory, financial and statistical, and whose financial section provides information on each individual fund and component unit. (Definition source: 2005 Governmental Accounting, Auditing, and Financial Reporting (GAAFR)).

*Coupon* — a) the annual rate of interest that a bond's issuer promises to pay the bondholder on the bond's face value; b) a certificate attached to a bond evidencing interest due on a payment date.

*Custody* — a banking service that provides safekeeping for the individual securities in a customer's investment portfolio under a written agreement which also calls for the bank to collect and pay out income, to buy, sell, receive, and deliver securities when ordered to do so by the principal.

*Delivery vs. Payment* — there are two methods of delivery of securities: delivery versus payment and delivery versus receipt. Delivery versus payment is delivery of securities with a simultaneous exchange of money. Delivery versus receipt is delivery of securities with an exchange of a signed receipt for the securities.

*Derivatives* — a) financial instruments whose return profile is linked to, or derived from, the movement of one or more underlying index or security, and may include a leveraging factor; b) financial contracts based upon notional amounts whose value is derived from an underlying index or security (interest rates, foreign exchange rates, equities or commodities).

*Discount* — the difference between the cost price of a security and its maturity when quoted at lower than face value. A security selling below original offering price shortly after sale also is considered to be at a discount.

*Discount Securities* — non-interest bearing money market instruments that are issued a discount and redeemed at maturity for full face value, e.g., U.S. Treasury Bills.

*Diversification* — dividing investment funds among a variety of securities offering independent returns.

*Executive Investment Committee* — a committee chaired and appointed by the City Treasurer to oversee the day-to-day investment program of the City.

*Federal Credit Agencies* — agencies of the federal government set up to supply credit to various classes of institutions and individuals, e.g., S&L's, small business firms, students, farmers, farm cooperatives and exporters.

*Federal Deposit Insurance Corporation (FDIC)* — a federal agency that insures bank deposits. Deposit coverage increased from \$100,000 to \$250,000 per depositor in 2008. The increased coverage limits of \$250,000 per depositor, per insured institution, was extended indefinitely effective July 2010 with the passage of the Dodd-Frank Act.

*Federal Funds Rate* — the rate of interest associated with borrowing a Federal Reserve Bank's excess reserves. This rate is currently pegged by the Federal Reserve through open-market operations.

*Federal Open Market Committee (FOMC)* — a committee that sets interest rate and credit policies for the Federal Reserve System, the United States' central bank. The FOMC has 12 members. Seven are the members of the Federal Reserve Board, appointed by the president of the United States. The other five are presidents of the 12 regional Federal Reserve banks. Of the five, four are picked on a rotating basis; the other is the president of the Federal Reserve Bank of New York, who is a permanent member. The committee decides whether to increase or decrease interest rates through open market operations of buying or selling government securities. The committee's decisions are closely watched and interpreted by economists and stock and bond market analysts, who try to predict whether the Fed is seeking to tighten credit to reduce inflation or to loosen credit to stimulate the economy.

*Federal Reserve System* — system established by the Federal Reserve Act of 1913 to regulate the U.S. monetary and banking system. The Federal Reserve System (the Fed) is comprised of 12 regional Federal Reserve Banks, their branches, and all national and state that are a part of the system. The Federal Reserve System's main functions are to regulate the national money supply, set reserve requirements for member banks, supervise the printing of currency at the mint, act as clearinghouse for transfer of funds throughout the banking system, and examine member banks to make sure they meet various Federal Reserve regulations.

*Financial Industry Regulatory Authority (FINRA)* — The Financial Industry Regulatory Authority (FINRA) is the largest independent regulator for all securities firms doing business in the United States. All told, FINRA oversees nearly 4,750 brokerage firms, about 167,000 branch offices and approximately 634,000 registered securities representatives.

*Interest Rate Risk* — the risk that investments will lose market value because of increases in market interest rates. A rise in market interest rates will cause the market value of investments made earlier at lower interest rate to lose value. The reverse will cause a gain in market value.

*Investment Committee* — a committee chaired by the City Treasurer to advise the City Treasurer on policies governing the City's investment program.

*Laddered Portfolio* — bond investment portfolio with securities in each maturity range (e.g. monthly) over a specified period of time (e.g. five years).

*Leverage* — investing with borrowed money with the expectation that the interest earned on the investment will exceed the interest paid on the borrowed money.

*Liquidity* — the ability to turn an asset into cash. The ability to buy or sell an asset quickly and in large volume without substantially affecting the asset's price.

*Local Agency Investment Fund (LAIF)* — the aggregate of all funds from political subdivisions that are placed in the custody of the State Treasurer for investment and reinvestment.

*Local Government Investment pool (LGIP)*— a type of pooled investment program in which funds from local agency investors/participants are aggregated together for investment purposes.

*Market Value*— the price at which a security is trading, usually the liquidation value.

*Master Repurchase Agreement*— a written contract covering all future transactions between the parties to repurchase reverse repurchase agreements that establish each party's rights in the transactions. A master repurchase agreement will often specify the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller-borrower.

*Maturity*— the date upon which the principal or stated value of an investment becomes due and payable.

*Modified Duration*— a measure of the sensitivity that the value of a fixed-income security has to changes in market rates of interest. Modified duration is the best single measure of a portfolio's or security's exposure to market risk. Modified duration identifies the potential gain/loss in value before the gain/loss actually occurs. It is a prospective measurement, e.g., a modified duration of 1.5 indicates that when and if a 1% change in market interest rates occurs, a 1.5% change in the value of a security will result. Investments with modified durations of one to three are considered to be relatively conservative.

*Money Market*— the market in which short-term debt instruments (Treasury bills, commercial paper, bankers' acceptances, etc.) are issued and traded.

*Money Market Fund*— A type of mutual fund that invests exclusively in short-term investments.

*Nationally Recognized Statistical Rating Organizations (NRSRO)*— a credit rating agency (CRA) that issues credit ratings which the U.S. Securities and Exchange Commission (SEC) permits other financial firms to use for certain regulatory purposes.

*Offer*— price at which someone who owns a security offers to sell it, also known as the asked price.

*Open Market Operations*— activities by which the Securities Department of the Federal Reserve Bank of New York, popularly called the desk, carries out instructions of the Federal Open Market Committee designed to regulate the money supply. Open market operations are the Federal Reserve's most important and most flexible monetary policy tool.

*Portfolio*— collection of securities held by an investor.

*Primary Dealer*— investment dealers authorized to buy and sell government securities in direct dealings with the Federal Reserve Bank of New York in its execution of Fed Open Market Operations. Such dealers must be qualified in terms of reputation, capacity, and adequacy of staff and facilities.

*Prudent Investor Rule*— an investment standard. In California, persons authorized to make investment decisions on behalf of a local agency are considered trustees and therefore fiduciaries subject to the Prudent Investor Rule. A trustee may invest in a security if it is one which would

be bought by a prudent person of discretion and intelligence who is seeking a reasonable income and preservation of capital.

*Rate of Return*— the yield obtainable on security based on its purchase price or its current market price.

*Repurchase Agreement (RP or REPO)*— agreement between a seller and a buyer, usually of U.S. government securities, whereby the seller agrees to repurchase the securities as an agreed upon price and usually, at a stated time. The security "buyer" in effect lends the "seller" money for the period of the agreement, and the terms of the agreement are structured to compensate him for this. Dealers use RP extensively to finance their positions. Exception: when the Fed is said to be doing RP, it is lending money that is, increasing bank reserves.

*Required Reports* — Section 53646 of the California Government Code specifies that certain information may be periodically transmitted to the City's governing body and chief executive officers by the City's chief fiscal or investment officer.

*Safety*— the ability of a security issuer to guarantee redemption of their security.

*Safekeeping* — sees custody

*Secondary Market* — a market made for the purchase and sale of outstanding issues following the initial distribution.

*Securities & Exchange Commission (SEC)* — an agency created by Congress to protect investors in securities transactions by administering securities legislation.

*SEC Rule 15C3-1* — see Uniform Net Capital Rule.

*Time Deposit*— a savings account or certificate of deposit held in a financial institution for a fixed term.

*Treasury Bills*— a non-interest bearing discount security issued by the U.S. Treasury to finance the national debt. Treasury Bills have a maturity of one year or less.

*Treasury Bonds*— long-term coupon-bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities of more than 10 years.

*Treasury Notes* — medium-term coupon bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities from one to ten years.

*Uniform Net Capital Rule* — Securities and Exchange Commission requirement that all SEC registered broker/dealers maintain sufficient liquid resources to promptly satisfy their liabilities, including all claims by customers, creditors and other broker-dealers. The rule requires broker-dealers to maintain the greater of (1) a specified percentage of net capital as it relates to either total broker indebtedness or total customer receivables, or (2) a specified dollar amount.

*Yield* -The annual rate of return on an investment generally expressed as a percentage of the securities current price.





# STAFF REPORT

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May 11, 2022  
File Number 0480-70

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## SUBJECT

### FY2021 URBAN AREA SECURITY INITIATIVE (UASI) GRANT PROGRAM AND BUDGET ADJUSTMENT

## DEPARTMENT

Fire

## RECOMMENDATION

Request the City Council to accept a FY 2021 Urban Area Security Initiative (“UASI”) Grant Award in the amount of \$31,000; request the City Council to accept a FY2020 UASI Grant Amendment in the amount of \$57,140; authorize the Fire Chief or his designee to execute grant documents on behalf of the City of Escondido (“City”); and approve the budget adjustment needed to spend grant funds (see Attachment “1”).

Staff Recommendation: Approval (Fire Department: Rick Vogt)

Presenter: Art Holcomb, Fire Division Chief

## FISCAL ANALYSIS

None.

## PREVIOUS ACTION

On August 25, 2021, the City Council authorized the Escondido Police Department to accept \$258,236 in funds from a FY2020 UASI Grant.

On March 2, 2022, City Council authorized the Fire Department to accept \$85,230 in funds from the FY2020 Award Amendment.

## BACKGROUND

The Escondido Fire Department received a FY 2021 UASI Grant in the amount of \$31,000. UASI funds support regional efforts to prevent, mitigate, respond to, and recover from acts of terrorism or disaster. The Urban Area Working Group (UAWG) vetted and approved Escondido’s proposed UASI projects.

The FY 21 UASI grant will fund tuition/registration costs for Escondido firefighters to attend the following training courses: Low Angle Rope-Rescue, Rescue Systems 1, Rescue Systems 2 and Rope Rescue Technician. This training will enhance the technical rescue skills and abilities of firefighters so they are prepared when emergency rescue is necessary.



# CITY *of* ESCONDIDO

## STAFF REPORT

The Escondido Fire Department received a FY 2020 UASI Grant Amendment in the amount of \$57,140. These funds will be used to complete the Next Generation Regional Communications Interoperability Project (NGRCIP) that will fully connect Escondido Fire's Computer Aided Dispatch ("CAD") system to the other Fire CADs in the County.

The intent of the NGRCIP or "CAD2CAD" is to enhance fire and emergency services to achieve improved interoperability through the real time sharing of resource status, locations, requests for service (mutual or automatic aid) and other mission critical information. A regional next-generation CAD-to-CAD solution will promote further efficiency among the member agencies and continue to provide improved customer service to the communities they serve by increasing situational awareness and decreasing processing, reflex and response times. The CAD-to-CAD Project will enhance critical regional emergency communication.

In an effort to maintain consistency and interoperability between the current equipment and CAD software service, and in accordance with the City of Escondido Municipal Code Sec. 10-102(b), the procurement for this project will be from a single source.

### **ATTACHMENTS**

1. Attachment "1" – Budget Adjustment



**CITY OF ESCONDIDO**  
**BUDGET ADJUSTMENT REQUEST**

For Finance Use Only	
Log #	_____
Fiscal Year	_____
_____	Budget Balances
_____	General Fund Accts
_____	Revenue
_____	Interfund Transfers
_____	Fund Balance

Date of Request: 04/19/22  
 Department: Fire Department  
 Division: Administration  
 Project/Budget Manager: Laura Costello 5408  
 Name Extension  
 Council Date (if applicable): 05/11/2022  
 (attach copy of staff report)

Project/Account Description	Account Number	Amount of Increase	Amount of Decrease
Revenue	4128-451-New Project Number	\$31,000	
Fire Grants	451-New Project Number	\$31,000	
UASI20	451-UASI20	57,140	
Federal Grant Revenue	4128-451	57,140	

Explanation of Request:  
 A budget adjustment is needed to spend FY 2021 and FY 2020 Urban Area Security Initiative (UASI) funds.

**APPROVALS**

DocuSigned by: <u>Rick Vogt</u>	<u>5/2/2022</u>	_____	_____
Department Head	Date	City Manager	Date
DocuSigned by: <u>Jodi Coco</u>	<u>5/2/2022</u>	_____	_____
Finance	Date	City Clerk	Date

Distribution (after approval): Original: Finance



# STAFF REPORT

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May 11, 2022  
File Number: 0600-95

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## SUBJECT

**GRAND VISION PROJECT PHASE I; - REQUEST THE CITY COUNCIL AUTHORIZE CHANGE ORDERS FOR THE GRAND VISION PROJECT PHASE I**

## DEPARTMENT

Engineering Services

## RECOMMENDATION

Request the City Council adopt Resolution No. 2022-57 to authorize change orders for the Grand Vision Project Phase I (Project).

Staff Recommendation: Approval (Engineering Services Department: Julie Procopio)

Presenter: Jonathan Schauble

## FISCAL ANALYSIS

The Grand Vision Project Phase I is funded with a competitive Smart Growth Incentive Program (SGIP) grant administered by SANDAG and with matching TransNet funds. The total Phase I Project budget as programmed in the Capital Improvement Program is \$2,259,326. During construction, unforeseen conditions, including an unmarked water line, buried concrete and unsuitable soil, necessitated construction change orders in the amount of \$96,620.04. In addition, Staff requests authority to approve future change orders up to an amount of \$60,000 to add a perimeter railing and planters to support on-street dining between Phase I and II. Staff estimates that approximately ten businesses will request Temporary Use Permits and each setup will cost approximately \$6,000 for purchasing the materials and having it delivered to the site and installed. There are adequate funds in the Project account to fund these change orders.

## PREVIOUS ACTION

On February 14, 2018, the City Council approved the Grand Avenue Vision Plan that was developed through a public process that included multiple stakeholders, including downtown merchants, property owners, residents and technical professionals, and authorized grant applications.

On February 13, 2019, the City Council approved a SGIP grant agreement and related budget adjustment for the Project.



# CITY of ESCONDIDO

## STAFF REPORT

On August 21, 2019, the City Council approved a Consulting Services Agreement with Kimley-Horn and Associates to complete environmental clearance for the Grand Avenue Vision Plan and engineering design of the Phase I Project.

On July 21, 2021, the City Council approved an environmental document (Mitigated Negative Declaration) for the Grand Avenue Vision Plan.

On September 15, 2021, the City Council adopted Resolution No. 2021-126, authorizing the award of a construction contract to the lowest responsive and responsible bidder, 3Sixty Innovation, Inc., in the amount of \$994,776.50.

### BACKGROUND

The Grand Vision Plan is a streetscape improvement plan for Escondido's historic downtown aimed at improving walkability and creating a pedestrian-friendly environment between Juniper Street and Escondido Boulevard. The Project narrows Grand Avenue to one lane in each direction, provides wider sidewalks, increases parking opportunities via diagonal parking, and removes center medians. Future phases of the plan include additional sidewalk widening and installation of three (3) traffic circles on Grand Avenue (Maple Street, Broadway, and Kalmia Street).

Phase I of the Grand Vision Plan is substantially complete. Among the many improvements, the Project has widened the sidewalk on the north side of Grand Avenue between Maple Street and Broadway, installed irrigation and landscaping, removed center medians, installed decorative lighting, provided diagonal parking, installed an ADA parking stall, and resurfaced the roadway. Several components of the Phase I, including sidewalk widening and fencing, have been completed. The final component of the project, the festoon lighting, is anticipated to be complete by May 23, 2022.

Phase II of the Grand Vision Plan will widen the sidewalk on Grand Avenue from Maple Street to Juniper Street and will install a traffic circle at the intersection of Grand Avenue and Broadway. Engineering design of Phase II will occur this year with construction expected during 2023.

### RESOLUTIONS

- A. Resolution No. 2022-57

## RESOLUTION NO. 2022-57

A RESOLUTION OF THE CITY COUNCIL OF THE CITY  
OF ESCONDIDO, CALIFORNIA, AUTHORIZING  
CHANGE ORDERS WITH 3SIXTY INNOVATION, INC.  
FOR THE GRAND VISION PROJECT PHASE I.

WHEREAS, the City Council has allocated funding in the adopted Capital Improvement Program Budget for the Grand Vision Project Phase I; and

WHEREAS, 3Sixty Innovation Inc. was determined to be the lowest responsive and responsible bidder and awarded a construction contract on September 15, 2021; and

WHEREAS, the City Council desires and deems it to be in the best public interest to approve construction change orders in the amount of \$96,620.04 to 3Sixty Innovation Inc.; and

WHEREAS, the City Council desires and deems it to be in the best public interest to authorize staff to approve additional change orders of up to \$60,000 to add a perimeter railing and planters to support on-street dining between Phase I and II.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Escondido, California:

1. That the above recitations are true.
2. That the City Council approves Resolution No. 2022-57 authorizing the City Manager, the City Engineer, or their designee to execute, on behalf of the City, construction change orders with 3Sixty Innovation Inc. in the amount of \$96,620.04 to 3Sixty Innovation, Inc.
3. That staff is authorized to approve additional change orders of up to \$60,000.



# STAFF REPORT

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May 11, 2022  
File Number 1320-10

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## SUBJECT

### APPROVAL OF FUNDS FOR LAKE HENSHAW ALGAE MITIGATION ACTIVITIES

## DEPARTMENT

Utilities Department, Water Division

## RECOMMENDATION

It is requested that the City Council adopt Resolution 2022-55, agreeing to equally share the cost of managing, mitigating, and treating harmful algal blooms in Lake Henshaw. The cost of algae mitigation shall be split equally between the City of Escondido (“City”) and the Vista Irrigation District (“VID”) pursuant to the Agreement Between the City of Escondido and the Vista Irrigation District for the Allocation and Management of Local Water Facilities, executed in January 2017 (“Local Entities’ Agreement”). The City of Escondido’s share of the cost for algae mitigation shall not exceed \$300,000.

Staff Recommendation: Approval (Utilities Department, Water Division: Christopher W. McKinney)

Presenter: Reed Harlan, Deputy Director of Utilities; Water

## FISCAL ANALYSIS

The Water Enterprise Fund, fiscal year budget 2022-2023, will fund the City of Escondido’s cost-share for algae mitigation services. The Water Enterprise Fund’s 2022-2023 fiscal year budget will be presented by the Finance Department in June 2022 for the City Council’s consideration and approval.

## PREVIOUS ACTION

On January 25, 2017, the City Council adopted Resolution No. 2017-20, authorizing the City to enter into a Global Agreement with the Vista Irrigation District for the allocation and management of local water facilities (“Local Entities Agreement.”) On February 10, 2021, the City Council adopted Resolution No. 2021-26, authorizing the City to equally share the cost of obtaining the consulting services of Stillwater Ecosystem, Watershed & Riverine Services (“Stillwater”) to develop strategies to manage, mitigate, and treat harmful algal blooms in Lake Henshaw and Lake Wohlford.



# CITY *of* ESCONDIDO

## STAFF REPORT

### BACKGROUND

The City and VID jointly own and operate a raw, drinking-water system that supplies critical local water for both agencies. This supply has historically accounted for 25% of the City's drinking water supply and offsets some of the need for more expensive imported water from the Colorado River and Northern California.

Much of the local water system, including the Escondido Canal, is jointly owned and operated by the City and VID. However, the two lakes in the system are each owned by a single agency: Lake Henshaw is owned by VID and Lake Wohlford is owned by the City. The cost of operating and maintaining each lake is the responsibility of the owning agency, except for work to maintain or improve the quality of the shared water supply.

Pursuant to the terms of the Local Entities' Agreement, the San Luis Rey Indian Water Rights Settlement Agreement, and Implementing Agreement, costs of work to maintain or improve quality of the shared water supply shall be split between the City and VID by mutual agreement. VID has, in the past, shared equally in the cost of maintaining water quality in Lake Wohlford as the lake's water quality is critical to both agencies. The same is true of Lake Henshaw, which sits at the very head of the local water system.

Over the past few years, algal blooms have caused water quality problems in lakes across the region. High temperatures, below average rainfall, and tightening regulations all contribute to the increased frequency of water quality problems related to algal blooms. In Lake Henshaw, recent blooms have been dominated by the microcystin algae. Microcystin algae has the potential to carry cyanotoxin bacteria, which is toxic for plants, animals, and people. Algal blooms in 2020 caused restrictions in recreational use and prevented delivery of water from Lake Henshaw via the Escondido Canal to Lake Wohlford.

The City and VID desire to treat the water in Lake Henshaw, which is the collection basin for our local water system, to help control harmful algal blooms. To achieve this, VID will procure the services of a licensed contractor that specializes in the application of algaecides and other chemicals. The City and VID anticipate these services will take place over the next year and will help secure the future of our local water supplies.

Given the importance of combating harmful algal blooms in the local water supply, staff recommends sharing the cost of algae mitigation.

### RESOLUTIONS

- A. Resolution No. 2022-55



## RESOLUTION NO. 2022-55

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF ESCONDIDO, CALIFORNIA, AUTHORIZING THE MAYOR TO EXECUTE, ON BEHALF OF THE CITY, APPROVING THE ALLOCATION OF \$300,000 FOR ALGAE MITIGATION AT LAKE HENSHAW AS PART OF THE WATER MAINTENANCE COST SHARING BETWEEN THE CITY OF ESCONDIDO AND VISTA IRRIGATION DISTRICT

WHEREAS, the City of Escondido (“City) and the Vista Irrigation District (“VID”) own and operate a local raw water storage and conveyance system; and

WHEREAS, the City and VID entered into an Agreement for the Allocation and Management of Local Water Facilities (“Local Entities’ Agreement”) in January 2017; and

WHEREAS, harmful algal blooms have been an ongoing issue in the local raw water storage and conveyance system. At times, the harmful algal blooms have inhibited the use of the local water supply; and

WHEREAS, the City and VID believe that they need to manage, mitigate, and treat harmful algae blooms; and

WHEREAS, the City’s share of the cost for algae mitigation shall not exceed \$300,000.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Escondido, California:

1. That the above recitations are true.
2. That the City Council authorizes the allocation of funds to manage, mitigate and treat harmful algal blooms in Lake Henshaw in the amount not to exceed \$300,000.

## ORDINANCE NO. 2022-07

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF  
ESCONDIDO, CALIFORNIA, APPROVING THE ESCONDIDO  
POLICE DEPARTMENT MILITARY EQUIPMENT USE POLICY

WHEREAS, On September 30, 2021, Governor Gavin Newsom signed into law Assembly Bill 481 to regulate the use of military equipment by law enforcement agencies; and

WHEREAS, Assembly Bill 481, codified at California Government Code section 7070 et seq., requires law enforcement agencies to obtain approval of the applicable governing body, by an ordinance adopting a military equipment use policy, at a regular meeting held pursuant to open meeting laws, prior to taking certain actions relating to the funding, acquisition, or use of military equipment; and

WHEREAS, California Government Code section 7070 defines the terms “military equipment” and establishes the minimum requirements for a “military equipment use policy”; and

WHEREAS, California Government Code section 7071 requires the governing body determine, prior to approving a military equipment use policy, the following:

a. The military equipment is necessary because there is no reasonable alternative that can achieve the same objective of officer and civilian safety.

b. The proposed military equipment use policy will safeguard the public's welfare, safety, civil rights, and civil liberties.

c. If purchasing the equipment, the equipment is reasonably cost effective compared to available alternatives that can achieve the same objective of officer and civilian safety.

d. Prior military equipment use complied with the military equipment use policy that was in effect at the time, or if prior uses did not comply with the accompanying military equipment use policy, corrective action has been taken to remedy nonconforming uses and ensure future compliance; and

A COMPLETE COPY OF  
THIS ORDINANCE IS  
ON FILE IN THE OFFICE  
OF THE CITY CLERK  
FOR YOUR REVIEW.



# STAFF REPORT

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May 11, 2022  
File Number 0600-10

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## SUBJECT

### **APPROVAL TO EXECUTE A WATER INFRASTRUCTURE FINANCE AND INNOVATION ACT (WIFIA) LOAN FOR THE LAKE WOHLFORD DAM REPLACEMENT PROJECT**

## DEPARTMENT

Utilities Department, Construction and Engineering Division

## RECOMMENDATION

Request the City Council take the following actions:

- 1) Adopt Resolution No. 2022-03, approving execution of a loan agreement in an amount not to exceed \$66,000,000 from the U.S. Environmental Protection Agency, Water Infrastructure Finance and Innovation Act ("WIFIA") Program for construction costs associated with the Lake Wohlford Dam Replacement Project.
- 2) Authorize the Mayor, or his designee, to execute all documents related to this transaction.

It is requested that the Escondido Joint Powers Authority adopt Resolution No. EJPFA 2022-01, authorizing the execution and delivery of a WIFIA Loan Agreement, a WIFIA Note, an Installment Purchase Agreement, and certain documents and other matters in connection therewith (water system).

Staff Recommendation: Approval (Utilities: Christopher W. McKinney)

Presenter: Angela Morrow, Deputy Director of Utilities

## FISCAL ANALYSIS

The estimated cost of construction of the Lake Wohlford Dam Replacement Project is \$88.5 million dollars, an amount much greater than the 2012 preliminary cost estimate of \$30 million dollars. The cost of environmental mitigation for the project is estimated to be about \$3.5 million. For purposes of this authorization, the construction costs, plus environmental permitting and mitigation costs, design costs, and a 15% allowance for contingency, produces a total project cost as high as \$132.9 million. Staff does not anticipate that the total project cost will be as high as indicated; however, contingencies have been added to accommodate potential unforeseen issues during construction. Project cost estimates are conservative because once the loan closes, the amount of the loan cannot be increased.

In 2013, the City of Escondido ("City") was awarded a Proposition 1E, Round 1 Stormwater Flood Management Grant from the State of California Department of Water Resources in an amount up to \$14.9 million for construction of the Lake Wohlford Dam Replacement Project, which will provide for a portion



# CITY of ESCONDIDO

## STAFF REPORT

of the project costs. The grant has a 50% match requirement which must be met with non-state (local or federal) funds.

In January 2021, the City applied to the Federal Emergency Management Agency's ("FEMA's") Building Resilient Infrastructure and Communities ("BRIC") program for the Wohlford Dam Replacement Project. In July 2021, the City was notified that the Project was not selected for a BRIC grant.

The requested loan is provided through the U.S. Environmental Protection Agency ("EPA"), Water Infrastructure Finance and Innovation Act Program. The WIFIA loan cannot exceed 49% of reasonable anticipated total eligible project costs. Eligible project costs include costs related to: planning; design; environmental documentation, permitting and mitigation; construction; construction management and inspection; and project contingencies. The remaining 51% of project costs must be provided by non-federal (state and local) funds.

The proposed WIFIA loan amount is currently estimated to be \$65,147,348 with a maturity date of July 1, 2062, approximately 35 years starting at the estimated substantial completion of construction date of July 30, 2027. This amount assumes a 15% project-level contingency and could be reduced if construction bid costs are lower. The loan agreement will include a one-time opportunity after substantial completion is reached to shorten the maturity if the City so chooses.

The interest rate for WIFIA loans is equal to the yield on U.S. State and Local Government Securities ("SLGs") relative to the projected weighted average life of the loan plus 1/100th of a percent. The rate changes on a daily basis, and the rate as of March 30, 2022, was 2.72 percent, based on a projected 25.5 year weighted average term. As a condition of closing, the City will be required to deliver a final rating opinion letter from a nationally recognized statistical rating agency. The final rating letter must be a public rating and should specifically evaluate the WIFIA loan's default risk and contemplate the full life of the WIFIA loan.

At this rate and term, and assuming that the City does not make any principal pre-payments, the total amount repaid over 35 years will be approximately \$107.89 million (\$65.15 million in principal, \$42.74 million in interest). The City will make payments under the Agreement solely from revenues of the City's water system in excess of operation and maintenance costs. Such payments will be on parity with existing water system obligations, including the 2019A and 2019B bond issues, two State Revolving Fund loans, and two IBank loans. Payments under the Agreement are not an obligation of the General Fund or other City funds other than the Water Fund.

Annual debt service payments on this loan will be approximately \$2.9 million, subject to the final loan amount and interest rate at closing. In FY 2021, the Water Fund debt coverage ratio was 2.30, in excess of the debt coverage required by the Water Fund's bond covenants (1.20). The debt service payments required by the WIFIA loan would have reduced the Water Fund debt coverage to 2.14 if loan payment



# CITY of ESCONDIDO

## STAFF REPORT

had been due at that time. While the new proposed debt will decrease the debt coverage ratio, the ratio will remain well in excess of the required minimum.

### PREVIOUS ACTION

On September 16, 2020, the City Council: 1) adopted Resolution No. 2020-137, assuring that if an award is received from the Federal Emergency Management Agency's ("FEMA's") Building Resilient Infrastructure and Communities ("BRIC") program, the City of Escondido would provide the necessary non-federal matching funds; 2) directed staff to move forward with the construction of a new, replacement dam; and 3) directed staff to proceed with Letters of Interest and to apply, if invited, for a WIFIA loan and FEMA BRIC grant.

### BACKGROUND

Lake Wohlford Dam ("Dam") was constructed with earth and rock in 1895 as part of Escondido's local water system. In 1925, the dam was raised to its current height using a slurry hydraulic fill process. In 2007, during a routine seismic evaluation of the dam, the California Division of Safety of Dams ("DSOD") determined that the newer, hydraulic fill section of the dam has the potential to liquefy and fail in the event of a large earthquake with magnitude greater than 7.5.

In response to these potential seismic concerns, the City immediately lowered the water level of Lake Wohlford so that the maximum level of the lake does not exceed the level of the original, seismically-sound rock structure. The lake has been operated at this level until the present day and continues to provide recreational opportunities and local water storage.

A design for a new, replacement dam to be constructed just downstream of the existing dam was completed. Design development included a lengthy review process involving the DSOD, the Federal Energy Regulatory Commission ("FERC"), and a panel of dam experts convened to oversee the dam design process. The Project elements include: (a) dam construction downstream of the existing dam; (b) new spillway construction; (c) new outlet tower construction; and (d) partial demolition of the existing dam.

On October 13, 2020, the City submitted a Letter of Interest in response to the EPA's 2020 Notice of Funding Availability for the WIFIA Program for funding for the Lake Wohlford Dam Replacement Project. On January 8, 2021, the City was notified that the Project was selected to apply for a WIFIA loan. The City submitted a complete application for WIFIA assistance on April 28, 2021.

The benefits of financing through the WIFIA Program include:

- Fixed interest rate established at closing
- No penalty for prepayment
- No matching fund requirement
- Can be used in conjunction with state funding



# CITY of ESCONDIDO

## STAFF REPORT

- Low-cost, long-term loans, up to 35-year repayment
- Customized repayment schedules
- Repayment of principal delayed until after substantial completion of the Project
- Technical assistance

WIFIA staff are currently conducting the National Environmental Policy Act (“NEPA”) environmental review process for the Project. The WIFIA loan cannot close until the NEPA review process has been completed. The City is seeking approval of the WIFIA Loan at the present time as the WIFIA program will be implementing new requirements that conform to the Build America Buy America Act (“BABAA”) beginning on May 14, 2022. Current cost estimates are based on the Project’s conformance with the existing American Iron and Steel (“AIS”) Requirements. Precise regulatory requirements and/or exceptions for WIFIA loans to comply with BABAA have not yet been established, however City staff believes that compliance with BABAA at this stage of design/development could cause significant delays and cost increases, and create uncertainty in the event some materials related to the Project cannot be sourced in compliance with BABAA. EPA staff informed the City that any WIFIA term sheet executed, and loan agreement approved prior to May 14, 2022, would not be subject to BABAA.

To carry out the funding, the City has retained the firms of CSSG Advisors Incorporated, as Municipal Advisor; and Stradling Yocca Carlson & Rauth as Bond Counsel.

The following documents, as referred to within Resolutions No. 2022-03 and EJPFA 2022-01 are to be approved:

WIFIA Term Sheet. The WIFIA Term Sheet provides the terms and conditions of the WIFIA transaction. (See Attachment “1”)

WIFIA Loan Agreement. Under the WIFIA Loan Agreement, the Financing Authority agrees to issue a Note to the EPA in order to repay the loan from the EPA. The WIFIA Loan Agreement includes the terms and conditions of the WIFIA transaction as set forth in the term sheet as well as representations, warranties and covenants of the City and the Financing Authority, a description of the flow of funds that will be applied to repay the borrowing and a description of events of default and remedies under the WIFIA transaction. Important covenants in the WIFIA Loan Agreement include the City’s covenant to set water system rates and charges at levels that are sufficient to repay the obligation and the terms and conditions under which the City can issue additional water system debt. (See Attachment “2”)

Installment Purchase Agreement. The Installment Purchase Agreement establishes the obligation of the City to repay the moneys borrowed under the Note from pledged water system revenues. Under the Installment Purchase Agreement, the Financing Authority will sell the capital improvements (the reconstructed Wohlford Dam) to the City in exchange for installment payments payable by the City, which installment payments will be assigned by the Financing Authority to the EPA to repay the Note. (See Attachment “3”)



# CITY of ESCONDIDO

## STAFF REPORT

WIFIA Note. The WIFIA Note is a promissory note that evidences the Financing Authority's obligations to repay the loan. (See Attachment "4")

The above referenced documents will be in final form subsequent to the loan closing.

### RESOLUTIONS

- A. Resolution No. 2022-03
- B. Resolution No. 2022-03 Exhibit "A"
- C. Resolution No. EJPFA 2022-01
- D. Resolution No. EJPFA 2022-01 Exhibit "A"

### ATTACHMENTS

- A. Attachment "1" - WIFIA Term Sheet
- B. Attachment "2" – WIFIA Loan Agreement
- C. Attachment "3" – Installment Purchase Agreement
- D. Attachment "4" – WIFIA Note

## RESOLUTION NO. 2022-03

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF ESCONDIDO AUTHORIZING THE EXECUTION AND DELIVERY OF AN INSTALLMENT PURCHASE AGREEMENT PROVIDING FOR THE ACQUISITION OF CERTAIN IMPROVEMENTS AND THE EXECUTION OF CERTAIN OTHER DOCUMENTS AND OTHER MATTERS IN CONNECTION THEREWITH (WATER SYSTEM)

WHEREAS, the City of Escondido (“City”), a municipal corporation that is duly organized and existing under the general laws of the State of California (“State”), proposes to undertake the acquisition and construction of certain improvements to the City’s water system, including the replacement of Lake Wohlford Dam, as more particularly described in the WIFIA Loan Agreement (as such term is defined and referenced below) (“Project”); and

WHEREAS, in order to acquire and construct the Project, the City proposes to enter into an Installment Purchase Agreement (“Installment Purchase Agreement”) with the Escondido Joint Powers Financing Authority (“Authority”), pursuant to which the Authority will finance the acquisition and construction of the Project and convey the Project to the City and the City will make installment payments to the Authority in consideration thereof; and

WHEREAS, in order to fulfill its obligation to the City under the Installment Purchase Agreement, the Authority proposes to obtain a loan under the authority of the Water Infrastructure Finance and Innovation Act (“WIFIA Loan”) from the United States Environmental Protection Agency, acting by and through the Administrator of the Environmental Protection Agency (“WIFIA Lender”), pursuant to a loan agreement (“WIFIA Loan Agreement”) entered into by and among the Authority, the WIFIA Lender and the City; and



WHEREAS, the terms of the proposed WIFIA Loan are set forth in a term sheet (“WIFIA Term Sheet”) and the WIFIA Loan Agreement; and

WHEREAS, the City has agreed to execute the Installment Purchase Agreement, execute and perform certain obligations under the WIFIA Loan Agreement and execute the WIFIA Term Sheet, in each case to provide certain assurances with respect to the Project to the WIFIA Lender; and

WHEREAS, pursuant to Government Code Section 5852.1, certain information relating to the Installment Purchase Agreement is set forth in Exhibit “A” attached to this Resolution, and such information is hereby disclosed and made public.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Escondido:

1. The Installment Purchase Agreement in substantially the form on file with the City is hereby approved. The Mayor, the Deputy Mayor, the City Manager, any Deputy City Manager, the Finance Director, or the Director of Utilities (each, an “Authorized Officer”) or the designee thereof are each hereby individually authorized and directed to execute and deliver the Installment Purchase Agreement with such changes, insertions and omissions as may be recommended by the City Attorney or Stradling Yocca Carlson & Rauth, a Professional Corporation (“Bond Counsel”), and approved by the person executing the same, said execution being conclusive evidence of such approval; provided, however, that the principal components of the installment payments which are payable under the Installment Purchase Agreement shall not exceed \$66,000,000.

2. The WIFIA Term Sheet and the WIFIA Loan Agreement in substantially the forms on file with the City are hereby approved. The Authorized Officers are each hereby individually authorized and directed to execute and deliver the WIFIA Term Sheet and the WIFIA Loan Agreement with such

changes, insertions and omissions as may be recommended by the City Attorney or Bond Counsel and approved by the person executing the same, said execution being conclusive evidence of such approval.

3. Notwithstanding anything to the contrary set forth in this Resolution, the WIFIA Term Sheet or the WIFIA Loan Agreement, the City is not a borrower with respect to the WIFIA Loan, the WIFIA Note or the WIFIA Loan Agreement and the City has no obligation to make any payment or provision for payment of the WIFIA Loan or the WIFIA Note. The WIFIA Loan Agreement shall not constitute a contract between the City and the WIFIA Lender by which the City incurs an indebtedness.

4. The Authorized Officers and any other proper officer of the City, acting singly, be and each of them hereby is authorized and directed to execute and deliver any and all documents and instruments and to do and cause to be done any and all acts and things necessary or proper for carrying out the transactions contemplated by the Installment Purchase Agreement, the WIFIA Term Sheet, the WIFIA Loan Agreement and this Resolution, and all actions heretofore taken by any committee of the City Council, or any official, officer, employee, representative or agent of the City, in connection with the authorization, execution, delivery, or performance of the City's obligations under the documents and instruments approved or authorized by this Resolution, and the other actions contemplated by this Resolution, are hereby ratified, approved and confirmed. In the event that the Mayor of the City is unavailable to sign any of the agreements described herein, the Deputy Mayor or any other member of the City Council may sign such agreement.

5. The good faith estimates of costs related to the Installment Purchase Agreement which are required by Section 5852.1 of the California Government Code are disclosed in Exhibit A hereto and are available to the public at the meeting at which this Resolution is approved.

6. Unless otherwise defined herein, all terms used herein and not otherwise defined shall have the meanings given such terms in the WIFIA Loan Agreement unless the context otherwise clearly requires.

7. This Resolution shall take effect from and after its date of adoption.

## EXHIBIT A

### GOOD FAITH ESTIMATES

The good faith estimates set forth herein are provided with respect to the Installment Purchase Agreement in accordance with California Government Code Section 5852.1. Such good faith estimates have been provided to the City by CSG Advisors Incorporated (the "Municipal Advisor").

*Principal Amount.* The Municipal Advisor has informed the City that, based on the City's financing plan and current market conditions, its good faith estimate of the aggregate principal amount of the Installment Purchase Agreement is \$65,147,348 (the "Estimated Principal Amount").

*True Interest Cost.* The Municipal Advisor has informed the City that, assuming that the Installment Purchase Agreement is entered into in the Estimated Principal Amount, and based on market interest rates prevailing at the time of preparation of such estimate, its good faith estimate of the true interest cost of the Installment Purchase Agreement, which means the rate necessary to discount the amounts payable on the respective principal and interest payment dates to the purchase price received for the Installment Purchase Agreement, is 2.72%.

*Finance Charge.* The Municipal Advisor has informed the City that, assuming that the Installment Purchase Agreement is entered into in the Estimated Principal Amount, and based on market interest rates prevailing at the time of preparation of such estimate, its good faith estimate of the finance charge for the Installment Purchase Agreement, which means the sum of all fees and charges paid to third parties (or costs associated with the Installment Purchase Agreement), is \$300,000.

*Amount of Proceeds to be Received.* The Municipal Advisor has informed the City that, assuming that the Installment Purchase Agreement is entered into in the Estimated Principal Amount, and based on market interest rates prevailing at the time of preparation of such estimate, its good faith estimate of the amount of proceeds expected to be received by the City, less the finance charge as estimated above, and any reserves or capitalized interest paid or funded with proceeds of the Installment Purchase Agreement, is \$64,847,348.

*Total Payment Amount.* The Municipal Advisor has informed the City that, assuming that the Installment Purchase Agreement is entered into in the Estimated Principal Amount, and based on market interest rates prevailing at the time of preparation of such estimate, its good faith estimate of the total payment amount, which means the sum total of all payments the City will make to pay debt service on the Installment Purchase Agreement, plus the finance charge as described above, not paid with the proceeds of the Installment Purchase Agreement, calculated to the final maturity of the Installment Purchase Agreement, is \$107,886,180.

The foregoing estimates constitute good faith estimates only. The actual principal amount of the Installment Purchase Agreement, the true interest cost thereof, 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 execution of the Installment Purchase Agreement being different than the date assumed for purposes of such estimates; (b) the actual principal amount of the Installment Purchase Agreement being different from the Estimated Principal Amount; (c) the actual amortization of the Installment Purchase Agreement being different than the amortization assumed for purposes of such estimates; (d) the actual market interest rates at the time of execution of the Installment Purchase Agreement being different than those estimated for purposes of such estimates; (e) other market conditions; or (f) alterations in the City's financing plan, delays in the financing, additional legal work or a combination of such factors and additional finance charges, if any, attributable thereto. Market interest rates are affected by economic and other factors beyond the control of the City.

## RESOLUTION NO. EJPFA-2022-01

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE ESCONDIDO JOINT POWERS FINANCING AUTHORITY AUTHORIZING THE EXECUTION AND DELIVERY OF A WIFIA LOAN AGREEMENT, A WIFIA NOTE, AN INSTALLMENT PURCHASE AGREEMENT, AND CERTAIN DOCUMENTS AND OTHER MATTERS IN CONNECTION THEREWITH (WATER SYSTEM)

WHEREAS, the Escondido Joint Powers Financing Authority (“Authority”), a public entity that is duly organized and existing under a joint exercise of powers agreement and under the Constitution and laws of the State of California (“State”), has the powers, among others, to issue bonds and notes and to finance and refinance water facilities on behalf of its members pursuant to Articles 1, 2 and 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State, including but not limited to Article 4 thereof, known as the “Marks-Roos Local Bond Pooling Act of 1985,” Government Code Section 6584 *et seq.* (“Act”); and

WHEREAS, the City of Escondido (“City”), a member of the Authority, has requested that the Authority assist the City in financing the acquisition and construction of certain improvements to the City’s water system, including the replacement of Lake Wohlford Dam, as more particularly described in the WIFIA Loan Agreement (as such term is defined and referenced below) (“Project”); and

WHEREAS, in order to provide for the financing and/or refinancing for the Project, the City has submitted an Application for Financial Assistance to the United States Environmental Protection Agency (“EPA”) for a loan under the authority of the Water Infrastructure Finance and Innovation Act (“WIFIA Loan”) to be made to the Authority by the EPA, acting by and through the Administrator of the Environmental Protection Agency (“WIFIA Lender”); and

WHEREAS, the Authority and the WIFIA Lender have negotiated the terms of the proposed WIFIA Loan which are set forth in a term sheet (the "WIFIA Term Sheet") and a WIFIA loan agreement (the "WIFIA Loan Agreement"), and such documents have been approved by the City; and

WHEREAS, the Authority's obligation to repay the WIFIA Loan will be evidenced by the issuance and delivery by the Authority to the WIFIA Lender of a promissory note ("WIFIA Note"); and

WHEREAS, the Authority is authorized under the provisions of Article 4 of the Act (the "Bond Law") and Section 4.02 of the Joint Exercise of Powers Agreement, dated November 20, 1991, as amended, by and between the City and City of Escondido Community Facilities District No. 2020-1 (Services), to enter into the WIFIA Loan Agreement and execute and deliver the WIFIA Note and to pledge installment payments received by the Authority from the City under the Installment Purchase Agreement (as such term is defined and referenced below) to secure the WIFIA Loan Agreement and the WIFIA Note; and

WHEREAS, the WIFIA Loan will be payable from revenues of the Authority consisting primarily of payments made to the Authority by the City under an installment purchase agreement by and between the Authority and the City (the "Installment Purchase Agreement") relating to the Project; and

WHEREAS, the Authority wishes to take its action at this time authorizing the execution and delivery of the WIFIA Term Sheet, the WIFIA Note, the Installment Purchase Agreement and the WIFIA Loan Agreement and approving related financing documents and official actions; and

WHEREAS, pursuant to Government Code Section 5852.1, certain information relating to the Installment Purchase Agreement is set forth in Exhibit A attached to this Resolution, and such information is hereby disclosed and made public;

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Escondido, acting as the Commissioners of the Escondido Joint Powers Financing Authority:

1. That the Authority hereby authorizes the incurrence of the WIFIA Loan in accordance with the terms of the WIFIA Term Sheet, the WIFIA Note and the WIFIA Loan Agreement, which documents are authorized to be finalized and executed in accordance with Section 3 below; provided, however, that the WIFIA Term Sheet, the WIFIA Note and the WIFIA Loan Agreement shall only be executed if the total principal amount authorized to be drawn thereunder does not exceed \$66,000,000.

2. That the Installment Purchase Agreement in substantially the same form on file with the Authority is hereby approved. The Chair, the Vice Chair, the Executive Director, the Auditor and Treasurer and the Secretary of the Authority ("Authorized Officers") or the designee thereof are each hereby individually authorized and directed to execute and deliver the Installment Purchase Agreement with such changes, insertions and omissions as may be recommended by the City Attorney or Stradling Yocca Carlson & Rauth, a Professional Corporation ("Bond Counsel"), and approved by the person executing the same, said execution being conclusive evidence of such approval.

3. That the WIFIA Term Sheet, the WIFIA Note and the WIFIA Loan Agreement in substantially the forms on file with the Authority are hereby approved. The Authorized Officers are each hereby individually authorized and directed to execute and deliver the WIFIA Term Sheet, the WIFIA Note and the WIFIA Loan Agreement with such changes, insertions and omissions as may be recommended by the City Attorney or Bond Counsel and approved by the officers executing the same, said execution being conclusive evidence of such approval.

4. That the Authorized Officers and any other proper officer of the Authority, acting singly, be and each of them hereby is authorized and directed to execute and deliver any and all documents



and instruments and to do and cause to be done any and all acts and things necessary or proper for carrying out the transactions contemplated by the WIFIA Loan Agreement, the WIFIA Term Sheet, the WIFIA Note, the Installment Purchase Agreement and this Resolution, and all actions heretofore taken by any committee of the Authority, or any official, officer, employee, representative or agent of the Authority, in connection with the authorization, execution, delivery, or performance of the Authority's obligations under the documents and instruments approved or authorized by this Resolution, and the other actions contemplated by this Resolution, are hereby ratified, approved and confirmed. In the event that the Chair of the Commission is unavailable to sign any of the agreements described herein, any other member of the Commission may sign such agreement and, in the event that the Secretary is unavailable or unable to execute and deliver any of the above-referenced documents, any deputy secretary may validly execute and deliver such document.

5. That the good faith estimates of costs related to the WIFIA Note which are required by Section 5852.1 of the California Government Code are disclosed in Exhibit A hereto and are available to the public at the meeting at which this Resolution is approved.

6. That, unless otherwise defined herein, all terms used herein and not otherwise defined shall have the meanings given such terms in the WIFIA Loan Agreement unless the context otherwise clearly requires.

7. That this Resolution shall take effect from and after its date of adoption.

## EXHIBIT A

### GOOD FAITH ESTIMATES

The good faith estimates set forth herein are provided with respect to the Installment Purchase Agreement in accordance with California Government Code Section 5852.1. Such good faith estimates have been provided to the City by CSG Advisors Incorporated (the "Municipal Advisor").

*Principal Amount.* The Municipal Advisor has informed the City that, based on the City's financing plan and current market conditions, its good faith estimate of the aggregate principal amount of the Installment Purchase Agreement is \$65,147,348 (the "Estimated Principal Amount").

*True Interest Cost.* The Municipal Advisor has informed the City that, assuming that the Installment Purchase Agreement is entered into in the Estimated Principal Amount, and based on market interest rates prevailing at the time of preparation of such estimate, its good faith estimate of the true interest cost of the Installment Purchase Agreement, which means the rate necessary to discount the amounts payable on the respective principal and interest payment dates to the purchase price received for the Installment Purchase Agreement, is 2.72%.

*Finance Charge.* The Municipal Advisor has informed the City that, assuming that the Installment Purchase Agreement is entered into in the Estimated Principal Amount, and based on market interest rates prevailing at the time of preparation of such estimate, its good faith estimate of the finance charge for the Installment Purchase Agreement, which means the sum of all fees and charges paid to third parties (or costs associated with the Installment Purchase Agreement), is \$300,000.

*Amount of Proceeds to be Received.* The Municipal Advisor has informed the City that, assuming that the Installment Purchase Agreement is entered into in the Estimated Principal Amount, and based on market interest rates prevailing at the time of preparation of such estimate, its good faith estimate of the amount of proceeds expected to be received by the City, less the finance charge as estimated above, and any reserves or capitalized interest paid or funded with proceeds of the Installment Purchase Agreement, is \$64,847,348.

*Total Payment Amount.* The Municipal Advisor has informed the City that, assuming that the Installment Purchase Agreement is entered into in the Estimated Principal Amount, and based on market interest rates prevailing at the time of preparation of such estimate, its good faith estimate of the total payment amount, which means the sum total of all payments the City will make to pay debt service on the Installment Purchase Agreement, plus the finance charge as described above, not paid with the proceeds of the Installment Purchase Agreement, calculated to the final maturity of the Installment Purchase Agreement, is \$107,886,180.

The foregoing estimates constitute good faith estimates only. The actual principal amount of the Installment Purchase Agreement, the true interest cost thereof, 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 execution of the Installment Purchase Agreement being different than the date assumed for purposes of such estimates; (b) the actual principal amount of the Installment Purchase Agreement being different from the Estimated Principal Amount; (c) the actual amortization of the Installment Purchase Agreement being different than the amortization assumed for purposes of such estimates; (d) the actual market interest rates at the time of execution of the Installment Purchase Agreement being different than those estimated for purposes of such estimates; (e) other market conditions; or (f) alterations in the City's financing plan, delays in the financing, additional legal work or a combination of such factors and additional finance charges, if any, attributable thereto. Market interest rates are affected by economic and other factors beyond the control of the City.

## UNITED STATES ENVIRONMENTAL PROTECTION AGENCY

[●], 2022

Escondido Joint Powers Financing Authority  
201 North Broadway  
Escondido, California 92025

City of Escondido  
201 North Broadway  
Escondido, California 92025

RE: WIFIA Loan Term Sheet for the Lake Wohlford Dam Replacement Project with the Escondido Joint Powers Financing Authority and the City of Escondido (WIFIA Project No. 20149CA)

Ladies and Gentlemen:

This WIFIA Loan Term Sheet (this “**Term Sheet**”) constitutes (a) the approval of the United States Environmental Protection Agency, acting by and through the Administrator of the Environmental Protection Agency (hereinafter, the “**USEPA**”), of the application for credit assistance of the Borrower (as defined below) dated June 1, 2021 (the “**Application**”) and (b) the agreement of USEPA to provide financing for the above-referenced project (as further described below, the “**Project**”) in the form of a secured loan (the “**WIFIA Loan**”), pursuant to the Water Infrastructure Finance and Innovation Act (“**WIFIA**”), § 5021 *et seq.* of Public Law 113-121 (as amended by Public Law 114-94, Public Law 114-322 and Public Law 115-270) (the “**Act**”), codified as 33 U.S.C. §§ 3901-3914, subject in all respects to (i) the terms and conditions contained herein and (ii) the execution and delivery of the WIFIA loan agreement to be entered into on or after the date hereof (the “**WIFIA Loan Agreement**”) on terms and conditions acceptable to USEPA contained therein. Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to such terms in the WIFIA Loan Agreement.

USEPA’s agreement to provide WIFIA credit assistance to the Project is based upon the Application and the supplemental information and documents, including the base case financial model, provided to USEPA. This Term Sheet is an agreement of USEPA only to the terms specified herein, which may be modified or supplemented by USEPA in its discretion at any time and from time to time during the course of its due diligence and credit approval process.

By executing this Term Sheet, the City (as defined below) confirms its agreement to reimburse USEPA for any and all fees and expenses that USEPA incurs for legal counsel, financial advice, and other consultants in connection with the evaluation of the Project and the negotiation and preparation of the WIFIA Loan Agreement and related documents, whether or not such agreement is ultimately executed.

This Term Sheet shall be governed by the federal laws of the United States of America if and to the extent such federal laws are applicable, and the internal laws of the State of California, if and to the extent such federal laws are not applicable.

INDICATIVE TERMS OF THE WIFIA LOAN

WIFIA LENDER	United States Environmental Protection Agency, an agency of the United States of America, acting by and through the Administrator of the Environmental Protection Agency (the " <b>WIFIA Lender</b> ").
BORROWER	Escondido Joint Powers Financing Authority, a joint exercise of powers agency duly organized and existing under and by virtue of the laws of the State of California (the " <b>Borrower</b> ").
CITY	City of Escondido, a municipal corporation and general law city duly organized and existing under and by virtue of the laws of the State of California (the " <b>City</b> ").
PROJECT	The " <b>Project</b> " is the Lake Wohlford Dam Replacement Project, the purpose of which is the replacement of the existing Lake Wohlford Dam and the restoration of the reservoir to its former capacity, in order to mitigate the effects of drought in the region, improve water quality and address safety hazards identified by the California Department of Water Resources, Division of Safety of Dams. Project elements include: (a) dam construction downstream of the existing dam; (b) new spillway construction; (c) new outlet tower construction; and (d) partial demolition of the existing dam.
WIFIA LOAN AMOUNT	A maximum principal amount (sum of disbursements) not to exceed \$65,147,348; <u>provided</u> that (a) the maximum principal amount of the WIFIA Loan, together with the amount of any other credit assistance provided under the Act, shall not exceed forty-nine percent (49%) of reasonably anticipated Eligible Project Costs and (b) the total federal assistance for the Project, including but not limited to the maximum principal amount of the WIFIA Loan and all federal grants, shall not exceed eighty percent (80%) of Total Project Costs.
INTEREST RATE	<p>The WIFIA Loan shall bear interest at a fixed rate, calculated by adding one basis point (0.01%) to the rate of securities of a similar maturity (based on the weighted-average life of the WIFIA Loan) as published, on the execution date of the WIFIA Loan Agreement, in the United States Treasury Bureau of Public Debt's daily rate table for State and Local Government Series (SLGS) securities, currently located on the Internet at <a href="https://www.treasurydirect.gov/GA-SL/SLGS/selectSLGSDate.htm">https://www.treasurydirect.gov/GA-SL/SLGS/selectSLGSDate.htm</a>.</p> <p>Interest shall accrue on the Outstanding WIFIA Loan Balance and any past due interest and be computed on the basis of a 360-day year of twelve (12) thirty (30) day months.</p>

	The WIFIA Loan shall also bear default interest at a rate of two hundred (200) basis points above the otherwise applicable interest rate, at such times and upon such terms as provided in the WIFIA Loan Agreement.
PAYMENT DATES	<p>Pursuant to the WIFIA Loan Documents, not later than the fifth (5<sup>th</sup>) day prior to each interest payment date occurring on or after the debt service payment commencement date (each such date, an “<b>Installment Payment Date</b>”), the City shall make installment payments of interest and principal scheduled to be paid by the City to the Borrower (“<b>WIFIA Installment Payments</b>”), which shall be assigned by the Borrower to the WIFIA Lender.</p> <p>Principal of the WIFIA Loan shall be repaid in annual installments on July 1 of each year, beginning on July 1, 2028.</p> <p>Interest on the WIFIA Loan shall be paid in arrears on January 1 and July 1 of each year, beginning on the January 1 or July 1 immediately succeeding the initial disbursement date.</p> <p>The debt service payment commencement date shall in no event be later than five (5) years after the Substantial Completion Date of the Project.</p>
FINAL MATURITY DATE	July 1, 2062.
PROJECTED SUBSTANTIAL COMPLETION DATE	July 30, 2027.
DEDICATED SOURCE OF REPAYMENT	<p>The dedicated source of repayment for the WIFIA Installment Payments shall be all income, rents, rates, fees, charges and other moneys derived from the ownership of or operation of the System (as defined below) (the “<b>Revenues</b>”), including, without limiting the generality of the foregoing:</p> <p>(1) all in lieu charges and groundwater augmentation charges (including investment earnings thereon) collected by or on behalf of the City; (2) all income, rents, rates, fees, charges, business interruption insurance proceeds or other moneys derived by the City from the sale, furnishing and supplying of the water, drainage or other services, facilities, and commodities sold, furnished or supplied through the facilities of or in the conduct or operation of the business of the System; and (3) the earnings on and income derived from the investment of such income, rents, rates, fees, charges, proceeds or other moneys, including City reserves, but excluding in all cases: (x) customers’ deposits or any other deposits or advances subject to refund until such deposits or advances have become the property of the City; and (y) proceeds of taxes or benefit assessments restricted by law to be used by the</p>

	<p>City to pay amounts due on bonds or other obligations hereafter incurred. The “<b>System</b>” means the whole and each and every part of the waterworks system serving the City, whether owned or operated by the City or another party, including the portion thereof existing on the date hereof, and including all additions, betterments, extensions and improvements to such water system or any part thereof hereafter acquired or constructed, but excluding the City’s recycled water system.</p>
<p>SECURITY OF WIFIA LOAN</p>	<p>The WIFIA Loan shall be secured by a pledge and assignment by the Borrower for the benefit of the WIFIA Lender of all of the Borrower’s (a) right, title and interest to the WIFIA Installment Payments received by the Borrower or the Trustee pursuant to or with respect to the Installment Purchase Agreement, dated as of the date hereof, by and between the City and the Borrower with respect to the Project (“<b>WIFIA IPA</b>”) and all interest or gain derived from the investment of amounts in any of the funds or accounts established under the WIFIA Loan Agreement or the WIFIA IPA, (b) any other amounts (including proceeds of the WIFIA Loan) held in any fund or account that is established pursuant to the WIFIA Loan Agreement, (c) rights with respect to the WIFIA Debt Service Account and (d) rights and remedies to enforce compliance with the provisions of the WIFIA IPA (including enforcement of payment obligations and the Rate Covenant or otherwise to protect the interest of the WIFIA Lender). The debt obligation of the Borrower under the WIFIA Loan shall be evidenced through the issuance by the Borrower of the WIFIA Note.</p>
<p>SECURITY AND LIEN PRIORITY OF WIFIA INSTALLMENT PAYMENTS</p>	<p>The WIFIA Installment Payments shall be secured by a pledge by the City of (a) the Revenues, (b) other amounts that are on deposit in the Revenue Fund and (c) any other amounts (including proceeds of the WIFIA Loan) which are held in any fund or account that is established pursuant to the WIFIA IPA. The obligation of the City to make the WIFIA Installment Payments constitutes Parity Obligations.</p> <p>The Revenues shall be deposited into the Revenue Fund and applied in the order of priority described in Section 5.02 (<i>Application of Revenues</i>) of the WIFIA IPA (the “<b>Flow of Funds</b>”).</p> <p>The Flow of Funds provides that the City shall, from the moneys in the Revenue Fund, pay all Operations and Maintenance Costs (including amounts which are reasonably required to be set aside in contingency reserves for Operations and Maintenance Costs, the payment of which is not then immediately required) as they become due and payable. All remaining moneys in the Revenue Fund shall be set aside by the City at the following times for the</p>

	<p>transfer to the following respective special funds in the following order of priority; and all moneys in each of such funds shall be held in trust and shall be applied, used and withdrawn only for the purposes set forth below.</p> <p>(a) <u>Bonds and Contracts</u>. On or before each Installment Payment Date, the City shall, from the remaining moneys in the Revenue Fund, thereafter, deposit into the WIFIA Debt Service Account an amount that is equal to the interest and principal payable and coming due under the WIFIA Loan Agreement on the next succeeding Interest Payment Date. The City shall also, from the moneys in the Revenue Fund, transfer to the applicable trustee or payee for deposit in the applicable payment fund, without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, any other Parity Debt Service in accordance with the provisions of the applicable Bond or Contract (each as defined in the WIFIA IPA). On each Payment Date occurring on or after the Debt Service Payment Commencement Date, the City, as agent of the Borrower, shall transfer on the Borrower's behalf WIFIA Debt Service by transferring funds from the WIFIA Debt Service Account to the WIFIA Lender in accordance with the terms of the WIFIA Loan Agreement.</p> <p>(b) <u>Reserve Funds</u>. On or before each Installment Payment Date, the City shall, from remaining moneys in the Revenue Fund, thereafter, without preference or priority and in the event of any insufficiency of such moneys ratably without any discrimination or preference, transfer to the applicable trustee for deposit to reserve funds or accounts, if any, as may have been established in connection with Bonds or Contracts that sum, if any, necessary to restore such reserve funds or accounts to an amount that is equal to the required balances thereof.</p> <p>(c) <u>Surplus</u>. Moneys on deposit in the Revenue Fund which are not necessary to make any of the payments which are required above may be expended by the City at any time for any purpose permitted by law.</p>
<p>PREPAYMENT</p>	<p>The WIFIA Loan shall be subject to mandatory prepayment, without prepayment premium, from and in the amount of any prepayments of the WIFIA Installment Payments received from the City pursuant to the WIFIA IPA and Section 17(f)(iii) (<i>Affirmative Covenants of the City – Insurance; Net Proceeds</i>) or Section 17(t) (<i>Affirmative Covenants of the City – Eminent Domain Proceeds</i>) of the WIFIA Loan Agreement.</p> <p>The Borrower may prepay the WIFIA Loan in whole or in part on any interest payment date, but not more than once annually,</p>



	<p>without penalty or premium; <u>provided</u> that any such prepayment shall be in a minimum principal amount of \$1,000,000 or any integral multiple of \$1.00 in excess thereof, and otherwise in accordance with the WIFIA Loan Agreement.</p>
<p>RATE COVENANT OF THE CITY</p>	<p>(a) To the fullest extent permitted by law, the City shall fix, prescribe, and charge, or cause to be fixed, prescribed, and charged, in each City Fiscal Year, such rates, fees, and charges for the use of and for the service furnished by the System to ensure that all Revenues received by the City for such City Fiscal Year less the Operations and Maintenance Costs for such City Fiscal Year (the “<b>Net Revenues</b>”) realized, together with any amounts on deposit in a rate stabilization fund held by the City, which amounts shall be available for the payment of Parity Debt Service, are in an amount which the City reasonably expects will be sufficient to be at least equal to one hundred twenty percent (120%) of annual Parity Debt Service, and at least equal to one hundred percent (100%) of the sum of annual Parity Debt Service and annual Subordinate Debt Service for such City Fiscal Year.</p> <p>(b) The City shall also, to the fullest extent permitted by law, fix, prescribe, and charge, or cause to be fixed, prescribed, and charged, in each City Fiscal Year, such rates, fees, and charges for the use of and for the service furnished by the System to ensure that Revenues realized are in an amount which the City reasonably expects will be sufficient to pay the following amounts in the following order or priority: (1) all Operations and Maintenance Costs estimated by the City to become due and payable in such City Fiscal Year; (2) the WIFIA Installment Payments, the Servicing Fee and the principal and interest on any outstanding Parity Obligations as they become due and payable during such City Fiscal Year, without preference or priority; (3) all amounts, if any, required to restore the balance of any reserve fund or account required under any instrument under which Parity Obligations were issued or incurred, for any outstanding Parity Obligations, to the full amount of any such reserve requirement; and (4) all payments required to meet any other obligations of the City which are charges, liens, or encumbrances upon, or with are otherwise payable from, the Revenues or the Net Revenues during such City Fiscal Year.</p> <p>(c) If for any reason Net Revenues, or Revenues, as applicable, prove insufficient to meet the numerical thresholds set forth in the paragraph (a) and to comply with the requirements of paragraph (b), the City first will engage an Independent Consultant to recommend revised rents, rates, fees, charges, savings, or assessments, or any combination thereof, and the City will, subject to any applicable requirements and restrictions imposed</p>

	<p>by law, including, but not limited to, the Prop 218 Law, and subject to the good faith determination of the City that such recommendations, in whole or in part, are in the best interests of the City, take all actions necessary to increase Revenues through any combination of increased rents, rates, fees, charges, savings, or assessments. Such actions shall be taken not later than one hundred eighty (180) days following the date on which Net Revenues first fail to meet the requirements of this Section.</p> <p>(d) The City may make adjustments from time to time in such rents, rates, fees, and charges and may make such classification thereof as it deems necessary, but shall not reduce the rents, rates, fees, and charges then in effect unless the Net Revenues from such reduced rents, rates, fees, and charges will at all times be sufficient to meet the requirements of this section.</p> <p>(e) Notwithstanding the foregoing, in lieu of taking the preceding actions with respect to the City's failure to comply with paragraph (a), the City may within one hundred eighty (180) days following the date Net Revenues first fail to meet the requirements of paragraph (a) either establish and fund a rate stabilization fund, or increase monies held in an existing rate stabilization fund, in an amount sufficient to satisfy the requirements of paragraph (a). If the City elects to proceed accordingly, it shall provide to the WIFIA Lender within such one hundred eighty (180) day period evidence satisfactory to the WIFIA Lender in its reasonable discretion that the amounts held in such rate stabilization fund are sufficient to satisfy the requirements of paragraph (a).</p>
<p>ADDITIONAL OBLIGATIONS OF THE CITY</p>	<p>(a) The City shall not create, incur or suffer to exist (x) any obligations which are senior or prior in right of payment or right of security with respect to the Revenues to the Parity Obligations; or (y) any obligations, all or a portion of the proceeds of which are or will be applied at any time to fund all or any portion of Total Project Costs, that are secured by a Lien on any assets or property of the City other than the Revenues.</p> <p>(b) The City may, after the Effective Date, issue or incur Parity Obligations in such principal amount as shall be determined by the City subject to the requirements for additional obligations as set forth in all existing instruments with respect to Parity Obligations and the following specific conditions, which are hereby made conditions precedent to the City's issuance and delivery of such Parity Obligations:</p> <p>(i) no Event of Default under the WIFIA Loan Agreement or under any other instrument secured by the Revenues shall have occurred and be continuing unless such Event of Default shall be cured by the issuance or incurrence of such proposed Parity</p>

Obligations, and the City shall otherwise be in compliance with all covenants set forth in the WIFIA Loan Agreement;

(ii) the Net Revenues calculated pursuant to GAAP, consistently applied, and excluding the proceeds of any taxes and also excluding any balances in any fund at the beginning of the period of the computation, as shown by the books of the City for the latest City Fiscal Year, or any more recent twelve (12) month period selected by the City ending not more than sixty (60) days prior to the adoption of the resolution pursuant to which instrument such Parity Obligations is issued or incurred, as shown by the books of the City, plus, at the option of the City, any of the allowances referred to in paragraph (c) below, shall have amounted to at least 1.20 times the Maximum Annual Debt Service taking into consideration the maximum annual debt service payable in any City Fiscal Year on the proposed Parity Obligations, as set forth in the Report of an Independent Accountant or Independent Consultant delivered to the WIFIA Lender; and

(iii) certain allowances set forth in the WIFIA Loan Agreement may be added to Net Revenues for the purpose of meeting the condition contained in paragraph (b)(ii) above.

Notwithstanding the above, (x) proposed Parity Obligations to be issued for the purpose of refunding outstanding Parity Obligations may be issued without compliance with paragraph (b)(ii) above so long as such refunding results in lower Parity Debt Service in each City Fiscal Year after such refunding and the final maturity date of the refunding Parity Obligations is no later than the final maturity date of the refunded Parity Obligations and (y) to the extent that an existing instrument with respect to Parity Obligations conflicts with any of the requirements set forth in this Section, the more restrictive provision shall prevail.

(c) The City may issue or incur Subordinate Obligations following the Effective Date in such principal amount as shall be determined by the City subject to the following conditions precedent to the issuance or incurrence of such Subordinate Obligations:

(i) no Event of Default under the WIFIA Loan Agreement or under any other instrument secured by the Revenues shall have occurred and be continuing unless such Event of Default shall be cured by the issuance or incurrence of such proposed Subordinate Obligations, and the City shall otherwise be in compliance with all covenants set forth in the WIFIA Loan Agreement and any other instrument securing, evidencing, governing, or relating to other obligations secured by, the Revenues; and

(ii) Net Revenues calculated pursuant to GAAP, consistently applied, and excluding the proceeds of any taxes and also

	<p>excluding any balances in any fund (other than any rate stabilization fund held by the City) at the beginning of the period of the computation, as shown by the books of the City for the latest City Fiscal Year, or any more recent twelve (12) month period selected by the City ending not more than sixty (60) days prior to the adoption of the resolution pursuant to which instrument such Subordinate Obligations are issued or incurred, as shown by the books of the City, shall have amounted to at least 1.0 times the aggregate sum of the Maximum Annual Debt Service of all debt secured by Net Revenues and/or legally available amounts in the Revenue Fund and the maximum annual debt service payable in any City Fiscal Year on all Subordinate Obligations, including the proposed Subordinate Obligations, as set forth in the Report of an Independent Accountant or Independent Consultant delivered to the WIFIA Lender.</p> <p>(d) The City shall not incur any Additional Obligations or other obligations in each case that bear interest at a Variable Interest Rate if such incurrence would (i) cause the principal amount of all Outstanding Variable Interest Rate Obligations to exceed twenty-five percent (25%) of the principal amount of all Outstanding Obligations and other obligations of the City at such time or (ii) violate any term set forth in the Debt Management Policy.</p> <p>(e) Upon the incurrence of any Additional Obligations, the City shall provide to the WIFIA Lender a certificate signed by the City's Authorized Representative (x) specifying the closing date with respect to such Additional Obligations and (y) confirming that such Additional Obligations are authorized pursuant to, and satisfy the applicable requirements under the WIFIA Loan Agreement.</p>
<p><b>RESTRICTED PAYMENTS AND TRANSFERS</b></p>	<p>The City shall not permit Revenues or any funds in any other fund or account held by or on behalf of the City with respect to the System, to be paid or transferred or otherwise applied for purposes other than ownership, operation or maintenance of the System.</p>
<p><b>WIFIA LOAN DOCUMENTATION</b></p>	<p>The WIFIA Loan shall be subject to the preparation, execution and delivery of the WIFIA Loan Agreement, the WIFIA IPA, the WIFIA Note and any other loan documentation required by the WIFIA Lender in connection therewith, in each case acceptable to the WIFIA Lender, the Borrower and the City (as applicable), which will contain certain conditions precedent, representations and warranties, affirmative and negative covenants, events of default, in each case, with respect to the Borrower and the City, and other provisions as agreed among the WIFIA Lender, the Borrower and the City (as applicable).</p>

GOVERNING LAW	Federal laws of the United States of America, if and to the extent such federal laws are applicable, and the internal laws of the State of California, if and to the extent such federal laws are not applicable.
COUNTERPARTS	This Term Sheet, and any amendments, waivers, consents or supplements hereto may be executed in any number of counterparts and by the parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument. Signature pages may be detached from multiple separate counterparts and attached to a single counterpart so that all signature pages are physically attached to the same document. Electronic delivery of an executed counterpart of a signature page shall be effective as delivery of an original executed counterpart.

*[Signature pages follow]*

If the foregoing terms are acceptable, please countersign this letter in the space indicated below.

Sincerely,

**UNITED STATES ENVIRONMENTAL  
PROTECTION AGENCY**, acting by and  
through the Administrator of the United States  
Environmental Protection Agency

By: \_\_\_\_\_  
Name: Michael S. Regan  
Title: Administrator

ACKNOWLEDGED AND AGREED:

**ESCONDIDO JOINT POWERS FINANCING AUTHORITY,**  
by its authorized representative

By: \_\_\_\_\_  
Name:  
Title:

ACKNOWLEDGED AND AGREED:

**CITY OF ESCONDIDO,**  
by its authorized representative

By: \_\_\_\_\_  
Name:  
Title:



**UNITED STATES  
ENVIRONMENTAL PROTECTION AGENCY**

**WIFIA LOAN AGREEMENT**

**For Up to \$65,147,348**

**With**

**ESCONDIDO JOINT POWERS FINANCING AUTHORITY and**

**CITY OF ESCONDIDO**

**For the**

**LAKE WOHLFORD DAM REPLACEMENT PROJECT  
(WIFIA – N20149CA)**

**Dated as of [●]**

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**EXHIBIT I** – Form of Certificate of Substantial Completion

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## WIFIA LOAN AGREEMENT

**THIS WIFIA LOAN AGREEMENT** (this “**Agreement**”), dated as of [●], is by and among **ESCONDIDO JOINT POWERS FINANCING AUTHORITY**, a joint exercise of powers agency duly organized and existing under and by virtue of the laws of the State, with an address at 201 North Broadway, Escondido, CA 92025 (the “**Borrower**”), **CITY OF ESCONDIDO**, a municipal corporation and general law city duly organized and existing under and by virtue of the laws of the State of California (the “**State**”), with an address at 201 North Broadway, Escondido, CA 92025 (the “**City**”), and the **UNITED STATES ENVIRONMENTAL PROTECTION AGENCY**, an agency of the United States of America, acting by and through the Administrator of the Environmental Protection Agency (the “**Administrator**”), with an address at 1200 Pennsylvania Avenue NW, Washington, DC 20460 (the “**WIFIA Lender**”).

### RECITALS:

WHEREAS, the Congress of the United States of America enacted the Water Infrastructure Finance and Innovation Act (“**WIFIA**”), § 5021 *et seq.* of Public Law 113-121 (as amended, and as may be further amended from time to time, the “**Act**”), which is codified as 33 U.S.C. §§ 3901-3914;

WHEREAS, the Act authorizes the WIFIA Lender to enter into agreements to provide financial assistance with one or more eligible entities to make secured loans with appropriate security features to finance a portion of the eligible costs of projects eligible for assistance;

WHEREAS, the Borrower was formed for the purpose of providing for the financing of public capital improvements for the members of the Borrower, including the City;

WHEREAS, the City has requested that the WIFIA Lender make the WIFIA Loan (as defined herein) to the Borrower in a principal amount not to exceed \$65,147,348 to be used to pay a portion of the Eligible Project Costs (as defined herein) related to the Project (as defined herein) pursuant to the application for WIFIA financial assistance dated June 1, 2021 (the “**Application**”);

WHEREAS, as of the date hereof, the Administrator has approved WIFIA financial assistance for the Project to be provided in the form of the WIFIA Loan, subject to the terms and conditions contained herein;

WHEREAS, based on the Application and the representations, warranties and covenants set forth herein, the WIFIA Lender proposes to make funding available to the Borrower through the purchase of the WIFIA Note (as defined herein), upon the terms and conditions set forth herein;

WHEREAS, as of the date hereof, the Borrower has entered into the WIFIA IPA (as defined herein) with the City, pursuant to which (i) Borrower agrees to purchase the Project from the City in exchange for the provision of funds, in the amount of the WIFIA Loan, and (ii) the City agrees to purchase the Project from the Borrower in exchange for the payment of WIFIA Installment Payments (as defined herein) by the City to the Borrower, such payments being secured by the City Pledged Collateral (as defined herein);

WHEREAS, the Borrower agrees to repay any amount due pursuant to this Agreement and the WIFIA Note in accordance with the terms and provisions hereof and of the WIFIA Note;

WHEREAS, the Borrower has agreed to pledge and assign to the WIFIA Lender the Borrower Assigned Rights (as defined herein) for the purpose of securing (x) the payment of all sums due and owing by the Borrower to the WIFIA Lender under this Agreement and (y) the observance, performance and discharge of each agreement, condition, covenant and term of the Borrower and the City hereunder and of the City under the WIFIA IPA; and

WHEREAS, the WIFIA Lender has entered into this Agreement in reliance upon, among other things, the information and representations of the City set forth in the Application and the supporting information provided by the Borrower and the City.

NOW, THEREFORE, the premises being as stated above, and for good and valuable consideration, the receipt and sufficiency of which are acknowledged to be adequate, and intending to be legally bound hereby, it is hereby mutually agreed by and among the Borrower, the City and the WIFIA Lender as follows:

## ARTICLE I DEFINITIONS AND INTERPRETATION

### Section 1. Definitions.

Unless the context otherwise requires, capitalized terms used in this Agreement shall have the meanings set forth below in this Section 1 or as otherwise defined in this Agreement. Any term used in this Agreement that is defined by reference to any other agreement shall continue to have the meaning specified in such agreement, whether or not such agreement remains in effect.

“**Acquisition Fund**” means the account by that name created and maintained by the City in accordance with Section 3.04 of the WIFIA IPA.

“**Act**” means the Act as defined in the recitals hereto.

“**Additional Construction Contract**” means, with respect to the Project, each Construction Contract entered into after the Effective Date.

“**Additional Obligations**” means Additional Parity Obligations and Additional Subordinate Obligations.

“**Additional Parity Obligations**” means any Parity Obligations permitted under Section 18(a) (*Negative Covenants of the City – Additional Obligations*), which Parity Obligations are issued or incurred on or after the Effective Date.

“**Additional Subordinate Obligations**” means any Subordinate Obligations permitted under Section 18(a) (*Negative Covenants of the City – Additional Obligations*), which Subordinate Obligations are issued or incurred on or after the Effective Date.

“**Administrator**” has the meaning provided in the preamble hereto.

“**Agreement**” has the meaning provided in the preamble hereto.

“**Anticipated WIFIA Loan Disbursement Schedule**” means the schedule set forth in **Exhibit B** (*Anticipated WIFIA Loan Disbursement Schedule*), reflecting the anticipated disbursement of proceeds of the WIFIA Loan, as such schedule may be amended from time to time pursuant to Section 4(d) (*Disbursement Conditions*).

“**Application**” has the meaning provided in the recitals hereto.

“**Authority Revenues**” means (a) the WIFIA Installment Payments received by the Borrower pursuant to or with respect to the WIFIA IPA and (b) all interest or gain derived from the investment of amounts in any of the funds or accounts established hereunder or thereunder.

“**Bankruptcy Related Event**” means, with respect to either the Borrower or the City, (a) an involuntary proceeding shall be commenced or an involuntary petition shall be filed seeking (i) liquidation, reorganization or other relief in respect of either the Borrower or the City or any of its debts, or of a substantial part of the assets thereof, under any Insolvency Laws, or (ii) the appointment of a receiver, trustee, liquidator, custodian, sequestrator, conservator or similar official for either the Borrower or the City or for a substantial part of the assets thereof and, in any case referred to in the foregoing subclauses (i) and (ii), such proceeding or petition shall continue undismissed for sixty (60) days or an order or decree approving or ordering any of the foregoing shall be entered; (b) either the Borrower or the City (other than with respect to clause (iii) below, which applies to the Borrower only) shall (i) apply for or consent to the appointment of a receiver, trustee, liquidator, custodian, sequestrator, conservator or similar official therefor or for a substantial part of the assets thereof, (ii) generally not be paying its debts as they become due unless such debts are the subject of a bona fide dispute, or become unable to pay its debts generally as they become due, (iii) fail to make a payment of WIFIA Debt Service in accordance with the provisions of Section 8 (*Payment of Principal and Interest*) and such failure is not cured within thirty (30) days following notification by the WIFIA Lender of failure to make such payment, (iv) make a general assignment for the benefit of creditors, (v) consent to the institution of, or fail to contest in a timely and appropriate manner, any proceeding or petition with respect to it described in clause (a) of this definition, (vi) commence a voluntary proceeding under any Insolvency Law, or file a voluntary petition seeking liquidation, reorganization, an arrangement with creditors or an order for relief, in each case under any Insolvency Law, (vii) file an answer admitting the material allegations of a petition filed against it in any proceeding referred to in the foregoing subclauses (i) through (v), inclusive, of this clause (b), or (viii) take any action for the purpose of effecting any of the foregoing; (c) (i) any Person shall commence a process pursuant to which all or a substantial part of the Revenues or Authority Revenues may be sold or otherwise disposed of in a public or private sale or disposition pursuant to a foreclosure of the Liens thereon securing the Obligations, or (ii) any Person shall commence a process pursuant to which all or a substantial part of the Revenues or Authority Revenues may be sold or otherwise disposed of pursuant to a sale or disposition of such Revenues or Authority Revenues in lieu of foreclosure; or (d) any receiver, trustee, liquidator, custodian, sequestrator, conservator or similar official shall transfer, pursuant to directions issued by the holders of Obligations, funds on deposit in any of the System funds or accounts upon the occurrence and during the continuation of an Event of Default under this Agreement or an event of default under any Obligation Document for application to the

prepayment or repayment of any principal amount of the Obligations other than in accordance with the provisions of this Agreement.

**“Base Case Financial Model”** means a financial model prepared by the City forecasting the capital costs of the System (including the Project) and the rates, revenues, operating expenses and major maintenance requirements of the System for time periods through the Final Maturity Date and based upon assumptions and methodology provided by the City and acceptable to the WIFIA Lender as of the Effective Date, which model shall be provided to the WIFIA Lender as a fully functional Microsoft Excel-based financial model or such other format requested by the WIFIA Lender.

**“Borrower”** has the meaning provided in the preamble hereto.

**“Borrower Assigned Rights”** has the meaning provided in Section 7(c) (*Security and Priority; Flow of Funds*).

**“Borrower Closing Certificate”** has the meaning provided in Section 11(a)(ix) (*Conditions Precedent – Conditions Precedent to Effectiveness*).

**“Borrower Event of Default”** has the meaning provided in Section 21(a) (*Events of Default*).

**“Borrower Financial Statements”** means the audited income statement and balance sheet of the Borrower as of the end of the Borrower Fiscal Year and the related audited statements of operations and of cash flow of the Borrower for such Borrower Fiscal Year.

**“Borrower Fiscal Year”** means (a) as of the Effective Date, a fiscal year of the Borrower commencing on July 1 of any calendar year and ending on June 30 of the immediately succeeding calendar year or (b) such other fiscal year as the Borrower may hereafter adopt after giving thirty (30) days’ prior written notice to the WIFIA Lender in accordance with Section 16(c) (*Negative Covenants of the Borrower – Borrower Fiscal Year*).

**“Borrower Material Adverse Effect”** means a material adverse effect on (a) the Authority Revenues, (b) the business, operations, properties, condition (financial or otherwise) or prospects of the Borrower, (c) the legality, validity or enforceability of any material provision of any WIFIA Loan Document to which the Borrower is a party, (d) the ability of the Borrower to enter into, perform or comply with any of its material obligations under any WIFIA Loan Document to which it is a party, (e) the validity, enforceability or priority of the pledge and assignment of the Borrower Assigned Rights provided under the WIFIA Loan Documents or (f) the WIFIA Lender’s rights or remedies available under any WIFIA Loan Document to which the Borrower is a party.

**“Borrower Payment Default”** has the meaning provided in Section 21(a)(i) (*Events of Default and Remedies – Borrower Payment Default*).

**“Borrower’s Authorized Representative”** means any Person who shall be designated as such pursuant to Section 25 (*Borrower’s Authorized Representative*).



**“Business Day”** means any day other than a Saturday, a Sunday or a day on which offices of the Government or the State are authorized to be closed or on which commercial banks are authorized or required by law, regulation or executive order to be closed in New York, New York or Escondido, California.

**“City Closing Certificate”** has the meaning provided in Section 11(a)(x) (*Conditions Precedent – Conditions Precedent to Effectiveness*).

**“City Event of Default”** has the meaning provided in Section 21(b) (*Events of Default and Remedies*).

**“City Financial Statements”** means the audited income statement and balance sheet of the City as of the end of the City Fiscal Year and the related audited statements of operations and of cash flow of the City for such City Fiscal Year.

**“City Fiscal Year”** means (a) as of the Effective Date, a fiscal year of the City commencing on July 1 of any calendar year and ending on June 30 of the immediately succeeding calendar year or (b) such other fiscal year as the City may hereafter adopt after giving thirty (30) days’ prior written notice to the WIFIA Lender in accordance with Section 18(f) (*Negative Covenants of the City – City Fiscal Year*).

**“City Material Adverse Effect”** means a material adverse effect on (a) the System, the Project or the Revenues, (b) the business, operations, properties, condition (financial or otherwise) or prospects of the City, (c) the legality, validity or enforceability of any material provision of any WIFIA Loan Document to which the City is a party, (d) the ability of the City to enter into, perform or comply with any of its material obligations under any WIFIA Loan Document to which it is a party, (e) the validity, enforceability or priority of the Liens on the City Pledged Collateral provided under the WIFIA Loan Documents or (f) the WIFIA Lender’s rights or remedies available under any WIFIA Loan Document to which the City is a party.

**“City Payment Default”** has the meaning provided in Section 21(b)(i) (*Events of Default and Remedies – City Payment Default*).

**“City Pledged Collateral”** has the meaning provided in Section 7(a) (*Security and Priority; Flow of Funds*).

**“City’s Authorized Representative”** means any Person who shall be designated as such pursuant to Section 26 (*City’s Authorized Representative*).

**“Code”** means the Internal Revenue Code of 1986, or any successor tax code, as amended from time to time, and the applicable regulations proposed or promulgated thereunder.

**“Congress”** means the Congress of the United States of America.

**“Construction Contract”** means any prime contract entered into by the City with respect to the Project that involves any construction activity (such as demolition, site preparation, civil works construction, installation, remediation, refurbishment, rehabilitation, or removal and replacement services). For the avoidance of doubt **“Construction Contract”** shall include each

Existing Construction Contract and, upon the effectiveness thereof, each Additional Construction Contract.

“**Construction Contractor**” means any Person (other than the Borrower or the City) party to a Construction Contract.

“**Construction Period**” means the period from the Effective Date through the Substantial Completion Date.

“**Construction Period Servicing Fee**” has the meaning provided in Section 10(a)(ii) (*Fees and Expenses – Fees*).

“**Construction Schedule**” means (a) the initial schedule or schedules on which the construction timetables for the Project are set forth, attached as **Schedule II** (*Construction Schedule*), and (b) any updates thereto included in the periodic reports submitted to the WIFIA Lender pursuant to Section 20(c)(i) (*Reporting Requirements of the City – Construction Reporting*) most recently approved by the WIFIA Lender.

“**CPI**” means the Consumer Price Index for All Urban Consumers (CPI-U) for the U.S. City Average for All Items, 1982-84=100 (not seasonally adjusted) or its successor, published by the Bureau of Labor Statistics and located at <https://www.bls.gov/news.release/cpi.t01.htm>.

“**Debt Management Policy**” means that certain Debt Management Policy of the City, adopted by the Board of Directors of the City on April 5, 2017 pursuant to Resolution No. 2017-47, as may be amended by the City from time to time.

“**Debt Service Payment Commencement Date**” means the Interest Payment Date immediately succeeding the date of the initial disbursement of the WIFIA Loan.

“**Default**” means any event or condition that, with the giving of any notice, the passage of time, or both, would be an Event of Default.

“**Default Rate**” means an interest rate equal to the lesser of (a) the sum of (i) the WIFIA Interest Rate plus (ii) two hundred (200) basis points and (b) the maximum interest rate permitted by law.

“**Development Default**” means (a) the City abandons work or fails, in the reasonable judgment of the WIFIA Lender, to diligently prosecute the work related to the Project or (b) the City fails to achieve Substantial Completion of the Project by January 31, 2027.

“**Dollars**” and “**\$**” means the lawful currency of the United States of America.

“**DUNS Number**” has the meaning provided in Section 15(i) (*Affirmative Covenants of the Borrower – DUNS Number*).

“**Effective Date**” means the date of this Agreement.

**“Eligible Project Costs”** means amounts in the Project Budget (as of the Effective Date) approved by the WIFIA Lender, which are paid by or for the account of the City, as agent of the Borrower pursuant to the WIFIA IPA, in connection with the Project (including, as applicable, Project expenditures incurred prior to the receipt of WIFIA credit assistance, or the repayment of amounts borrowed to make such expenditures prior to the receipt of WIFIA credit assistance), which shall arise from the following:

- (a) development-phase activities, including planning, feasibility analysis (including any related analysis necessary to carry out an eligible project), revenue forecasting, environmental review, permitting, preliminary engineering and design work and other preconstruction activities;
- (b) construction, reconstruction, rehabilitation, and replacement activities;
- (c) the acquisition of real property or an interest in real property (including water rights, land relating to the Project and improvements to land), environmental mitigation (including acquisitions pursuant to Section 3905(8) of Title 33 of the United States Code), construction contingencies, and acquisition of equipment; or
- (d) capitalized interest (with respect to Obligations other than the WIFIA Loan) necessary to meet market requirements, reasonably required reserve funds, capital issuance expenses, and other carrying costs during construction;

provided that Eligible Project Costs must be consistent with all other applicable federal law, including the Act.

**“Eligible Project Costs Documentation”** has the meaning provided in Section 1 of **Exhibit D** (*Requisition Procedures*).

**“EMMA”** means the Electronic Municipal Market Access system as described in 1934 Act Release No. 59062 and maintained by the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)1 of the Securities Exchange Act of 1934, as amended, and its successors.

**“Environmental Laws”** has the meaning provided in Section 13(o) (*Representations and Warranties of the City – Environmental Matters*).

**“EPA”** means the United States Environmental Protection Agency.

**“Event of Default”** means any City Event of Default or any Borrower Event of Default.

**“Existing Construction Contract”** means each Construction Contract of the City existing as of the Effective Date, as set forth in **Schedule 13(m)** (*Existing Construction Contracts*).

**“Existing Indebtedness”** means all (a) Obligations and indebtedness of the City and (b) indebtedness of the Borrower, in each case that has been issued or incurred prior to the Effective Date, as listed and described in **Schedule III** (*Existing Indebtedness*).

“**Existing Parity Obligations**” means the Parity Obligations listed and described in Part A of **Schedule III** (*Existing Indebtedness*).

“**Existing Subordinate Obligations**” means the Subordinate Obligations listed and described in Part B of **Schedule III** (*Existing Indebtedness*).

“**Federal Fiscal Year**” means the fiscal year of the Government, which is the twelve (12) month period that ends on September 30 of the specified calendar year and begins on October 1 of the preceding calendar year.

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

“**Final Disbursement Date**” means the earliest of (a) the date on which the WIFIA Loan has been disbursed in full; (b) the last anticipated date of disbursement set forth in the then-current Anticipated WIFIA Loan Disbursement Schedule; (c) the date on which the Borrower has certified to the WIFIA Lender that it will not request any further disbursements under the WIFIA Loan; (d) the date on which the WIFIA Lender terminates its obligations relating to disbursements of any undisbursed amounts of the WIFIA Loan in accordance with Section 21 (*Events of Default and Remedies*); and (e) the date that is one (1) year after the Substantial Completion Date.

“**Final Maturity Date**” means July 1, 2055 (or such earlier date as is set forth in an updated **Exhibit F** (*WIFIA Debt Service*) pursuant to Section 8(f) (*Payment of Principal and Interest – Adjustments to Loan Amortization Schedule*)).

“**Fixed Level Payment**” has the meaning provided in Section 8(b) (*Payment of Principal and Interest – Fixed Level Payments*).

“**Flow of Funds**” means the requirements specified in Section 5.02 (*Allocation of Revenues*) of the WIFIA IPA.

“**Flow of Funds Following Acceleration**” means the requirements specified in Section 8.02 (*Application of Funds Upon Acceleration*) of the WIFIA IPA.

“**GAAP**” means the uniform accounting and reporting procedures set forth in publications of the American Institute of Certified Public Accountants or its successor, or of any other generally accepted authority on such procedures, and includes, as applicable, the standards set forth by the Governmental Accounting Standards Board or its successor.

“**Government**” means the United States of America and its departments and agencies.

“**Governmental Approvals**” means all authorizations, consents, approvals, waivers, exceptions, variances, filings, permits, orders, licenses, exemptions and declarations of or with any Governmental Authority.

**“Governmental Authority”** means any federal, state, provincial, county, city, town, village, municipal or other government or governmental department, commission, council, court, board, bureau, agency, authority or instrumentality (whether executive, legislative, judicial, administrative or regulatory), of or within the United States of America or its territories or possessions, including the State and its counties and municipalities, and their respective courts, agencies, instrumentalities and regulatory bodies, or any entity that acts “on behalf of” any of the foregoing, whether as an agency or authority of such body.

**“Hedging Transaction”** means any interest rate protection agreement, interest rate swap transaction, interest rate “cap” transaction, interest rate future, interest rate option or other similar interest rate hedging arrangement commonly used in loan transactions to hedge against interest rate increases; provided that in no event shall any such transaction be for any speculative purpose.

**“Indemnitee”** has the meaning provided in Section 37 (*Indemnification*).

**“Independent Accountant”** means any certified public accountant or firm of certified public accountants duly licensed or registered or entitled to practice and practicing as such under the laws of the State, appointed by the City who, or each of whom: (a) is in fact independent and not under the direct or indirect control of the City or the Borrower; (b) does not have any substantial interest, direct or indirect, in the City or the Borrower; and (c) is not connected with the City or the Borrower as an officer or employee of the City or the Borrower, but who may be regularly retained to make reports to the City or the Borrower.

**“Independent Consultant”** means any consultant or firm of such consultants judged by the City to have experience in matters relating to the collection of Revenues or other experience with respect to the financing of System projects, as appropriate, appointed and paid by the City who, or each of whom: (a) is in fact independent and not under the direct or indirect control of the City or the Borrower; (b) does not have any substantial interest, direct or indirect, in the City or the Borrower; and (c) is not connected with the City or the Borrower as a member, officer or employee of the City or the Borrower, but who may be regularly retained to make reports to the City or the Borrower.

**“Insolvency Laws”** means the United States Bankruptcy Code, 11 U.S.C. § 101 *et seq.*, as from time to time amended and in effect, and any state bankruptcy, insolvency, receivership, conservatorship or similar law now or hereafter in effect.

**“Installment Payment Date”** means the fifth (5<sup>th</sup>) day prior to each Interest Payment Date, or if said date is not a Business Day, then the preceding Business Day.

**“Interest Only Period”** means the period commencing on the Debt Service Payment Commencement Date and ending on the date that is six (6) months prior to the Level Payment Commencement Date (or on such earlier date as all amounts due or to become due to the WIFIA Lender hereunder have been irrevocably paid in full in cash).

**“Interest Payment Date”** means each January 1 and July 1.

**“Investment Agreement”** means an investment agreement by a provider, supported by appropriate opinions of counsel, provided that any such Investment Agreement shall: (i) be from

a provider rated by S&P or Moody's at "A-" or "A3", respectively, or above; (ii) require the Borrower or the City to terminate such agreement and immediately reinvest the proceeds thereof in other Permitted Investments if the rating assigned to the provider by S&P or Moody's falls to "BBB" or "Baa2", respectively, or below; and (iii) expressly permit the withdrawal, without penalty, of any amounts necessary at any time to fund any deficiencies on account of debt service requirements with respect to the Obligations.

**"Investment Grade Rating"** means a public rating no lower than 'BBB-', 'Baa3', 'bbb-', 'BBB (low)', or higher, from a Nationally Recognized Rating Agency.

**"Level Payment Commencement Date"** means July 1, 2026.

**"Level Payment Period"** means the period commencing on the Level Payment Commencement Date and ending on the Final Maturity Date (or on such earlier date as all amounts due or to become due to the WIFIA Lender hereunder have been irrevocably paid in full in cash).

**"Lien"** means any mortgage, pledge, hypothecation, assignment, mandatory deposit arrangement, encumbrance, attachment, lien (statutory or other), charge or other security interest, or preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever, including any sale-leaseback arrangement, any conditional sale or other title retention agreement, any financing lease having substantially the same effect as any of the foregoing, and the filing of any financing statement or similar instrument under the UCC or any other applicable law.

**"Loan Amortization Schedule"** means the loan amortization schedule reflected in the applicable column of **Exhibit F** (*WIFIA Debt Service*), as amended from time to time in accordance with Section 8(f) (*Payment of Principal and Interest – Adjustments to Loan Amortization Schedule*).

**"Material Adverse Effect"** means a material adverse effect on (a) the System, the Project, the Revenues or the Authority Revenues, (b) the business, operations, properties, condition (financial or otherwise) or prospects of either the Borrower or the City, (c) the legality, validity or enforceability of any material provision of any WIFIA Loan Document, (d) the ability of either the Borrower or the City to enter into, perform or comply with any of its material obligations under any WIFIA Loan Document to which it is a party, (e) the validity, enforceability or priority of the pledge and assignment of the Borrower Assigned Rights or the Liens on the City Pledged Collateral, in each case provided under the WIFIA Loan Documents, or (f) the WIFIA Lender's rights or remedies available under any WIFIA Loan Document.

**"Maximum Annual Debt Service"** means as of the date of calculation, the greatest total Parity Debt Service payable in any City Fiscal Year during which this Agreement is in effect.

**"Nationally Recognized Rating Agency"** means any nationally recognized statistical rating organization identified as such by the Securities and Exchange Commission.

**"NEPA"** means the National Environmental Policy Act of 1969, as amended, and any successor statute of similar import, and regulations thereunder, in each case as in effect from time to time.

**“NEPA Determination”**<sup>1</sup> means the [Categorical Exclusion] [Finding of No Significant Impact] [Record of Decision] for the Project issued by EPA on [●] in accordance with NEPA.

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

**“Net Revenues”** means for any City Fiscal Year, all Revenues received by the City for such City Fiscal Year less the Operations and Maintenance Costs for such City Fiscal Year.

**“Non-Debarment Certificate”** means a certificate, signed by the Borrower’s Authorized Representative or the City’s Authorized Representative, as applicable, as to the absence of debarment, suspension or voluntary exclusion from participation in Government contracts, procurement and non-procurement matters with respect to the Borrower or the City, as applicable, and its principals (as defined in 2 C.F.R. § 180.995 and supplemented by 2 C.F.R. 1532.995), substantially in the form attached hereto as **Exhibit C** (*Form of Non-Debarment Certificate*).

**“Non-Lobbying Certificate”** means a certificate, signed by the Borrower’s Authorized Representative or the City’s Authorized Representative, as applicable, with respect to the prohibition on the use of appropriated funds for lobbying pursuant to 49 C.F.R. § 20.100(b), substantially in the form attached hereto as **Exhibit E** (*Form of Non-Lobbying Certificate*).

**“Obligation Document”** means any indenture, bond, credit agreement, note, reimbursement agreement, letter of credit, guarantee or any other agreement, instrument or document pursuant to which any Obligation is incurred by the City.

**“Obligations”** means, collectively, the Parity Obligations and the Subordinate Obligations.

**“Operating Period Servicing Fee”** has the meaning provided in Section 10(a)(iii) (*Fees and Expenses – Fees*).

**“Operations and Maintenance Costs”** means (a) costs spent or incurred for maintenance and operation of the System calculated in accordance with GAAP, including the reasonable expenses of management and repair and other expenses necessary to maintain and preserve the System in good repair and working order, and including administrative costs of the City that are charged directly or apportioned to the System, including but not limited to salaries and wages of employees, payments to the Public Employees Retirement System, overhead, insurance, taxes (if any), fees of auditors, accountants, attorneys or engineers and insurance premiums, and including all other reasonable and necessary costs of the City or charges (other than debt service payments) required to be paid by it to comply with the terms of this Agreement or the Obligation Documents with respect to Parity Obligations and (b) all payments under any contract for the purchase of water, but excluding in all cases depreciation, replacement and obsolescence charges or reserves therefor and amortization of intangibles or other bookkeeping entries of a similar nature.

**“Organizational Documents”** means, with respect to either the City or the Borrower, (a) the constitutional and statutory provisions that are the basis for the existence and authority of such

<sup>1</sup> NTD: Definition to be updated following issuance.

entity, including any enabling statutes, ordinances or public charters and any other organic laws establishing such entity and (b) the resolutions, bylaws, code of regulations, operating procedures or other organizational documents (including any amendments, modifications or supplements thereto) of or adopted by such entity by which such entity, its powers, operations or procedures or its securities, bonds, notes or other obligations are governed or from which such powers are derived.

**“Outstanding”** means, with respect to Obligations, Obligations that have not been cancelled or legally defeased or discharged.

**“Outstanding WIFIA Loan Balance”** means (a) the aggregate principal amount of the WIFIA Loan drawn by the Borrower minus (b) the aggregate principal amount of the WIFIA Loan repaid by the Borrower, as determined in accordance with Section 8(f) (*Payment of Principal and Interest – Adjustments to Loan Amortization Schedule*).

**“Parity Debt Service”**<sup>2</sup> means, for any period, the sum of:

(a) the interest payable during such period on all outstanding Parity Obligations, assuming that all outstanding serial Parity Obligations are retired as scheduled and that all outstanding term Parity Obligations are prepaid or paid from sinking fund payments as scheduled (except to the extent that such interest is capitalized);

(b) that portion of the principal amount of all outstanding serial Parity Obligations maturing in such period; and

(c) that portion of the principal amount of all outstanding term Parity Obligations required to be prepaid or paid in such period;

provided that, as to any such Parity Obligations bearing or comprising interest at other than a fixed rate, the rate of interest used to calculate Parity Debt Service shall be the greatest of:

(i) the actual interest rate on such Parity Obligations on the date of calculation, or if the indebtedness is not yet outstanding, the initial interest rate (if established and binding); and

(ii) if the Parity Obligations have been outstanding for at least twelve (12) months, the average rate over the period of the same length as the period of calculation of Parity Debt Service immediately preceding the date of calculation; and

(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) plus fifty (50) basis points; or (B) if interest is not so excludable, the interest rate on direct U.S. Treasury Obligations with comparable maturities plus fifty (50) basis points; provided that for purposes of any portion of Section 18(a) (*Negative Covenants of the City – Additional Obligations*) or Section 17(a) (*Affirmative Covenants of the City – Rate Covenant*), measuring actual debt service

<sup>2</sup> NTD: EPA prefers to use the definition adapted from the IBank ISAs.



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; and

provided further that if any series or issue of such Parity Obligations have twenty-five percent (25%) or more of the aggregate principal amount of such series or issue due in any one year, Parity Debt Service shall be determined for the period of calculation of determination as if the principal of and interest on such series or issue of such Parity Obligations were being paid from the date of incurrence thereof in substantially equal annual amounts over a period of twenty-five (25) years from the date of calculation; and

provided further that, as to any such Parity Obligations or portions thereof bearing no interest but which are sold at a discount and which discount accretes with respect to such Parity Obligations or portions thereof, such accreted discount shall be treated as interest in the calculation of Parity Debt Service; and

provided further that the amount on deposit in a debt service reserve fund on any date of calculation of Parity Debt Service shall be deducted from the amount of principal due at the final maturity of the Parity Obligations for which such debt service reserve fund was established and in each preceding year until such amount is exhausted; and

provided further that Parity Debt Service shall not include interest which is paid from investment earnings on amounts on deposit in any reserve fund and transferred to the WIFIA Debt Service Account.

**“Parity Obligations”** means the WIFIA Installment Payments and all other obligations of the City which are secured by a pledge of and lien on the Revenues and rank *pari passu* in right of payment and right of security with the WIFIA Installment Payments, including the Existing Parity Obligations and any Additional Parity Obligations.

**“Patriot Act”** means the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, as amended, and all regulations promulgated thereunder.

**“Payment Date”** means each Interest Payment Date and each Principal Payment Date.

**“Payment Default”** means any Borrower Payment Default or any City Payment Default.

**“Permitted Investment”** 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:

(a) for all purposes, including: (i) as defeasance investments in refunding escrow accounts; and (ii) for the purpose of investing (and receiving premium credit for) accrued and capitalized interest: (1) cash; or (2) Federal Securities; and

(b) for all purposes other than: (i) defeasance investments in refunding escrow accounts; and (ii) investing (and receiving credit for) accrued and capitalized interest: (1) obligations of any of the following federal agencies which obligations represent full faith and credit of the United States of America: the Export-Import Bank; Farmers Home Administration; General Services

Administration; U.S. Maritime Administration; Small Business Administration; Government National Mortgage Association (GNMA); U.S. Department of Housing & Urban Development (PHAs); and Federal Housing Administration; (2) bonds, notes or other evidences of indebtedness rated "AAA" and "Aaa" by the applicable Rating Agency issued by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation with remaining maturities not exceeding three years; (3) U.S. dollar denominated deposit accounts, demand deposits, including interest bearing money market accounts, trust funds, trust accounts, overnight bank deposits, interest-bearing deposits, other deposit products, certificates of deposit, federal funds and banker's acceptances with domestic commercial banks, which: (I) have a rating on their short term certificates of deposit on the date of purchase of "A-1" or "A-1+" by S&P and "P-1" by Moody's; or (II) deposits insured by the Federal Deposit Insurance Corporation maturing no more than three hundred sixty (360) days after the date of purchase (ratings on holding companies are not considered as the rating of the bank); (4) commercial paper which is rated at the time of purchase in the single highest classification, "A-1+" by S&P and "P-1" by Moody's and which matures not more than two hundred seventy (270) days after the date of purchase; (5) investments in a money market fund rated "AAAm", "AAAm-G", "AAm" or "AAm-G" or better by S&P; (6) pre-refunded municipal obligations defined as follows: any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice and which are rated, based on the escrow, in the highest rating category of S&P and Moody's, or any successor thereto; (7) any Investment Agreement; (8) the Local Agency Investment Fund of the State of California; and (9) any other investment permitted by law.

**"Permitted Liens" means:**

(a) Liens imposed pursuant to the WIFIA Loan Documents and the other Obligation Documents;

(b) Liens imposed by law, including Liens for taxes that are not yet due or are being contested in compliance with Section 15(g) (*Affirmative Covenants of the Borrower – Material Obligations; Payment of Claims*) and Section 17(k) (*Affirmative Covenants of the City – Material Obligations; Payment of Claims*);

(c) carriers', warehousemen's, mechanics', materialmen's, repairmen's and other like Liens imposed by law, arising in the ordinary course of business and securing obligations that are not overdue by more than thirty (30) days or are being contested in compliance with Section 15(g) (*Affirmative Covenants of the Borrower – Material Obligations; Payment of Claims*) and Section 17(k) (*Affirmative Covenants of the City – Material Obligations; Payment of Claims*);

(d) pledges and deposits made in the ordinary course of business in compliance with workers' compensation, unemployment insurance, and other social security laws or regulations;

(e) deposits to secure the performance of bids, trade contracts, leases, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature, in each case in the ordinary course of business;

(f) judgment Liens in respect of judgments that do not constitute an Event of Default under Section 21(a)(iv) (*Events of Default and Remedies – Borrower Material Adverse Judgment*) or Section 21(b)(vi) (*Events of Default and Remedies – City Material Adverse Judgment*); and

(g) easements, zoning restrictions, rights-of-way and similar encumbrances on real property imposed by law or arising in the ordinary course of business that, in any case, do not secure any monetary obligations and do not materially detract from the value of the affected property or interfere with the ordinary conduct of business of either the Borrower or the City.

“**Person**” means and includes an individual, a general or limited partnership, a joint venture, a corporation, a limited liability company, a trust, an unincorporated organization and any Governmental Authority.

“**Principal Payment Date**” means each July 1.

“**Project**” means the Lake Wohlford Dam Replacement Project, the purpose of which is to replace the existing Lake Wohlford Dam, restore the reservoir to its former capacity, mitigate the effects of drought in the region, improve water quality and address safety hazards identified by the California Department of Water Resources, Division of Safety of Dams. Project elements include: (a) dam construction downstream of the existing dam; (b) new spillway construction; (c) new outlet tower construction; and (d) demolition of the existing dam.

“**Project Budget**” means the budget for the Project attached to this Agreement as **Schedule I** (*Project Budget*) showing a summary of Total Project Costs with a breakdown of all Eligible Project Costs and the estimated sources and uses of funds for the Project, as amended from time to time with the approval of the WIFIA Lender.

“**Project EPC Documentation**” has the meaning provided in Section 4(e) (*Disbursement Conditions*).

“**Projected Substantial Completion Date**” means January 31, 2025, as such date may be adjusted in accordance with Section 20(c)(i) (*Reporting Requirements of the City – Construction Reporting*).

“**Prop 218 Law**” means, collectively, the California Constitution Article XIII D, the statutes implementing it, and the published California Appellate Court and Supreme Court decisions interpreting it in effect on the Effective Date and as such law may be amended or interpreted from time to time.

“**Public Benefits Report**” has the meaning provided in Section 20(d) (*Reporting Requirements of the City – Public Benefits Report*).

**“Rate Covenant”** means the requirements specified in Section 17(a) (*Affirmative Covenants of the City – Rate Covenant*).

**“Related Documents”** means the WIFIA Loan Documents and each other Obligation Document.

**“Report”** means a written document signed by an Independent Consultant or an Independent Accountant, and including: (a) a statement that the person or firm making or giving such Report has read the pertinent provisions of this Agreement to which such Report relates; (b) a brief statement as to the nature and scope of the examination or investigation upon which the Report is based; and (c) a statement that, in the opinion of such person or firm, sufficient examination or investigation was made as is necessary to enable said consultant to express an informed opinion with respect to the subject matter referred to in the Report.

**“Requisition”** has the meaning provided in Section 4(a) (*Disbursement Conditions*).

**“Revenue Fund”** means the water enterprise fund established by the City into which all Revenues are deposited and maintained by the City. The Revenue Fund is composed of the funds received from water treatment, transmission, distribution, and sales services provided to the City’s customers.

**“Revenues”** means all income, rents, rates, fees, charges and other moneys derived from the ownership of or operation of the System, including, without limiting the generality of the foregoing: (a) all in lieu charges and groundwater augmentation charges (including investment earnings thereon) collected by or on behalf of the City; (b) all income, rents, rates, fees, charges, business interruption insurance proceeds or other moneys derived by the City from the sale, furnishing and supplying of the water, drainage or other services, facilities, and commodities sold, furnished or supplied through the facilities of or in the conduct or operation of the business of the System; and (c) the earnings on and income derived from the investment of such income, rents, rates, fees, charges, proceeds or other moneys, including City reserves, but excluding in all cases: (x) customers’ deposits or any other deposits or advances subject to refund until such deposits or advances have become the property of the City; (y) revenues of the City’s recycled water system; and (z) proceeds of taxes or benefit assessments restricted by law to be used by the City to pay amounts due on bonds or other obligations hereafter incurred.

**“Sanctions Laws”** means collectively, any applicable anti-drug trafficking, anti-terrorism, anti-money laundering, anti-bribery, or anti-corruption laws or regulations, as applicable, including those contained in the Bank Secrecy Act of 1970 (as amended) and the U.S. Patriot Act.

**“Servicer”** means such entity or entities as the WIFIA Lender shall designate from time to time to perform, or assist the WIFIA Lender in performing, certain duties hereunder.

**“Servicing Fee”** means the Servicing Set-Up Fee and any Construction Period Servicing Fee or Operating Period Servicing Fee.

**“Servicing Set-Up Fee”** has the meaning provided in Section 10(a)(i) (*Fees and Expenses – Fees*).

“**State**” has the meaning provided in the preamble hereto.

“**Subordinate Obligations**” means all obligations of the City which are secured by a pledge of and lien on the Revenues and are fully subordinated in right of payment and right of security to the Parity Obligations, including the Existing Subordinate Obligations and any Additional Subordinate Obligations.

“**Substantial Completion**” means, with respect to the Project, the stage at which the Project is able to perform the functions for which the Project is designed.

“**Substantial Completion Date**” means the date on which the City certifies to the WIFIA Lender, with evidence satisfactory to the WIFIA Lender, that Substantial Completion has occurred.

“**System**” means the whole and each and every part of the waterworks system serving the City, whether owned or operated by the City or another party, including the portion thereof existing on the date hereof, and including all additions, betterments, extensions and improvements to such water system or any part thereof hereafter acquired or constructed, but excluding the City’s recycled water system.

“**Total Project Costs**” means (a) the costs paid or incurred or to be paid or incurred by the City, as agent of the Borrower pursuant to the WIFIA IPA, in connection with or incidental to the acquisition, design, construction and equipping of the Project, including legal, administrative, engineering, planning, design, insurance and financing (including costs of issuance); (b) amounts, if any, required by the WIFIA Loan Documents to be paid into any fund or account upon the incurrence of the WIFIA Loan or any other Obligation, in each case in respect of the Project; (c) payments when due (whether at the maturity of principal, the due date of interest, or upon optional or mandatory prepayment) during the Construction Period in respect of any obligations of the City in connection with the Project (other than the WIFIA Loan); and (d) costs of equipment and supplies and initial working capital and reserves required by the City for the commencement of operation of the Project, including general administrative expenses and overhead of the City.

“**Uncontrollable Force**” means any cause beyond the control of the Borrower and the City, including: (a) a hurricane, tornado, flood or similar occurrence, landslide, earthquake, fire or other casualty, strike or labor disturbance, freight embargo, act of a public enemy, explosion, war, blockade, terrorist act, insurrection, riot, general arrest or restraint of government and people, civil disturbance or similar occurrence, sabotage or act of God (provided that neither the Borrower nor the City shall be required to settle any strike or labor disturbance in which it may be involved) or (b) the order or judgment of any federal, state or local court, administrative agency or governmental officer or body, if it is not also the result of willful or negligent action or a lack of reasonable diligence of the Borrower or the City and neither the Borrower nor the City controls the administrative agency or governmental officer or body; provided that the diligent contest in good faith of any such order or judgment shall not constitute or be construed as a willful or negligent action or a lack of reasonable diligence of the Borrower or the City.

“**Uniform Commercial Code**” or “**UCC**” means the Uniform Commercial Code, as in effect from time to time in the State.

“**Updated Financial Model**” means the Base Case Financial Model, updated in accordance with Section 20(a) (*Reporting Requirements of the City – Updated Financial Model*).

“**Variable Interest Rate**” means a variable interest rate to be borne by any Obligations. The method of computing such variable interest rate shall be specified in the Obligation Document pursuant to which such Obligations are incurred. Such Obligation Document shall also specify either (a) the particular period or periods of time for which each value of such variable interest rate shall remain in effect or (b) the time or times upon which any change in such variable interest rate shall become effective.

“**Variable Interest Rate Obligations**” means Obligations which bear a Variable Interest Rate but does not include any Obligations for which the interest rate has been fixed during the remainder of the term thereof to maturity.

“**WIFIA**” has the meaning provided in the recitals hereto.

“**WIFIA Borrower Resolution**” means Resolution No. EJPFA-2022-[●], adopted by the Borrower on [May 11, 2022], authorizing the execution and delivery of this Agreement and the WIFIA Note and certain related actions by the Borrower in connection with the issuance of the WIFIA Loan.

“**WIFIA City Resolution**” means Resolution No. 2022-[●], adopted by the City on [May 11, 2022], authorizing the execution and delivery of this Agreement and the WIFIA IPA and certain related actions by the City in connection therewith.

“**WIFIA CUSIP Number**” means a CUSIP number for the WIFIA Loan obtained for the purposes of monitoring through EMMA.

“**WIFIA Debt Service**” means with respect to any Payment Date, the principal portion of the Outstanding WIFIA Loan Balance and any interest payable thereon (including interest accruing after the date of any filing by the Borrower of any petition in bankruptcy or the commencement of any bankruptcy, insolvency or similar proceeding with respect to the Borrower), in each case, (a) as set forth on **Exhibit F** (*WIFIA Debt Service*) and (b) due and payable on such Payment Date in accordance with the provisions of Section 8(a) (*Payment of Principal and Interest – Payment of WIFIA Debt Service*).

“**WIFIA Debt Service Account**” means the debt service account established and maintained by the City, as agent of the Borrower pursuant to the WIFIA IPA, pursuant to Section 17(i) (*Affirmative Covenants of the City – WIFIA Debt Service Account*).

“**WIFIA Installment Payments**” means the installment payments of interest and principal scheduled to be paid by the City under and pursuant to the WIFIA IPA.

“**WIFIA Interest Rate**” has the meaning provided in Section 6 (*Interest Rate*).

“**WIFIA IPA**” means that certain Installment Purchase Agreement, dated as of the date hereof, by and between the City and the Borrower with respect to the Project.

“**WIFIA Lender**” has the meaning provided in the preamble hereto.

“**WIFIA Lender’s Authorized Representative**” means the Administrator and any other Person who shall be designated as such pursuant to Section 27 (*WIFIA Lender’s Authorized Representative*).

“**WIFIA Loan**” means the secured loan made by the WIFIA Lender to the Borrower on the terms and conditions set forth herein, pursuant to the Act, in a principal amount not to exceed \$65,147,348, to be used in respect of Eligible Project Costs.

“**WIFIA Loan Documents**” means this Agreement, the WIFIA Note, the WIFIA IPA and the WIFIA Resolutions.

“**WIFIA Note**” means the note delivered by the Borrower in substantially the form of **Exhibit A** (*Form of WIFIA Note*).

“**WIFIA Resolutions**” means, collectively, the WIFIA City Resolution and the WIFIA Borrower Resolution.

## Section 2. Interpretation.

(a) Unless the context shall otherwise require, the words “hereto,” “herein,” “hereof” and other words of similar import refer to this Agreement as a whole.

(b) Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders and vice versa.

(c) Words importing the singular number shall include the plural number and vice versa unless the context shall otherwise require.

(d) The words “include,” “includes” and “including” shall be deemed to be followed by the phrase “without limitation.”

(e) Whenever the Borrower’s knowledge or the City’s knowledge is implicated in this Agreement or the phrase “to the Borrower’s knowledge” or the phrase “to the City’s knowledge” or a similar phrase is used in this Agreement, the Borrower’s knowledge or the City’s knowledge or such phrase(s) shall be interpreted to mean to the best of the Borrower’s knowledge or the best of the City’s knowledge, as applicable, after reasonable and diligent inquiry. Unless the context shall otherwise require, references to any Person shall be deemed to include such Person’s successors and permitted assigns.

(f) Unless the context shall otherwise require, references to preambles, recitals, sections, subsections, clauses, schedules, exhibits, appendices and provisions are to the applicable preambles, recitals, sections, subsections, clauses, schedules, exhibits, appendices and provisions of this Agreement.

(g) The schedules and exhibits to this Agreement, and the appendices and schedules to such exhibits, are hereby incorporated by reference and made an integral part of this Agreement.

(h) The headings or titles of this Agreement and its sections, schedules or exhibits, as well as any table of contents, are for convenience of reference only and shall not define or limit its provisions.

(i) Unless the context shall otherwise require, all references to any resolution, contract, agreement, lease or other document shall be deemed to include any amendments or supplements to, or modifications or restatements or replacements of, such documents that are approved from time to time in accordance with the terms thereof and hereof.

(j) Every request, order, demand, application, appointment, notice, statement, certificate, consent or similar communication or action hereunder by any party shall, unless otherwise specifically provided, be delivered in writing in accordance with Section 36 (*Notices*) and signed by a duly authorized representative of such party.

(k) References to “disbursements of WIFIA Loan proceeds” or similar phrasing shall be construed as meaning the same thing as “paying a portion of the purchase price of the WIFIA Note”.

(l) Whenever this Agreement requires a change in principal amount, interest rate or amortization schedule of the WIFIA Loan, it is intended that such change be reflected in the WIFIA Note. Whenever there is a mandatory or optional prepayment of the WIFIA Loan, it is intended that such prepayment be implemented through a prepayment of the WIFIA Note.

## ARTICLE II THE WIFIA LOAN

Section 3. WIFIA Loan Amount. The principal amount of the WIFIA Loan shall not exceed \$65,147,348. WIFIA Loan proceeds available to be drawn shall be disbursed from time to time in accordance with Section 4 (*Disbursement Conditions*) and Section 11(b) (*Conditions Precedent – Conditions Precedent to Disbursements*).

Section 4. Disbursement Conditions.

(a) Pursuant to the WIFIA IPA, the Borrower has appointed the City as its agent to request funds from time to time under this Agreement and the City has accepted such appointment and assumed all rights, liabilities, duties and responsibilities of the Borrower under this Agreement regarding the requisition of funds from time to time under this Agreement. WIFIA Loan proceeds shall be disbursed solely in respect of Eligible Project Costs. If the Borrower intends to utilize the WIFIA Loan proceeds to make progress payments for Project construction work performed under the Construction Contracts, the City, as agent of the Borrower pursuant to the WIFIA IPA, shall demonstrate to the satisfaction of the WIFIA Lender that such progress payments are commensurate with the cost of the work that has been completed. Each disbursement of the WIFIA Loan shall be made pursuant to a requisition and certification (a “**Requisition**”) in the form set forth in **Appendix One** (*Form of Requisition*) to **Exhibit D** (*Requisition Procedures*),



along with all documentation and other information required thereby, submitted by the City, as agent of the Borrower pursuant to the WIFIA IPA, to, and approved by, the WIFIA Lender, all in accordance with the procedures of **Exhibit D** (*Requisition Procedures*) and subject to the requirements of this Section 4 and the conditions set forth in Section 11(b) (*Conditions Precedent – Conditions Precedent to Disbursements*); provided that no disbursements of WIFIA Loan proceeds shall be made after the Final Disbursement Date.

(b) Each Requisition shall include a certification by the City, as agent of the Borrower pursuant to the WIFIA IPA, certifying as to the following: (i) whether reimbursement or payment is being requested with respect to (A) Eligible Project Costs that have been submitted by it pursuant to Section 4(e) and approved by the WIFIA Lender pursuant to Section 4(f) or (B) other Eligible Project Costs incurred by the City, as agent of the Borrower pursuant to the WIFIA IPA; (ii) the amount for which reimbursement or payment is being requested has not been reimbursed or paid by any previous disbursement of WIFIA Loan proceeds; and (iii) to the extent any Eligible Project Costs described in clause (i)(B) above are included in the Requisition, that such Eligible Project Costs have not and will not be submitted by the City for approval pursuant to Section 4(e) and Section 4(f).

(c) The City shall deliver copies of each Requisition to the WIFIA Lender and the Servicer (if any) on or before the first (1<sup>st</sup>) Business Day of each month for which a disbursement is requested. If the WIFIA Lender shall expressly approve a Requisition or shall not expressly deny a Requisition, disbursements of funds shall be made on the fifteenth (15<sup>th</sup>) day of the month for which a disbursement has been requested, or on the next succeeding Business Day if such fifteenth (15<sup>th</sup>) day is not a Business Day. Express WIFIA Lender approval or denial shall be substantially in the form annexed hereto as **Appendix Three** (*[Approval/Disapproval] of the WIFIA Lender*) to **Exhibit D** (*Requisition Procedures*). In no event shall disbursements be made more than once each month.

(d) At the time of any disbursement, the sum of all prior disbursements of WIFIA Loan proceeds and the disbursement then to be made shall not exceed the cumulative disbursements through the end of the then-current Federal Fiscal Year set forth in the Anticipated WIFIA Loan Disbursement Schedule, as the same may be amended from time to time in accordance with the terms of this Agreement. Subject to this Section 4, any scheduled disbursement (as reflected in the Anticipated WIFIA Loan Disbursement Schedule) that remains undrawn at the end of any Federal Fiscal Year shall automatically roll forward to be available in the succeeding Federal Fiscal Year up to the last anticipated date of disbursement set forth in the Anticipated WIFIA Loan Disbursement Schedule, having the effect of automatically updating the Anticipated WIFIA Loan Disbursement Schedule without need for the WIFIA Lender's approval. The City may also amend the Anticipated WIFIA Loan Disbursement Schedule by submitting a revised version thereof to the WIFIA Lender no later than thirty (30) days prior to the proposed effective date of such amendment, together with a detailed explanation of the reasons for such revisions. Such revised Anticipated WIFIA Loan Disbursement Schedule shall become effective upon the WIFIA Lender's approval thereof, which approval shall be granted in the WIFIA Lender's sole discretion.

(e) On a quarterly basis, the City, as agent of the Borrower pursuant to the WIFIA IPA, shall submit to the WIFIA Lender invoices and records, satisfactory to the WIFIA

Lender in form and substance, with respect to any costs incurred by the City, as agent of the Borrower pursuant to the WIFIA IPA, in respect of the Project evidencing that such costs are Eligible Project Costs (the "**Project EPC Documentation**"), or, if the City elects in any quarter not to submit the documentation described above, a written statement indicating such election; provided that no such submission shall be required (x) before the date that is sixty (60) days after the Effective Date or (y) for any costs incurred prior to the Effective Date.

(f) The Project EPC Documentation and the related statement submitted pursuant to Section 4(e) shall contain sufficient detail to enable the WIFIA Lender to verify that any costs submitted by the City for reimbursement are Eligible Project Costs. Within thirty (30) days following the receipt of the Project EPC Documentation and the accompanying statement, the WIFIA Lender shall deliver a notice to the Borrower and the City confirming (i) which Eligible Project Costs incurred by the City, as agent of the Borrower pursuant to the WIFIA IPA, set forth in the statement have been approved or denied (and, if denied, the reasons therefor) and (ii) the cumulative amount of Eligible Project Costs that have been approved with respect to the City, as agent of the Borrower pursuant to the WIFIA IPA. Any approved amounts of Eligible Project Costs shall be disbursed at such time as the City submits a Requisition in respect of such approved amounts in accordance with Section 4(a) and Section 4(b). The City shall not submit a Requisition that seeks reimbursement of Eligible Project Costs for which the related Project EPC Documentation was not delivered to the WIFIA Lender and the Servicer (if any) at least one (1) month prior to the date such Requisition is submitted.

Section 5. Term. The term of the WIFIA Loan shall extend from the Effective Date to the Final Maturity Date or to such earlier date as all amounts due or to become due to the WIFIA Lender hereunder have been irrevocably paid in full in immediately available funds.

Section 6. Interest Rate. The interest rate with respect to the Outstanding WIFIA Loan Balance (the "**WIFIA Interest Rate**") shall be [●] and [●] hundredths percent ([●]%) per annum. Interest will accrue and be computed on the Outstanding WIFIA Loan Balance (as well as on any past due interest) from time to time on the basis of a three hundred sixty (360) day year of twelve (12) thirty (30) day months; provided that, upon the occurrence of an Event of Default, the Borrower shall pay interest on the Outstanding WIFIA Loan Balance at the Default Rate, (a) in the case of any Payment Default, from (and including) its due date to (but excluding) the date of actual payment and (b) in the case of any other Event of Default, from (and including) the date of such occurrence to (but excluding) the earlier of the date on which (i) such Event of Default has been cured or waived (if applicable) in accordance with the terms of this Agreement and (ii) the Outstanding WIFIA Loan Balance has been irrevocably paid in full by the Borrower in immediately available funds. For the avoidance of doubt, interest on the WIFIA Loan and the WIFIA Note shall accrue and be payable only on those amounts for which a Requisition has been submitted and funds (or such portion of funds as have been approved by the WIFIA Lender) have been disbursed to the Borrower for use on the Project in accordance with Section 4 (*Disbursement Conditions*).

Section 7. Security and Priority; Flow of Funds.

(a) Pursuant to the WIFIA IPA, as security for the WIFIA Installment Payments, and concurrently with the issuance and delivery of this Agreement, the City has

pledged, assigned and granted to the Borrower for its benefit, Liens on (i) the Revenues, (ii) other amounts that are on deposit in the Revenue Fund and the Acquisition Fund and (iii) any other amounts (including proceeds of the WIFIA Loan) which are held in any fund or account that is established pursuant to the WIFIA IPA (collectively, the “**City Pledged Collateral**”). The WIFIA Installment Payments are and shall (i) be secured by the Liens on the Revenues, (ii) not be subordinate in right of payment (other than with respect to Operations and Maintenance Costs) or in right of security to any Lien on the Revenues, (iii) be *pari passu* in right of payment and right of security only to the Lien on the Revenues for the benefit of the Parity Obligations and (iv) be senior in right of payment and right of security to the Lien on the Revenues for the benefit of the Subordinate Obligations. The obligation of the City to make the WIFIA Installment Payments constitutes Parity Obligations.

(b) Except for Permitted Liens, the Revenues shall be free and clear of any pledge, Lien, charge or encumbrance thereon or with respect thereto, that is of equal rank with or senior to the pledge of the Borrower created under the WIFIA Loan Documents for the benefit of the WIFIA Lender, and all organizational, regulatory or other necessary action on the part of the City with respect to the foregoing has been duly and validly taken.

(c) The Borrower hereby unconditionally pledges and assigns to the WIFIA Lender for its benefit (i) all of its right, title and interest to receive the Authority Revenues, (ii) any other amounts (including proceeds of the WIFIA Loan) held in any fund or account that is established pursuant to this Agreement, (iii) all of its rights with respect to the WIFIA Debt Service Account and (iv) all of its rights and remedies to enforce compliance with the provisions of the WIFIA IPA (including enforcement of payment obligations and the Rate Covenant or otherwise to protect the interest of the WIFIA Lender) (collectively, the “**Borrower Assigned Rights**”), in each case for the purpose of securing (x) the payment of all sums due and owing to the WIFIA Lender under this Agreement and (y) the observance, performance and discharge of each agreement, condition, covenant and term of the Borrower and the City hereunder and of the City under the WIFIA IPA. Such pledge and assignment shall constitute a lien on and security interest in such rights and amounts.<sup>3</sup> The City hereby consents to such pledge and assignment. Notwithstanding anything in this Agreement or any other WIFIA Loan Document to the contrary, the Borrower does not and shall not assign, and the WIFIA Lender does not and shall not assume, any obligation, duty or liability of the Borrower under the WIFIA IPA. The WIFIA Loan is and shall be secured by the Liens on the Authority Revenues. The Authority Revenues shall be free and clear of any pledge, Lien, charge or encumbrance thereon or with respect thereto other than the Liens with respect to the WIFIA Loan. The WIFIA Debt Service Account shall be free and clear of any pledge, Lien, charge or encumbrance thereon or with respect thereto other than the Liens with respect to the WIFIA Installment Payments.

(d) The City shall not use any Revenues to make any payments or satisfy any obligations other than in accordance with the Flow of Funds, the provisions of this Section 7 and the Related Documents and shall not apply any portion of the Revenues in contravention of this Agreement or the other Related Documents. The City shall not use any amounts on deposit in the

<sup>3</sup> **NTD:** Revised language adapted from the 2019 Trust Indenture, including references to lien and security interest.

WIFIA Debt Service Account to make any payments or satisfy any obligations other than the payment of WIFIA Debt Service on the Borrower's behalf.

(e) The Borrower shall not use any Authority Revenues to make any payments or satisfy any obligations other than the payment of WIFIA Debt Service and other amounts payable to the WIFIA Lender hereunder and under the WIFIA Note.

(f) All Revenues shall, immediately upon receipt thereof, be deposited by the City into the Revenue Fund. Amounts deposited in the Revenue Fund shall be applied in the order of priority described in, and in accordance with, the Flow of Funds.

(g) Following the acceleration of amounts payable by the Borrower hereunder or payable by the City under the WIFIA IPA pursuant to Section 21(c) (*Events of Default and Remedies*) or Section 21(d)(vi) (*Events of Default and Remedies*), amounts deposited in the Revenue Fund shall be applied in the order of priority described in, and in accordance with, the Flow of Funds Following Acceleration.

Section 8. Payment of Principal and Interest.

(a) Payment of WIFIA Debt Service.

(i) Pursuant to the WIFIA IPA, not later than each Installment Payment Date occurring on or after the Debt Service Payment Commencement Date, the City shall, from moneys in the Revenue Fund, transfer to the WIFIA Debt Service Account the WIFIA Installment Payment due and payable on the relevant Payment Date. All WIFIA Installment Payments shall be paid directly by the City to the WIFIA Debt Service Account for the benefit of the WIFIA Lender. All WIFIA Installment Payments and any other amounts deposited into the WIFIA Debt Service Account shall be held by the City, as agent of the Borrower pursuant to the WIFIA IPA, in trust for the benefit of the WIFIA Lender until the immediately succeeding Payment Date, whereupon such money shall be applied to the payment of WIFIA Debt Service.

(ii) No WIFIA Debt Service shall be due or payable prior to the Debt Service Payment Commencement Date. The Borrower shall pay, or the City, as agent of the Borrower pursuant to the WIFIA IPA, shall transfer from the WIFIA Debt Service Account on the Borrower's behalf, (A) WIFIA Debt Service in the amounts and manner and on the Payment Dates as set forth in the Loan Amortization Schedule, as the same may be revised pursuant to Section 8(f) (*Payment of Principal and Interest – Adjustments to Loan Amortization Schedule*), and (B) payments of any other amounts on each other date on which payment thereof is required to be made hereunder (including the Final Maturity Date and any date on which payment is due by reason of the mandatory redemption or prepayment or the acceleration of the maturity of the WIFIA Loan or otherwise); provided that if any such date is not a Business Day, payment shall be made on the next Business Day following such date. WIFIA Loan proceeds borrowed and repaid may not be reborrowed.

(iii) Notwithstanding anything herein to the contrary, the Outstanding WIFIA Loan Balance and any accrued interest thereon shall be due and payable in full on

the Final Maturity Date (or on any earlier date on which the WIFIA Loan and WIFIA Note are subject to mandatory redemption or prepayment prior to the maturity thereof).

(iv) Any defeasance of the WIFIA Loan in accordance with applicable law shall not be deemed a repayment or prepayment of the WIFIA Loan in full, and each of the Borrower and the City shall comply with all of its respective obligations hereunder and under the other WIFIA Loan Documents (other than with respect to payments of WIFIA Debt Service, which payments shall continue to be made in accordance with the Loan Amortization Schedule by the succeeding entity assuming the Borrower's payment obligations), unless otherwise agreed by the WIFIA Lender, until the irrevocable payment in full in immediately available funds by the Borrower of the Outstanding WIFIA Loan Balance, together with all accrued interest, fees and expenses with respect thereto.

(b) Interest Payments and Interest Only Period.

(i) Interest shall accrue on the WIFIA Loan commencing on the date of the first disbursement of the WIFIA Loan and shall be payable commencing on the Debt Service Payment Commencement Date.

(ii) During the Interest Only Period, the WIFIA Debt Service payable by the Borrower shall consist of one hundred percent (100%) of the amount of interest then due and payable on the Outstanding WIFIA Loan Balance, and no payment of principal will be due and payable.

(c) Fixed Level Payments. During the Level Payment Period, each amount consisting of (i) the interest payment due on January 1 of any year *plus* (ii) the sum of the principal and interest payments due on July 1 of such year will be approximately equal (each such amount, a "**Fixed Level Payment**"). The amount of the Fixed Level Payment shall be calculated in such manner that the Outstanding WIFIA Loan Balance as of the Level Payment Commencement Date shall be reduced to \$0 on the Final Maturity Date (assuming that interest accrues during such period on the Outstanding WIFIA Loan Balance at the rate per annum set forth in Section 6 (*Interest Rate*) in the absence of an Event of Default, that all Fixed Level Payments are made in a timely manner during such period, and that no additional payments of principal or interest on the WIFIA Loan are made during such period). Within thirty (30) days prior to the beginning of the Level Payment Period, the WIFIA Lender shall give written notice to the Borrower and the City of the amount of the related Fixed Level Payment, which amount shall be deemed conclusive absent manifest error, but no failure to provide or delay in providing the Borrower and the City with such notice shall affect any payment obligation or other obligation of the Borrower hereunder or under any other WIFIA Loan Document to which the Borrower is a party, or any payment obligation of the City under the WIFIA IPA or other obligation of the City hereunder or under any other WIFIA Loan Document to which the City is a party. To the extent that any prepayment of the WIFIA Loan is made during the Level Payment Period in addition to the Fixed Level Payments, such prepayment shall be applied to the remaining Outstanding WIFIA Loan Balance and the resulting Fixed Level Payments shall be recalculated as provided in Section 9(d) (*Prepayment – General Prepayment Instructions*) and reflected in a revised **Exhibit F** (*WIFIA Debt Service*).

(d) WIFIA Note. As evidence of the Borrower's obligation to repay the WIFIA Loan, the Borrower shall issue and deliver to the WIFIA Lender, on or prior to the Effective Date, the WIFIA Note substantially in the form of **Exhibit A** (*Form of WIFIA Note*), having a maximum principal amount of \$65,147,348, bearing interest at the WIFIA Interest Rate and having principal and interest payable on the same dates set forth herein. Any payment in respect of the WIFIA Note shall be treated as a payment in respect of the WIFIA Loan and any prepayment of principal in respect of the WIFIA Loan shall be treated as a redemption in respect of the WIFIA Note.

(e) Manner of Payment. The Borrower hereby assigns all its right and interest in and to the WIFIA Installment Payments to the WIFIA Lender and directs the City to transfer, on the Borrower's behalf, all amounts on deposit in the WIFIA Debt Service Account to the WIFIA Lender by wire transfer on or before each Payment Date in Dollars and in immediately available funds (without counterclaim, offset or deduction) in accordance with the payment instructions provided by the WIFIA Lender prior to the relevant payment, as may be modified in writing from time to time by the WIFIA Lender; provided that neither the assignment of such rights by the Borrower nor such direction by the Borrower to the City with respect to payments hereunder shall affect in any manner any payment obligation or other obligation of the Borrower hereunder or under any other WIFIA Loan Document to which the Borrower is a party, or any payment obligation of the City under the WIFIA IPA or other obligation of the City hereunder or under any WIFIA Loan Document to which the City is a party.

(f) Adjustments to Loan Amortization Schedule.

(i) The Outstanding WIFIA Loan Balance will be (A) increased on each occasion on which the WIFIA Lender disburses loan proceeds hereunder, as applicable, by the amount of such disbursement of loan proceeds; and (B) decreased upon each payment or prepayment of the Outstanding WIFIA Loan Balance, by the amount of principal so paid. The WIFIA Lender may in its discretion at any time and from time to time, or when so requested by the Borrower or the City, advise the Borrower or the City by written notice of the amount of the Outstanding WIFIA Loan Balance as of the date of such notice, and its determination of such amount in any such notice shall be deemed conclusive absent manifest error.

(ii) The WIFIA Lender is hereby authorized to modify the Loan Amortization Schedule included in **Exhibit F** (*WIFIA Debt Service*) from time to time, in accordance with the principles set forth below in this Section 8(f), to reflect (A) any change to the Outstanding WIFIA Loan Balance, (B) any change to the date and amount of any principal or interest due and payable or to become due and payable by the Borrower under this Agreement, (C) any mathematical corrections as the WIFIA Lender may determine are necessary and (D) with the consent of the Borrower (not to be unreasonably withheld), such other information as the WIFIA Lender may determine is necessary for administering the WIFIA Loan and this Agreement. Any calculations described above shall be rounded up to the nearest whole cent. Any adjustments or revisions to the Loan Amortization Schedule as a result of changes in the Outstanding WIFIA Loan Balance shall be applied to reduce future payments due with respect to the WIFIA Loan in inverse order of maturity, other than prepayments which shall be applied in accordance with Section 9(d) (*Prepayment – General Prepayment Instructions*). Absent manifest error, the WIFIA

Lender's determination of such matters as set forth on **Exhibit F (WIFIA Debt Service)** shall be conclusive evidence thereof; provided that neither the failure to make any such recordation nor any error in such recordation shall affect in any manner any payment obligation or other obligation of the Borrower hereunder or under any other WIFIA Loan Document to which the Borrower is a party, or any payment obligation of the City under the WIFIA IPA or other obligation of the City hereunder or under any WIFIA Loan Document to which the City is a party. The WIFIA Lender shall provide the Borrower and the City with a copy of **Exhibit F (WIFIA Debt Service)** as revised, but no failure to provide or delay in providing the Borrower or the City with such copy shall affect any of the obligations of the Borrower or the City under this Agreement or the other WIFIA Loan Documents.

(g) WIFIA Loan Not City Indebtedness. The WIFIA Loan and the WIFIA Note are limited obligations of the Borrower, payable solely from the Authority Revenues, and do not constitute a debt of the members of the Borrower, the State or any of its political subdivisions (including the City), except the Borrower. Notwithstanding anything to the contrary set forth in this Agreement, the City is not a borrower with respect to the WIFIA Loan, the WIFIA Note, or this Agreement and the City has no obligation to make any payment or provision for payment of the WIFIA Loan or the WIFIA Note. This Agreement does not constitute a contract between the City and the WIFIA Lender by which the City has incurred an indebtedness.

#### Section 9. Prepayment.

(a) Mandatory Prepayment from Net Proceeds or Eminent Domain Proceeds. The Borrower, or the City as agent of the Borrower, shall prepay the WIFIA Loan from and in the amount of any prepayments of the WIFIA Installment Payments received from the City pursuant to the WIFIA IPA and Section 17(f)(iii) (*Affirmative Covenants of the City – Insurance; Net Proceeds*) or Section 17(t) (*Affirmative Covenants of the City – Eminent Domain Proceeds*). The amount of any such prepayment shall be equal to the portion of the Outstanding WIFIA Loan Balance required to be prepaid hereunder plus accrued interest thereon to the date of prepayment. All such prepayments shall be paid to the WIFIA Lender by the City as agent of the Borrower substantially concurrently with the receipt of such amount by the Borrower and applied against the Outstanding WIFIA Loan Balance in accordance with Section 9(d) (*Prepayment – General Prepayment Instructions*).

(b) Optional Prepayments. Following the Final Disbursement Date, the Borrower (or the City as agent of the Borrower) may prepay the WIFIA Loan in whole or in part (and, if in part, the amounts thereof to be prepaid shall be determined by the Borrower; provided that such prepayments shall be in principal amounts of \$1,000,000 or any integral multiple of \$1.00 in excess thereof), from time to time, but not more than annually, without penalty or premium, by paying to the WIFIA Lender such principal amount of the WIFIA Loan to be prepaid, together with the unpaid interest accrued on the amount of principal so prepaid to the date of such prepayment, which shall be a Payment Date unless otherwise agreed by the WIFIA Lender. Each prepayment of the WIFIA Loan pursuant to this Section 9(b) shall be made on such Payment Date and in such principal amount as shall be specified by the Borrower in a written notice delivered to the WIFIA Lender not less than ten (10) days or more than thirty (30) days prior to the date set for prepayment, unless otherwise agreed by the WIFIA Lender. At any time between delivery of such

written notice and the applicable optional prepayment, the Borrower may, without penalty or premium, rescind its announced optional prepayment by further written notice to the WIFIA Lender. Anything in this Section 9(b) to the contrary notwithstanding, the failure by the Borrower to make any optional prepayment shall not constitute a breach or default under this Agreement.

(c) Borrower's Certificate. Each prepayment pursuant to this Section 9 shall be accompanied by a certificate signed by the Borrower's Authorized Representative identifying the provision of this Agreement pursuant to which such prepayment is being made and containing a calculation in reasonable detail of the amount of such prepayment.

(d) General Prepayment Instructions. Upon the WIFIA Lender's receipt of confirmation that payment in full in immediately available funds of the entire Outstanding WIFIA Loan Balance and any unpaid interest, fees and expenses with respect thereto has occurred as a result of a mandatory or optional prepayment, the WIFIA Lender shall surrender the WIFIA Note to the Borrower or its representative at the principal office of the WIFIA Lender. If the Borrower prepays only part of the unpaid balance of principal of the WIFIA Loan, the WIFIA Lender may make a notation on **Exhibit F** (*WIFIA Debt Service*) indicating the amount of principal of and interest on the WIFIA Loan then being prepaid. Absent manifest error, the WIFIA Lender's determination of such matters as set forth on **Exhibit F** (*WIFIA Debt Service*) shall be conclusive evidence thereof; provided that neither the failure to make any such recordation nor any error in such recordation shall affect in any manner any payment obligation or other obligation of the Borrower hereunder or under any other WIFIA Loan Document to which the Borrower is a party, or any payment obligation of the City under the WIFIA IPA or any other obligation of the City hereunder or under any WIFIA Loan Document to which the City is a party. All partial prepayments of principal shall be applied to reduce future payments due on the WIFIA Loan ratably by an equal amount. If such funds have not been so paid on the prepayment date, such principal amount of the WIFIA Loan shall continue to bear interest until payment thereof at the rate provided for in Section 6 (*Interest Rate*).

Section 10. Fees and Expenses.

(a) Fees. The City shall pay, on behalf of the Borrower, to the WIFIA Lender:

(i) a servicing set-up fee equal to \$10,790 (the "**Servicing Set-Up Fee**"), which shall be due and payable within thirty (30) days after receipt of an invoice from the WIFIA Lender with respect thereto (or, if earlier, the first disbursement date of the WIFIA Loan);

(ii) an annual construction period servicing fee equal to \$10,790 (the "**Construction Period Servicing Fee**"), which shall accrue on the first Business Day of the then-current Federal Fiscal Year and shall be due and payable on or prior to each November 15 during the Construction Period (including the Federal Fiscal Year during which the Substantial Completion Date occurs); provided that the initial Construction Period Servicing Fee shall be due and payable within thirty (30) days after receipt of an



invoice from the WIFIA Lender with respect thereto (or, if earlier, the first disbursement date of the WIFIA Loan), in a pro-rated amount equal to \$[●]<sup>4</sup>; and

(iii) an annual operating period servicing fee equal to \$8,100 (the “**Operating Period Servicing Fee**”), which shall accrue on the first Business Day of the then-current Federal Fiscal Year and shall be due and payable on or prior to each November 15, beginning with the first November 15 following the end of the Federal Fiscal Year during which the Substantial Completion Date occurs, until (and including) the Final Maturity Date; provided that the Operating Period Servicing Fee due and payable with respect to the Federal Fiscal Year during which the Final Maturity Date occurs shall be equal to the pro-rata monthly portion of the then applicable Operating Period Servicing Fee multiplied by the number of partial or whole months remaining between October 1 and the Final Maturity Date.

(b) The amount of each Construction Period Servicing Fee (other than the initial Construction Period Servicing Fee) and each Operating Period Servicing Fee shall be adjusted in proportion to the percentage change in CPI for the calendar year immediately preceding the calendar year during which such fee is due. The WIFIA Lender shall notify the City of the amount of each such fee at least thirty (30) days before payment is due, which determination shall be conclusive absent manifest error.

(c) Expenses. The City agrees, whether or not the transactions hereby contemplated shall be consummated, to reimburse the WIFIA Lender on demand from time to time, within thirty (30) days after receipt of any invoice from the WIFIA Lender, for any and all fees, costs, charges, and expenses incurred by it (including the fees, costs, and expenses of its legal counsel, financial advisors, auditors and other consultants and advisors) in connection with the negotiation, preparation, execution, delivery, and performance of this Agreement and the other WIFIA Loan Documents and the transactions hereby and thereby contemplated, including attorneys’ and engineers’ fees and professional costs, including all such fees, costs, and expenses incurred as a result of or in connection with: (i) the enforcement of or attempt to enforce, or the protection or preservation of any right or claim under, the Authority Revenues, the Revenues, the WIFIA Debt Service Account, or any provision of this Agreement or any other WIFIA Loan Document or the rights of the WIFIA Lender thereunder; (ii) any amendment, modification, waiver, or consent with respect to this Agreement or any other Related Document; and (iii) any work-out, restructuring, or similar arrangement of the obligations of the Borrower or the City under this Agreement or the other WIFIA Loan Documents, including during the pendency of any Event of Default; provided that nothing in this Section 10(c) shall obligate the City to pay principal or interest on the WIFIA Loan or WIFIA Note.

(d) The obligations of the City under this Section 10 shall survive the payment or prepayment in full in accordance with Section 8 or Section 9, respectively, of the WIFIA Note, the enforcement of any provision of this Agreement or the other WIFIA Loan Documents, any such amendments, waivers or consents, any Event of Default, and any such workout, restructuring, or similar arrangement.

<sup>4</sup> **NTD**: Subject to month of closing (May: \$3,590; June: \$2,690; July: \$1,790; August: \$890).

### ARTICLE III CONDITIONS PRECEDENT

#### Section 11. Conditions Precedent.

(a) Conditions Precedent to Effectiveness. Notwithstanding anything in this Agreement to the contrary, this Agreement shall not become effective until each of the following conditions precedent has been satisfied or waived in writing by the WIFIA Lender in its sole discretion:

(i) The Borrower and the City shall each have duly executed and delivered to the WIFIA Lender this Agreement and the WIFIA IPA and the Borrower shall have duly executed and delivered to the WIFIA Lender the WIFIA Note, each in form and substance satisfactory to the WIFIA Lender.

(ii) The Borrower and the City shall each have delivered to the WIFIA Lender complete and fully executed copies of each Related Document and each Existing Construction Contract to which it is a party, together with any amendments, supplements, waivers or modifications thereto, that has been entered into on or prior to the Effective Date, along with a certification in the Borrower Closing Certificate and the City Closing Certificate, respectively, that each such document is complete, fully executed and in full force and effect, and that all conditions contained in such documents that are necessary to the closing of the WIFIA transactions contemplated hereby have been fulfilled.

(iii) The Borrower and the City shall each have delivered to the WIFIA Lender a copy of its Organizational Documents, as in effect on the Effective Date, along with a certification in the Borrower Closing Certificate or City Closing Certificate, as applicable, that such Organizational Documents are in full force and effect.

(iv) The City shall have delivered to the WIFIA Lender a copy of the WIFIA City Resolution, along with a certification that the WIFIA City Resolution is in full force and effect, and no further instruments or documents (including any resolutions, ordinances, and supplements) are necessary for the City to execute and deliver, and to perform its obligations under, the WIFIA Loan Documents to which it is a party and to consummate and implement the transactions contemplated by the WIFIA Loan Documents to which it is a party.

(v) The Borrower shall have delivered to the WIFIA Lender a copy of the WIFIA Borrower Resolution, along with a certification that the WIFIA Borrower Resolution is in full force and effect, and no further instruments or documents (including any resolutions, ordinances, and supplements) are necessary for the Borrower to execute and deliver, and to perform its obligations under, the WIFIA Loan Documents to which it is a party and to consummate and implement the transactions contemplated by the WIFIA Loan Documents to which it is a party.

(vi) (A) Counsel to the Borrower shall have rendered to the WIFIA Lender legal opinions satisfactory to the WIFIA Lender in its sole discretion (including those opinions set forth on **Exhibit G-1** (*Opinions Required from Counsel to Borrower*)),

(B) bond counsel to the Borrower shall have rendered to the WIFIA Lender legal opinions satisfactory to the WIFIA Lender in its sole discretion (including those opinions set forth on **Exhibit G-2** (*Opinions Required from Borrower Bond Counsel*)), (C) counsel to the City shall have rendered to the WIFIA Lender legal opinions satisfactory to the WIFIA Lender in its sole discretion (including those opinions set forth on **Exhibit G-3** (*Opinions Required from Counsel to City*)), and (D) bond counsel to the City shall have rendered to the WIFIA Lender legal opinions satisfactory to the WIFIA Lender in its sole discretion (including those opinions set forth on **Exhibit G-4** (*Opinions Required from City Bond Counsel*)).

(vii) The Borrower and the City shall each have delivered to the WIFIA Lender the Non-Debarment Certificate.

(viii) The Borrower and the City shall each have delivered to the WIFIA Lender the Non-Lobbying Certificate.

(ix) The Borrower shall have delivered to the WIFIA Lender a certificate, signed by the Borrower's Authorized Representative, substantially in the form attached hereto as **Exhibit H-1** (*Form of Closing Certificate of Borrower*) (the "**Borrower Closing Certificate**"), designating the Borrower's Authorized Representative, confirming such person's position and incumbency, and certifying as to the satisfaction of the following conditions precedent (and, if requested by the WIFIA Lender, shall have provided evidence satisfactory to the WIFIA Lender of such compliance):

(A) the Borrower has obtained all Governmental Approvals necessary to execute and deliver, and perform its obligations under the WIFIA Loan Documents to which it is a party, and all such Governmental Approvals are final, non-appealable, and in full force and effect (and are not subject to any notice of violation, breach, or revocation);

(B) as of the Effective Date, (x) the maximum principal amount of the WIFIA Loan, together with the amount of any other credit assistance provided under the Act to the Borrower, does not exceed forty-nine percent (49%) of reasonably anticipated Eligible Project Costs and (y) the total federal assistance provided to the Project, including the maximum principal amount of the WIFIA Loan, does not exceed eighty percent (80%) of Total Project Costs;

(C) the Borrower has (x) obtained a Federal Employer Identification Number, (y) obtained a Data Universal Numbering System number, and (z) registered with, and obtained confirmation of active registration status from, the federal System for Award Management ([www.SAM.gov](http://www.SAM.gov));

(D) the Borrower has obtained the WIFIA CUSIP Number, provided that the WIFIA Lender shall not submit or post any document or information on EMMA relating to this Agreement or the Borrower without the Borrower's prior written consent;

(E) the representations and warranties of the Borrower set forth in this Agreement and in each other WIFIA Loan Document to which the Borrower is a party are true and correct on and as of the date hereof, except to the extent that such representations and warranties expressly relate to an earlier date, in which case such representations and warranties were true and correct as of such earlier date; and

(F) no Borrower Material Adverse Effect, or any event or condition that could reasonably be expected to have a Borrower Material Adverse Effect, has occurred or arisen since June 1, 2021.

(x) The City shall have delivered to the WIFIA Lender a certificate, signed by the City's Authorized Representative, substantially in the form attached hereto as **Exhibit H-2** (*Form of Closing Certificate of City*) (the "**City Closing Certificate**"), designating the City's Authorized Representative, confirming such person's position and incumbency, and certifying as to the satisfaction of the following conditions precedent (and, if requested by the WIFIA Lender, shall have provided evidence satisfactory to the WIFIA Lender of such compliance):

(A) the City has obtained all Governmental Approvals necessary (x) as of the Effective Date in connection with the Project and (y) to execute and deliver, and perform its obligations under the WIFIA Loan Documents to which it is a party, and all such Governmental Approvals are final, non-appealable, and in full force and effect (and are not subject to any notice of violation, breach, or revocation);

(B) as of the Effective Date, (x) the maximum principal amount of the WIFIA Loan, together with the amount of any other credit assistance provided under the Act to the Borrower, does not exceed forty-nine percent (49%) of reasonably anticipated Eligible Project Costs and (y) the total federal assistance provided to the Project, including the maximum principal amount of the WIFIA Loan, does not exceed eighty percent (80%) of Total Project Costs;

(C) the City is in compliance with NEPA and any applicable federal, state or local environmental review and approval requirements with respect to the Project;

(D) the City has (x) obtained a Federal Employer Identification Number, (y) obtained a Data Universal Numbering System number, and (z) registered with, and obtained confirmation of active registration status from, the federal System for Award Management ([www.SAM.gov](http://www.SAM.gov));

(E) the representations and warranties of the City set forth in this Agreement and in each other WIFIA Loan Document to which the City is a party are true and correct on and as of the date hereof, except to the extent that such representations and warranties expressly relate to an earlier date, in which case such representations and warranties were true and correct as of such earlier date; and

(F) no City Material Adverse Effect, or any event or condition that could reasonably be expected to have a City Material Adverse Effect, has occurred or arisen since June 1, 2021.

(xi) The Borrower shall have provided evidence to the WIFIA Lender's satisfaction, prior to the Effective Date, of the assignment by at least one (1) Nationally Recognized Rating Agency of a public Investment Grade Rating to the WIFIA Loan, along with a certification in the Borrower Closing Certificate that no such rating has been reduced, withdrawn or suspended as of the Effective Date.

(xii) The City shall have delivered to the WIFIA Lender a Base Case Financial Model in form and substance acceptable to the WIFIA Lender, along with a certification in the City Closing Certificate that such Base Case Financial Model demonstrates that (A) projected Revenues and Authority Revenues are each sufficient to meet the Loan Amortization Schedule and (B) the City has developed, and identified adequate revenues to implement, a plan for operating, maintaining and repairing the Project over the useful life of the Project.

(xiii) The City shall have delivered to the WIFIA Lender (A) certificates of insurance, along with a certification in the City Closing Certificate that such insurance certificates are true and correct and demonstrate compliance with the requirements of Section 17(f) (*Affirmative Covenants of the City – Insurance; Net Proceeds*) and (B) at the WIFIA Lender's request, copies of such insurance policies and/or, if applicable, documents pertaining to the City's self-insurance program.

(xiv) Prior to the Effective Date, the City shall have delivered to the WIFIA Lender the Public Benefits Report.

(xv) The City shall have paid in full all invoices delivered by the WIFIA Lender to the City as of the Effective Date for any applicable Servicing Fees and the fees and expenses of the WIFIA Lender's counsel and financial advisors and any auditors or other consultants retained by the WIFIA Lender for the purposes hereof.

(xvi) The City shall have provided evidence to the WIFIA Lender's satisfaction of the (A) establishment by the City of the WIFIA Debt Service Account and (B) the pledge of such account by the City for the sole benefit of the Borrower.

(xvii) The City shall have delivered to the WIFIA Lender a copy of the Debt Management Policy.

(b) Conditions Precedent to Disbursements. Notwithstanding anything in this Agreement to the contrary, the WIFIA Lender shall have no obligation to make any disbursement of WIFIA Loan proceeds to the Borrower (including the initial disbursement hereunder) until each of the following conditions precedent has been satisfied or waived in writing by the WIFIA Lender in its sole discretion:

(i) The City, as agent of the Borrower pursuant to the WIFIA IPA, shall have delivered to the WIFIA Lender a Requisition that complies with the provisions of

Section 4 (*Disbursement Conditions*) (including satisfactory Eligible Project Costs Documentation relating to such Requisition), and the WIFIA Lender shall have approved (or be deemed to have approved in accordance with Section 4(c) (*Disbursement Conditions*)) such Requisition. The City's Authorized Representative shall also certify in such Requisition that:

(A) the aggregate amount of all disbursements of the WIFIA Loan (including the requested disbursement amount) does not exceed (1) the maximum principal amount of the WIFIA Loan or (2) the aggregate amount of Eligible Project Costs paid or incurred by the City, as agent of the Borrower pursuant to the WIFIA IPA;

(B) each of the insurance policies obtained by the City in satisfaction of the requirements of Section 17(f) (*Affirmative Covenants of the City – Insurance; Net Proceeds*) is in full force and effect, and no notice of termination thereof has been issued by the applicable insurance provider;

(C) at the time of, and immediately after giving effect to, any disbursement of WIFIA Loan proceeds then currently requested, (1) no Default or Event of Default hereunder and no event of default under any other Related Document to which the City is a party shall have occurred and be continuing and (2) no event that, with the giving of notice or the passage of time or both, would constitute an event of default under any other Related Document to which the City is a party shall have occurred and be continuing;

(D) no City Material Adverse Effect, or any event or condition that could reasonably be expected to result in a City Material Adverse Effect, shall have occurred since the Effective Date;

(E) (1) the City and each of the contractors and subcontractors at all tiers with respect to the Project have complied with all applicable laws, rules, regulations and requirements, including 40 U.S.C. §§3141-3144, 3146, and 3147 (relating to Davis-Bacon Act requirements) (and regulations relating thereto) and 33 U.S.C. §3914 (relating to American iron and steel products); and (2) supporting documentation, such as certified payroll records and certifications for all iron and steel products used for the Project, are being maintained and are available for review upon request by the WIFIA Lender; and

(F) the representations and warranties of the City set forth in this Agreement (including Section 13 (*Representations and Warranties of the City*)) and in each other WIFIA Loan Document to which the City is a party shall be true and correct as of each date on which any disbursement of the WIFIA Loan is made, except to the extent such representations and warranties expressly relate to an earlier date (in which case, such representations and warranties shall be true and correct as of such earlier date).

(ii) To the extent necessary to make the corresponding representations and warranties true, correct and complete as of the date of the applicable disbursement, the City shall have delivered a schedule, in form and substance satisfactory to the WIFIA Lender, listing any exceptions with respect to the representations and warranties set forth in Section 13(o) (*Environmental Matters*).

(iii) The Borrower's Authorized Representative shall have delivered to the WIFIA Lender a certificate in the form of **Appendix Two** (*Form of Borrower Disbursement Certificate*) to **Exhibit D** (*Requisition Procedures*) certifying that:

(A) at the time of, and immediately after giving effect to, any disbursement of WIFIA Loan proceeds then currently requested, (1) no Default or Event of Default hereunder and no event of default under any other Related Document to which the Borrower is a party shall have occurred and be continuing and (2) no event that, with the giving of notice or the passage of time or both, would constitute an event of default under any other Related Document to which the Borrower is a party shall have occurred and be continuing;

(B) no Borrower Material Adverse Effect, or any event or condition that could reasonably be expected to result in a Borrower Material Adverse Effect, shall have occurred since the Effective Date; and

(C) the representations and warranties of the Borrower set forth in this Agreement (including Section 12 (*Representations and Warranties of the Borrower*)) and in each other WIFIA Loan Document to which the Borrower is a party shall be true and correct as of each date on which any disbursement of the WIFIA Loan is made, except to the extent such representations and warranties expressly relate to an earlier date (in which case, such representations and warranties shall be true and correct as of such earlier date).

(iv) To the extent not previously delivered to the WIFIA Lender, the City shall have delivered to the WIFIA Lender copies of any Related Document (including any amendment, waiver, modification or supplement thereto) entered into after the Effective Date, along with a certification in the Requisition that each such document is complete, fully executed and in full force and effect.

(v) The City shall have paid in full (A) any outstanding Servicing Fees due and payable under Section 10 (*Fees and Expenses*) and (B) all invoices received from the WIFIA Lender as of the date of disbursement of the WIFIA Loan and delivered by the WIFIA Lender to the City, for the fees and expenses of the WIFIA Lender's counsel and financial advisors and any auditors or other consultants retained by the WIFIA Lender for the purposes hereof.

#### **ARTICLE IV REPRESENTATIONS AND WARRANTIES**

Section 12. Representations and Warranties of the Borrower. The Borrower hereby represents and warrants that, as of the Effective Date and, as to each of the representations and

warranties other than those (x) contained in Section 12(b) (*Representations and Warranties of the Borrower – Officers’ Authorization*), Section 12(k) (*Representations and Warranties of the Borrower – Credit Ratings*) and the first sentence of Section 12(f) (*Representations and Warranties of the Borrower – Litigation*), or (y) which expressly relate only to the City, as of each date on which any disbursement of the WIFIA Loan is requested or made:

(a) Organization; Power and Authority. The Borrower is a joint exercise of powers agency duly organized and validly existing under its Organizational Documents and the laws of the State, has full legal right, power and authority to do business in the State and to enter into the Related Documents then in existence to which it is a party, to execute and deliver this Agreement and the WIFIA Note, and to carry out and consummate all transactions contemplated hereby and thereby, and has duly authorized the execution, delivery and performance of this Agreement, the WIFIA Note, and the other Related Documents to which it is a party.

(b) Officers’ Authorization. As of the Effective Date, the officers of the Borrower executing (or that previously executed) the Related Documents (and any certifications or instruments related thereto) to which the Borrower is a party are (or were at the time of such execution) duly and properly in office and fully authorized to execute the same.

(c) Due Execution; Enforceability. Each of the Related Documents in effect as of any date on which this representation and warranty is made, and to which the Borrower is a party has been duly authorized, executed and delivered by the Borrower and constitutes the legal, valid and binding agreement of the Borrower enforceable against it in accordance with its terms, except as such enforceability (i) may be limited by applicable bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium or similar laws affecting the rights of creditors generally and (ii) is subject to general principles of equity, the exercise of judicial discretion and the limitation on legal remedies against governmental entities imposed by the laws of the State (regardless of whether enforceability is considered in equity or at law).

(d) Non-Contravention. The execution and delivery of the Related Documents to which the Borrower is a party, the consummation of the transactions contemplated by the Related Documents to which the Borrower is a party, and the fulfillment of or compliance with the terms and conditions of the Related Documents to which the Borrower is a party, will not (i) conflict with the Borrower’s Organizational Documents, (ii) conflict in any material respect with, or constitute a violation, breach or default (whether immediately or after notice or the passage of time or both) by the Borrower of or under, any applicable law, administrative rule or regulation, any applicable court or administrative decree or order, or any indenture, mortgage, deed of trust, loan agreement, lease, contract or other agreement or instrument to which the Borrower is a party or by which it or its properties or assets are otherwise subject or bound, or (iii) result in the creation or imposition of any Lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the Borrower, other than Permitted Liens.

(e) Consents and Approvals. No consent or approval of any trustee, holder of any indebtedness of the Borrower, or of any other Person, and no consent, permission, authorization, order or license of, or filing or registration with, any Governmental Authority is necessary in connection with (i) the execution and delivery by the Borrower of the Related Documents to which it is a party, except as have been obtained or made and as are in full force and



effect, or (ii) (A) the consummation of any transaction contemplated by any of the Related Documents to which the Borrower is a party, or (B) the fulfillment of or compliance by the Borrower with the terms and conditions of any of the Related Documents to which the Borrower is a party, except as have been obtained or made and as are in full force and effect or as are ministerial in nature and can reasonably be expected to be obtained or made in the ordinary course on commercially reasonable terms and conditions when needed.

(f) Litigation. There is no action, suit, proceeding or, to the knowledge of the Borrower, any inquiry or investigation, in any case before or by any court or other Governmental Authority pending or, to the knowledge of the Borrower, threatened against or affecting the System (including the Project) or the ability of the Borrower to execute, deliver and perform its obligations under the Related Documents to which the Borrower is a party. As of the Effective Date and as of each other date on which the representations and warranties herein are made or confirmed, there is no action, suit, proceeding or, to the knowledge of the Borrower, any inquiry or investigation before or by any court or other Governmental Authority pending, or to the knowledge of the Borrower, threatened against or affecting the System (including the Project), the Borrower or the assets, properties or operations of the Borrower, that in any case could reasonably be expected to result in a Borrower Material Adverse Effect.

(g) Security Interests. (i) This Agreement and Section 5451 of the California Government Code establish, and (ii) the Borrower has taken all necessary action to pledge and assign, in each case in favor of the WIFIA Lender, the Borrower Assigned Rights purported to be created, pledged and assigned pursuant to and in accordance with this Agreement. Such pledge and assignment shall constitute a lien on and security interest in the Borrower Assigned Rights and are valid and binding irrespective of whether any Person has notice of such pledge and assignment and without the need for any physical delivery, recordation, filing, or further act.<sup>5</sup> Such pledge and assignment are in full force and effect and are the only lien and security interest in respect of the Borrower Assigned Rights. The Borrower is not in breach of any covenant set forth in Section 15(a) (*Affirmative Covenants of the Borrower – Securing Liens*) or in any other WIFIA Loan Document to which the Borrower is a party with respect to the matters described in Section 15(a) (*Affirmative Covenants of the Borrower – Securing Liens*). As of the Effective Date and as of each other date this representation and warranty is made, (1) all documents and instruments have been recorded or filed for record in such manner and in such places as are required and all other action as is necessary or desirable has been taken to establish a legal, valid, binding, and enforceable lien and security interest in the Borrower Assigned Rights for the benefit of the WIFIA Lender, and (2) all taxes and filing fees that are due and payable in connection with the execution, delivery or recordation of any WIFIA Loan Document or any instruments, certificates or financing statements in connection with the foregoing, have been paid. Neither the attachment, validity, enforceability or priority of the lien and security interest in the Borrower Assigned Rights is governed by Article 9 of the UCC.

(h) No Debarment. The Borrower has fully complied with its verification obligations under 2 C.F.R. § 180.320 and confirms, based on such verification, that, to its knowledge, neither the Borrower nor any of its principals (as defined in 2 C.F.R. § 180.995 and

<sup>5</sup> **NTD**: Revised language adapted from the 2019 Trust Indenture, including references to lien and security interest.

supplemented by 2 C.F.R. § 1532.995) is debarred, suspended or voluntarily excluded from participation in Government contracts, procurement or non-procurement matters or delinquent on a Government debt as more fully set forth in the certificate delivered pursuant to Section 11(a)(vii) (*Conditions Precedent – Conditions Precedent to Effectiveness*).

(i) Accuracy of Representations and Warranties. The representations, warranties and certifications of the Borrower set forth in this Agreement and the other Related Documents to which the Borrower is a party are true, correct, and complete, except to the extent such representations and warranties expressly relate to an earlier date (in which case, such representations and warranties shall be true, correct, and complete as of such earlier date).

(j) Compliance with Laws. The Borrower has complied with all applicable laws, rules, regulations and requirements.

(k) Credit Rating. The WIFIA Loan has received a public Investment Grade Rating from at least one (1) Nationally Recognized Rating Agency, written evidence of such rating has been provided to the WIFIA Lender prior to the Effective Date, and no such rating has been reduced, withdrawn or suspended as of the Effective Date.

(l) No Defaults. No Default or Event of Default, and no default or event of default by the Borrower under any other Related Document to which the Borrower is a party, has occurred and is continuing.

(m) Information. Neither the WIFIA Loan Documents to which the Borrower is a party, nor any documents, certificates or statements provided to the WIFIA Lender by representatives of the Borrower in connection with the transactions contemplated thereby, which for purposes of this Section 12(m) shall consist of all documents or statements related to the Application or the Project, cash flow schematics, responses to due diligence interrogatories or requests from the WIFIA Lender or its advisors, and documents uploaded to the online WIFIA SharePoint data room made accessible to the Borrower by the WIFIA Lender, to the extent such documents, certificates, statements or other materials relate to the Borrower (including its finances or operations) or the Project, contain any untrue statement of any material fact or omit to state any material fact necessary so as to make such WIFIA Loan Documents, documents, certificates, statements or other materials so provided to the WIFIA Lender, in light of the circumstances under which they were made, not misleading.

(n) Insurance. The Borrower is in compliance with all insurance obligations applicable to the Borrower required under each Related Document to which the Borrower is a party as of the date on which this representation and warranty is made. To the extent the Borrower self-insures, the Borrower's self-insurance program is actuarially sound and the Borrower has received an opinion from an accredited actuary within the last twelve (12) months, which opinion confirms that the Borrower's self-insurance program is actuarially sound.

(o) No Prohibited Liens. The Borrower has not created, and is not under any obligation to create, and has not entered into any transaction or agreement that would result in the imposition of, any Lien on the Borrower Assigned Rights. The Borrower Assigned Rights are free

and clear of any pledge, Lien, charge or encumbrance thereon or with respect thereto other than the pledge and assignment thereon for the benefit of the WIFIA Lender.

(p) Borrower Financial Statements. Each Borrower Financial Statement delivered to the WIFIA Lender by the Borrower pursuant to Section 19(a) (*Reporting Requirements of the Borrower – Annual Financial Statements*) has been prepared in accordance with GAAP and presents fairly, in all material respects, the financial condition of the Borrower as of the respective dates of the balance sheets included therein and the results of operations of the Borrower for the respective periods covered by the statements of income included therein. Except as reflected in such Borrower Financial Statements, there are no liabilities or obligations of the Borrower of any nature whatsoever for the periods to which such Borrower Financial Statements relate that are required to be disclosed in accordance with GAAP.

(q) Securities Laws. Under existing law, the WIFIA Note may be issued and sold without registration under the Securities Act of 1933, as amended, and any State blue sky laws.

(r) Sovereign Immunity. The Borrower either has no immunity from the jurisdiction of any court of competent jurisdiction or from any legal process therein which could be asserted in any action to enforce the obligations of the Borrower under any of the Related Documents to which the Borrower is a party or the transactions contemplated hereby or thereby, including the obligations of the Borrower hereunder and thereunder, or, to the extent that the Borrower has such immunity, the Borrower has waived such immunity pursuant to Section 15(j) (*Affirmative Covenants of the Borrower – Immunity*).

(s) Taxes; No Federal Debt. The Borrower has paid all applicable taxes and other material taxes and assessments payable by it that have become due (other than those taxes or assessments that it is contesting in good faith and by appropriate proceedings, for which adequate reserves have been established to the extent required by GAAP). The Borrower has no delinquent federal debt (including tax liabilities but excluding any delinquencies that have been resolved with the appropriate federal agency in accordance with the standards of the Debt Collection Improvement Act of 1996).

Section 13. Representations and Warranties of the City. The City hereby represents and warrants that, as of the Effective Date and, as to each of the representations and warranties other than those (x) contained in Section 13(b) (*Representations and Warranties of the City – Officers' Authorization*), the first sentence of Section 13(f) (*Representations and Warranties of the City – Litigation*) and the first sentence of Section 13(m) (*Representations and Warranties of the City – Construction Contracts*) or (y) which expressly relate only to the Borrower, as of each date on which any disbursement of the WIFIA Loan is requested or made:

(a) Organization; Power and Authority. The City is a municipal corporation and general law city duly organized and validly existing under the statutes of the State, has full legal right, power and authority to do business in the State and to enter into the Related Documents then in existence to which it is a party, to execute and deliver this Agreement, and to carry out and consummate all transactions contemplated hereby and thereby, and has duly authorized the

execution, delivery and performance of this Agreement and the other Related Documents to which it is a party.

(b) Officers' Authorization. As of the Effective Date, the officers of the City executing (or that previously executed) the Related Documents (and any certifications or instruments related thereto) to which the City is a party are (or were at the time of such execution) duly and properly in office and fully authorized to execute the same.

(c) Due Execution; Enforceability. Each of the Related Documents in effect as of any date on which this representation and warranty is made, and to which the City is a party has been duly authorized, executed and delivered by the City and constitutes the legal, valid and binding agreement of the City enforceable against it in accordance with its terms, except as such enforceability (i) may be limited by applicable bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium or similar laws affecting the rights of creditors generally and (ii) is subject to general principles of equity, the exercise of judicial discretion and the limitation on legal remedies against governmental entities imposed by the laws of the State (regardless of whether enforceability is considered in equity or at law).

(d) Non-Contravention. The execution and delivery of the Related Documents to which the City is a party, the consummation of the transactions contemplated by the Related Documents to which the City is a party, and the fulfillment of or compliance with the terms and conditions of the Related Documents to which the City is a party, will not (i) conflict with the City's Organizational Documents, (ii) conflict in any material respect with, or constitute a violation, breach or default (whether immediately or after notice or the passage of time or both) by the City of or under, any applicable law, administrative rule or regulation, any applicable court or administrative decree or order, or any indenture, mortgage, deed of trust, loan agreement, lease, contract or other agreement or instrument to which the City is a party or by which it or its properties or assets are otherwise subject or bound, or (iii) result in the creation or imposition of any Lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the City, other than Permitted Liens.

(e) Consents and Approvals. No consent or approval of any trustee, holder of any indebtedness of the City or of any other Person, and no consent, permission, authorization, order or license of, or filing or registration with, any Governmental Authority is necessary in connection with (i) the execution and delivery by the City of the Related Documents to which it is a party, except as have been obtained or made and as are in full force and effect, or (ii) (A) the consummation of any transaction contemplated by any of the Related Documents to which the City is a party, or (B) the fulfillment of or compliance by the City with the terms and conditions of any of the Related Documents to which the City is a party, except as have been obtained or made and as are in full force and effect or as are ministerial in nature and can reasonably be expected to be obtained or made in the ordinary course on commercially reasonable terms and conditions when needed.

(f) Litigation. There is no action suit, proceeding or, to the knowledge of the City, any inquiry or investigation, in any case before or by any court or other Governmental Authority pending or, to the knowledge of the City, threatened against or affecting the System (including the Project) or the ability of the City to execute, deliver and perform its obligations

under the Related Documents to which the City is a party. As of the Effective Date and as of each other date on which the representations and warranties herein are made or confirmed, there is no action, suit, proceeding or, to the knowledge of the City, any inquiry or investigation before or by any court or other Governmental Authority pending, or to the knowledge of the City, threatened against or affecting the System (including the Project), the City or the assets, properties or operations of the City, that in any case could reasonably be expected to result in a City Material Adverse Effect.

(g) Security Interests. (i) The WIFIA IPA and Section 5451 of the California Government Code establish, and (ii) the City has taken all necessary action to pledge, assign, and grant, in each case in favor of the Borrower, legal, valid, binding and enforceable Liens on the City Pledged Collateral purported to be created, pledged, assigned, and granted pursuant to and in accordance with the WIFIA IPA, irrespective of whether any Person has notice of the pledge and without the need for any physical delivery, recordation, filing, or further act. The Liens on the City Pledged Collateral in favor of the Borrower are in full force and effect and, other than any amounts (including proceeds of the WIFIA Loan) which are held in any fund or account that is established pursuant to the WIFIA IPA, are (A) not subordinate or junior to any other Liens in respect of the City Pledged Collateral, (B) not *pari passu* with any Liens in respect of the City Pledged Collateral other than the Liens on the City Pledged Collateral for the benefit of the Parity Obligations and (C) senior to the Liens on the City Pledged Collateral for the benefit of the Subordinate Obligations. The Lien on any amounts (including proceeds of the WIFIA Loan) which are held in any fund or account that is established pursuant to the WIFIA IPA in favor of the Borrower is the only Lien with respect to such amounts. The City is not in breach of any covenant set forth in Section 17(b) (*Affirmative Covenants of the City – Securing Liens*) or in any WIFIA Loan Document to which the City is a party with respect to the matters described in Section 17(b) (*Affirmative Covenants of the City – Securing Liens*). As of the Effective Date and as of each other date this representation and warranty is made, (1) all documents and instruments have been recorded or filed for record in such manner and in such places as are required and all other action as is necessary or desirable has been taken to establish a legal, valid, binding, and enforceable Lien on the City Pledged Collateral for the benefit of the Borrower, and (2) all taxes and filing fees that are due and payable in connection with the execution, delivery or recordation of any WIFIA Loan Document or any instruments, certificates or financing statements in connection with the foregoing, have been paid. Neither the attachment, validity, enforceability or priority of the security interest in the City Pledged Collateral granted pursuant to the WIFIA IPA is governed by Article 9 of the UCC.

(h) No Debarment. The City has fully complied with its verification obligations under 2 C.F.R. § 180.320 and confirms, based on such verification, that, to its knowledge, neither the City nor any of its principals (as defined in 2 C.F.R. § 180.995 and supplemented by 2 C.F.R. § 1532.995) is debarred, suspended or voluntarily excluded from participation in Government contracts, procurement or non-procurement matters or delinquent on a Government debt as more fully set forth in the certificate delivered pursuant to Section 11(a)(vii) (*Conditions Precedent – Conditions Precedent to Effectiveness*).

(i) Accuracy of Representations and Warranties. The representations, warranties and certifications of the City set forth in this Agreement and the other Related Documents to which the City is a party are true, correct, and complete, except to the extent such

representations and warranties expressly relate to an earlier date (in which case, such representations and warranties shall be true, correct, and complete as of such earlier date).

(j) Compliance with Laws.

(i) The City has complied, and has required its contractors and subcontractors at all tiers with respect to the Project to comply, with all applicable laws, rules, regulations and requirements, including 40 U.S.C. §§ 3141-3144, 3146, and 3147 (relating to Davis-Bacon Act requirements) (and regulations relating thereto), 33 U.S.C. § 3914 (relating to American iron and steel products), 20 C.F.R. § 180.320 and 20 C.F.R. § 1532 (relating to non-debarment), 31 U.S.C. § 1352 (relating to non-lobbying), and any applicable Sanctions Laws.

(ii) To ensure such compliance, the City has included in all contracts with respect to the Project (A) the contract clauses relating to the Davis-Bacon Act requirements that are set forth in the Code of Federal Regulations, Title 29 Part 5.5 and (B) requirements that its contractors (1) shall comply with all applicable laws, rules, regulations, and requirements set forth in this Section 13(j) and follow applicable federal guidance and (2) incorporate in all subcontracts (and cause all subcontractors to include in lower tier subcontracts) such terms and conditions as are required to be incorporated therein by any applicable laws, rules, regulations and requirements set forth in this Section 13(j) (including with respect to the Davis-Bacon Act requirements).

(k) No Defaults. No Default or Event of Default, and no default or event of default by the City under any other Related Document to which the City is a party, has occurred and is continuing.

(l) Governmental Approvals. All Governmental Approvals required as of the Effective Date and required as of any subsequent date on which this representation is made (or deemed made) for the undertaking and completion by the City, as agent of the Borrower pursuant to the WIFIA IPA, of the Project, and for the operation and management thereof, have been obtained or effected and are in full force and effect and there is no basis for, nor proceeding that is pending or threatened that could reasonably be expected to result in, the revocation of or a default under any such Governmental Approval.

(m) Construction Contracts. Attached as **Schedule 13(m)** (*Existing Construction Contracts*) is a list of the Existing Construction Contracts. With respect to each Construction Contract executed as of any date on which this representation and warranty is made, such Construction Contract is in full force and effect.

(n) Information. Neither the WIFIA Loan Documents to which the City is a party, nor any documents, certificates or statements provided to the WIFIA Lender by representatives of the City in connection with the transactions contemplated thereby, which for purposes of this Section 13(n) shall consist of all financial models, project budgets, documents or statements related to the Application or the Project, cash flow schematics, responses to due diligence interrogatories or requests from the WIFIA Lender or its advisors, and documents uploaded to any data room made accessible to the City by the WIFIA Lender (or its advisors) or

provided to the WIFIA Lender in an electronic written communication, to the extent such documents, certificates, statements or other materials relate to the City (including its finances or operations) or the Project, contain any untrue statement of any material fact or omit to state any material fact necessary so as to make such WIFIA Loan Documents, documents, certificates, statements or other materials so provided to the WIFIA Lender, in light of the circumstances under which they were made, not misleading.

(o) Environmental Matters. The City and, to the City's knowledge, each Construction Contractor, is in compliance with all laws applicable to the System (including the Project) relating to (i) air emissions, (ii) discharges to surface water or ground water, (iii) noise emissions, (iv) solid or liquid waste disposal, (v) the use, generation, storage, transportation or disposal of toxic or hazardous substances or wastes, (vi) biological resources (such as threatened and endangered species), and (vii) other environmental, health or safety matters, including all laws applicable to the System (including the Project) (collectively, the "**Environmental Laws**"). All Governmental Approvals for the Project relating to Environmental Laws have been, or, when required, will be, obtained and are (or, as applicable, will be) in full force and effect. The City has not received any written communication or notice, whether from a Governmental Authority, employee, citizens group, or any other Person, that alleges that the City is not in full compliance with all Environmental Laws and Governmental Approvals relating thereto in connection with the Project and, to the City's knowledge, there are no circumstances that may prevent or interfere with full compliance in the future by the City with any such Environmental Law or Governmental Approval. The City has provided to the WIFIA Lender all material assessments, reports, results of investigations or audits, and other material information in the possession of or reasonably available to the City regarding the City's or the Project's compliance with (A) Environmental Laws and (B) Governmental Approvals that are required for the Project and relate to Environmental Laws.

(p) Insurance. The City is in compliance with all insurance obligations required under each Related Document to which the City is a party as of the date on which this representation and warranty is made. To the extent the City self-insures, the City's self-insurance program is actuarially sound and the City has received an opinion from an accredited actuary within the last twelve (12) months, which opinion confirms that the City's self-insurance program is actuarially sound.

(q) No Prohibited Liens. Except for Permitted Liens, the City has not created, and is not under any obligation to create, and has not entered into any transaction or agreement that would result in the imposition of, any Lien on the City Pledged Collateral, the System, the Project or the properties or assets in relation to the Project.

(r) City Financial Statements. Each City Financial Statement delivered to the WIFIA Lender by the City pursuant to Section 20(b) (*Reporting Requirements of the City – Annual Financial Statements*) has been prepared in accordance with GAAP and presents fairly, in all material respects, the financial condition of the City as of the respective dates of the balance sheets included therein and the results of operations of the City for the respective periods covered by the statements of income included therein. Except as reflected in such City Financial Statements, there are no liabilities or obligations of the City of any nature whatsoever for the periods to which such City Financial Statements relate that are required to be disclosed in accordance with GAAP.

(s) Sufficient Funds. The amount of the WIFIA Loan, when combined with all other funds committed for the development and construction of the Project as set forth under the various sources of funds in the Project Budget, will be sufficient to carry out the Project, pay all Total Project Costs anticipated for the development and construction of the Project and achieve Substantial Completion by the Projected Substantial Completion Date. The total federal assistance provided to the Project, including the maximum principal amount of the WIFIA Loan, does not exceed eighty percent (80%) of Total Project Costs. The City has developed, and identified adequate revenues to implement, a plan for operating, maintaining and repairing the Project over the useful life of the Project.

(t) Sovereign Immunity. The City either has no immunity from the jurisdiction of any court of competent jurisdiction or from any legal process therein which could be asserted in any action to enforce the obligations of the City under any of the Related Documents to which the City is a party or the transactions contemplated hereby or thereby, including the obligations of the City hereunder and thereunder, or, to the extent that the City has such immunity, the City has waived such immunity pursuant to Section 17(n) (*Affirmative Covenants of the City – Immunity*).

(u) Taxes; No Federal Debt. The City has paid all applicable taxes and other material taxes and assessments payable by it that have become due (other than those taxes or assessments that it is contesting in good faith and by appropriate proceedings, for which adequate reserves have been established to the extent required by GAAP). The City has no delinquent federal debt (including tax liabilities but excluding any delinquencies that have been resolved with the appropriate federal agency in accordance with the standards of the Debt Collection Improvement Act of 1996).

Section 14. Representations and Warranties of WIFIA Lender. The WIFIA Lender represents and warrants that:

(a) Power and Authority. The WIFIA Lender has all requisite power and authority to make the WIFIA Loan and to perform all transactions contemplated by the Related Documents to which it is a party.

(b) Due Execution; Enforceability. The Related Documents to which it is a party have been duly authorized, executed and delivered by the WIFIA Lender, and are legally valid and binding agreements of the WIFIA Lender, enforceable in accordance with their terms.

(c) Officers' Authorization. The officers of the WIFIA Lender executing each of the Related Documents to which the WIFIA Lender is a party are duly and properly in office and fully authorized to execute the same on behalf of the WIFIA Lender.

## ARTICLE V COVENANTS

Section 15. Affirmative Covenants of the Borrower. The Borrower covenants and agrees as follows until the date the WIFIA Note and all of the obligations of the Borrower under this Agreement (other than contingent indemnity obligations) are irrevocably paid in full by the Borrower in immediately available funds and the WIFIA Lender no longer has any commitment to make disbursements to the Borrower, unless the WIFIA Lender waives compliance in writing:



(a) Securing Liens. The Borrower shall at any and all times, to the extent permitted by law, pass, make, do, execute, acknowledge and deliver, all and every such further resolutions, acts, deeds, conveyances, assignments, transfers and assurances as may be necessary or desirable in connection with assuring, conveying, pledging, assigning, securing and confirming the Borrower Assigned Rights for the benefit of the WIFIA Lender pursuant to the WIFIA Loan Documents to which the Borrower is a party, or intended so to be pledged and assigned pursuant to the WIFIA Loan Documents to which the Borrower is a party, or which the Borrower may become bound to pledge and assign, and the Borrower shall at all times maintain the Borrower Assigned Rights free and clear of any pledge, Lien, charge or encumbrance thereon or with respect thereto other than the pledge and assignment with respect to the WIFIA Loan, and all organizational, regulatory or other necessary action on the part of the Borrower to that end shall be duly and validly taken at all times. The Borrower shall at all times, to the extent permitted by law, defend, preserve and protect the pledge and assignment of the Borrower Assigned Rights for the benefit of the WIFIA Lender against all claims and demands of all Persons whomsoever.

(b) Use of Proceeds. The Borrower shall use, and shall cause the City pursuant to the WIFIA IPA to use, the proceeds of the WIFIA Loan solely for purposes permitted by this Agreement.

(c) Verification Requirements. The Borrower shall comply with Subpart C of 2 C.F.R. Part 180, as supplemented by Subpart C of 2 C.F.R. Part 1532 (relating to debarment), including the verification requirements set forth in 2 C.F.R. §§ 180.300 and 180.320, and shall include in its contracts with respect to the Project similar terms or requirements for compliance.

(d) Operation of the Borrower. The Borrower shall at all times do or cause to be done all things necessary to obtain, preserve, renew, extend and keep in full force and effect the Governmental Approvals and any other rights, licenses, franchises, and authorizations material to the conduct of its business.

(e) Maintain Legal Structure. The Borrower shall maintain its existence as a joint exercise of powers agency organized and existing under its Organizational Documents and the laws of the State.

(f) Compliance with Laws. The Borrower shall comply with all applicable laws, rules, regulations and requirements.

(g) Material Obligations; Payment of Claims.

(i) The Borrower shall pay its material obligations promptly and in accordance with their terms.

(ii) The Borrower shall pay and discharge promptly all taxes, assessments and governmental charges or levies imposed upon it or upon the Authority Revenues, before the same shall become delinquent or in default; provided that such payment and discharge shall not be required with respect to any such tax, assessment, charge, levy, claim or Lien so long as the validity or amount thereof shall be contested by the Borrower in good faith by appropriate proceedings and so long as the Borrower shall

have set aside adequate reserves with respect thereto in accordance with and to the extent required by GAAP, applied on a consistent basis.

(iii) The Borrower will pay and discharge any and all lawful claims for labor, materials or supplies which, if unpaid, might become a Lien on the Authority Revenues.

(h) SAM Registration. The Borrower shall obtain prior to the Effective Date (and provide such registration information to the WIFIA Lender) and maintain through the Final Disbursement Date an active registration status with the federal System for Award Management (www.SAM.gov) (or any successor system or registry).

(i) DUNS Number. The Borrower shall obtain prior to the Effective Date (and provide such number to the WIFIA Lender) and maintain through the Final Maturity Date from Dun & Bradstreet (or a successor entity) a Data Universal Numbering System Number (a “**DUNS Number**”).

(j) Immunity. To the fullest extent permitted by applicable law, the Borrower agrees that it will not assert any immunity (and hereby waives any such immunity) it may have as a governmental entity from lawsuits, other actions and claims, and any judgments with respect to the enforcement of any of the obligations of the Borrower under this Agreement or any other WIFIA Loan Document to which the Borrower is a party.

(k) Accounting and Audit Procedures.

(i) The Borrower shall establish fiscal controls and accounting procedures sufficient to assure proper accounting for Authority Revenues, debt issued and outstanding and debt payments. The Borrower shall use accounting, audit and fiscal procedures conforming to GAAP, including, with respect to the WIFIA Loan, accounting of principal and interest payments, disbursements, prepayments and calculation of interest and principal amounts Outstanding.

(ii) The Borrower shall have a single or program-specific audit conducted in accordance with 2 C.F.R. Part 200 Subpart F and 31 U.S.C. § 7502 from (and including) the first Borrower Fiscal Year in which a disbursement is made under this Agreement and annually thereafter to the extent required by applicable law, except to the extent biennial audits are permitted for the Borrower pursuant to 2 C.F.R. § 200.504 and 31 U.S.C. § 7502(b). Upon reasonable notice, the Borrower shall cooperate fully in the conduct of any periodic or compliance audits conducted by the WIFIA Lender, or designees thereof, pursuant to 40 C.F.R. Part 35, 31 U.S.C. § 7503(b), or 31 U.S.C. § 6503(h) and shall provide full access to any books, documents, papers or other records that are pertinent to the WIFIA Loan, to the WIFIA Lender, or the designee thereof, for any such project or programmatic audit.

(l) Access; Records.

(i) So long as the WIFIA Loan or any portion thereof shall remain outstanding and until five (5) years after the WIFIA Loan shall have been paid in full, the

WIFIA Lender shall have the right, upon reasonable prior notice, to examine books of account and records of the Borrower relating to the Project or the Authority Revenues, to make copies and extracts therefrom at the Borrower's expense, and to discuss the Borrower's affairs, finances and accounts relating to the WIFIA Loan with, and to be advised as to the same by, its officers and employees and its independent public accountants (and by this provision the Borrower irrevocably authorizes its independent public accountants to discuss with the WIFIA Lender the affairs, finances and accounts of the Borrower, whether or not any representative of the Borrower is present, it being understood that nothing contained in this Section 15(1) is intended to confer any right to exclude any such representative from such discussions), all at such reasonable times and intervals as the WIFIA Lender may request.

(ii) The Borrower shall maintain and retain all files relating to the WIFIA Loan until five (5) years after the later of the date on which (A) all rights and duties under this Agreement and under the WIFIA Note (including payments) have been fulfilled and any required audits have been performed and (B) any litigation relating to the Project, the Authority Revenues, the WIFIA Loan or this Agreement is finally resolved or, if the WIFIA Lender has reasonable cause to extend such date, a date to be mutually agreed upon by the WIFIA Lender and the Borrower.

(m) Compliance with Contracts. The Borrower will comply with, keep, observe and perform all agreements, conditions, covenants and terms, express or implied, required to be performed by it contained in all contracts affecting or involving the System, to the extent that the Borrower is a party thereto.

(n) Further Assurances. The Borrower will adopt, deliver, execute and make any and all further assurances, instruments and resolutions as may be reasonably necessary or proper to carry out the intention or to facilitate the performance hereof and for the better assuring and confirming unto the WIFIA Lender the rights and benefits provided to it herein.

Section 16. Negative Covenants of the Borrower. The Borrower covenants and agrees as follows until the date the WIFIA Note and all of the obligations of the Borrower under this Agreement (other than contingent indemnity obligations) are irrevocably paid in full by the Borrower in immediately available funds and the WIFIA Lender no longer has any commitment to make disbursements to the Borrower, unless the WIFIA Lender waives compliance in writing:

(a) No Lien Extinguishment or Adverse Amendments. The Borrower shall not, and shall not permit any Person to, without the prior written consent of the WIFIA Lender, (i) extinguish or impair the pledge and assignment of the Borrower Assigned Rights, (ii) amend, modify, terminate, assign, replace or supplement, or permit a waiver of any provision of, the WIFIA IPA or (iii) amend, modify, terminate, assign, replace or supplement any Related Document to which the Borrower is a party (other than the WIFIA IPA) or permit a waiver of any provision thereof in a manner that could adversely affect the WIFIA Lender or could reasonably be expected to result in a Borrower Material Adverse Effect. The Borrower shall not take or omit to take any action under any contract if the effect of such act or failure to act would in any manner impair or adversely affect the ability of the City to secure adequate Net Revenues to meet the requirements of the WIFIA Loan Documents.

(b) No Prohibited Liens. Except for the pledge and assignment with respect to the WIFIA Loan for the benefit of the WIFIA Lender, the Borrower shall not create, incur, assume or permit to exist any Lien on the Borrower Assigned Rights.

(c) Borrower Fiscal Year. The Borrower shall not at any time adopt any fiscal year other than the Borrower Fiscal Year, except with thirty (30) days' prior written notice to the WIFIA Lender.

(d) Hedging. Other than Hedging Transactions, the Borrower shall not enter into any swap or hedging transaction, including inflation indexed swap transactions, "cap" or "collar" transactions, futures, or any other hedging transaction without the prior written consent of the WIFIA Lender.

Section 17. Affirmative Covenants of the City. The City covenants and agrees as follows until the date the WIFIA Note and all of the obligations of the Borrower under this Agreement (other than contingent indemnity obligations) are irrevocably paid in full by the Borrower in immediately available funds and the WIFIA Lender no longer has any commitment to make disbursements to the Borrower, unless the WIFIA Lender waives compliance in writing:

(a) Rate Covenant.

(i) To the fullest extent permitted by law, the City shall fix, prescribe, and charge, or cause to be fixed, prescribed, and charged, in each City Fiscal Year, such rates, fees, and charges for the use of and for the service furnished by the System to ensure that all Net Revenues realized, together with any amounts on deposit in a rate stabilization fund held by the City, which amounts shall be available for the payment of Parity Debt Service, are in an amount which the City reasonably expects will be sufficient to be (x) at least equal to one hundred twenty percent (120%) of annual Parity Debt Service, and (y) at least equal to one hundred percent (100%) of the sum of annual Parity Debt Service and annual Subordinate Debt Service, in each case for such City Fiscal Year.

(ii) The City shall also, to the fullest extent permitted by law, fix, prescribe, and charge, or cause to be fixed, prescribed, and charged, in each City Fiscal Year, such rates, fees, and charges for the use of and for the service furnished by the System to ensure that Revenues realized are in an amount which the City reasonably expects will be sufficient to pay the following amounts in the following order or priority: (A) all Operations and Maintenance Costs estimated by the City to become due and payable in such City Fiscal Year; (B) the WIFIA Installment Payments, the Servicing Fee and the principal and interest on any outstanding Parity Obligations as they become due and payable during such City Fiscal Year, without preference or priority; (C) all amounts, if any, required to restore the balance of any reserve fund or account required under any instrument under which Parity Obligations were issued or incurred, for any outstanding Parity Obligations, to the full amount of any such reserve requirement; and (D) all payments required to meet any other obligations of the City which are charges, liens, or encumbrances upon, or which are otherwise payable from, the Revenues or the Net Revenues during such City Fiscal Year.

(iii) If for any reason Net Revenues, or Revenues, as applicable, prove insufficient to meet the numerical thresholds set forth in Section 17(a)(i) and to comply with the requirements of Section 17(a)(ii), the City first will engage an Independent Consultant to recommend revised rents, rates, fees, charges, savings, or assessments, or any combination thereof, and the City will, subject to any applicable requirements and restrictions imposed by law, including, but not limited to, the Prop 218 Law, and subject to the good faith determination of the City that such recommendations, in whole or in part, are in the best interests of the City, take all actions necessary to increase Revenues through any combination of increased rents, rates, fees, charges, savings, or assessments. Such actions shall be taken not later than one hundred eighty (180) days following the date on which Net Revenues or Revenues first fail to meet the requirements of this Section.

(iv) The City may make adjustments from time to time in such rents, rates, fees, and charges and may make such classification thereof as it deems necessary, but shall not reduce the rents, rates, fees, and charges then in effect unless the Net Revenues from such reduced rents, rates, fees, and charges will at all times be sufficient to meet the requirements of this Section 17(a).

(v) Notwithstanding the foregoing, in lieu of taking the preceding actions with respect to the City's failure to comply with Section 17(a)(i), the City may within one hundred eighty (180) days following the date Net Revenues first fail to meet the requirements of Section 17(a)(i) either establish and fund a rate stabilization fund, or increase monies held in an existing rate stabilization fund, in an amount sufficient to satisfy the requirements of Section 17(a)(i). If the City elects to proceed accordingly, it shall provide to the WIFIA Lender within such one hundred eighty (180) day period evidence satisfactory to the WIFIA Lender in its reasonable discretion that the amounts held in such rate stabilization fund are sufficient to satisfy the requirements of Section 17(a)(i).

(b) Securing Liens. The City shall at any and all times, to the extent permitted by law, pass, make, do, execute, acknowledge and deliver, all and every such further resolutions, acts, deeds, conveyances, assignments, transfers and assurances as may be necessary or desirable in connection with assuring, conveying, granting, assigning, securing and confirming the Liens on the City Pledged Collateral granted to the Borrower for its benefit pursuant to the WIFIA IPA, or intended so to be granted pursuant to the WIFIA IPA, or which the City may become bound to grant, and the City shall at all times maintain the City Pledged Collateral free and clear of any pledge, Lien, charge or encumbrance thereon or with respect thereto that has priority over, or equal rank with, the Liens created by the WIFIA IPA, other than as permitted by this Agreement and the WIFIA IPA, and all organizational, regulatory or other necessary action on the part of the City to that end shall be duly and validly taken at all times. The City shall at all times, to the extent permitted by law, defend, preserve and protect the Liens on the City Pledged Collateral granted for the benefit of the Borrower pursuant to the WIFIA IPA against all claims and demands of all Persons whomsoever, subject to Permitted Liens.

(c) Use of Proceeds. The City shall use the proceeds of the WIFIA Loan solely for purposes permitted by applicable law, the WIFIA IPA and the other Related Documents to which the City is a party.

(d) Prosecution of Work; Verification Requirements.

(i) The City, as agent of the Borrower pursuant to the WIFIA IPA, shall diligently prosecute the work relating to the Project and complete the Project in accordance with the Construction Schedule, the Governmental Approvals in connection with the Project, and the highest standards of the City's industry.

(ii) The City shall comply with Subpart C of 2 C.F.R. Part 180, as supplemented by Subpart C of 2 C.F.R. Part 1532 (relating to debarment), including the verification requirements set forth in 2 C.F.R. §§ 180.300 and 180.320, and shall include in its contracts with respect to the Project similar terms or requirements for compliance.

(e) Maintenance and Operation of the System. The City will maintain and preserve the System in good repair and working order at all times and will operate the System in an efficient and economical manner and will pay all Operations and Maintenance Costs as they become due and payable. The City shall at all times do or cause to be done all things necessary to obtain, preserve, renew, extend and keep in full force and effect the Governmental Approvals and any other rights, licenses, franchises, and authorizations material to the conduct of its business.

(f) Insurance; Net Proceeds.

(i) The City will procure and maintain or cause to be procured and maintained insurance on the System, excluding coverage for earthquake damage or destruction, with responsible insurers in such amounts and against such risks (including accident to or destruction of the System) as are usually covered in connection with facilities that are similar to the System, so long as such insurance is available at reasonable rates.

(ii) In the event of any damage to or destruction of the System caused by the perils covered by such insurance, the Net Proceeds thereof shall be applied to the reconstruction, repair or replacement of the damaged or destroyed portion of the System. The City shall begin such reconstruction, repair or replacement promptly after such damage or destruction shall occur, and shall continue and properly complete such reconstruction, repair or replacement as expeditiously as possible, and shall pay out of such Net Proceeds all costs and expenses in connection with such reconstruction, repair or replacement so that the same shall be completed and the System shall be free and clear of all claims and liens. The City covenants to reconstruct, repair or replace the damaged or destroyed portions of the System promptly if a failure to reconstruct, repair or replace such portions would impair or adversely affect the ability of the City to pay the WIFIA Installment Payments.

(iii) If such Net Proceeds exceed the costs of such reconstruction, repair or replacement portion of the System, and/or the cost of the construction of additions, betterments, extensions or improvements to the System, then the excess Net Proceeds shall be applied in part to the prepayment of the WIFIA Loan as provided in Section 9(a) (*Prepayment – Mandatory Prepayment from Net Proceeds or Eminent Domain Proceeds*) and in part to such other funds or accounts as may be appropriate and used for the retirement of the Parity Obligations (other than the WIFIA Loan) in the same proportion which the Outstanding WIFIA Loan Balance then bears to the aggregate unpaid principal

amount of the Parity Obligations (other than the WIFIA Loan). If such Net Proceeds are sufficient to enable the City to retire the entire Outstanding WIFIA Loan Balance (and all interest accrued thereon) prior to the Final Maturity Date as well as all Parity Obligations then remaining unpaid prior to their final respective due dates, the City may elect not to reconstruct, repair or replace the damaged or destroyed portion of the System, and/or not to construct other additions, betterments, extensions or improvements to the System; and thereupon such Net Proceeds shall be applied to the prepayment in full of the WIFIA Loan as provided in Section 9(a) and to the retirement in full of all Parity Obligations.

(iv) The City will procure and maintain such other insurance which it shall deem advisable or necessary to protect its interests and the interests of the Borrower, which insurance shall afford protection in such amounts and against such risks as are usually covered in connection with municipal water systems similar to the System.

(v) Any insurance that is required to be maintained by Section 17(f)(i) and, if the City determines to procure and maintain insurance pursuant to Section 17(f)(iv), such insurance, may be maintained under a self-insurance program so long as such self-insurance is maintained in the amounts and manner usually maintained in connection with water systems similar to the System, and is, in the opinion of an accredited actuary, actuarially sound.

(vi) All policies of insurance required to be maintained herein shall provide that the Borrower and the WIFIA Lender shall be given thirty (30) days written notice of any intended cancellation thereof or reduction of coverage provided thereby.

(vii) Promptly upon request by the WIFIA Lender, the City shall deliver to the WIFIA Lender copies of any underlying insurance policies obtained by or on behalf of the Borrower or the City in respect of the Project. All such policies shall be available at all reasonable times for inspection by the WIFIA Lender, its agents and representatives.

(g) Maintain Legal Structure. The City shall maintain its existence as a municipal corporation and general law city organized and existing under the laws of the State.

(h) System Accounts; Permitted Investments.

(i) The City shall maintain the Revenue Fund in accordance with the terms hereof and the other WIFIA Loan Documents. All Revenues received shall be deposited in the Revenue Fund when and as received in trust for the benefit of the holders of the Obligations, subject to the application of Revenues to Operations and Maintenance Costs. The City shall maintain and hold separate and apart from other funds the Revenue Fund so long as any Parity Obligations remain unpaid. Moneys in the Revenue Fund shall be used and applied by the City as provided in the Flow of Funds.

(ii) All moneys held by the City in the Revenue Fund shall be invested in Permitted Investments and the investment earnings thereon shall remain on deposit in such fund, except as otherwise provided herein.

(i) WIFIA Debt Service Account. The City, as agent of the Borrower pursuant to the WIFIA IPA, shall (i) establish the WIFIA Debt Service Account on or prior to the Effective Date and (ii) maintain the WIFIA Debt Service Account in accordance with the WIFIA Loan Documents for the benefit of the WIFIA Lender. The WIFIA Debt Service Account shall be subject to a Lien and has been pledged by the Borrower hereunder to the WIFIA Lender as security solely for the benefit of the WIFIA Lender and shall not be subject to any security interest in favor of any Person other than the WIFIA Lender. Amounts on deposit in the WIFIA Debt Service Account shall be applied by the City, as agent of the Borrower pursuant to the WIFIA IPA, solely to pay WIFIA Debt Service and other amounts due with respect to the WIFIA Loan or the WIFIA Note.

(j) Compliance with Laws.

(i) The City shall, and shall require the contractors and subcontractors at all tiers with respect to the Project to, comply with all applicable laws, rules, regulations and requirements, including 40 U.S.C. §§3141-3144, 3146, and 3147 (relating to Davis-Bacon Act requirements) (and regulations relating thereto), 33 U.S.C. §3914 (relating to American iron and steel products), 20 C.F.R. § 180.320 and 20 C.F.R. §1532 (relating to non-debarment), 31 U.S.C. §1352 (relating to non-lobbying), and any applicable Sanctions Laws.

(ii) To ensure such compliance, the City shall include in all contracts with respect to the Project (A) the contract clauses relating to the Davis-Bacon Act requirements that are set forth in the Code of Federal Regulations, Title 29 Part 5.5 and (B) requirements that its contractors (1) shall comply with all applicable laws, rules, regulations, and requirements set forth in this Section 17(j) and follow applicable federal guidance and (2) incorporate in all subcontracts (and cause all subcontractors to include in lower tier subcontracts) such terms and conditions as are required to be incorporated therein by any applicable laws, rules, regulations and requirements set forth in this Section 17(j) (including with respect to the Davis-Bacon Act requirements).

(k) Material Obligations; Payment of Claims.

(i) The City shall pay its material obligations promptly and in accordance with their terms.

(ii) The City shall pay and discharge promptly all taxes, assessments and governmental charges or levies imposed upon it or upon the Revenues or other assets of the System, before the same shall become delinquent or in default; provided that such payment and discharge shall not be required with respect to any such tax, assessment, charge, levy, claim or Lien so long as the validity or amount thereof shall be contested by the City in good faith by appropriate proceedings and so long as the City shall have set aside adequate reserves with respect thereto in accordance with and to the extent required by GAAP, applied on a consistent basis.

(iii) The City shall pay and discharge any and all lawful claims for labor, materials or supplies which, if unpaid, might become a Lien on the System (or any part



thereof), the WIFIA Debt Service Account, the Project, the Revenues or any fund or account of the City pledged to pay Parity Obligations.

(l) SAM Registration. The City shall obtain prior to the Effective Date (and provide such registration information to the WIFIA Lender) and maintain through the Final Disbursement Date an active registration status with the federal System for Award Management (www.SAM.gov) (or any successor system or registry).

(m) DUNS Number. The City shall obtain prior to the Effective Date (and provide such number to the WIFIA Lender) and maintain from Dun & Bradstreet (or a successor entity) a DUNS Number.

(n) Immunity. To the fullest extent permitted by applicable law, the City agrees that it will not assert any immunity (and hereby waives any such immunity) it may have as a governmental entity from lawsuits, other actions and claims, and any judgments with respect to the enforcement of any of the obligations of the City under this Agreement or any other WIFIA Loan Document to which the City is a party.

(o) Accounting and Audit Procedures.

(i) The City shall establish fiscal controls and accounting procedures sufficient to assure proper accounting for all of the following: (A) Revenues, Authority Revenues, operating expenses, capital expenses, depreciation, reserves, debt issued and outstanding and debt payments; and (B) Project-related costs, WIFIA Loan requisitions submitted, WIFIA Loan proceeds received, payments made by the City, as an agent of the Borrower pursuant to the WIFIA IPA, with regard to the Project, and other sources of funding for the Project (including amounts paid from such sources for Project costs so that audits may be performed to ensure compliance with and enforcement of this Agreement). The City shall use accounting, audit and fiscal procedures conforming to GAAP, including, with respect to the WIFIA Installment Payments, accounting of principal and interest payments, disbursements, prepayments and calculation of interest and principal amounts Outstanding.

(ii) The City shall have a single or program-specific audit conducted in accordance with 2 C.F.R. Part 200 Subpart F and 31 U.S.C. § 7502 from (and including) the first City Fiscal Year in which a disbursement is made under this Agreement and annually thereafter to the extent required by applicable law, except to the extent biennial audits are permitted for the City pursuant to 2 C.F.R. § 200.504 and 31 U.S.C. § 7502(b). Upon reasonable notice, the City shall cooperate fully in the conduct of any periodic or compliance audits conducted by the WIFIA Lender, or designees thereof, pursuant to 40 C.F.R. Part 35, 31 U.S.C. § 7503(b), or 31 U.S.C. § 6503(h) and shall provide full access to any books, documents, papers or other records that are pertinent to the Project or the WIFIA Loan, to the WIFIA Lender, or the designee thereof, for any such project or programmatic audit.

(p) Access; Records.

(i) So long as the WIFIA Loan or any portion thereof shall remain outstanding and until five (5) years after the WIFIA Loan shall have been paid in full by the Borrower, the WIFIA Lender shall have the right, upon reasonable prior notice, to visit and inspect any portion of the Project, to examine books of account and records of the City relating to the Project, to make copies and extracts therefrom at the City's expense, and to discuss the City's affairs, finances and accounts relating to the Project with, and to be advised as to the same by, its officers and employees and its independent public accountants (and by this provision the City irrevocably authorizes its independent public accountants to discuss with the WIFIA Lender the affairs, finances and accounts of the City, whether or not any representative of the City is present, it being understood that nothing contained in this Section 17(p) is intended to confer any right to exclude any such representative from such discussions), all at such reasonable times and intervals as the WIFIA Lender may request. The City agrees to pay all out-of-pocket expenses incurred by the WIFIA Lender in connection with the WIFIA Lender's exercise of its rights under this Section 17(p) at any time when an Event of Default shall have occurred and be continuing.

(ii) The City shall maintain and retain all files relating to the Project and the WIFIA Loan until five (5) years after the later of the date on which (A) all rights and duties of the City or the Borrower under this Agreement and of the Borrower under the WIFIA Note (including payments) have been fulfilled and any required audits have been performed and (B) any litigation relating to the Project, the WIFIA Loan or this Agreement is finally resolved or, if the WIFIA Lender has reasonable cause to extend such date, a date to be mutually agreed upon by the WIFIA Lender and the City. The City shall provide to the WIFIA Lender in a timely manner all records and documentation relating to the Project that the WIFIA Lender may reasonably request from time to time.

(q) Compliance with Contracts. The City will comply with, keep, observe and perform all agreements, conditions, covenants and terms, express or implied, required to be performed by it contained in all contracts affecting or involving the System, to the extent that the City is a party thereto.

(r) Protection of Security and Rights of the Borrower. The City will preserve and protect the security and the rights of the Borrower to the City Pledged Collateral and will warrant and defend such rights against all claims and demands of all persons.

(s) Collection of Rates and Charges. The City will have in effect at all times by-laws, rules and regulations requiring each customer to pay the rates and charges applicable to the System and providing for the billing thereof and for a due date and a delinquency date for each bill.

(t) Eminent Domain Proceeds. If all or any part of the System shall be taken by eminent domain proceedings, the Net Proceeds thereof shall be applied by the City either to additions, betterments, extensions or improvements to the System or, if the City elects not to apply such Net Proceeds to such capital items or if such Net Proceeds are not fully expended for such

purposes, such Net Proceeds which are not required by the City for such purposes shall be deposited in the Revenue Fund.

(u) Further Assurances. The City will adopt, deliver, execute and make any and all further assurances, instruments and resolutions as may be reasonably necessary or proper to carry out the intention or to facilitate the performance hereof and for the better assuring and confirming unto the WIFIA Lender the rights and benefits provided to it herein.

Section 18. Negative Covenants of the City. The City covenants and agrees as follows until the date the WIFIA Note and all of the obligations of the Borrower under this Agreement (other than contingent indemnity obligations) are irrevocably paid in full by the Borrower in immediately available funds and the WIFIA Lender no longer has any commitment to make disbursements to the Borrower, unless the WIFIA Lender waives compliance in writing:

(a) Additional Obligations.

(i) The City shall not create, incur or suffer to exist (x) any obligations which are senior or prior in right of payment or right of security with respect to the Revenues to the Parity Obligations; or (y) any obligations, all or a portion of the proceeds of which are or will be applied at any time to fund all or any portion of Total Project Costs, that are secured by a Lien on any assets or property of the City other than the Revenues.

(ii) The City may, after the Effective Date, issue or incur Parity Obligations in such principal amount as shall be determined by the City subject to the requirements for additional obligations as set forth in all existing instruments with respect to Parity Obligations and the following specific conditions, which are hereby made conditions precedent to the City's issuance and delivery of such Parity Obligations:

(A) no Event of Default hereunder or under any other instrument secured by the Revenues shall have occurred and be continuing unless such Event of Default shall be cured by the issuance or incurrence of such proposed Parity Obligations, and the City shall otherwise be in compliance with all covenants set forth in this Agreement; and

(B) the Net Revenues calculated pursuant to GAAP, consistently applied, and excluding the proceeds of any taxes and also excluding any balances in any fund at the beginning of the period of the computation, as shown by the books of the City for the latest City Fiscal Year, or any more recent twelve (12) month period selected by the City ending not more than sixty (60) days prior to the adoption of the resolution pursuant to which instrument such Parity Obligations is issued or incurred, as shown by the books of the City, plus, at the option of the City, any of the allowances referred to in paragraph (iii) below, shall have amounted to at least 1.20 times the Maximum Annual Debt Service taking into consideration the maximum annual debt service payable in any City Fiscal Year on the proposed Parity Obligations, as set forth in the Report of an Independent Accountant or Independent Consultant delivered to the WIFIA Lender.

(iii) Either or both of the following allowances may be added to Net Revenues for the purpose of meeting the condition contained in Section 18(a)(ii)(B):

(A) an allowance for increased Revenues from any additions to or improvements or extensions of the System to be made with the proceeds of such proposed Parity Obligations, and also for Revenues from any such additions, improvements, or extensions which have been made from moneys from any source but which, during all or any part of such City Fiscal Year or any more recent twelve (12) month period, were not in service, all in an amount equal to ninety percent (90%) of the estimated additional average annual Revenues to be derived from such additions, improvements, and extensions for the first thirty-six (36) month period following closing of the proposed Parity Obligations, all as shown in the Report of an Independent Accountant or Independent Consultant delivered to the WIFIA Lender; provided that in those instances where the proposed Parity Obligations are held by the WIFIA Lender, no Report of an Independent Accountant or Independent Consultant shall be required; and/or

(B) an allowance for increased Revenues arising from any increase in the charges made for service from the System which has become effective prior to the incurring of such proposed Parity Obligations but which, during all or any part of such City Fiscal Year or any more recent twelve (12) month period, was not in effect, in an amount equal to one hundred percent (100%) of the amount by which Revenues would have been increased if such increase to charges had been in effect during the whole of such time period and any period prior to the incurring of such proposed Parity Obligations, as shown in the Report of an Independent Accountant or Independent Consultant delivered to the WIFIA Lender.

(iv) Notwithstanding Sections 18(a)(ii) and (iii), (A) proposed Parity Obligations to be issued for the purpose of refunding outstanding Parity Obligations may be issued without compliance with Section 18(a)(ii)(B) so long as such refunding results in lower Parity Debt Service in each City Fiscal Year after such refunding and the final maturity date of the refunding Parity Obligations is no later than the final maturity date of the refunded Parity Obligations and (B) to the extent that any instrument with respect to Outstanding Parity Obligations conflicts with any of the requirements set forth in this Section 18(a), the more restrictive provision shall prevail.

(v) The City may issue or incur Subordinate Obligations following the Effective Date in such principal amount as shall be determined by the City subject to the following conditions precedent to the issuance or incurrence of such Subordinate Obligations:

(A) no Event of Default hereunder or under any other instrument secured by the Revenues shall have occurred and be continuing unless such Event of Default shall be cured by the issuance or incurrence of such proposed Subordinate Obligations, and the City shall otherwise be in compliance with all

covenants set forth in this Agreement and any other instrument securing, evidencing, governing, or relating to other obligations secured by, the Revenues;

(B) Net Revenues calculated pursuant to GAAP, consistently applied, and excluding the proceeds of any taxes and also excluding any balances in any fund (other than any rate stabilization fund held by the City) at the beginning of the period of the computation, as shown by the books of the City for the latest City Fiscal Year, or any more recent twelve (12) month period selected by the City ending not more than sixty (60) days prior to the adoption of the resolution pursuant to which instrument such Subordinate Obligations are issued or incurred, as shown by the books of the City, shall have amounted to at least 1.0 times the aggregate sum of the Maximum Annual Debt Service of all debt secured by Net Revenues and/or legally available amounts in the Revenue Fund and the maximum annual debt service payable in any City Fiscal Year on all Subordinate Obligations, including the proposed Subordinate Obligations, as set forth in the Report of an Independent Accountant or Independent Consultant delivered to the WIFIA Lender.

(vi) The City shall not incur any Additional Obligations that bear interest at a Variable Interest Rate if such incurrence would (A) cause the principal amount of all Outstanding Variable Interest Rate Obligations to exceed twenty-five percent (25%) of the principal amount of all Outstanding Obligations at such time or (B) violate any term set forth in the Debt Management Policy.

(vii) Upon the incurrence of any Additional Obligations, the City shall provide to the WIFIA Lender a certificate signed by the City's Authorized Representative (x) specifying the closing date with respect to such Additional Obligations and (y) confirming that such Additional Obligations are authorized pursuant to, and satisfy the applicable requirements under, this Section 18(a).

(b) No Lien Extinguishment or Adverse Amendments. The City shall not, and shall not permit any Person to, without the prior written consent of the WIFIA Lender, (i) extinguish or impair the Liens on the City Pledged Collateral granted pursuant to the WIFIA IPA, (ii) amend, modify, terminate, assign, replace or supplement, or permit a waiver of any provision of, the WIFIA IPA, (iii) amend, modify, replace or supplement any Related Document to which the City is a party (other than the WIFIA IPA) or permit a waiver of any provision thereof in a manner that could adversely affect the WIFIA Lender or could reasonably be expected to result in a City Material Adverse Effect, or (iv) terminate or assign any Related Document to which the City is a party (other than (A) the WIFIA IPA and (B) Obligation Documents relating to Subordinate Obligations) in a manner that could adversely affect the WIFIA Lender or could reasonably be expected to have a City Material Adverse Effect. The City shall not take or omit to take any action under any contract if the effect of such act or failure to act would in any manner impair or adversely affect the ability of the City to secure adequate Net Revenues to meet the requirements of the WIFIA IPA.

(c) No Prohibited Liens. Except for Permitted Liens, the City shall not create, incur, assume or permit to exist any Lien on the System, the Project, the City Pledged Collateral, or the City's respective rights therein.

(d) Restricted Payments and Transfers. The City shall not permit Revenues or any funds in any other fund or account held by or on behalf of the City with respect to the System to be paid or transferred or otherwise applied for purposes other than ownership, operation or maintenance of the System.

(e) Against Sale or Other Disposition of Property.

(i) The City shall not enter into any agreement or lease which impairs the operation of the System or any part thereof necessary to secure adequate Net Revenues to meet the requirements of the WIFIA IPA, or which would otherwise impair the rights of the Borrower under the WIFIA IPA or the operation of the System. Any real or personal property which has become nonoperative or which is not needed for the efficient and proper operation of the System, or any material or equipment which has become worn out, may be sold if such sale will not impair the ability of the City to pay the WIFIA Installment Payments and if the proceeds of such sale are deposited in the Revenue Fund.

(ii) Nothing herein shall restrict the ability of the City to sell any portion of the System if such portion is immediately repurchased by the City and if such arrangement cannot by its terms result in the purchaser of such portion of the System exercising any remedy which would deprive the City of or otherwise interfere with its right to own and operate such portion of the System.

(f) City Fiscal Year. The City shall not at any time adopt any fiscal year other than the City Fiscal Year, except with thirty (30) days' prior written notice to the WIFIA Lender.

(g) Against Competitive Facilities. The City will not, to the extent permitted by law, acquire, construct, maintain or operate and will not, to the extent permitted by law and within the scope of its powers, permit any other public or private agency, corporation, district or political subdivision or any person whomsoever to acquire, construct, maintain or operate within the City any water system competitive with the System.

(h) Hedging. Other than Hedging Transactions, the City shall not enter into any swap or hedging transaction with respect to the Obligations, including inflation indexed swap transactions, "cap" or "collar" transactions, futures, or any other hedging transaction, without the prior written consent of the WIFIA Lender.

#### Section 19. Reporting Requirements of the Borrower.

(a) Annual Financial Statements. The Borrower shall deliver to the WIFIA Lender, as soon as available, and within one hundred eighty (180) days after the end of each Borrower Fiscal Year (provided that the failure of the Borrower to furnish the documents required by this Section 19(a) within such one hundred eighty (180)-day period shall not constitute a Default or an Event of Default hereunder so long as the Borrower furnishes to the WIFIA Lender such documents within ninety (90) days after the end of such period, and provided further that the parties

agree that delivering the documents required by this Section 19(a) within such additional ninety (90) day period shall not, in and of itself, constitute a default under this Agreement, an event of acceleration under this Agreement, the WIFIA Loan, or the WIFIA Note, a termination event under this Agreement, the WIFIA Loan, or the WIFIA Note, a modification of terms with respect to this Agreement, the WIFIA Loan, or the WIFIA Note, or other similar event under this Agreement, the WIFIA Loan, or the WIFIA Note reflecting financial difficulties):

(i) a copy of the audited Borrower Financial Statements as of the end of such Borrower Fiscal Year, (A) setting forth in each case in comparative form the figures for the previous fiscal year, (B) certified without qualification or exception, or qualification as to the scope of the audit, by an independent public accounting firm selected by the Borrower and (C) which shall be complete and correct in all material respects and shall be prepared in reasonable detail and in accordance with GAAP applied consistently throughout the periods reflected therein (except for changes approved or required by the independent public accountants certifying such statements and disclosed therein); and

(ii) together with each delivery of such audited Borrower Financial Statements, a certificate signed by the Borrower's Authorized Representative, stating whether or not, to the Borrower's knowledge, during the annual period covered by such Borrower Financial Statements, there occurred any Default or Event of Default and, if any such Default or Event of Default shall have occurred during such period, the nature of such Default or Event of Default and the actions that the Borrower has taken or intends to take in respect thereof.

(b) Notices.

(i) The Borrower shall, within fifteen (15) days after it learns of the occurrence, give the WIFIA Lender notice of any of the following events or receipt of any of the following notices, as applicable, setting forth details of such event (provided that the Borrower shall not be obligated to provide such notice to the WIFIA Lender if notice of such event has already been provided to the WIFIA Lender by the City):

(A) Defaults; Events of Default: any Default or Event of Default;

(B) Litigation: (1) the filing of any litigation, suit or action, or the commencement of any proceeding, against the Borrower before any arbitrator, Governmental Authority, alternative dispute resolution body, or other neutral third-party, or the receipt by the Borrower in writing of any threat of litigation, suit, action, or proceeding, or of any written claim against the Borrower that, in each case, could reasonably be expected to have a Borrower Material Adverse Effect, and any material changes in the status of such litigation, suit, action or claim, and (2) any judgments against the Borrower that could reasonably be expected to have a Borrower Material Adverse Effect, either individually or in the aggregate;

(C) Amendments: except as otherwise agreed by the WIFIA Lender in writing, copies of fully executed amendments, modifications,

replacements or supplements to any Related Document to which the Borrower is a party within ten (10) days following execution thereof; provided that such notice can be accomplished through the posting of the relevant documents on EMMA under the WIFIA CUSIP Number;

(D) Related Document Defaults: any material breach or default or event of default on the part of the Borrower or any other party under any Related Document to which the Borrower is a party; provided that such notice can be accomplished through the posting of the relevant documents on EMMA under the WIFIA CUSIP Number;

(E) 2 C.F.R. § 180.350 Notices: any notification required pursuant to 2 C.F.R. § 180.350, whether attributable to a failure by the Borrower to disclose information previously required to have been disclosed or due to the Borrower or any of the Borrower's principals meeting any of the criteria set forth in 2 C.F.R. § 180.335;

(F) Issuance of Indebtedness: copies of any final issuing instrument (together with any continuing disclosure documents, ordinances, official statement, certifications or cash flow projections in connection therewith), prepared in connection with the incurrence of any indebtedness; provided that such notice can be accomplished through the posting of the relevant documents on EMMA under the WIFIA CUSIP Number;

(G) Postings on EMMA: the posting of any document of the Borrower on EMMA in accordance with the requirements of any continuing disclosure agreement or similar document relating to annual financial information and operating data and the reporting of significant events; provided that such notice can be accomplished through the posting of the relevant document on EMMA under the WIFIA CUSIP Number;

(H) SAM/DUNS: any change in the Borrower's SAM registration status (including any exclusions, expiration or inactive registration) or DUNS Number (including any expiration or change in effectiveness); provided that such notice can be accomplished through the posting of the relevant document on EMMA under the WIFIA CUSIP Number; and

(I) Other Adverse Events: the occurrence of any other event or condition that could reasonably be expected to result in a Material Adverse Effect.

(ii) Within thirty (30) calendar days after the Borrower learns of the occurrence of an event specified in clause (i) above (other than sub-clauses (C) (*Amendments*), (F) (*Issuance of Indebtedness*) or (G) (*Postings on EMMA*)), the Borrower's Authorized Representative shall provide a statement to the WIFIA Lender setting forth the actions the Borrower proposes to take with respect thereto; provided that the Borrower shall not be required to provide such information if and to the extent such information has been provided by the City. The Borrower shall also provide the WIFIA



Lender with any further information reasonably requested by the WIFIA Lender from time to time concerning the matters described in clause (i) above.

(c) Requested Information. The Borrower shall, at any time while the WIFIA Loan remains outstanding, promptly deliver to the WIFIA Lender such additional information regarding the business, financial, legal or organizational affairs of the Borrower or the Authority Revenues as the WIFIA Lender may from time to time reasonably request.

Section 20. Reporting Requirements of the City.

(a) Updated Financial Model.

(i) The City shall provide to the WIFIA Lender not later than one hundred eighty (180) days after the beginning of each City Fiscal Year, an updated Base Case Financial Model reflecting the then-current and projected conditions.

(ii) The Updated Financial Model shall demonstrate to the satisfaction of the WIFIA Lender that the City has developed and identified adequate revenues to implement a plan for operating, maintaining and repairing the Project over its useful life, and shall include: (A) the City's capital improvement plan, major maintenance plan, projected rates and charges, projected debt outstanding and annual debt service, projected Revenues and projected Operations and Maintenance Costs; (B) evidence of compliance with the Rate Covenant for the most recent City Fiscal Year and the projected Rate Covenant coverages through the Final Maturity Date; (C) a written narrative identifying any material changes to the underlying assumptions from the previous Updated Financial Model; and (D) a certificate signed by the City's Authorized Representative, certifying that (1) the Updated Financial Model, including the assumptions and supporting documentation, as of its date, is accurate and reasonable to the best of the City's knowledge and belief, (2) the annual projected Net Revenues will be sufficient to meet the Loan Amortization Schedule and to satisfy the Rate Covenant through the Final Maturity Date, and (3) the City is in compliance with its obligations in respect of the Rate Covenant pursuant to Section 17(a) (*Affirmative Covenants of the City – Rate Covenant*).

(iii) The delivery of the Updated Financial Model to the WIFIA Lender shall constitute a representation and warranty by the City that the Updated Financial Model reflects the City's reasonable expectations, using assumptions that the City believes to be reasonable, of the System's expected operations, including capital costs, capital spending schedule, rates and revenues or charges (if applicable), Revenues, Operations and Maintenance Costs, major maintenance costs, financing structure and other scheduling, cost and financing elements required to be included in the Base Case Financial Model. The Updated Financial Model shall independently model the Project (as well as the System) addressing each of the foregoing as it may apply to the Project.

(b) Annual Financial Statements. The City shall deliver to the WIFIA Lender, as soon as available, and within one hundred eighty (180) days after the end of each City Fiscal Year (provided that the failure of the City to furnish the documents required by this Section 20(b) within such one hundred eighty (180)-day period shall not constitute a Default or an Event of

Default hereunder so long as the City furnishes to the WIFIA Lender such documents within ninety (90) days after the end of such period, and provided further that the parties agree that delivering the documents required by this Section 20(b) within such additional ninety (90) day period shall not, in and of itself, constitute a default under this Agreement, an event of acceleration under this Agreement, the WIFIA Loan, or the WIFIA Note, a termination event under this Agreement, the WIFIA Loan, or the WIFIA Note, a modification of terms with respect to this Agreement, the WIFIA Loan, or the WIFIA Note, or other similar event under this Agreement, the WIFIA Loan, or the WIFIA Note reflecting financial difficulties):

(i) a copy of the audited City Financial Statements as of the end of such City Fiscal Year, (A) setting forth in each case in comparative form the figures for the previous fiscal year, (B) certified without qualification or exception, or qualification as to the scope of the audit, by an independent public accounting firm selected by the City and (C) which shall be complete and correct in all material respects and shall be prepared in reasonable detail and in accordance with GAAP applied consistently throughout the periods reflected therein (except for changes approved or required by the independent public accountants certifying such statements and disclosed therein); and

(ii) together with each delivery of such audited City Financial Statements, a certificate signed by the City's Authorized Representative, stating whether or not, to the City's knowledge, during the annual period covered by such City Financial Statements, there occurred any Default or Event of Default and, if any such Default or Event of Default shall have occurred during such period, the nature of such Default or Event of Default and the actions that the City has taken or intends to take in respect thereof.

(c) Construction Reporting.

(i) The WIFIA Lender shall have the right in its sole discretion to monitor (or direct its agents to monitor) the development of the Project, including environmental compliance, design, and construction of the Project. The City shall be responsible for administering construction oversight of the Project in accordance with applicable federal, state and local governmental requirements. The City agrees to cooperate in good faith with the WIFIA Lender in the conduct of such monitoring by promptly providing the WIFIA Lender with such Construction Contracts (together with any related contracts, side letters or other understandings) and such reports, documentation or other information as shall be requested by the WIFIA Lender or its agents, including any independent engineer reports, documentation or information. During the period beginning from the first quarter following bid advertisement of the first Construction Contract for the Project, through and until Substantial Completion of the Project, the City shall furnish to the WIFIA Lender, on a quarterly basis, a report on the status of the Project, substantially in the form of **Exhibit J** (*Form of Quarterly Report*). The report shall be executed by the City's Authorized Representative and, for any quarter, shall be delivered to the WIFIA Lender within thirty (30) days of the following quarter (or if such day is not a Business Day, on the next following Business Day). If the then-current projection for the Substantial Completion Date is a date later than the Projected Substantial Completion Date, the City shall provide in such report a description in reasonable detail to the reasonable satisfaction of the WIFIA Lender of the reasons for such projected delay, an

estimate of the impact of such delay on the capital and operating costs of the System (if any), and a certification of the City's Authorized Representative that the new date could not reasonably be expected to result in a Material Adverse Effect.

(ii) The City shall deliver to the WIFIA Lender, prior to bid advertisement for the Project (including each sub-project or component, if applicable), a copy of the final specifications relating to the development and construction of the Project (or such sub-project or component, as the case may be), demonstrating compliance with all applicable federal requirements, and including a summary of the scope of work thereunder.

(d) Public Benefits Report. The City shall deliver to the WIFIA Lender a report, in the form of **Exhibit K** (*Form of Public Benefits Report*) (the "**Public Benefits Report**"), (i) prior to the Effective Date, (ii) within ninety (90) days following the Substantial Completion Date and (iii) within ninety (90) days following the fifth (5<sup>th</sup>) anniversary of the Substantial Completion Date. The City agrees that information described under this Section 20(d) may be made publicly available by the WIFIA Lender at its discretion.

(e) Operations and Maintenance. The WIFIA Lender shall have the right, in its sole discretion, to monitor (or direct its agents to monitor) the Project's operations and, as the WIFIA Lender may request from time to time, to receive reporting on the operation and management of the Project, and copies of any contracts relating to the operation and maintenance of the Project. The City agrees to cooperate in good faith with the WIFIA Lender in the conduct of such monitoring by promptly providing the WIFIA Lender with such reports, documentation, or other information requested by the WIFIA Lender. The WIFIA Lender has the right, in its sole discretion, to retain such consultants or advisors, to carry out the provisions of this Section 20(e). On or prior to the Substantial Completion Date, the City shall deliver to the WIFIA Lender an operations and maintenance manual with respect to the Project, in form and substance reasonably acceptable to the WIFIA Lender.

(f) Notices.

(i) The City shall, within fifteen (15) days after it learns of the occurrence, give the WIFIA Lender notice of any of the following events or receipt of any of the following notices, as applicable, setting forth details of such event (provided that the City shall not be obligated to provide such notice to the WIFIA Lender if notice of such event has already been provided to the WIFIA Lender by the Borrower):

(A) Substantial Completion: the occurrence of Substantial Completion, such notice to be provided in the form set forth in **Exhibit I** (*Form of Certificate of Substantial Completion*);

(B) Defaults; Events of Default: any Default or Event of Default;

(C) Litigation: (1) the filing of any litigation, suit or action, or the commencement of any proceeding, against the City before any arbitrator, Governmental Authority, alternative dispute resolution body, or other neutral third-party, or the receipt by the City in writing of any threat of litigation, suit, action, or

proceeding, or of any written claim against the City that, in each case, could reasonably be expected to have a City Material Adverse Effect, and any material changes in the status of such litigation, suit, action or claim, and (2) any judgments against the City that could reasonably be expected to have a City Material Adverse Effect, either individually or in the aggregate;

(D) Delayed Governmental Approvals: any failure to receive or delay in receiving any Governmental Approval or making any required filing, notice, recordation or other demonstration to or with a Governmental Authority, in each case to the extent such failure or delay will or could reasonably be expected to result in a delay to any major milestone date (including the Projected Substantial Completion Date) set forth in the Construction Schedule, together with a written explanation of the reasons for such failure or delay and the City's plans to remedy or mitigate the effects of such failure or delay;

(E) Environmental Notices: any material notice of violation or material change in finding under any Environmental Law related to the Project or any material changes to the NEPA Determination;

(F) Amendments: except as otherwise agreed by the WIFIA Lender in writing, copies of fully executed amendments, modifications, replacements or supplements to any Related Document to which the City is a party within ten (10) days following execution thereof; provided that such notice can be accomplished through the posting of the relevant documents on EMMA under the WIFIA CUSIP Number;

(G) Related Document Defaults: any material breach or default or event of default on the part of the City or any other party under any Related Document to which the City is a party; provided that such notice can be accomplished through the posting of the relevant documents on EMMA under the WIFIA CUSIP Number;

(H) Uncontrollable Force: the occurrence of any Uncontrollable Force that could reasonably be expected to materially and adversely affect the Project;

(I) Ratings Changes: any change in the rating assigned to the WIFIA Loan or any other Obligations by any Nationally Recognized Rating Agency that has provided a public rating on the WIFIA Loan or such Obligations, and any notices, reports or other written materials (other than those that are ministerial in nature) received from any such rating agencies; provided that such notice can be accomplished through the posting of the relevant documents on EMMA under the WIFIA CUSIP Number;

(J) 2 C.F.R. § 180.350 Notices: any notification required pursuant to 2 C.F.R. § 180.350, whether attributable to a failure by the City to disclose information previously required to have been disclosed or due to the City

or any of the City's principals meeting any of the criteria set forth in 2 C.F.R. § 180.335;

(K) Postings on EMMA: the posting of any document of the City on EMMA in accordance with the requirements of any continuing disclosure agreement or similar document relating to annual financial information and operating data and the reporting of significant events; provided that such notice can be accomplished through the posting of the relevant document on EMMA under the WIFIA CUSIP Number;

(L) SAM/DUNS: any change in the City's SAM registration status (including any exclusions, expiration or inactive registration) or DUNS Number (including any expiration or change in effectiveness); provided that such notice can be accomplished through the posting of the relevant document on EMMA under the WIFIA CUSIP Number;

(M) Issuance of Obligations: copies of any final issuing instrument (together with any continuing disclosure documents, ordinances, official statement, certifications or cash flow projections in connection therewith), prepared in connection with the incurrence of any Additional Obligations (including any Variable Interest Rate Obligations); provided that such notice can be accomplished through the posting of the relevant documents on EMMA under the WIFIA CUSIP Number;

(N) Amendment to Debt Management Policy: any material amendment or modification to the Debt Management Policy, along with a copy of such amendment or modification; and

(O) Other Adverse Events: the occurrence of any other event or condition, including any notice of breach from a contract counterparty or any holder of any Obligations, that could reasonably be expected to result in a Material Adverse Effect or have a material and adverse effect on the Project.

(ii) Within thirty (30) calendar days after the City learns of the occurrence of an event specified in clause (i) above (other than sub-clauses (A) (*Substantial Completion*), (F) (*Amendments*), (I) (*Ratings Changes*) (in the case of a ratings upgrade), (K) (*Postings on EMMA*), (M) (*Issuance of Obligations*) or (N) (*Amendment to Debt Management Policy*)), the City's Authorized Representative shall provide a statement to the WIFIA Lender setting forth the actions the City proposes to take with respect thereto. The City shall also provide the WIFIA Lender with any further information reasonably requested by the WIFIA Lender from time to time concerning the matters described in clause (i) above.

(g) Requested Information. The City shall, at any time while the WIFIA Loan remains outstanding, promptly deliver to the WIFIA Lender such additional information regarding the business, financial, legal or organizational affairs of the City or regarding the System

(including the Project), the WIFIA Debt Service Account or the Revenues as the WIFIA Lender may from time to time reasonably request.

## ARTICLE VI EVENTS OF DEFAULT

### Section 21. Events of Default and Remedies.

(a) A “**Borrower Event of Default**” shall exist under this Agreement if any of the following occurs:

(i) Borrower Payment Default. The Borrower shall fail to (A) pay when due any part of the principal amount of or interest on the WIFIA Loan (including WIFIA Debt Service required to have been paid pursuant to the provisions of Section 8 (*Payment of Principal and Interest*)) or (B) make any mandatory prepayment required pursuant to the provisions of Section 9 (*Prepayment*), in each case when and as the payment thereof shall be required under this Agreement or the WIFIA Note or on the Final Maturity Date (each such failure, a “**Borrower Payment Default**”).

(ii) Borrower Covenant Default. The Borrower shall fail to observe or perform any covenant, agreement or obligation of the Borrower under this Agreement, the WIFIA Note or any other WIFIA Loan Document to which the Borrower is a party (other than in the case of any Borrower Payment Default), and such failure shall not be cured within thirty (30) days after the earlier to occur of (A) receipt by the Borrower from the WIFIA Lender of written notice thereof or (B) the Borrower’s knowledge of such failure; provided that if such failure is capable of cure but cannot reasonably be cured within such thirty (30) day cure period, then no Borrower Event of Default shall be deemed to have occurred or be continuing under this Section 21(a)(ii), and such thirty (30) day cure period shall be extended by up to one hundred fifty (150) additional days, if and so long as (x) within such thirty (30) day cure period the Borrower shall commence actions reasonably designed to cure such failure and shall diligently pursue such actions until such failure is cured and (y) such failure is cured within one hundred eighty (180) days of the date specified in either (A) or (B) above, as applicable.

(iii) Borrower Misrepresentation Default. Any of the representations, warranties or certifications of the Borrower made in or delivered pursuant to any WIFIA Loan Document to which the Borrower is a party (or in any certificates delivered by the Borrower in connection with any WIFIA Loan Document to which the Borrower is a party) shall prove to have been false or misleading in any material respect when made or deemed made (or any representation and warranty or certification that is subject to a materiality qualifier shall prove to have been false or misleading in any respect); provided that no Borrower Event of Default shall be deemed to have occurred under this Section 21(a)(iii) if and so long as (A) such misrepresentation is not intentional, (B) such misrepresentation is not a misrepresentation in respect of Section 12(h) (*Representations and Warranties of the Borrower – No Debarment*), or Section 12(j) (*Representations and Warranties of the Borrower – Compliance with Laws*), (C) in the reasonable determination of the WIFIA Lender, such misrepresentation has not had, and would not reasonably be expected to result

in, a Borrower Material Adverse Effect, (D) in the reasonable determination of the WIFIA Lender, the underlying issue giving rise to the misrepresentation is capable of being cured and (E) the underlying issue giving rise to the misrepresentation is cured by the Borrower within thirty (30) days after the date on which the Borrower first became aware (or reasonably should have become aware) of such misrepresentation.

(iv) Borrower Material Adverse Judgment. Any final, non-appealable judgment related to the Authority Revenues shall be entered against the Borrower which has a Material Adverse Effect.

(v) Occurrence of Borrower Bankruptcy Related Event. A Bankruptcy Related Event shall occur with respect to the Borrower.

(vi) Invalidity of WIFIA Loan Documents. (A) Any WIFIA Loan Document to which the Borrower is a party ceases to be in full force and effect (other than as a result of the termination thereof in accordance with its terms) or becomes void, voidable, illegal or unenforceable, or the Borrower contests in any manner the validity or enforceability of any WIFIA Loan Document to which it is a party or denies it has any further liability under any WIFIA Loan Document to which it is a party, or purports to revoke, terminate or rescind any WIFIA Loan Document to which it is a party; (B) this Agreement ceases to grant a valid and binding security interest on any material portion of the Authority Revenues, other than as a result of actions or a failure to act by, and within the control of, the WIFIA Lender; or (C) any event occurs that results in the material impairment in the priority of (1) the Borrower's security interest in the City Pledged Collateral or in the value of the City Pledged Collateral or (2) the WIFIA Lender's security interest in the Borrower Assigned Rights or in the value of the Borrower Assigned Rights or the pledge and assignment to the WIFIA Lender of the Borrower's rights thereto.

(b) An "**City Event of Default**" shall exist under this Agreement if any of the following occurs:

(i) City Payment Default. (A) The City shall fail to pay when due any part of any WIFIA Installment Payment required to have been paid pursuant to the provisions of the WIFIA IPA or (B) the City, as agent of the Borrower pursuant to the WIFIA IPA, shall fail to make any mandatory prepayment required pursuant to the provisions of Section 9 (*Prepayment*) (each such failure, an "**City Payment Default**").

(ii) City Covenant Default. The City shall fail to observe or perform any covenant, agreement or obligation of the City under this Agreement, the WIFIA IPA or any other WIFIA Loan Document to which the City is a party (other than in the case of any City Payment Default or any Development Default), and such failure shall not be cured within thirty (30) days after the earlier to occur of (A) receipt by the City from the WIFIA Lender of written notice thereof or (B) the City's knowledge of such failure; provided that if such failure is capable of cure but cannot reasonably be cured within such thirty (30) day cure period, then no Event of Default shall be deemed to have occurred or be continuing under this Section 21(b)(ii), and such thirty (30) day cure period shall be extended by up to one hundred fifty (150) additional days, if and so long as (x) within such thirty (30) day

cure period the City shall commence actions reasonably designed to cure such failure and shall diligently pursue such actions until such failure is cured and (y) such failure is cured within one hundred eighty (180) days of the date specified in either (A) or (B) above, as applicable.

(iii) City Misrepresentation Default. Any of the representations, warranties or certifications of the City made in or delivered pursuant to any WIFIA Loan Document to which the City is a party (or in any certificates delivered by the City in connection with any WIFIA Loan Document to which the City is a party) shall prove to have been false or misleading in any material respect when made or deemed made (or any representation and warranty or certification that is subject to a materiality qualifier shall prove to have been false or misleading in any respect); provided that no City Event of Default shall be deemed to have occurred under this Section 21(b)(iii) if and so long as (A) such misrepresentation is not intentional, (B) such misrepresentation is not a misrepresentation in respect of Section 13(h) (*Representations and Warranties of the City – No Debarment*), or Section 13(j) (*Representations and Warranties of the City – Compliance with Laws*), (C) in the reasonable determination of the WIFIA Lender, such misrepresentation has not had, and would not reasonably be expected to result in, a City Material Adverse Effect, (D) in the reasonable determination of the WIFIA Lender, the underlying issue giving rise to the misrepresentation is capable of being cured and (E) the underlying issue giving rise to the misrepresentation is cured by the City within thirty (30) days after the date on which the City first became aware (or reasonably should have become aware) of such misrepresentation.

(iv) Acceleration of Obligations. Any acceleration shall occur of the maturity of any Obligation, or any such Obligation shall not be paid by the City in full upon the final maturity thereof.

(v) Cross Default with Obligation Documents. Any default shall occur in respect of the performance of any covenant, agreement or obligation of the City under any Obligation Document relating to any Parity Obligation (other than the WIFIA Loan Documents), and such default shall be continuing after the giving of any applicable notice and the expiration of any applicable grace period specified in such Obligation Document relating to any Parity Obligation with respect to such default, and the City shall have failed to cure such default or to obtain an effective written waiver thereof in accordance with the terms thereof.

(vi) City Material Adverse Judgment. Any final, non-appealable judgment related to the Revenues, the System or the Project shall be entered against the City which has a Material Adverse Effect.

(vii) Occurrence of City Bankruptcy Related Event. A Bankruptcy Related Event shall occur with respect to the City.

(viii) Invalidity of WIFIA Loan Documents. (A) Any WIFIA Loan Document to which the City is a party ceases to be in full force and effect (other than as a result of the termination thereof in accordance with its terms) or becomes void, voidable,



illegal or unenforceable, or the City contests in any manner the validity or enforceability of any WIFIA Loan Document to which it is a party or denies it has any further liability under any WIFIA Loan Document to which it is a party, or purports to revoke, terminate or rescind any WIFIA Loan Document to which it is a party; or (B) the WIFIA IPA ceases (other than as expressly permitted thereunder) to be effective or to grant a valid and binding security interest on any material portion of the City Pledged Collateral, and with the priority purported to be created thereby.

(ix) Development Default. A Development Default shall occur.

(c) Upon (i) the occurrence of any Bankruptcy Related Event (other than any Bankruptcy Related Event under clause (b)(iii) of the definition thereof) or (ii) the acceleration of any amounts under the WIFIA IPA, all obligations of the WIFIA Lender hereunder with respect to the disbursement of any undisbursed amounts of the WIFIA Loan shall automatically be deemed terminated, and the Outstanding WIFIA Loan Balance, together with all interest accrued thereon and all fees, costs, expenses, indemnities and other amounts payable under this Agreement, the WIFIA Note or the other WIFIA Loan Documents, shall automatically become immediately due and payable, without presentment, demand, notice, declaration, protest or other requirements of any kind, all of which are hereby expressly waived.

(d) Upon the occurrence of any Event of Default, the WIFIA Lender, by written notice to the Borrower and the City, may exercise any or all of the following remedies:

(i) the WIFIA Lender may suspend or terminate all of its obligations hereunder with respect to the disbursement of any undisbursed amounts of the WIFIA Loan;

(ii) the WIFIA Lender may apply the Default Rate provisions of Section 6 (*Interest Rate*);

(iii) the WIFIA Lender may suspend or debar the Borrower or the City (or both) from further participation in any Government program administered by the WIFIA Lender and notify other departments and agencies of such default;

(iv) the WIFIA Lender shall be entitled and empowered to institute any actions or proceedings at law or in equity against the Borrower for the collection of any sums due from the Borrower and unpaid hereunder or under the WIFIA Note or the other WIFIA Loan Documents, and may prosecute any such judgment or final decree against the Borrower and collect in the manner provided by law out of the property of the Borrower the moneys adjudged or decreed to be payable, and the WIFIA Lender shall have all of the rights and remedies of a creditor and may take such other actions at law or in equity as may appear necessary or desirable to collect all amounts payable by the Borrower under this Agreement, the WIFIA Note or the other WIFIA Loan Documents then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of the Borrower under this Agreement, the WIFIA Note or the other WIFIA Loan Documents, including directing the Borrower to exercise any rights or remedies under the

WIFIA IPA pursuant to Article VIII (*Events of Default and Remedies of the Authority*) thereto;

(v) the WIFIA Lender shall be entitled and empowered to institute any actions or proceedings at law or in equity against the City for the collection of any sums due from the City and unpaid hereunder or under the WIFIA IPA, and may prosecute any such judgment or final decree against the City and collect in the manner provided by law out of the property of the City the moneys adjudged or decreed to be payable, and the WIFIA Lender shall have all of the rights and remedies of a creditor and may take such other actions at law or in equity as may appear necessary or desirable to collect all amounts payable by the City under this Agreement or the WIFIA IPA then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of the City under this Agreement or the WIFIA IPA; and

(vi) the WIFIA Lender may declare the unpaid principal amount of the WIFIA Note to be, and the same shall thereupon forthwith become, immediately due and payable, together with the interest accrued thereon and all fees, costs, expenses, indemnities and other amounts payable under this Agreement, the WIFIA Note and the other WIFIA Loan Documents, all without presentment, demand, notice, protest or other requirements of any kind, all of which are hereby expressly waived.

(e) Notwithstanding anything to the contrary set forth in any WIFIA Loan Document, the Borrower shall not have the right to (i) accelerate the WIFIA Installment Payments or (ii) exercise any other rights or remedies under the WIFIA IPA following the occurrence of an "Event of Default" under and as defined in the WIFIA IPA without the prior written direction of the WIFIA Lender.

(f) No action taken pursuant to this Section 21 shall relieve either the Borrower or the City from its obligations pursuant to this Agreement, the WIFIA Note or the other WIFIA Loan Documents, all of which shall survive any such action.

## ARTICLE VII MISCELLANEOUS

Section 22. Disclaimer of Warranty. The WIFIA Lender makes no warranty or representation, either express or implied, as to the value, design, condition, merchantability or fitness for a particular purpose or fitness for use of the Project or any portion thereof or any other warranty with respect thereto. In no event shall the WIFIA Lender be liable for any incidental, indirect, special or consequential damages incidental to or arising out of this Agreement or the System (including the Project) or the existence, furnishing, functioning or use of the Project or any item or products or services provided for in this Agreement.

Section 23. No Personal Recourse. No official, employee or agent of the WIFIA Lender or either the Borrower or the City or any Person executing this Agreement or any of the other WIFIA Loan Documents shall be personally liable on this Agreement or such other WIFIA Loan Documents by reason of the issuance, delivery or execution hereof or thereof.

Section 24. No Third Party Rights. The parties hereby agree that this Agreement creates no third party rights against the Borrower, the City, the Government, or the WIFIA Lender, solely by virtue of the WIFIA Loan, and the Borrower and the City each agree to indemnify on a joint and several basis and hold the WIFIA Lender, the Servicer (if any), the Administrator, and the Government harmless, to the extent permitted by law and in accordance with Section 37 (*Indemnification*), from any lawsuit or claim arising in law or equity solely by reason of the WIFIA Loan, and that no third party creditor of either the Borrower or the City shall have any right against the WIFIA Lender with respect to the WIFIA Loan made pursuant to this Agreement.

Section 25. Borrower's Authorized Representative. The Borrower shall at all times have appointed a Borrower's Authorized Representative by designating such Person or Persons from time to time to act on the Borrower's behalf pursuant to a written certificate furnished to the WIFIA Lender and the Servicer, if any, containing the specimen signature or signatures of such Person or Persons and signed by the Borrower.

Section 26. City's Authorized Representative. The City shall at all times have appointed a City's Authorized Representative by designating such Person or Persons from time to time to act on the City's behalf pursuant to a written certificate furnished to the WIFIA Lender and the Servicer, if any, containing the specimen signature or signatures of such Person or Persons and signed by the City.

Section 27. WIFIA Lender's Authorized Representative. The WIFIA Lender hereby appoints the Director of the WIFIA Program, whose notice details are set forth below in Section 36 (*Notices*), to serve as the WIFIA Lender's Authorized Representative under this Agreement until such time as a successor or successors shall have been appointed. Thereafter, the successor in office shall serve as the WIFIA Lender's Authorized Representative. The WIFIA Lender shall provide notice to the Borrower and the City within a reasonable time period following the succession.

Section 28. Servicer. The WIFIA Lender may from time to time designate another entity or entities to perform, or assist the WIFIA Lender in performing, the duties of the Servicer or specified duties of the WIFIA Lender under this Agreement and the WIFIA Note. The WIFIA Lender shall give the Borrower and the City written notice of the appointment of any successor or additional Servicer and shall enumerate the duties or any change in duties to be performed by any Servicer. Any references in this Agreement to the WIFIA Lender shall be deemed to be a reference to the Servicer with respect to any duties which the WIFIA Lender shall have delegated to such Servicer. The WIFIA Lender may at any time assume the duties of any Servicer under this Agreement and the WIFIA Note. The Borrower and the City shall cooperate and respond to any reasonable request of the Servicer for information, documentation or other items reasonably necessary for the performance by the Servicer of its duties hereunder.

Section 29. Amendments and Waivers. No amendment, modification, termination, or waiver of any provision of this Agreement or the WIFIA Note shall in any event be effective without the prior written consent of each of the parties hereto.

Section 30. Governing Law. This Agreement shall be governed by the federal laws of the United States of America if and to the extent such federal laws are applicable and the internal laws of the State, if and to the extent such federal laws are not applicable.

Section 31. Severability. In case any provision in or obligation under this Agreement shall be invalid, illegal, or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining provisions or obligations, or of such provision or obligation in any other jurisdiction, shall not in any way be affected or impaired thereby.

Section 32. Successors and Assigns. This Agreement shall be binding upon the parties hereto and their respective permitted successors and assigns and shall inure to the benefit of the parties hereto and their permitted successors and assigns. Neither the rights nor obligations of the Borrower hereunder or under the WIFIA Note nor any interest herein or therein may be assigned or delegated by the Borrower without the prior written consent of the WIFIA Lender. Neither the rights nor obligations of the City hereunder nor any interest herein may be assigned or delegated by the City without the prior written consent of the WIFIA Lender.

Section 33. Remedies Not Exclusive. No remedy conferred herein or in the WIFIA Note or reserved to the WIFIA Lender is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or under the WIFIA Note or now or hereafter existing at law or in equity or by statute.

Section 34. Delay or Omission Not Waiver. No delay or omission of the WIFIA Lender to exercise any right or remedy provided hereunder or under the WIFIA Note upon a default of either the Borrower or the City (except a delay or omission pursuant to a written waiver) shall impair any such right or remedy or constitute a waiver of any such default or acquiescence therein. Every right and remedy given by this Agreement or the WIFIA Note or by law to the WIFIA Lender may be exercised from time to time, and as often as may be deemed expedient by the WIFIA Lender.

Section 35. Counterparts. This Agreement and any amendments, waivers, consents or supplements hereto or in connection herewith may be executed in any number of counterparts and by the different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original, but all such counterparts together shall constitute one and the same instrument; signature pages may be detached from multiple separate counterparts and attached to a single counterpart so that all signature pages are physically attached to the same document. Electronic delivery of an executed counterpart of a signature page of this Agreement or of any document or instrument delivered in connection herewith in accordance with Section 36 (*Notices*) shall be effective as delivery of an original executed counterpart of this Agreement or such other document or instrument, as applicable.

Section 36. Notices. Notices hereunder shall be (a) in writing, (b) effective as provided below and (c) given by (i) nationally recognized courier service, (ii) hand delivery, or (iii) email, in each case to:

If to WIFIA Lender: Environmental Protection Agency

WJC-W 6201A  
 1200 Pennsylvania Avenue NW  
 Washington, D.C. 20460  
 Attention: WIFIA Director  
 Email: WIFIA\_Portfolio@epa.gov

If to Borrower:<sup>6</sup>

Escondido Joint Powers Financing Authority  
 201 North Broadway  
 Escondido, California 92025  
 Attention: [●]  
 Email: [●]

If to City:

City of Escondido  
 201 North Broadway  
 Escondido, California 92025  
 Attention: [●]  
 Email: [●]

Unless otherwise instructed by the WIFIA Lender's Authorized Representative, all notices to the WIFIA Lender should be made by email to the email address noted above for the WIFIA Lender. Notices required to be provided herein shall be provided to such different addresses or to such further parties as may be designated from time to time by the Borrower's Authorized Representative, with respect to notices to the Borrower, or by the City's Authorized Representative, with respect to notices to the City, or by the WIFIA Lender's Authorized Representative, with respect to notices to the WIFIA Lender or the Servicer. Each such notice, request or communication shall be effective (x) if delivered by hand or by nationally recognized courier service, when delivered at the address specified in this Section 36 (or in accordance with the latest unrevoked written direction from the receiving party) and (y) if given by email, when such email is delivered to the address specified in this Section 36 (or in accordance with the latest unrevoked written direction from the receiving party); provided that notices received on a day that is not a Business Day or after 5:00 p.m. Eastern Time on a Business Day will be deemed to be effective on the next Business Day. Notwithstanding the foregoing, nothing in this Section 36 obligates the City to pay principal of or interest on the WIFIA Loan or the WIFIA Note.

Section 37. Indemnification. The Borrower and the City shall, to the extent permitted by law, indemnify on a joint and several basis the WIFIA Lender and any official, employee, agent, advisor or representative of the WIFIA Lender (each such Person being herein referred to as an "**Indemnitee**") against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities, fines, penalties, costs and expenses (including the fees, charges and disbursements of any counsel for any Indemnitee and the costs of environmental remediation), whether known, unknown, contingent or otherwise, incurred by or asserted against any Indemnitee arising out of, in connection with, or as a result of (a) the execution, delivery and performance of this Agreement or any of the other Related Documents, (b) the WIFIA Loan or the use of the proceeds thereof, or (c) the violation of any law, rule, regulation, order, decree, judgment or administrative decision relating to the environment, the preservation or reclamation of natural

<sup>6</sup> **Note to City:** Please provide remaining notice information for the Borrower and the City.

resources, the management, release or threatened release of any hazardous material or to health and safety matters; in each case arising out of or in direct relation to the Project; provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities, fines, penalties, costs or related expenses are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Indemnitee. In case any action or proceeding is brought against an Indemnitee by reason of any claim with respect to which such Indemnitee is entitled to indemnification hereunder, the Borrower and the City shall each be entitled, at its expense, to participate in the defense thereof; provided that such Indemnitee has the right to retain its own counsel, at the expense of the Borrower or the City, as applicable, and such participation by the Borrower and/or the City in the defense thereof shall not release the Borrower or the City of any liability that it may have to such Indemnitee. Any Indemnitee against whom any indemnity claim contemplated in this Section 37 is made shall be entitled, after consultation with the Borrower and the City and upon consultation with legal counsel wherein such Indemnitee is advised that such indemnity claim is meritorious, to compromise or settle any such indemnity claim. Any such compromise or settlement shall be binding upon the Borrower and the City for purposes of this Section 37. Nothing herein shall be construed as a waiver of any legal immunity that may be available to any Indemnitee. To the extent permitted by applicable law, none of the Borrower, the City, or the WIFIA Lender shall assert, and the Borrower, the City, and the WIFIA Lender each hereby waives, any claim against any Indemnitee, the Borrower, or the City, respectively, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement, any of the other Related Documents, the other transactions contemplated hereby and thereby, the WIFIA Loan or the use of the proceeds thereof, provided that nothing in this sentence shall limit the Borrower's or the City's indemnity obligations to the extent such damages are included in any third party claim in connection with which an Indemnitee is entitled to indemnification hereunder. All amounts due to any Indemnitee under this Section 37 shall be payable promptly upon demand therefor. The obligations of the Borrower and the City under this Section 37 shall survive the payment or prepayment in full of the WIFIA Note pursuant to Section 8 (*Payment of Principal and Interest*) or Section 9 (*Prepayment*), the enforcement of any provision of this Agreement or the other Related Documents, any amendments, waivers (other than amendments or waivers in writing with respect to this Section 37) or consents in respect hereof or thereof, any Event of Default, and any workout, restructuring or similar arrangement of the obligations of the Borrower or the City hereunder or thereunder.

Section 38. Sale of WIFIA Loan. The WIFIA Lender shall not sell the WIFIA Loan at any time prior to the Substantial Completion Date. After such date, the WIFIA Lender may sell the WIFIA Loan to another entity or reoffer the WIFIA Loan into the capital markets only in accordance with the provisions of this Section 38. Such sale or reoffering shall be on such terms as the WIFIA Lender shall deem advisable. However, in making such sale or reoffering the WIFIA Lender shall not change the terms and conditions of the WIFIA Loan without the prior written consent of the Borrower and the City in accordance with Section 29 (*Amendments and Waivers*). The WIFIA Lender shall provide, at least sixty (60) days prior to any sale or reoffering of the WIFIA Loan, written notice to the Borrower and the City of the WIFIA Lender's intention to consummate such a sale or reoffering; provided that no such notice shall be required during the continuation of any Event of Default. The provision of any notice pursuant to this Section 38 shall neither (x) obligate the WIFIA Lender to sell nor (y) provide either of the Borrower or the City

with any rights or remedies in the event the WIFIA Lender, for any reason, does not sell the WIFIA Loan. Neither the Borrower nor the City shall have any obligation to provide any disclosure, representation, warranty, estoppel, certificate, consent, agreement, approval, or other assistance to the WIFIA Lender or any proposed purchaser or assignee of the WIFIA Loan in connection with any proposed sale or assignment of the WIFIA Loan.

Section 39. Effectiveness. This Agreement shall be effective on the Effective Date.

Section 40. Termination. This Agreement shall terminate upon the irrevocable payment in full in immediately available funds by the Borrower of the Outstanding WIFIA Loan Balance, together with all accrued interest, fees and expenses with respect thereto; provided that the indemnification requirements of Section 37 (*Indemnification*), the reporting and record keeping requirements of Section 15(l) (*Affirmative Covenants of the Borrower – Access; Records*) and Section 17(p) (*Affirmative Covenants of the City – Access; Records*), and the payment requirements of Section 10 (*Fees and Expenses*) shall survive the termination of this Agreement as provided in such sections.

Section 41. Integration. This Agreement, together with the other WIFIA Loan Documents, constitutes the entire contract between the parties relating to the subject matter hereof and supersedes any and all previous agreements and understandings, oral or written, relating to the subject matter hereof.

*[The remainder of this page intentionally left blank; signature pages immediately follow.]*

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their respective officers thereunto duly authorized as of the date first written above.

**ESCONDIDO JOINT POWERS FINANCING  
AUTHORITY**, by its authorized representative

By: \_\_\_\_\_  
Name:  
Title:



**CITY OF ESCONDIDO,**  
by its authorized representative

By: \_\_\_\_\_  
Name:  
Title:

**UNITED STATES ENVIRONMENTAL  
PROTECTION AGENCY**, acting by and through  
the Administrator of the Environmental Protection  
Agency

By: \_\_\_\_\_  
Name: Michael S. Regan  
Title: Administrator

**SCHEDULE I**  
**PROJECT BUDGET<sup>7</sup>**

<b>SOURCES OF FUNDS</b>	<b>AMOUNT (\$ USD)</b>	<b>PERCENTAGE (%)</b>
WIFIA Loan	\$65,147,348	[49.00]%
Cash	\$30,759,161	31.27%
Previously Incurred Costs	\$4,512,400	4.59%
CA Prop 1E Grant	\$14,900,000	15.15%
<b>Total Sources of Funds</b>	<b>[\$115,318,909]</b>	<b>100.0%</b>

<b>USES OF FUNDS</b>	<b>AMOUNT (\$ USD)</b>	<b>PERCENTAGE (%)</b>
Construction	\$78,525,881	79.82%
Design	\$6,165,903	6.27%
Contingency	\$13,383,825	13.60%
Financing Costs	\$300,000	0.30%
<b>Total Uses of Funds</b>	<b>\$98,375,609</b>	<b>100.0%</b>
<b>Total Eligible Project Costs</b>	<b>\$98,375,609</b>	<b>100.0%</b>
<b>Total Project Costs</b>	<b>\$98,375,609</b>	<b>100.0%</b>

<sup>7</sup> Note to Draft: Sources of Funds table to be updated.

**SCHEDULE II**  
**CONSTRUCTION SCHEDULE**

<b>Planning</b>	<b>Design</b>	<b>Construction</b>	<b>Projected Substantial Completion</b>
9/10/2012 – 6/8/2014	3/31/2014 – 5/10/2021	2/8/2022 – 9/25/2024	1/31/2025

**SCHEDULE III**  
**EXISTING INDEBTEDNESS**

**A. Parity Obligations**

	Agreement/Series	Outstanding Principal
1.	Funding Agreement (Project No. 3710006-004; Contract No. SRF00CX112), dated November 18, 2002, between the City and the State of California Department of Water Resources, as amended	\$315,311.69
2.	Funding Agreement (Alexander Area Phase II) (Project No. 3710006-004; Agreement No. AR09FP27), dated October 15, 2009, between the City and the State of California Department of Public Health	\$1,519,087.98
3.	Installment Sale Agreement, dated June 1, 2019, between the City and the California Infrastructure and Economic Development Bank	\$14,326,608.26
4.	Installment Purchase Agreement, dated November 1, 2019, between the City and the Borrower	\$47,615,000
5.	Installment Sale Agreement, dated September 1, 2021, between the City and the California Infrastructure and Economic Development Bank	\$25,000,000

**B. Subordinate Obligations**

	Agreement/Series	Outstanding Principal
1.	N/A	

**C. Other Obligations of the City**

	Agreement/Series	Outstanding Principal
1.	N/A	

**D. Indebtedness of the Borrower**

	Agreement/Series	Outstanding Principal
1.	Water System Revenue Refunding Bonds, Series 2019A	\$19,195,000
2.	Water System Revenue Refunding, Bonds, Series 2019B (Taxable)	\$28,420,000

**SCHEDULE 13(m)**

**EXISTING CONSTRUCTION CONTRACTS<sup>8</sup>**

<b>Contract Name</b>	<b>Effective Date</b>	<b>Construction Contractor</b>	<b>Amount</b>	<b>Description</b>

<sup>8</sup> **Note to City:** Please provide this schedule.

**EXHIBIT A**

**FORM OF WIFIA NOTE**

**ESCONDIDO JOINT POWERS FINANCING AUTHORITY**

**LAKE WOHLFORD DAM REPLACEMENT PROJECT**

**(WIFIA – N20149CA)**

**WIFIA NOTE**

**Maximum Principal Amount:** \$65,147,348 (Sixty Five Million, One Hundred Forty-Seven Thousand, Three Hundred Forty-Eight Dollars)

**Effective Date:** [●]

**Interest Rate Per Annum:** [●]%

**Due:** July 1, 2055

**ESCONDIDO JOINT POWERS FINANCING AUTHORITY**, a joint exercise of powers agency duly organized and existing under and by virtue of the laws of the State of California (the “**Borrower**”), for value received, hereby promises to pay to the order of the **UNITED STATES ENVIRONMENTAL PROTECTION AGENCY**, acting by and through the Administrator of the United States Environmental Protection Agency, or its assigns (the “**WIFIA Lender**”), the lesser of (x) the Maximum Principal Amount set forth above and (y) the aggregate unpaid principal amount of all disbursements (the “**Disbursements**”) made by the WIFIA Lender (such lesser amount being hereinafter referred to as the “**Outstanding Principal Sum**”), together with accrued and unpaid interest (including, if applicable, interest at the Default Rate, as defined in the WIFIA Loan Agreement (as defined below)) on the Outstanding Principal Sum and all fees, costs and other amounts payable in connection therewith, all as more fully described in the WIFIA Loan Agreement. The principal hereof shall be payable in the manner and at the place provided in the WIFIA Loan Agreement in accordance with **Exhibit F** (*WIFIA Debt Service*) to the WIFIA Loan Agreement, as revised from time to time in accordance with the WIFIA Loan Agreement, until paid in full (which **Exhibit F**, as modified from time to time in accordance with the terms of the WIFIA Loan Agreement, is incorporated in and is a part of this WIFIA Note). The WIFIA Lender is hereby authorized to modify the Loan Amortization Schedule included in **Exhibit F** to the WIFIA Loan Agreement from time to time in accordance with the terms of the WIFIA Loan Agreement to reflect the amount of each disbursement made thereunder and the date and amount of principal or interest paid by the Borrower thereunder. Absent manifest error, the WIFIA Lender’s determination of such matters as set forth on **Exhibit F** to the WIFIA Loan Agreement shall be conclusive evidence thereof; provided that neither the failure to make any such recordation nor any error in such recordation shall affect in any manner the Borrower’s obligations hereunder or under any other WIFIA Loan Document.

Payments hereon are to be made in accordance with Section 8(e) (*Payment of Principal and Interest – Manner of Payment*) and Section 36 (*Notices*) of the WIFIA Loan Agreement as the

same become due. Principal of and interest on this WIFIA Note shall be paid in funds available on or before the due date and in any lawful coin or currency of the United States of America that at the date of payment is legal tender for the payment of public and private debts.

This WIFIA Note has been executed under and pursuant to that certain WIFIA Loan Agreement, dated as of the date hereof, among the WIFIA Lender, the Borrower and the City (the “**WIFIA Loan Agreement**”) and is issued to evidence the obligation of the Borrower under the WIFIA Loan Agreement to repay the loan made by the WIFIA Lender and any other payments of any kind required to be paid by the Borrower under the WIFIA Loan Agreement or the other WIFIA Loan Documents referred to therein. Reference is made to the WIFIA Loan Agreement for all details relating to the Borrower’s obligations hereunder. All capitalized terms used in this WIFIA Note and not defined herein shall have the meanings set forth in the WIFIA Loan Agreement.

This WIFIA Note may be prepaid at the option of the Borrower in whole or in part (and, if in part, the principal installments and amounts thereof to be prepaid are to be determined in accordance with the WIFIA Loan Agreement; provided such prepayments shall be in principal amounts of at least \$1,000,000 or any integral multiple of \$1 in excess thereof), from time to time, but not more than annually, without penalty or premium, by paying to the WIFIA Lender all or part of the principal amount of the WIFIA Note in accordance with the WIFIA Loan Agreement.

This WIFIA Note shall be subject to mandatory prepayment on the terms and conditions set forth in the WIFIA Loan Agreement.

Payment of the obligations of the Borrower under this WIFIA Note is secured pursuant to the WIFIA Loan Agreement.

This WIFIA Note is a limited obligation of the Borrower, payable solely from the Authority Revenues, and does not constitute a debt of the members of the Borrower, the State or any of its political subdivisions (including the City), except the Borrower. Notwithstanding anything to the contrary set forth in this WIFIA Note, the City is not a borrower with respect to this WIFIA Note and the City has no obligation to make any payment or provision for payment of this WIFIA Note. This WIFIA Note does not constitute a contract between the City and the WIFIA Lender by which the City has incurred an indebtedness.

Any delay on the part of the WIFIA Lender in exercising any right hereunder shall not operate as a waiver of any such right, and any waiver granted with respect to one default shall not operate as a waiver in the event of any subsequent default.

All acts, conditions and things required by the Constitution and laws of the State to happen, exist, and be performed precedent to and in the issuance of this WIFIA Note have happened, exist and have been performed as so required. This WIFIA Note is issued with the intent that the federal laws of the United States of America shall govern its construction to the extent such federal laws are applicable and the internal laws of the State shall govern its construction to the extent such federal laws are not applicable.



IN WITNESS WHEREOF, ESCONDIDO JOINT POWERS FINANCING AUTHORITY has caused this WIFIA Note to be executed in its name and its seal to be affixed hereto and attested by its duly authorized officer, all as of the Effective Date set forth above.

**ESCONDIDO JOINT POWERS  
FINANCING AUTHORITY,**  
by its authorized representative

(SEAL)

By \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

ATTEST:

\_\_\_\_\_  
Secretary

**EXHIBIT B****ANTICIPATED WIFIA LOAN DISBURSEMENT SCHEDULE<sup>9</sup>**

<u>Federal Fiscal Year</u>	<u>Amount</u>
2022	\$[1,723,800]
2023	\$[18,390,467]
2024	\$[18,390,467]
2025	\$[9,699,314]
<b>Total</b>	<b>\$65,147,348</b>

<sup>9</sup> Note to Draft: To be updated.

**EXHIBIT C****FORM OF NON-DEBARMENT CERTIFICATE**

The undersigned, on behalf of [ESCONDIDO JOINT POWERS FINANCING AUTHORITY (the "Borrower") [CITY OF ESCONDIDO (the "City")], hereby certifies that the [Borrower] [City] has fully complied with its verification obligations under 2 C.F.R. § 180.320 and hereby further confirms, based on such verification, that, to its knowledge, the [Borrower] [City] and each of the [Borrower's] [City's] principals (as defined in 2 C.F.R. § 180.995 and supplemented by 2 C.F.R. 1532.995):

(a) Are not presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded by any federal department or agency;

(b) Have not within a three (3) year period preceding the Effective Date been convicted of or had a civil judgment rendered against them for commission of fraud or a criminal offense in connection with obtaining, attempting to obtain, or performing a public (federal, state or local) transaction or contract under a public transaction; violation of federal or state antitrust statutes or commission of embezzlement, theft, forgery, bribery, falsification or destruction of records, making false statements, or receiving stolen property;

(c) Are not presently indicted for or otherwise criminally or civilly charged by a governmental entity (federal, state or local) with commission of any of the offenses enumerated in paragraph (b) of this certification; and

(d) Have not within a three (3) year period preceding the Effective Date had one or more public transactions (federal, state or local) terminated for cause or default.

Capitalized terms used in this certificate and not defined shall have the respective meanings ascribed to such terms in the WIFIA Loan Agreement, dated as of [●] (the "WIFIA Loan Agreement"), by and among the [Borrower] [City], [City of Escondido] [Escondido Joint Powers Financing Authority] and the United States Environmental Protection Agency, acting by and through the Administrator of the Environmental Protection Agency.

Dated: [●]

**[ESCONDIDO JOINT POWERS FINANCING AUTHORITY] [CITY OF ESCONDIDO]**, by its authorized representative

By: \_\_\_\_\_  
Name:  
Title:

## EXHIBIT D

### REQUISITION PROCEDURES

This **Exhibit D** sets out the procedures which the Borrower and the City agree to follow in submitting Requisitions for the disbursement of WIFIA Loan proceeds in respect of the Eligible Project Costs incurred in connection with the Project. Section 1 sets out the manner in which Requisitions are to be submitted and reviewed. Sections 2 through 4 set out the circumstances in which the WIFIA Lender may reject or correct Requisitions submitted by the City, as agent of the Borrower pursuant to the WIFIA IPA, or withhold a disbursement. The Borrower and the City expressly agree to the terms hereof, and further agree that (i) the rights of the WIFIA Lender contained herein are in addition to (and not in lieu of) any other rights or remedies available to the WIFIA Lender under the WIFIA Loan Agreement, and (ii) nothing contained herein shall be construed to limit the rights of the WIFIA Lender to take actions including administrative enforcement action and actions for breach of contract against the Borrower or the City if it fails to carry out its obligations under the WIFIA Loan Agreement during the term thereof.

Section 1 General Requirements. All requests by the City, as agent of the Borrower pursuant to the WIFIA IPA, for the disbursement of WIFIA Loan proceeds shall be made by electronic mail or overnight delivery service by submission to the WIFIA Lender, in accordance with Section 36 (*Notices*) of the WIFIA Loan Agreement, of a Requisition, in form and substance satisfactory to the WIFIA Lender and completed and executed by the City's Authorized Representative. The form of Requisition is attached as **Appendix One** (*Form of Requisition*) to this **Exhibit D**. Any disbursement request shall be accompanied by a certificate completed and executed by the Borrower's Authorized Representative in the form of **Appendix Two** (*Form of Borrower Disbursement Certificate*) to this **Exhibit D**.

Supporting documentation should be submitted with the Requisition. If the City, as agent of the Borrower pursuant to the WIFIA IPA, anticipates that it will draw down all or a portion of the proceeds of the WIFIA Loan to reimburse the Borrower or the City for Eligible Project Costs paid by or on behalf of the Borrower or the City prior to such disbursement of WIFIA Loan proceeds, whether paid from funds of the Borrower or the City or from proceeds of Obligations issued by the City, including for the purpose of paying or redeeming such Obligations, the City, as agent of the Borrower pursuant to the WIFIA IPA, shall deliver appropriate documentation, including invoices and records, evidencing such incurred or paid Eligible Project Costs (the "**Eligible Project Costs Documentation**"). The Eligible Project Costs Documentation must provide sufficient detail to enable the WIFIA Lender to verify that such costs are Eligible Project Costs paid by the Borrower or the City, as agent of the Borrower pursuant to the WIFIA IPA, in connection with the reimbursement of such Eligible Project Costs. The WIFIA Lender shall review the Eligible Project Costs Documentation for compliance with WIFIA disbursement requirements, and any amounts approved by the WIFIA Lender as Eligible Project Costs will be disbursed at such time as the City, as agent of the Borrower pursuant to the WIFIA IPA, submits a Requisition in respect of such approved amounts.

The WIFIA Lender agrees to promptly send to the Borrower and the City in accordance with Section 36 (*Notices*) of the WIFIA Loan Agreement, an acknowledgement of receipt of each Requisition in the form attached as **Appendix Three** (*[Approval/Disapproval] of the WIFIA*

Lender) to this **Exhibit D** setting forth the date of receipt by the WIFIA Lender of such Requisition and setting forth the Business Day on which disbursement will be made absent denial by the WIFIA Lender. All disbursement requests must be received by the WIFIA Lender at or before 5:00 P.M. (EST) on the first (1<sup>st</sup>) Business Day of a calendar month in order to obtain disbursement by the fifteenth (15<sup>th</sup>) day of such calendar month or, if either such day is not a Business Day, the next succeeding Business Day. If a Requisition is approved by the WIFIA Lender, the WIFIA Lender will notify the Borrower of such approval and of the amount so approved.

Section 2. Rejection. A Requisition may be rejected in whole or in part by the WIFIA Lender if it is: (a) submitted without signature; (b) submitted under signature of a Person other than the City's Authorized Representative; (c) submitted after prior disbursement of all proceeds of the WIFIA Loan; (d) submitted without adequate Eligible Project Costs Documentation, including (i) copies of invoices and records evidencing the Eligible Project Costs, (ii) a summary of the progress of construction of the Project and a general description of the work done for which the funds being requisitioned are being applied (or a certification that no change has occurred since the date of the latest quarterly report provided pursuant to Section 20(c)(i) (*Reporting Requirements of the City – Construction Reporting*), and (iii) a copy of the most recent update to the City's risk register, if requested by the WIFIA Lender.

The WIFIA Lender will notify the Borrower and the City of any Requisition so rejected, and the reasons therefor. Any Requisition rejected for the reasons specified above (other than Section 2(c)) must be resubmitted in proper form in order to be considered for approval. If a Requisition exceeds the balance of the WIFIA Loan proceeds remaining to be disbursed, the request will be treated as if submitted in the amount of the balance so remaining, and the WIFIA Lender will so notify the Borrower and the City.

Section 3. Correction. A Requisition containing an apparent mathematical error will be corrected by the WIFIA Lender, after telephonic or email notification to the Borrower or the City, and will thereafter be treated as if submitted in the corrected amount.

Section 4. Withholding. The WIFIA Lender shall be entitled to withhold approval (in whole or in part) of any pending or subsequent requests for the disbursement of WIFIA Loan proceeds if: (a) a Default or an Event of Default shall have occurred and be continuing; (b) either the Borrower or the City (i) knowingly takes any action, or omits to take any action, amounting to fraud or violation of any applicable law, in connection with the transactions contemplated hereby; (ii) prevents or materially impairs the ability of the WIFIA Lender to monitor compliance by either the Borrower or the City with applicable law pertaining to the Project or with the terms and conditions of the WIFIA Loan Agreement; (iii) fails to observe or comply with any applicable law, or any term or condition of the WIFIA Loan Agreement; (iv) fails to satisfy the conditions set forth in Section 4 (*Disbursement Conditions*) and Section 11(b) (*Conditions Precedent – Conditions Precedent to Disbursements*) of the WIFIA Loan Agreement; or (v) fails to deliver Eligible Project Costs Documentation satisfactory to the WIFIA Lender at the times and in the manner specified by the WIFIA Loan Agreement; provided that in such case of Section 4, clause (v) above, the WIFIA Lender may, in its sole discretion, partially approve a disbursement request in respect of any amounts for which adequate Eligible Project Costs has been provided and may, in its sole discretion, disburse in respect of such properly documented amounts.



**APPENDIX ONE TO EXHIBIT D**

**FORM OF REQUISITION**

United States Environmental Protection Agency  
 1200 Pennsylvania Avenue NW  
 WJC-W 6201A  
 Washington, D.C. 20460  
 Attention: WIFIA Director

Re: LAKE WOHLFORD DAM REPLACEMENT PROJECT (WIFIA Ref N20149CA)

Ladies and Gentlemen:

Pursuant to Section 4 (*Disbursement Conditions*) of the WIFIA Loan Agreement, dated as of [●] (the "**WIFIA Loan Agreement**"), by and among ESCONDIDO JOINT POWERS FINANCING AUTHORITY (the "**Borrower**"), CITY OF ESCONDIDO (the "**City**") and the UNITED STATES ENVIRONMENTAL PROTECTION AGENCY, acting by and through the Administrator (the "**WIFIA Lender**"), the City, as agent of the Borrower pursuant to the WIFIA IPA, hereby requests disbursement in the amount set forth below in respect of Eligible Project Costs paid or incurred by the City, as agent of the Borrower pursuant to the WIFIA IPA. Capitalized terms used but not defined herein have the meaning set forth in the WIFIA Loan Agreement.

In connection with this Requisition the undersigned, as the City's Authorized Representative, hereby represents and certifies the following:

1.	<b>Project name</b>	Lake Wohlford Dam Replacement Project
2.	<b>Borrower name</b>	Escondido Joint Powers Financing Authority
3.	<b>WIFIA reference number</b>	N20149CA
4.	<b>Requisition number</b>	[__]
5.	<b>Requested disbursement amount</b>	\$[__]
6.	<b>Requested disbursement date (the "Disbursement Date")</b>	[__]
7.	<b>Total amounts previously disbursed under the WIFIA Loan Agreement</b>	\$[__]
8.	<b>Wire instructions</b>	[__]

9. The amounts hereby requisitioned are being requested with respect to [Eligible Project Costs previously submitted to and approved by the WIFIA Lender in accordance with the WIFIA Loan Agreement] [Eligible Project Costs which have not and will not be otherwise submitted to the WIFIA Lender for approval].
10. The amounts hereby requisitioned have been paid or incurred and approved for payment by or on behalf of the City, as agent of the Borrower pursuant to the WIFIA IPA, for

- Eligible Project Costs and have not been paid for or reimbursed by any previous disbursement from WIFIA Loan proceeds. No portion of the amounts requisitioned will be applied to pay for Eligible Project Costs that have been previously paid, or are expected to be paid, with proceeds of debt that is not the WIFIA Loan.
11. The aggregate amount of all disbursements of the WIFIA Loan (including the amount requested under this Requisition) does not exceed (a) the maximum principal amount of the WIFIA Loan or (b) the aggregate amount of Eligible Project Costs paid or incurred by the City, as agent of the Borrower pursuant to the WIFIA IPA.
  12. Each of the insurance policies maintained by the City pursuant to Section 17(f) (*Affirmative Covenants of the City – Insurance; Net Proceeds*) of the WIFIA Loan Agreement is in full force and effect, and no notice of termination thereof has been issued by the applicable insurance provider.
  13. As of the date hereof and on the Disbursement Date (immediately after giving effect to the above-requested disbursement of WIFIA Loan proceeds), (a) no Default or Event of Default, and no event of default under any other Related Document to which the City is a party and (b) no event that, with the giving of notice or the passage of time or both, would constitute an event of default under any Related Document to which the City is a party, in each case, has occurred and is continuing. No City Material Adverse Effect, or any event or condition that could reasonably be expected to have a City Material Adverse Effect, has occurred or arisen since the Effective Date.
  14. The City and each of the contractors and subcontractors at all tiers with respect to the Project have complied with all applicable laws, rules, regulations and requirements, including 40 U.S.C. §§3141-3144, 3146, and 3147 (relating to Davis-Bacon Act requirements) (and regulations relating thereto) and 33 U.S.C. §3914 (relating to American iron and steel products). Supporting documentation, such as certified payroll records and certifications for all iron and steel products used for the Project, are being maintained and are available for review upon request by the WIFIA Lender.
  15. The representations and warranties of the City set forth in the WIFIA Loan Agreement and in each other WIFIA Loan Document to which the City is a party are true and correct as of the date hereof and as of the Disbursement Date, except to the extent such representations and warranties expressly relate to an earlier date (in which case, such representations and warranties are true and correct as of such earlier date).
  16. Each Related Document that has been delivered by the City to the WIFIA Lender pursuant to Section 11(b)(iv) (*Conditions Precedent – Conditions Precedent to Disbursements*) is complete, fully executed and in full force and effect.
  17. The current estimated percentage of physical completion of the Project is [\_\_\_]%. The City, as agent of the Borrower pursuant to the WIFIA IPA, is in compliance with Section 20(c) (*Reporting Requirements of the City – Construction Reporting*) and no change has occurred since the date of the most recently delivered semi-annual construction progress report that could reasonably be expected to cause a Material Adverse Effect.



18. All documentation evidencing the Eligible Project Costs to be reimbursed to the City, as agent of the Borrower pursuant to the WIFIA IPA, by the above-requested disbursement has been delivered by the City, as agent of the Borrower pursuant to the WIFIA IPA, to the WIFIA Lender at the times and in the manner specified by the WIFIA Loan Agreement, including the details set forth [in the attachment hereto, which is in form satisfactory to the WIFIA Lender][below:

Vendor or Contractor Name <sup>10</sup>	Invoice Number <sup>11</sup>	Invoice Date	Payment Date	Invoice Amount	WIFIA Requested Amount <sup>12</sup>	Activity Type <sup>13</sup>	Description of Activity <sup>14</sup>	WIFIA USE ONLY	
								Approved Amount	Notes

The undersigned acknowledges that if the City makes a false, fictitious, or fraudulent claim, statement, submission, or certification to the Government in connection with the Project, the Government reserves the right to impose on the City the penalties of 18 U.S.C. § 1001, to the extent the Government deems appropriate.

Date: \_\_\_\_\_ CITY OF ESCONDIDO,  
 By its authorized representative  
 By: \_\_\_\_\_  
 Name: \_\_\_\_\_  
 Title: \_\_\_\_\_

<sup>10</sup> If seeking reimbursement for internal costs, enter "Internally financed activities."  
<sup>11</sup> Vendor's number indicated on the invoice sent to the Borrower.  
<sup>12</sup> If the amount requested for reimbursement by the WIFIA Lender is less than the total amount of the invoice, include an explanation for the difference.  
<sup>13</sup> Specify whether activity is: (a) **Development phase activity**, which includes planning, preliminary engineering, design, environmental review, revenue forecasting and other pre-construction activities; (b) **Construction**, which includes construction, reconstruction, rehabilitation and replacement activities; (c) **Acquisition of real property**, which includes acquiring an interest in real property, environmental mitigation, construction contingencies and acquisition of equipment; (d) **Carrying costs**, including capitalized interest, as necessary to meet market requirements, reasonably required reserve funds, capital issuance expenses and other carrying costs during construction; (e) **WIFIA fees**, including for application and credit processing; or (f) **Other**, with an explanation in the "Description of Activity" column.  
<sup>14</sup> Provide a brief description of the activities included in the invoice for which WIFIA funds are being requested and any other notes that will aid in the review of the disbursement request.

**APPENDIX TWO TO EXHIBIT D**  
**FORM OF BORROWER'S DISBURSEMENT CERTIFICATE**

United States Environmental Protection Agency  
1200 Pennsylvania Avenue NW  
WJC-W 6201A  
Washington, D.C. 20460  
Attention: WIFIA Director

Re: LAKE WOHLFORD DAM REPLACEMENT PROJECT (WIFIA Ref N20149CA)

Ladies and Gentlemen:

Reference is made to that certain WIFIA Loan Agreement, dated as of [●] (the "**WIFIA Loan Agreement**"), by and among ESCONDIDO JOINT POWERS FINANCING AUTHORITY (the "**Borrower**"), CITY OF ESCONDIDO (the "**City**") and the UNITED STATES ENVIRONMENTAL PROTECTION AGENCY, acting by and through the Administrator (the "**WIFIA Lender**"). Capitalized terms used but not defined herein have the meaning set forth in the WIFIA Loan Agreement.

Pursuant to Section 11(b)(iii) (*Conditions Precedent – Conditions Precedent to Disbursements*) of the WIFIA Loan Agreement, the undersigned, as the Borrower's Authorized Representative, hereby represents and certifies the following:

1. As of the date hereof and on the requested disbursement date (immediately after giving effect to the requested disbursement of WIFIA Loan proceeds), (a) no Default or Event of Default, and no event of default under any other Related Document to which the Borrower is a party and (b) no event that, with the giving of notice or the passage of time or both, would constitute an event of default under any Related Document to which the Borrower is a party, in each case, has occurred and is continuing.
2. No Borrower Material Adverse Effect, or any event or condition that could reasonably be expected to have a Borrower Material Adverse Effect, has occurred or arisen since the Effective Date.
3. The Borrower has complied with all applicable laws, rules, regulations and requirements.
4. The representations and warranties of the Borrower set forth in the WIFIA Loan Agreement (including Section 12 (*Representations and Warranties of the Borrower*)) and in each other WIFIA Loan Document to which the Borrower is a party are true and correct as of the date hereof and as of the requested disbursement date, except to the extent such representations and warranties expressly relate to an earlier date (in which case, such representations and warranties shall be true and correct as of such earlier date).

The undersigned acknowledges that if the Borrower makes a false, fictitious, or fraudulent claim, statement, submission, or certification to the Government in connection with the Project, the

Government reserves the right to impose on the Borrower the penalties of 18 U.S.C. § 1001, to the extent the Government deems appropriate.

Date: \_\_\_\_\_ ESCONDIDO JOINT POWERS FINANCING  
AUTHORITY,  
By its authorized representative  
By: \_\_\_\_\_  
Name:  
Title: \_\_\_\_\_

**APPENDIX THREE TO EXHIBIT D****[APPROVAL/DISAPPROVAL] OF THE WIFIA LENDER  
(To be delivered to the Borrower and the City)**

Requisition Number [\_\_\_\_\_] is [approved in the amount of \$[\_\_\_\_\_] [approved in part in the amount of \$[\_\_\_\_\_] [not approved, for the reasons set forth in Annex A attached hereto,]<sup>15</sup> by the WIFIA Lender (as defined herein) pursuant to Section 4 (*Disbursement Conditions*) of the WIFIA Loan Agreement, dated as of [●], by and among Escondido Joint Powers Financing Authority (the "**Borrower**"), City of Escondido (the "**City**") and the United States Environmental Protection Agency, acting by and through the Administrator (the "**WIFIA Lender**").

Any determination, action or failure to act by the WIFIA Lender with respect to the Requisition set forth above, including any withholding of a disbursement, shall be at the WIFIA Lender's sole discretion, and in no event shall the WIFIA Lender be responsible for or liable to the Borrower or the City for any and/or all consequence(s) which are the result thereof.

**UNITED STATES ENVIRONMENTAL  
PROTECTION AGENCY**, acting by and through  
the Administrator

By: \_\_\_\_\_  
WIFIA Lender's Authorized Representative  
Name:  
Title:  
Dated:

<sup>15</sup> If there is any partial or full denial of approval, the WIFIA Lender should provide a separate attachment setting forth the reasons for such partial or full denial of approval.

**EXHIBIT E****FORM OF NON-LOBBYING CERTIFICATE**

The undersigned, on behalf of [ESCONDIDO JOINT POWERS FINANCING AUTHORITY (the "**Borrower**")][CITY OF ESCONDIDO (the "**City**")], hereby certifies, to the best of his or her knowledge and belief, that:

(a) No Federal appropriated funds have been paid or will be paid, by or on behalf of the [Borrower] [City], to any person for influencing or attempting to influence an officer or employee of an agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the making of the WIFIA Loan.

(b) If any funds other than proceeds of the WIFIA Loan have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the WIFIA Loan, the [Borrower] [City] shall complete and submit Standard Form-LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions.

(c) The [Borrower] [City] shall require that the language of this certification be included in the award documents for all subawards at all tiers (including subcontracts, subgrants, and contracts under grants, loans, and cooperative agreements) and that all subrecipients shall certify and disclose accordingly.

Capitalized terms used in the certificate and not defined shall have the respective meanings ascribed to such terms in the WIFIA Loan Agreement, dated as of [●] (the "**WIFIA Loan Agreement**"), by and among the [Borrower] [City], [City of Escondido] [Escondido Joint Powers Financing Authority] and the United States Environmental Protection Agency, acting by and through the Administrator of the Environmental Protection Agency.

This certification is a material representation of fact upon which reliance was placed when the WIFIA Lender entered into the WIFIA Loan Agreement. Submission of this certification is a prerequisite to the effectiveness of the WIFIA Loan Agreement imposed by section 1352, title 31, U.S. Code. Any person who fails to file the required certification shall be subject to a civil penalty of not less than \$10,000 and not more than \$100,000 for each such failure.

Dated: [●]

**[ESCONDIDO JOINT POWERS FINANCING AUTHORITY] [CITY OF ESCONDIDO]**, by its authorized representative

By: \_\_\_\_\_

Name:

Title:

**EXHIBIT F**  
**WIFIA DEBT SERVICE<sup>16</sup>**

<sup>16</sup> **NTD:** To be provided by the WIFIA Lender on the Effective Date.

**EXHIBIT G-1****FORM OF OPINION OF BORROWER'S GENERAL COUNSEL**

[●]

United States Environmental Protection Agency  
1200 Pennsylvania Avenue, NW  
Washington, DC 20460

*Re: Lake Wohlford Dam Replacement Project – City of Escondido and Escondido  
Joint Powers Financing Authority (WIFIA – N20149CA)*

Ladies and Gentlemen:

We have acted as general counsel to the Escondido Joint Powers Financing Authority (the “Borrower”) in connection with the execution and delivery by the Borrower of (a) the WIFIA Installment Purchase Agreement, dated as of [●] (the “WIFIA IPA”), by and between the Borrower and the City of Escondido (the “City”), (b) the WIFIA Loan Agreement, dated as of [●] (the “WIFIA Loan Agreement”), by and among the Borrower, the City and the United States Environmental Protection Agency, acting by and through the Administrator of the Environmental Protection Agency (the “WIFIA Lender”), (c) the WIFIA Note, dated as of [●] (the “WIFIA Note”), delivered to the WIFIA Lender by the Borrower, and (d) Resolution No. EJPFA-2022-[●], adopted by the Board of Directors of the Borrower on [May 11, 2022] (the “WIFIA Borrower Resolution” and, collectively with the WIFIA IPA, the WIFIA Loan Agreement and the WIFIA Note, the “WIFIA Borrower Documents”). In arriving at the opinions expressed below, we have reviewed and are familiar with (i) the [Joint Exercise of Powers Agreement], dated [●] (the “Joint Powers Agreement”), by and between [●], (ii) the WIFIA Borrower Documents and (iii) such other information and documents as we deem necessary to render this opinion on behalf of the Borrower. Our opinions, statements and representations herein made are on behalf of the Borrower and not on behalf of the individual member agencies of the Borrower. All capitalized terms used herein and not otherwise defined herein shall have the respective meanings given to such terms in the WIFIA Loan Agreement.

Based upon the foregoing and our review of such other matters of law as we considered necessary, we are of the opinion that:

1. The Borrower has been duly created and validly exists as a joint exercise of powers agency under the provisions of Articles 1 through 4 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California.
2. The Borrower has all requisite power and authority to conduct its business and to execute and deliver, and to perform its obligations under, the Related Documents to which it is a party.

3. The execution and delivery by the Borrower of, and the performance of its respective obligations under, the Related Documents to which it is a party, have been duly authorized by all necessary organizational or regulatory action, and the WIFIA Borrower Resolution was duly adopted at a regular meeting of the governing board of the Borrower which was duly called and held and at which a quorum was present and acting throughout.

4. The Borrower has duly executed and delivered each Related Document to which it is a party and each such Related Document constitutes the legal, valid and binding obligation of the Borrower, enforceable against the Borrower in accordance with its respective terms.

5. No authorization, consent, or other approval of, or registration, declaration or other filing with any governmental authority of the United States of America or of the State is required on the part of the Borrower for the execution and delivery by the Borrower of, and the performance of the Borrower under, any Related Document to which it is a party other than authorizations, consents, approvals, registrations, declarations and filings that have already been timely obtained or made by the Borrower.

6. The execution and delivery by the Borrower of, and compliance by the Borrower with the provisions of, the Related Documents to which it is a party in each case do not (i) violate the Joint Powers Agreement, (ii) violate the law of the United States of America or of the State, or (iii) conflict with or constitute a breach of or default under any material agreement or other instrument known to us to which the Borrower is a party, or to the best of our knowledge, after reasonable review, any court order, consent decree, statute, rule, regulation or any other law to which the Borrower is subject.

7. To our knowledge after due inquiry, there are no actions, suits, proceedings or investigations against the Borrower by or before any court, arbitrator or any other Governmental Authority in connection with the Related Documents or the System (including the Project) that are pending.

8. The Borrower is not entitled to claim governmental immunity in any breach of contract action under the WIFIA Borrower Documents.

With respect to the opinions expressed herein, the rights and obligations under the Related Documents to which the Borrower is a party are subject to bankruptcy, insolvency, reorganization, moratorium, arrangement, fraudulent conveyance or transfer and other similar laws affecting creditors' rights, to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State. We express no opinion on the requirements of or compliance with securities or tax laws.

This opinion is rendered only with respect to the laws of the State and the laws of the United States of America and is addressed only to the WIFIA Lender. No other person is entitled to rely on this opinion, nor may you rely on it in connection with any transaction other than those described herein. No attorney-client relationship has existed or exists between this office and you in connection with the WIFIA Borrower Documents or any other Related Document or by virtue of this letter.



Respectfully,

**EXHIBIT G-2****FORM OF OPINION OF BORROWER'S BOND COUNSEL**

[●]

United States Environmental Protection Agency  
1200 Pennsylvania Avenue, NW  
Washington, DC 20460

Re: *Lake Wohlford Dam Replacement Project – City of Escondido and Escondido Joint Powers Financing Authority (WIFIA – N20149CA)*

Ladies and Gentlemen:

We have acted as Special Counsel to the Escondido Joint Powers Financing Authority (the “Borrower”) in connection with the execution and delivery, or adoption, by the Borrower of (i) that certain WIFIA Installment Purchase Agreement, dated as of [●] (the “WIFIA IPA”), by and between the Borrower and the City of Escondido (the “City”), (ii) the WIFIA Loan Agreement, dated as of [●] (the “WIFIA Loan Agreement”), by and among the Borrower, the City and the United States Environmental Protection Agency, acting by and through the Administrator of the Environmental Protection Agency (the “WIFIA Lender”), (iii) that certain WIFIA Note, dated as of [●] (the “WIFIA Note” and, collectively with the WIFIA IPA and the WIFIA Loan Agreement, the “WIFIA Borrower Documents”), delivered to the WIFIA Lender by the Borrower, and (iv) Resolution No. EJPFA-2022-[●], adopted by the Board of Directors of the Borrower on [May 11, 2022] (the “WIFIA Borrower Resolution”). All capitalized terms used herein and not otherwise defined herein shall have the respective meanings given to such terms in the WIFIA Loan Agreement.

Based upon the foregoing and our review of such other information, documents and matters of law as we considered necessary and in reliance on the foregoing, as appropriate, we are of the opinion that:

1. The Borrower has all requisite power and authority under the laws of the State, including but not limited to Article 4 of the Joint Exercise of Powers Act of the State, to adopt the WIFIA Borrower Resolution, to execute and deliver the WIFIA Borrower Documents and to issue the WIFIA Note, and each WIFIA Borrower Document and the WIFIA Resolution has been duly authorized, executed and delivered by the Borrower, and each WIFIA Borrower Document and the WIFIA Borrower Resolution is in full force and effect, and constitutes a legal, valid and binding obligation of the Borrower enforceable against the Borrower in accordance with its respective terms and conditions.

2. (a) The WIFIA Loan (as evidenced by the WIFIA Note) is secured by the pledge and assignment of the Borrower Assigned Rights, and (b) the WIFIA Loan (as evidenced by the WIFIA Note) is enforceable under the laws of the State without any further action by the Borrower or any other Person.

3. The WIFIA Loan Agreement creates a valid and binding pledge and assignment of and lien on the Borrower Assigned Rights to secure the payment of the principal of, interest on, and other amounts payable in respect of, the WIFIA Loan in accordance with the WIFIA Loan Agreement, irrespective of whether any party has notice of the pledge and without the need for any physical delivery, recordation, filing or further act.

4. All actions by the Borrower that are required for the application of the Authority Revenues as required under the WIFIA Loan Agreement have been duly and lawfully authorized.

5. The Borrower has complied with the requirements of State law to lawfully pledge and assign the Borrower Assigned Rights and to authorize the use of the Authority Revenues as required by the terms of the WIFIA Loan Agreement.

6. The Borrower is not an investment company required to register under the Investment Company Act of 1940, as amended.

The opinions expressed herein are based upon our analysis and interpretation of existing laws, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities. Such conclusions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform you or any other person, whether any such actions are taken or omitted after the date hereof or whether such events do occur or any other matters come to our attention after the date hereof. We have assumed, but not independently verified, that the signatures on all documents, letters, opinions and certificates which we have examined are genuine and that all documents submitted to us are authentic and were duly and properly executed by the parties thereto. As to any facts relevant to the opinions stated herein that we did not independently establish or verify, we have relied upon, without independent verification, the accuracy of the factual matters represented, warranted or certified in such documents.

This opinion is limited to matters governed by the laws of California and the United States of America, and we assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction. We call attention to the fact that the rights and obligations under the WIFIA Loan Agreement, the WIFIA Borrower Documents and the WIFIA Borrower Resolution are subject to bankruptcy, insolvency, reorganization, moratorium, arrangement, fraudulent conveyance or transfer and other similar laws affecting creditors' rights, to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State.

By delivering this letter, we are not expressing any opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the WIFIA Borrower Documents, nor are we expressing any opinion with respect to the state or quality of title to or interest in any assets, other than the Borrower Assigned Rights, and the WIFIA Borrower Documents or the accuracy or sufficiency of the description of such assets, other than

the Borrower Assigned Rights, and the WIFIA Borrower Documents, or the remedies available to enforce liens on any such assets, other than the Borrower Assigned Rights under the WIFIA Loan Agreement and the WIFIA Note. Our services as Special Counsel to the Borrower did not involve the rendering of financial or other non-legal advice to you, the Borrower, the City or any other party to the transaction.

This letter is furnished by us to you solely for your benefit and we are not assuming any professional responsibility to any other person whomsoever. This letter is not to be used, circulated, quoted or otherwise referred to for any other purpose, except (a) to the extent disclosure of this opinion is required pursuant to applicable law, and (b) that this opinion may be included in applicable closing transcript. No attorney-client relationship has existed or exists between our firm and you in connection with the WIFIA Borrower Documents or the WIFIA Borrower Resolution or by virtue of this letter.

Respectfully submitted,

**EXHIBIT G-3****FORM OF OPINION OF CITY ATTORNEY**

[●]

United States Environmental Protection Agency  
 1200 Pennsylvania Avenue, NW  
 Washington, DC 20460

*Re: Lake Wohlford Dam Replacement Project – City of Escondido and Escondido  
 Joint Powers Financing Authority (WIFIA – N20149CA)*

Ladies and Gentlemen:

We have acted as general counsel to the City of Escondido (the “City”) in connection with the execution and delivery by the City of (a) the WIFIA Installment Purchase Agreement, dated as of [●] (the “WIFIA IPA”), by and between the City and the Escondido Joint Powers Financing Authority (the “Borrower”), (b) the WIFIA Loan Agreement, dated as of [●] (the “WIFIA Loan Agreement”), by and among the City, the Borrower and the United States Environmental Protection Agency, acting by and through the Administrator of the Environmental Protection Agency (the “WIFIA Lender”), and (c) Resolution No. 2022-[●] of the City Council of the City, adopted on [May 11, 2022] (the “WIFIA City Resolution” and, collectively with the WIFIA IPA and the WIFIA Loan Agreement, the “WIFIA City Documents”). In arriving at the opinions expressed below, we have examined and are familiar with the following documents: (i) documents relating to the existence, organization and operation of the City provided to us by the City, (ii) the City Closing Certificate, dated the date hereof and executed by the City Manager or other duly authorized officer, (iii) the WIFIA City Documents, (iv) all necessary documentation of the City relating to the authorization, execution and delivery of the WIFIA City Documents, and (v) certain consents to the adoption of the WIFIA City Resolution and execution and delivery of the WIFIA City Documents. All capitalized terms used herein and not otherwise defined herein shall have the respective meanings given to such terms in the WIFIA Loan Agreement.

In rendering our opinions herein we have relied only on our examination of the foregoing documents and we have made no independent verification of the factual matters set forth in such documents. In addition, we have relied on discussions with the City Manager, Finance Director, Director of Utilities and other officers of the City and information made available in the ordinary course of business in our role as general counsel to the City. In rendering the opinions expressed below, we have assumed, but not independently verified, that the signatures on all documents which we have examined are genuine.

Based upon the foregoing and such other matters of law as we deemed necessary for purposes of rendering this opinion, and subject to the qualifications set forth below, we are of the opinion that:

1. The City is a municipal corporation and general law city duly organized and validly existing under the Constitution and the laws of the State of California.

2. The City has all requisite power and authority to conduct its business and to execute and deliver, and to perform its obligations under, the WIFIA City Documents.

3. The execution and delivery by the City of, and the performance of its obligations under, the WIFIA City Documents have been duly authorized by all necessary organizational or regulatory action.

4. The City has duly executed and delivered each WIFIA City Document, and each such WIFIA City Document constitutes the legal, valid and binding obligation of the City, enforceable against the City in accordance with its respective terms.

5. No authorization, consent, or other approval of, or registration, declaration or other filing with any governmental authority of the United States of America or of the State is required on the part of the City for the execution and delivery by the City of, and the performance of the City under, the WIFIA City Documents other than authorizations, consents, approvals, registrations, declarations and filings that have already been timely obtained or made by the City.

6. The execution and delivery by the City of, and compliance by the City with the provisions of, the WIFIA City Documents do not (i) violate the law of the United States of America or of the State, (ii) violate any ordinance, regulation or other legislative action of the City or (iii) conflict with or constitute a breach of or default under any material agreement or other instrument known to us to which the City is a party, or to the best of our knowledge, after reasonable review, any court order, consent decree, statute, rule, regulation or any other law to which the City is subject.

7. To our knowledge after due inquiry, there are no actions, suits, proceedings or investigations against the City by or before any court, arbitrator or any other Governmental Authority in connection with the WIFIA City Documents or the System (including the Project) that are pending.

8. The City is not entitled to claim governmental immunity under the California Government Claims Act or any other law of the State, or under any ordinance, regulation or other legislative action of the City in any breach of contract action under the WIFIA City Documents.

With respect to the opinions expressed herein, the rights and obligations under the WIFIA City Documents are subject to bankruptcy, insolvency, reorganization, moratorium, arrangement, fraudulent conveyance or transfer and other similar laws affecting creditors' rights, to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State. We express no opinion on the requirements of or compliance with securities or tax laws.

This opinion is rendered only with respect to the laws of the State and the laws of the United States of America and is addressed only to the WIFIA Lender. No other person is entitled to rely on this opinion, nor may you rely on it in connection with any transaction other than those described herein. No attorney-client relationship has existed or exists between this office and you in connection with the WIFIA City Documents or by virtue of this letter.

Respectfully,

**EXHIBIT G-4****FORM OF OPINION OF CITY'S BOND COUNSEL**

[●]

United States Environmental Protection Agency  
1200 Pennsylvania Avenue, NW  
Washington, DC 20460

Ladies and Gentlemen:

We have acted as Special Counsel to the City of Escondido (the "City") in connection with the execution and delivery, or adoption, by the City of (i) that certain WIFIA Installment Purchase Agreement, dated as of [●] (the "WIFIA IPA"), by and between the City and the Escondido Joint Powers Financing Authority (the "Borrower"), (ii) that certain WIFIA Loan Agreement, dated as of [●] (the "WIFIA Loan Agreement" and collectively with the WIFIA IPA, the "WIFIA City Documents"), by and among the City, the Borrower and the United States Environmental Protection Agency, acting by and through the Administrator of the Environmental Protection Agency, and (iii) Resolution No. 2022-[●] of the Board of Directors of the City, adopted on [May 11, 2022] (the "WIFIA City Resolution"), in each case relating to the Lake Wohlford Dam Replacement Project. All capitalized terms used herein and not otherwise defined herein shall have the respective meanings given to such terms in the WIFIA Loan Agreement.

Based upon the foregoing and our review of such other information, documents and matters of law as we considered necessary and in reliance on the foregoing, as appropriate, we are of the opinion that:

1. The City has all requisite power and authority under the laws of the State, including Section 37350, 37351, 38730 and 38742 of the California Government Code, as amended and supplemented from time to time, to adopt the WIFIA City Resolution and to execute and deliver the WIFIA City Documents. Each WIFIA City Document has been duly authorized, executed and delivered by the City, and each WIFIA City Document and the WIFIA City Resolution is in full force and effect and constitutes a legal, valid and binding obligation of the City enforceable against the City in accordance with its respective terms and conditions.

2. The WIFIA Installment Payments (a) are secured by liens on the City Pledged Collateral, (b) are payable from Net Revenues, (c) are Parity Obligations, (d) are enforceable under the laws of the State without any further action by the City or any other Person, and (e) rank *pari passu* in right of payment and right of security with all other Parity Obligations and senior in right of payment and right of security to all Subordinate Obligations.

3. The WIFIA IPA creates a valid and binding assignment of the City Pledged Collateral to secure the payment of the principal of, interest on, and other amounts payable in respect of, the WIFIA Installment Payments, irrespective of whether any party has notice of the pledge and without the need for any physical delivery, recordation, filing or further act.

4. All actions by the City that are required for the application of the Revenues as required under the WIFIA IPA have been duly and lawfully authorized.

5. The City has complied with the requirements of State law to lawfully pledge the City Pledged Collateral and to authorize the use of the Net Revenues as required by the terms of the WIFIA IPA.

6. The City is not an investment company required to register under the Investment Company Act of 1940, as amended.

The opinions expressed herein are based upon our analysis and interpretation of existing laws, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities. Such conclusions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform you or any other person, whether any such actions are taken or omitted after the date hereof or whether such events do occur or any other matters come to our attention after the date hereof. We have assumed, but not independently verified, that the signatures on all documents, letters, opinions and certificates which we have examined are genuine, that all documents submitted to us are authentic and were duly and properly executed by the parties thereto. As to any facts relevant to the opinions stated herein that we did not independently establish or verify, we have relied upon, without independent verification, the accuracy of the factual matters represented, warranted or certified in such documents.

This opinion is limited to matters governed by the laws of the State and the laws of the United States of America, and we assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction. We call attention to the fact that the rights and obligations under the WIFIA City Documents and the WIFIA City Resolution are subject to bankruptcy, insolvency, reorganization, moratorium, arrangement, fraudulent conveyance or transfer and other similar laws affecting creditors' rights, to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State.

By delivering this letter, we are not expressing any opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the WIFIA City Documents, nor are we expressing any opinion with respect to the state or quality of title to or interest in any assets, other than the City Pledged Collateral and the WIFIA IPA, described in or as subject to the lien of the WIFIA City Documents, or the accuracy or sufficiency of the description of such assets, other than the City Pledged Collateral and the WIFIA City Documents, or the remedies available to enforce liens on any such assets, other than the City Pledged Collateral, under the WIFIA IPA. Our services as Special Counsel to the City did not involve the rendering of financial or other non-legal advice to you, the City, the Borrower or any other party to the transaction.

This letter is furnished by us to you solely for your benefit and we are not assuming any professional responsibility to any other person whomsoever. This letter is not to be used,



circulated, quoted or otherwise referred to for any other purpose, except (a) to the extent disclosure of this opinion is required pursuant to applicable law, and (b) that this opinion may be included in applicable closing transcript. No attorney-client relationship has existed or exists between our firm and you in connection with the WIFIA City Documents or the WIFIA City Resolution or by virtue of this letter.

Respectfully submitted,

**EXHIBIT H-1****FORM OF CLOSING CERTIFICATE OF BORROWER**

[●]

Reference is made to that certain WIFIA Loan Agreement, dated as of [●] (the "WIFIA Loan Agreement"), by and among the Escondido Joint Powers Financing Authority, as Borrower (the "Borrower"), the City of Escondido, and the United States Environmental Protection Agency, acting by and through the Administrator of the Environmental Protection Agency (the "WIFIA Lender"). Capitalized terms used in this certificate and not defined shall have the respective meanings ascribed to such terms in the WIFIA Loan Agreement and section references shall refer to the WIFIA Loan Agreement.

In connection with Section 11(a) (Conditions Precedent – Conditions Precedent to Effectiveness) of the WIFIA Loan Agreement, the undersigned, [●], as Borrower's Authorized Representative, does hereby certify on behalf of the Borrower and not in his/her personal capacity, as of the date hereof:

(a) pursuant to Section 11(a)(ix), attached hereto as Annex A is an incumbency certificate that lists all persons, together with their positions and specimen signatures, who are duly authorized by the Borrower to execute the WIFIA Loan Documents to which the Borrower is a party and make the certifications of the Borrower delivered in connection therewith, and who have been appointed as a Borrower's Authorized Representative in accordance with Section 25 (Borrower's Authorized Representative) of the WIFIA Loan Agreement;

(b) pursuant to Section 11(a)(ii), the Borrower has delivered to the WIFIA Lender copies of each Related Document and each Existing Construction Contract to which the Borrower is a party, together with any amendments, waivers or modifications thereto, that has been entered into on or prior to the Effective Date, and each such document is complete, fully executed, and in full force and effect, and all conditions contained in such documents that are necessary to the closing of the WIFIA transactions contemplated by the WIFIA Loan Agreement have been fulfilled;

(c) pursuant to Section 11(a)(iii), the Borrower has delivered to the WIFIA Lender a copy of the Borrower's Organizational Documents, as in effect on the Effective Date, each of which Organizational Documents is in full force and effect;

(d) pursuant to Section 11(a)(v), the Borrower has delivered to the WIFIA Lender a copy of the WIFIA Borrower Resolution, the WIFIA Borrower Resolution is in full force and effect, and no further instruments or documents (including any resolutions, ordinances, and supplements) are necessary for the Borrower to execute and deliver, and to perform its obligations under, the WIFIA Loan Documents to which it is a party and to consummate and implement the transactions contemplated by the WIFIA Loan Documents to which it is a party;

(e) pursuant to Section 11(a)(ix)(A), the Borrower has obtained all Governmental Approvals necessary to execute and deliver, and perform its obligations under, the WIFIA Loan

Documents to which it is a party, and all such Governmental Approvals are final, non-appealable, and in full force and effect (and are not subject to any notice of violation, breach or revocation);

(f) pursuant to Section 11(a)(ix)(B), as of the Effective Date, (i) the maximum principal amount of the WIFIA Loan, together with the amount of any other credit assistance provided under the Act to the Borrower, does not exceed forty-nine percent (49%) of reasonably anticipated Eligible Project Costs and (ii) the total federal assistance provided to the Project, including the maximum principal amount of the WIFIA Loan, does not exceed eighty percent (80%) of Total Project Costs;

(g) pursuant to Section 11(a)(ix)(C), (i) the Borrower's Federal Employer Identification Number is [●], as evidenced by the Borrower's W-9 which is attached hereto as Annex B-1, (ii) the Borrower's Data Universal Numbering System number is [●], and (iii) the Borrower has registered with, and obtained confirmation of active registration status from, the federal System for Award Management ([www.SAM.gov](http://www.SAM.gov)), which confirmation is attached hereto as Annex B-2;

(h) pursuant to Section 11(a)(ix)(D), the WIFIA CUSIP Number is [●];

(i) pursuant to Section 11(a)(ix)(E), the representations and warranties of the Borrower set forth in the WIFIA Loan Agreement and in each other WIFIA Loan Document to which the Borrower is a party are true and correct on and as of the date hereof, except to the extent that such representations and warranties expressly relate to an earlier date, in which case such representations and warranties were true and correct as of such earlier date;

(j) pursuant to Section 11(a)(ix)(F), no Borrower Material Adverse Effect, or any event or condition that could reasonably be expected to have a Borrower Material Adverse Effect, has occurred or arisen since June 1, 2021;

(k) pursuant to Section 11(a)(xi), none of the rating letters delivered to the WIFIA Lender pursuant to such Section 11(a)(xi) has been reduced, withdrawn or suspended as of the Effective Date;

[Signature Page Follows]

IN WITNESS WHEREOF, the undersigned has executed this certificate as of the date first mentioned above.

**ESCONDIDO JOINT POWERS FINANCING  
AUTHORITY**

By: \_\_\_\_\_  
Name: Jasmin A. Hall  
Title: President

**ANNEX A**

**INCUMBENCY CERTIFICATE**

The undersigned certifies that he/she is the [Secretary] of the Escondido Joint Powers Financing Authority, a joint exercise of powers agency duly organized and existing under the Constitution and laws of the State of California (the "Borrower"), and as such he/she is authorized to execute this certificate and further certifies that the following persons have been elected or appointed, are qualified, and are now acting as officers or authorized persons of the Borrower in the capacity or capacities indicated below, and that the signatures set forth opposite their respective names are their true and genuine signatures. He/She further certifies that any of the officers listed below is authorized to sign agreements and give written instructions with regard to any matters pertaining to the WIFIA Loan Documents to which the Borrower is a party on behalf of the Borrower as the Borrower's Authorized Representative:

Name

Title

Signature

\_\_\_\_\_  
\_\_\_\_\_

Capitalized terms used in this certificate and not defined shall have the respective meanings ascribed to such terms in the WIFIA Loan Agreement, dated as of the date hereof, by and among the Borrower, the City of Escondido, and the United States Environmental Protection Agency, acting by and through the Administrator of the Environmental Protection Agency.

IN WITNESS WHEREOF, the undersigned has executed this certificate as of this [●] day of [●].

**ESCONDIDO JOINT POWERS FINANCING  
AUTHORITY**

By: \_\_\_\_\_

Name:

Title:

**EXHIBIT H-2****FORM OF CLOSING CERTIFICATE OF CITY**

[●]

Reference is made to that certain WIFIA Loan Agreement, dated as of [●] (the "WIFIA Loan Agreement"), by and among Escondido Joint Powers Financing Authority, as Borrower (the "Borrower"), the City of Escondido (the "City"), and the United States Environmental Protection Agency, acting by and through the Administrator of the Environmental Protection Agency (the "WIFIA Lender"). Capitalized terms used in this certificate and not defined shall have the respective meanings ascribed to such terms in the WIFIA Loan Agreement and section references shall refer to the WIFIA Loan Agreement. Notwithstanding anything to the contrary set forth in the WIFIA Loan Agreement, the City is not a borrower with respect to the WIFIA Loan, the WIFIA Note, or the WIFIA Loan Agreement and the City has no obligation to make any payment or provision for payment of the WIFIA Loan or the WIFIA Note. The WIFIA Loan Agreement does not constitute a contract between the City and the WIFIA Lender by which the City has incurred an indebtedness.

In connection with Section 11(a) (Conditions Precedent – Conditions Precedent to Effectiveness) of the WIFIA Loan Agreement, the undersigned, [●], as City's Authorized Representative, does hereby certify on behalf of the City and not in his/her personal capacity, as of the date hereof:

(a) pursuant to Section 11(a)(x), attached hereto as Annex A is an incumbency certificate that lists all persons, together with their positions and specimen signatures, who are duly authorized by the City to execute the WIFIA Loan Documents to which the City is a party and make the certifications of the City delivered in connection therewith, and who have been appointed as a City's Authorized Representative in accordance with Section 26 (City's Authorized Representative) of the WIFIA Loan Agreement;

(b) pursuant to Section 11(a)(ii), the City has delivered to the WIFIA Lender copies of each Related Document and each Existing Construction Contract to which the City is a party, together with any amendments, waivers or modifications thereto, that has been entered into on or prior to the Effective Date, and each such document is complete, fully executed, and in full force and effect, and all conditions contained in such documents that are necessary to the closing of the WIFIA transactions contemplated by the WIFIA Loan Agreement have been fulfilled;

(c) pursuant to Section 11(a)(iii), the City has delivered to the WIFIA Lender a copy of the City's Organizational Documents, as in effect on the Effective Date, each of which Organizational Documents is in full force and effect;

(d) pursuant to Section 11(a)(iv), the City has delivered to the WIFIA Lender a copy of the WIFIA City Resolution, the WIFIA City Resolution is in full force and effect, and no further instruments or documents (including any resolutions, ordinances, and supplements) are necessary for the City to execute and deliver, and to perform its obligations under, the WIFIA Loan

Documents to which it is a party and to consummate and implement the transactions contemplated by the WIFIA Loan Documents to which it is a party.

(e) pursuant to Section 11(a)(x)(A), the City has obtained all Governmental Approvals necessary (i) as of the Effective Date in connection with the Project and (ii) to execute and deliver, and perform its obligations under, the WIFIA Loan Documents to which it is a party, and all such Governmental Approvals are final, non-appealable and in full force and effect (and are not subject to any notice of violation, breach or revocation);

(f) pursuant to Section 11(a)(x)(B), as of the Effective Date, (i) the maximum principal amount of the WIFIA Loan, together with the amount of any other credit assistance provided under the Act to the Borrower, does not exceed forty-nine percent (49%) of reasonably anticipated Eligible Project Costs and (ii) the total federal assistance provided to the Project, including the maximum principal amount of the WIFIA Loan, does not exceed eighty percent (80%) of Total Project Costs;

(g) pursuant to Section 11(a)(x)(C), the City is in compliance with NEPA and any applicable federal, state or local environmental review and approval requirements with respect to the Project;

(h) pursuant to Section 11(a)(x)(D), (i) the City's Federal Employer Identification Number is [●], as evidenced by the City's W-9 which is attached hereto as Annex B-1, (ii) the City's Data Universal Numbering System number is [●], and (iii) the City has registered with, and obtained confirmation of active registration status from, the federal System for Award Management ([www.SAM.gov](http://www.SAM.gov)), which confirmation is attached hereto as Annex B-2;

(i) pursuant to Section 11(a)(x)(E), the representations and warranties of the City set forth in the WIFIA Loan Agreement and in each other WIFIA Loan Document to which the City is a party are true and correct on and as of the date hereof, except to the extent that such representations and warranties expressly relate to an earlier date, in which case such representations and warranties were true and correct as of such earlier date;

(j) pursuant to Section 11(a)(x)(F), no City Material Adverse Effect, or any event or condition that could reasonably be expected to have a City Material Adverse Effect, has occurred or arisen since June 1, 2021;

(k) pursuant to Section 11(a)(xii), the City has delivered to the WIFIA Lender the Base Case Financial Model, which demonstrates that (i) projected Revenues and Authority Revenues are each sufficient to meet the Loan Amortization Schedule and (ii) the City has developed, and identified adequate revenues to implement, a plan for operating, maintaining and repairing the Project over the useful life of the Project; and

(l) pursuant to Section 11(a)(xiii), the City has delivered to the WIFIA Lender certificates of insurance, and each such insurance certificate is true and correct and demonstrates compliance with the requirements of Section 17(f) (Affirmative Covenants of the City – Insurance; Net Proceeds) of the WIFIA Loan Agreement.

[Signature Page Follows]

IN WITNESS WHEREOF, the undersigned has executed this certificate as of the date first mentioned above.

**CITY OF ESCONDIDO**

By: \_\_\_\_\_  
Name:  
Title:



**ANNEX A**

**INCUMBENCY CERTIFICATE**

The undersigned certifies that he/she is the [●] of the City of Escondido, a municipal corporation and general law city duly organized and existing under the Constitution and laws of the State of California (the "City"), and as such he/she is authorized to execute this certificate and further certifies that the following persons have been elected or appointed, are qualified, and are now acting as officers or authorized persons of the City in the capacity or capacities indicated below, and that the signatures set forth opposite their respective names are their true and genuine signatures. He/She further certifies that any of the officers listed below is authorized to sign agreements and give written instructions with regard to any matters pertaining to the WIFIA Loan Documents to which the City is a party on behalf of the City as the City's Authorized Representative:

Name

Title

Signature

\_\_\_\_\_  
\_\_\_\_\_

Capitalized terms used in this certificate and not defined shall have the respective meanings ascribed to such terms in the WIFIA Loan Agreement, dated as of the date hereof, by and among the City, the Escondido Joint Powers Financing Authority, and the United States Environmental Protection Agency, acting by and through the Administrator of the Environmental Protection Agency.

IN WITNESS WHEREOF, the undersigned has executed this certificate as of this [●] day of [●].

**CITY OF ESCONDIDO**

By: \_\_\_\_\_

Name:

Title:

**EXHIBIT I****FORM OF CERTIFICATE OF SUBSTANTIAL COMPLETION***[Letterhead of Borrower]**[Date]*

Environmental Protection Agency  
 WIFIA Director  
 WJC-W 6201A  
 1200 Pennsylvania Avenue NW  
 Washington, DC 20460

**Project:** Lake Wohlford Dam Replacement Project (WIFIA – N20149CA)

Dear Director:

This certificate is provided pursuant to Section 20(g)(i)(A) (*Reporting Requirements of the City – Notices – Substantial Completion*) of that certain WIFIA Loan Agreement (the “**WIFIA Loan Agreement**”), dated as of [●] by and among Escondido Joint Powers Financing Authority (the “**Borrower**”), City of Escondido (the “**City**”) and the United States Environmental Protection Agency, acting by and through its Administrator (the “**WIFIA Lender**”).

Unless otherwise defined herein, all capitalized terms in this certificate have the meanings assigned to those terms in the WIFIA Loan Agreement.

I, the undersigned, in my capacity as the City’s Authorized Representative and not in my individual capacity, do hereby certify to the WIFIA Lender that:

- (a) on *[insert date Substantial Completion requirements were satisfied]*, the Project satisfied each of the requirements for Substantial Completion set forth in the *[insert reference to the design-build or similar agreements for the Project]*;
- (b) Substantial Completion has been declared under each of the above-referenced agreements and copies of the notices of Substantial Completion under such agreements are attached to this certification; and
- (c) Substantial Completion, as defined in the WIFIA Loan Agreement, has been achieved.

**CITY OF ESCONDIDO,**  
 by its authorized representative

By: \_\_\_\_\_  
 Name:  
 Title:

**EXHIBIT J****FORM OF QUARTERLY REPORT**

United States Environmental Protection Agency  
 WIFIA Director  
 WJC-W 6201A  
 1200 Pennsylvania Avenue NW  
 Washington, DC 20460  
 WIFIA\_Portfolio@epa.gov

Re: Lake Wohlford Dam Replacement Project (WIFIA – N20149CA)

This Quarterly Report for the period of [insert relevant period] (the “**Quarterly Period**”) is provided pursuant to Section 20(c)(i) (*Reporting Requirements of the City – Construction Reporting*) of the WIFIA Loan Agreement, dated as of [●] (the “**WIFIA Loan Agreement**”), by and among Escondido Joint Powers Financing Authority (the “**Borrower**”), City of Escondido (the “**City**”) and the United States Environmental Protection Agency, acting by and through the Administrator of the Environmental Protection Agency (the “**WIFIA Lender**”). Unless otherwise defined herein, all capitalized terms in this Quarterly Report have the meanings assigned to those terms in the WIFIA Loan Agreement.

1. **Project Status.** Provide a narrative summary of the Project’s construction progress during the Quarterly Period, including with respect to the Project components or sub-projects where appropriate. Complete the table in Appendix A to update the Project scope, schedule, and costs with the latest information.

--

2. **Current Projected Substantial Completion Date:**

--

If the current Projected Substantial Completion Date differs than the date set forth in the Quarterly Report most recently delivered to the WIFIA Lender (or, if no such report has yet been provided, the date of the Projected Substantial Completion Date set forth in the WIFIA Loan Agreement as of the Effective Date), provide a description in reasonable detail for such projected delay or difference:

--

3. **Material Problems (if any)**

Note any problems encountered or anticipated during the construction of the Project during the Quarterly Period that (1) impedes Project completion within the scope, costs, and schedule outlined in the WIFIA Loan Agreement or (2) relates to unforeseen complications

in connection with the construction of the Project. This may include commissioning/start-up issues, constructability issues for the Project as planned, adverse impacts to Project surroundings, changes in or issues with meeting environmental or federal compliance requirements, and unanticipated or abnormal permit approval timelines. Include an assessment of the impact and any current plans to address the problems.

[Empty rectangular box for text input]

**4. Other Matters Related to the Project (if applicable)**

[Empty rectangular box for text input]

Date: \_\_\_\_\_

**CITY OF ESCONDIDO,**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**APPENDIX A**

Project Scope		Project Schedule						Project Costs		
Project Component	Completed (Y/N)	Contract/Vendor	Bid Advertisement Date	Contract Award Date	NTP Effective Date	Original Substantial Completion Date	Estimated Substantial Completion Date	Original Contract Amount	Estimated Costs to Complete	Costs Earned or Paid to Date
<b>Total</b>										

**Table Definitions:**

Project Component – project name or ID as tracked by the borrower

Complete (Y/N) – indication that project is complete, and no additional updates will be provided

Description (program of projects only) – brief overview of scope of work for the project component.

Location (program of projects only) – physical project boundaries

Covered by existing NEPA? (program of projects only) – refer to the environmental review documents that is the basis for the NEPA finding. Is the project within the geographic scope and scope of activities described in the documents?

Contract/Vendor – the contract identifier and contractor that is/will be completing the project construction.

Bid Advertisement Date – the date the bid was advertised

Contract Award date – the date the contract was awarded

NTP Effective date – the effective date to proceed with the construction in the Notice to Proceed

Original Substantial Completion Date – the substantial completion date for the given project as noted in the original contract award

Estimated Substantial Completion Date – the latest date estimate for substantial completion for the given project component

Original Contract Amount – the original contract award amount

Estimated Costs to Complete – the latest cost estimates to complete the given project component

Costs Earned or Paid to Date – the latest incurred contract costs for the given project component

Total – Total the cost amounts across all project components and contracts

**EXHIBIT K****FORM OF PUBLIC BENEFITS REPORT**

Pursuant to Section 11(a)(xiv) and Section 20(d) of the WIFIA Loan Agreement, dated as of the date hereof, by and among Escondido Joint Powers Financing Authority, the City of Escondido (the “City”), and the United States Environmental Protection Agency, acting by and through the Administrator of the Environmental Protection Agency (the “WIFIA Loan Agreement”), the City is providing this Public Benefits Report in connection with the Lake Wohlford Dam Replacement Project (WIFIA – N20149CA). Capitalized terms used in this Public Benefits Report and not defined shall have the respective meanings ascribed to such terms in the WIFIA Loan Agreement.

**Reporting Period:** [Prior to the Effective Date][within ninety (90) days following the Substantial Completion Date][within ninety (90) days following the fifth (5<sup>th</sup>) anniversary of the Substantial Completion Date]

- (i) **The number of total jobs and direct jobs projected to be created by the Project during the period between the Effective Date and the Substantial Completion Date:**

WIFIA projects that the Project will create [\_\_\_] total jobs, of which the City projects [\_\_\_] will be direct jobs.

- (ii) **Indicate (yes or no) whether the Project will assist the City in complying with applicable regulatory requirements, and if yes, describe how the project assists with regulatory compliance:**

Yes

If yes, additional description: [\_\_\_\_]

No

- (iii) **The Project will assist the City with the following environmental measure:<sup>17</sup>**

[Amount by which Project will provide new, expanded, improved, more reliable, more resilient, or more efficient treatment capacity for wastewater treatment (measured in MGD capacity at Substantial Completion)]

[Amount by which Project will provide higher level of treatment at wastewater treatment plants (measured in MGD capacity at Substantial Completion)]

[Frequency and volume of CSOs events per year eliminated by the Project (measured in gallons and events per year at Substantial Completion)]

<sup>17</sup> **NTD:** Appropriate environmental measure to be selected by WIFIA engineering.

[Reduce levels of Nitrogen, Phosphorus, biochemical oxygen demand (BOD) and total suspended solids (TSS) (measured by percentage annually)]

[Increase the volume of potable water produced (measured by MGD annually)]

[Increase the volume of water recycled, recharged or redirected (measured by MGD annually)]

[Increase Class [A][B] biosolids (measured by tons annually)]

[Prevent/eliminate collection sewer failures (measured by number per 100 miles)]

[Increase amount of grit removed (measured by tons annually)]

[Reduce frequency and volume of SSO discharges to local watersheds [provide standby power] (measured by [\_\_\_\_])

[Provide increased stormwater and flood protection (measured by total number of acreage)]

[Prevent water main breaks (measured by number annually)]

**INSTALLMENT PURCHASE AGREEMENT**

**by and between**

**CITY OF ESCONDIDO**

**and**

**ESCONDIDO JOINT POWERS FINANCING AUTHORITY**

**Dated as of \_\_\_\_ 1, 2022**

**Relating to**

**UNITED STATES  
ENVIRONMENTAL PROTECTION AGENCY**

**WIFIA LOAN AGREEMENT**

**For Up to \$65,147,348**

**With**

**ESCONDIDO JOINT POWERS FINANCING AUTHORITY and**

**CITY OF ESCONDIDO**

**For the**

**LAKE WOHLFORD DAM REPLACEMENT PROJECT  
(WIFIA – N20149CA)**

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## INSTALLMENT PURCHASE AGREEMENT

This INSTALLMENT PURCHASE AGREEMENT, dated as of \_\_\_\_ 1, 2022, is entered into by and between the CITY OF ESCONDIDO, a municipal corporation that is duly organized and existing under and by virtue of the general laws of the State of California (the “**City**”), and the ESCONDIDO JOINT POWERS FINANCING AUTHORITY, a joint exercise of powers agency that is duly organized and existing under and by virtue of the laws of the State of California (the “**Authority**”).

### RECITALS

A. The City proposes to finance the acquisition and construction of certain existing improvements, betterments, renovations and expansions of facilities within its System, as described in the herein-defined WIFIA Loan Agreement (the “**Project**”).

B. The Authority has agreed to assist the City in financing the Project on the terms and conditions that are set forth herein.

C. The Authority is authorized by Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California, including but not limited to Section 6540 *et seq.*, to finance and refinance the acquisition and construction of property for its members.

D. The City is authorized by the Constitution and laws of the State of California to enter into contracts for the purpose of constructing the Project.

E. In order to provide a source of funds to finance the Project, the Authority, the City and the United States Environmental Protection Agency, acting by and through the Administrator of the Environmental Protection Agency (the “**Authority Lender**”), have entered into a WIFIA Loan Agreement dated, [\_\_\_\_ \_\_, 2022] (the “**WIFIA Loan Agreement**”), secured, *inter alia*, by the payments to be made by the City to the Authority under this Installment Purchase Agreement, to finance the WIFIA Portion of the Project.

F. The City and the Authority have duly authorized the execution of this Installment Purchase Agreement.

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

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

## ARTICLE I

### DEFINITIONS

Section 1.01. Definitions. Unless the context otherwise requires, the terms that are defined in this section shall for all purposes hereof and of any amendment hereof or supplement hereto and of any report or other document that is mentioned herein or therein have the meanings that are defined herein, the following definitions to be equally applicable to both the singular and plural forms of any of the terms that are defined herein. All capitalized terms that are used herein and not defined herein shall have the meanings that are ascribed thereto in the WIFIA Loan Agreement.

Accountant's Report. The term "Accountant's Report" means a report signed by an Independent Certified Public Accountant.

Acquisition Fund. The term "Acquisition Fund" means the account by that name created and maintained by the City in accordance with Section 3.04.

Alexander Area Phase II State Loan. The term "Alexander Area Phase II State Loan" means the Funding Agreement (Project No. 3710006-004; Agreement No. AR09FP27), dated October 15, 2009, by and between the City and the State of California Department of Public Health.

Authority. The term "Authority" has the meaning provided in the preamble hereto .

Authority Lender. The term "Authority Lender" has the meaning provided in paragraph E of the recitals hereto..

Bonds. The term "Bonds" means all revenue bonds or notes of the City that are authorized, executed, issued and delivered by the City, the payments of which are payable from Net Revenues on a parity with the Series 2022 Installment Payments and which are secured by a pledge of and lien on Revenues as described in Section 5.01 hereof.

City. The term "City" means City of Escondido, a municipal corporation that is duly organized and existing under and by virtue of the general laws of the State of California.

Contracts. The term "Contracts" means the 2002 State Loan, the Alexander Area Phase II State Loan, the 2019 I-Bank Agreement, the 2019 IPA, the 2021 I-Bank Agreement and all other contracts of the City that are previously or hereafter authorized and executed by the City, the payments under which are payable from Net Revenues on a parity with the Series 2022 Installment Payments and which are secured by a pledge and lien on Revenues as described in Section 5.01 hereof; but excluding contracts entered into for operation and maintenance of the System.

Event of Default. The term "Event of Default" means an event that is described in Section 8.01.

Fiscal Year. The term "Fiscal Year" means the twelve month period beginning on July 1 of each year and ending on the next succeeding June 30, both dates inclusive, or any other twelve month period hereafter selected and designated as the official fiscal year period of the City.

Independent Certified Public Accountant. The term "Independent Certified Public Accountant" means any firm of certified public accountants that is appointed by the City, and each of

whom is independent pursuant to the Statement on Auditing Standards No. 1 of the American Institute of Certified Public Accountants.

Independent Financial Consultant. The term "Independent Financial Consultant" means a financial consultant or firm of such consultants that is appointed by the City, and who, or each of whom: (1) is in fact independent and not under domination of the City; (2) does not have any substantial interest, direct or indirect, with the City; and (3) is not connected with the City as an officer or employee of the City, but who may be regularly retained to make reports to the City.

Installment Purchase Agreement. The term "Installment Purchase Agreement" means this Installment Purchase Agreement, dated as of \_\_\_\_\_ 1, 2022, by and between the City and the Authority, as originally executed and as it may from time to time be amended or supplemented in accordance herewith.

JPA Agreement. The term "JPA Agreement" means the Joint Exercise of Powers Agreement, dated November 20, 1991, by and between the City and City of Escondido Community Facilities District No. 2020-1 (Services), as amended, pursuant to which the Authority is established.

Purchase Price. The term "Purchase Price" means the aggregate principal amount plus interest thereon owed by the City to the Authority under the terms hereof as provided in Section 4.01.

Series 2022 Installment Payments. The term "Series 2022 Installment Payments" means the Installment Payments scheduled to be paid by the City under and pursuant to this Installment Purchase Agreement.

2002 State Loan. The term "2002 State Loan" means the Funding Agreement (Project No. 3710006-004; Contract No. SRF00CX112), dated November 18, 2002, by and between the City and the State of California Department of Water Resources, as amended.

2019 I-Bank Agreement. The term "2019 I-Bank Agreement" means the Installment Sale Agreement, dated as of June 1, 2019, by and between the City and the California Infrastructure and Economic Development Bank.

2019 IPA. The term "2019 IPA" means the Installment Purchase Agreement, dated as of November 1, 2019, by and between the City and the Authority.

2021 I-Bank Agreement. The term "2021 I-Bank Agreement" means the Installment Sale Agreement, dated as of September 1, 2021, by and between the City and the California Infrastructure and Economic Development Bank.

Water Service. The term "Water Service" means the water distribution service that is made available or provided by the System.

WIFIA Amount. The term "WIFIA Amount" means the amount equal to the total disbursements of the WIFIA Loan under the WIFIA Loan Agreement.

WIFIA Debt Service Account. The term "WIFIA Debt Service Account" means the account by that name created and maintained by the City in accordance with Section 5.05 and the WIFIA Loan Agreement.

WIFIA Loan Agreement. The term "WIFIA Loan Agreement" has the meaning provided in paragraph E of the recitals herein.

WIFIA Portion of the Project. The term "WIFIA Portion of the Project" means the portion of the Project financed by the Authority from the proceeds of the WIFIA Loan, which portion shall be not more than 49% of the Project.

## ARTICLE II

### REPRESENTATIONS AND WARRANTIES

Section 2.01. Representations by the City. The City makes the following representations:

(a) The City is a municipal corporation that is duly organized and existing under and pursuant to the general laws of the State of California.

(b) The City has full legal right, power and authority to enter into this Installment Purchase Agreement, carry out its obligations hereunder and carry out and consummate all other transactions that are contemplated by this Installment Purchase Agreement, and the City has complied with the provisions of the laws of the State of California in all matters relating to such transactions.

(c) By proper action, the City has duly authorized the execution, delivery and due performance of this Installment Purchase Agreement.

(d) The City has determined that it is necessary and proper for City uses and purposes within the terms of the laws of the State of California that the City finance and acquire the WIFIA Portion of the Project in the manner that is provided for in this Installment Purchase Agreement in order to provide essential services and facilities to persons residing in the City.

Section 2.02. Representations and Warranties by the Authority. The Authority makes the following representations and warranties:

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

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

## ARTICLE III

### ACQUISITION OF THE WIFIA PORTION OF THE PROJECT

Section 3.01. Purchase and Sale of the WIFIA Portion of the Project. In consideration for the Series 2022 Installment Payments, the Authority agrees to sell, and hereby sells, to the City, and the City agrees to purchase, and hereby purchases, from the Authority, the WIFIA Portion of the Project at the Purchase Price that is specified in Section 4.01 hereof and otherwise in the manner and in accordance with the provisions of this Installment Purchase Agreement.

Section 3.02. Acquisition and Construction of the Project. The Authority hereby agrees to cause the Project and any additions or modifications thereto to be constructed, acquired and installed by the City as its agent, and hereby appoints the City to act on its behalf as its agent hereunder and under the other Related Documents. The City hereby accepts such appointment. The City shall enter into contracts and provide for, as agent for the Authority, the complete design, construction, acquisition and installation of the Project in accordance with all applicable laws and the WIFIA Loan Agreement. The City hereby agrees that it will cause the construction, acquisition and installation of the Project to be diligently performed. The City agrees to deposit the WIFIA Amount (or relevant portion thereof) into the Acquisition Fund, upon satisfactory completion of design work and compliance with the California Environmental Quality Act and approval by the City Council of the City, and that it will use its best efforts to cause the construction, acquisition and installation of the Project to be substantially completed by January 31, 2027, unforeseeable delays beyond the reasonable control of the City excepted. It is hereby expressly understood and agreed that the Authority shall be under no liability of any kind or character whatsoever for the payment of any cost of the Project and that all such costs and expenses shall be paid by the City.

Section 3.03. Title. All right, title and interest in each component of the WIFIA Portion of the Project shall vest in the City immediately upon acquisition or construction thereof. Such vesting shall occur without further action by the Authority or the City, and the Authority shall, if requested by the City or if necessary to assure such automatic vesting, deliver any and all documents which are required to assure such vesting.

Section 3.04. Acquisition Fund. The City shall establish, maintain and hold in trust a separate fund designated as the "Acquisition Fund." The moneys in the Acquisition Fund shall be held by the City in trust and applied by the Finance Director to the payment of the costs of acquisition and construction of the WIFIA Portion of the Project and of expenses incidental thereto.

Before any payment is made from the Acquisition Fund by the Finance Director, the City Manager, the Director of Utilities or any Deputy City Manager, acting as agent of the Authority, shall cause to be filed with the Finance Director a certificate of the City in the form set forth in Exhibit B.

Upon receipt of each such certificate, the Finance Director will pay the amount that is set forth in such certificate as directed by the terms thereof or disburse funds to the City for such payment as directed by the City in such certificate. The Finance Director need not make any such payment if it has received notice of any lien, right to lien, attachment upon or claim affecting the right to receive payment of any of the moneys to be so paid, which has not been released or will not be released simultaneously with such payment.

When the WIFIA Portion of the Project shall have been constructed and acquired in accordance with this Installment Purchase Agreement, a statement of the City stating the fact and date of such acquisition, construction and acceptance and stating that all of such costs of acquisition and incidental expenses have been determined and paid (or that all of such costs and expenses have been paid less specified claims which are subject to dispute and for which a retention in the Acquisition Fund is to be maintained in the full amount of such claims until such dispute is resolved), shall be delivered to the Finance Director, the Authority and the Authority Lender by the City Manager, the Director of Utilities or any Deputy City Manager. Upon the receipt of such statement, the Finance Director shall transfer any remaining balance in the Acquisition Fund (but less the amount of any such retention, which amount shall be certified to the Finance Director by the City Manager, the Director of Utilities or any Deputy City Manager) to the WIFIA Debt Service Account.

## ARTICLE IV

### INSTALLMENT PAYMENTS

#### Section 4.01. Purchase Price.

(a) The Purchase Price to be paid by the City hereunder to the Authority is the sum of the principal amount of the City's obligations hereunder plus the interest to accrue on the unpaid balance of such principal amount from the effective date hereof over the term hereof, subject to prepayment as provided in Article VII.

(b) The principal amount of the Purchase Price payments to be made by the City hereunder and the applicable Installment Payment Dates are set forth in Exhibit A.

(c) The interest to accrue on the unpaid balance of the Purchase Price shall be equal to the interest payable with respect to the WIFIA Loan as provided in the WIFIA Loan Agreement, and shall be paid by the City as and constitute interest paid on the principal amount of the City's obligations hereunder, as set forth in Exhibit A.

(d) The Authority and the City acknowledge and agree that the Series 2022 Installment Payments set forth in Exhibit A are initially equal to the payments of principal and interest set forth on the Loan Amortization Schedule in Exhibit F (*WIFIA Debt Service*) to the WIFIA Loan Agreement in all respects, other than with respect to the relevant payment dates. The Authority and the City agree that: (i) upon any modification to Exhibit F (*WIFIA Debt Service*) to the WIFIA Loan Agreement, Exhibit A shall be deemed modified *mutatis mutandis*; (ii) the City will provide to the Authority a revised Exhibit A which the Authority and the City agree will replace the then current Exhibit A (such replacement being a ministerial act and not an amendment or supplement to this Agreement); (iii) no modification to Exhibit A shall otherwise be made without the consent of the Authority Lender; and (iv) the City's failure to provide or delay in providing the Authority with such revised Exhibit A shall not affect the modifications deemed to be made thereto or the obligation of the City to make the Series 2022 Installment Payments as so modified.

Section 4.02. Series 2022 Installment Payments. The City shall, subject to its rights of prepayment provided in Article VII, pay the Authority the Purchase Price in installment payments of interest and principal in the amounts and on the Installment Payment Dates as set forth in Exhibit A.



Each Series 2022 Installment Payment shall be paid to the Authority in lawful money of the United States of America. In the event that the City fails to make any of the payments which are required to be made by it under this section, such payment shall continue as an obligation of the City until such amount shall have been fully paid, and the City agrees to pay the same with interest on the outstanding amount of the Purchase Price at the Default Rate from (and including) the applicable Installment Payment Date to (but excluding) the date of actual payment of such Installment Payment.

The obligation of the City to make the Series 2022 Installment Payments is absolute and unconditional, and until such time as the Purchase Price shall have been paid in full, the City will not discontinue or suspend any Series 2022 Installment Payment which is required to be made by it under this section when due, whether or not the System or any part thereof is operating or operable or its use is suspended, interfered with, reduced or curtailed or terminated in whole or in part, and whether or not the Project has been completed, and such payments shall not be subject to reduction whether by offset or otherwise and shall not be conditional upon the performance or nonperformance by any party of any agreement for any cause whatsoever.

## ARTICLE V

### SECURITY

Section 5.01. Pledge of Revenues. The Revenues, other amounts that are on deposit in the Revenue Fund, the Acquisition Fund and the WIFIA Debt Service Account and any other amounts which are held in any fund or account that is established pursuant to this Installment Purchase Agreement are irrevocably pledged to the payment of the Series 2022 Installment Payments. Except for the payment of the Operations and Maintenance Costs, the Revenues shall not be used for any other purpose while any of the Series 2022 Installment Payments remain unpaid; provided that out of the Revenues there may be apportioned such sums for such purposes as are expressly permitted herein. This pledge shall constitute a first lien on Revenues, the Revenue Fund and the other funds and accounts that are created hereunder for the payment *pari passu* of the Series 2022 Installment Payments and all other Contracts and Bonds in accordance with the terms hereof and of the WIFIA Loan Agreement.

Section 5.02. Allocation of Revenues. In order to carry out and effectuate the pledge and lien contained herein, the City agrees and covenants that all Revenues shall be received by the City in trust hereunder and shall be deposited when and as received in a special fund designated as the "Revenue Fund," which fund has been previously established and which fund the City agrees and covenants to maintain and to hold separate and apart from other funds so long as any Installment Payments or Bonds remain unpaid. Moneys in the Revenue Fund shall be used and applied by the City as provided in this Installment Purchase Agreement.

The City shall, from the moneys in the Revenue Fund, pay all Operations and Maintenance Costs (including amounts which are reasonably required to be set aside in contingency reserves for Operations and Maintenance Costs, the payment of which is not then immediately required) as they become due and payable. All remaining moneys in the Revenue Fund shall be set aside by the City at the following times for the transfer to the following respective special funds in the following order of priority, and all moneys in each of such funds shall be held in trust and shall be applied, used and withdrawn only for the purposes set forth in this Section 5.02:

(a) Bonds and Contracts. On or before each Installment Payment Date, the City shall, from funds in the Revenue Fund, deposit in the WIFIA Debt Service Account an amount that is equal to the interest and principal payable and coming due under the WIFIA Loan Agreement on the next succeeding Interest Payment Date. The City shall also, from the moneys in the Revenue Fund, transfer to the applicable trustee or payee for deposit in the applicable payment fund, without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, any other Parity Debt Service in accordance with the provisions of the applicable Bond or Contract.

[Any moneys which are on deposit in the Revenue Fund on each Installment Payment Date (other than amounts that are required for the payment of past due principal or interest with respect to the WIFIA Loan Agreement not presented for payment) shall be credited to the payment of the Series 2022 Installment Payments due and payable on such date. No deposit need be made in the WIFIA Debt Service Account as Series 2022 Installment Payments if the amount in such account is at least equal to the amount of the Series 2022 Installment Payment that is due and payable on the next succeeding Installment Payment Date.]

(b) Reserve Funds. On or before each Installment Payment Date, the City shall, from remaining moneys in the Revenue Fund, thereafter, without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, transfer to the applicable trustee for deposit to reserve funds or accounts, if any, as may have been established in connection with Bonds or Contracts that sum, if any, necessary to restore such reserve funds or accounts to an amount that is equal to the required balances thereof.

(c) Surplus. Moneys on deposit in the Revenue Fund which are not necessary to make any of the payments which are required above may be expended by the City at any time for any purpose permitted by law.

Section 5.03. Reserved.

Section 5.04. Investments. All moneys which are held by the City in the Revenue Fund, the Acquisition Fund and the WIFIA Debt Service Account shall be invested in Permitted Investments, and the investment earnings thereon shall remain on deposit in such funds, except as otherwise provided herein.

Section 5.05. WIFIA Debt Service Account. The City, as agent of the Authority, shall establish, maintain and hold in trust a separate general ledger account within the City's debt service group, which account shall be designated as the "WIFIA Debt Service Account" and as of the date of the WIFIA Loan Agreement is numbered [\_\_\_]. Such account number may change as the City designates from time to time provided that the City must promptly notify the Authority Lender in writing of any such change. Moneys in the WIFIA Debt Service Account shall be held by the City in trust and applied to the payment of Installment Payments hereunder in accordance with Section 8(a)(i) and Section 17(i) of the WIFIA Loan Agreement. Any investment earnings thereon shall be transferred by the City to the Revenue Fund no later than the last day of the City's Fiscal Year.

## ARTICLE VI

### COVENANTS OF THE CITY

Section 6.01. Compliance with Installment Purchase Agreement, WIFIA Loan Agreement and Ancillary Agreements. The City will punctually pay the Series 2022 Installment Payments in strict conformity with the terms hereof, and will faithfully observe and perform all of the agreements, conditions, covenants and terms contained herein which are required to be observed and performed by it, and will not terminate this Installment Purchase Agreement for any cause including, without limiting the generality of the foregoing, any acts or circumstances that may constitute failure of consideration, destruction of or damage to the Project, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State of California or any political subdivision of either or any failure of the Authority to observe or perform any agreement, condition, covenant or term which is contained herein and required to be observed and performed by it, whether express or implied, or any duty, liability or obligation arising out of or connected herewith or the insolvency, or deemed insolvency, or bankruptcy or liquidation of the Authority or any force majeure, including acts of God, tempest, storm, earthquake, war, rebellion, riot, civil disorder, acts of public enemies, blockade or embargo, strikes, industrial disputes, lock outs, lack of transportation facilities, fire, explosion or acts or regulations of governmental authorities.

It is expressly understood and agreed by and among the parties to this Installment Purchase Agreement that, subject to Section 10.06, each of the agreements, conditions, covenants and terms contained herein is an essential and material term of the purchase of and payment for the WIFIA Portion of the Project by the City pursuant to, and in accordance with, and as authorized under applicable laws.

The City will faithfully observe and perform all of the agreements, conditions, covenants and terms which are required to be observed and performed by it pursuant to the WIFIA Loan Agreement; provided that nothing herein shall obligate the City to pay the principal of or interest with respect to the WIFIA Loan or the WIFIA Note, which obligation is solely the responsibility of the Authority as borrower under the WIFIA Loan Agreement.

The City will faithfully observe and perform all of the agreements, conditions, covenants and terms which are required to be observed and performed by it pursuant to all outstanding Contracts and Bonds as such may from time to time be executed or issued, as the case may be.

Section 6.02. Against Encumbrances. The City will not make any pledge of or place any lien on Revenues or the moneys in the Revenue Fund except as provided herein, and subject to the restrictions agreed to by the City in the WIFIA Loan Agreement. In addition, the City may at any time, or from time to time, issue evidences of indebtedness or incur other obligations for any lawful purpose which are payable from and secured by a pledge of and lien on Revenues or any moneys in the Revenue Fund as may from time to time be deposited therein (as provided in Section 5.02), provided that such pledge and lien shall be subordinate in all respects to the pledge of and lien thereon provided herein. The City will not make any pledge of or place any lien on the Acquisition Fund (including the moneys on deposit therein) or the WIFIA Debt Service Account (including the moneys on deposit therein), except as set forth in the WIFIA Loan Agreement.

Section 6.03. Reserved.

Section 6.04. Reserved.

Section 6.05. Reserved.

Section 6.06. Reserved.

Section 6.07. Reserved.

Section 6.08. Reserved.

Section 6.09. Reserved.

Section 6.10. Reserved.

Section 6.11. Accounting Records. The City will keep appropriate accounting records in which complete and correct entries shall be made of all transactions relating to the System, which records shall be available for inspection by the Authority and the Authority Lender at reasonable hours and under reasonable conditions.

Section 6.12. Protection of Security and Rights of the Authority. The City will preserve and protect the security hereof and the rights of the Authority and the Authority Lender to the Installment Payments hereunder and will warrant and defend such rights against all claims and demands of all persons.

Section 6.13. Payment of Taxes and Compliance with Governmental Regulations. The City will pay and discharge all taxes, assessments and other governmental charges which may hereafter be lawfully imposed upon the System or any part thereof, or upon the Revenues or amounts on deposit in the Revenue Fund, the Acquisition Fund or the WIFIA Debt Service Account, when the same shall become due. The City will duly observe and conform with all valid regulations and requirements of any governmental authority relative to the operation of the System, or any part thereof, but the City shall not be required to comply with any regulations or requirements so long as the validity or application thereof shall be contested in good faith.

Section 6.14. Reserved.

Section 6.15. Collection of Rates and Charges. The City will have in effect at all times by-laws, rules and regulations requiring each customer to pay the rates and charges applicable to the Water Service to such customer's land and providing for the billing thereof and for a due date and a delinquency date for each bill. In each case where such bill remains unpaid in whole or in part after it becomes delinquent, the City may discontinue such service from the System, and such service shall not thereafter be recommenced except in accordance with City by-laws or rules, regulations and the laws of the State of California governing such situations of delinquency.

Section 6.16. Reserved.

Section 6.17. Reserved.

Section 6.18. Enforcement of Contracts. So long as the WIFIA Loan Agreement is outstanding, the City will not voluntarily consent to or permit any rescission of, nor will it consent to any amendment to or otherwise take any action under or in connection with any contracts previously

or hereafter entered into if such rescission or amendment would in any manner impair or adversely affect the ability of the City to pay Series 2022 Installment Payments hereunder.

Section 6.19. Continued Existence of Authority. The City and the Authority will take or cause to be taken all actions reasonably necessary to continue the Authority's existence until such time as the WIFIA Loan Agreement is no longer outstanding, including but not limited to the addition of one or more new members to the Authority and execution of the JPA Agreement pursuant to which the Authority was created by such new members.

## ARTICLE VII

### PREPAYMENT OF SERIES 2022 INSTALLMENT PAYMENTS

#### Section 7.01. Prepayment.

(a) The City shall prepay from the Net Proceeds, to the extent required or permitted pursuant to Section 9(a) of the WIFIA Loan Agreement, all or any part of the principal amount of the unpaid Series 2022 Installment Payments at a prepayment price equal to the sum of the principal amount prepaid plus accrued interest thereon to the date of prepayment; provided that if Net Proceeds are applied to the prepayment of any Bonds or Contracts, such Net Proceeds will be applied by the City to prepay all Bonds and Contracts on a *pro rata* basis based on the outstanding principal amount of the Bonds and Contracts to be prepaid. Any such prepayment shall occur substantially concurrently with the prepayment of the WIFIA Loan by the Authority pursuant to the terms of Section 9(a) of the WIFIA Loan Agreement.

(b) The City shall prepay the Series 2022 Installment Payments on the same dates as the Authority makes optional prepayments of the WIFIA Loan in accordance with the WIFIA Loan Agreement and shall not optionally prepay the Series 2022 Installment Payments at any other time.

(c) Notwithstanding any such prepayment, the City shall not be relieved of its obligations hereunder, including its obligations under Article IV, until the Purchase Price shall have been fully paid.

Section 7.02. Method of Prepayment. Before making any prepayment pursuant to Section 7.01, the City shall, within five (5) days following the event permitting the exercise of such right to prepay or creating such obligation to prepay, give written notice to the Authority and the Authority Lender describing such event and specifying the date on which the prepayment will be paid, which date shall be not less than ten (10) days and not more than thirty (30) days from the date such notice is given.

## ARTICLE VIII

### EVENTS OF DEFAULT AND REMEDIES OF THE AUTHORITY

Section 8.01. Events of Default and Acceleration of Maturities. If one or more of the following Events of Default shall occur:

(a) if default shall be made by the City in the due and punctual payment of any Series 2022 Installment Payment or any payment under any other Contract or Bond when and as the same shall become due and payable;

(b) if default shall be made by the City in the performance of any of the other agreements or covenants which are required herein to be performed by it, and such default shall have continued for a period of sixty (60) days after the City shall have been given notice in writing of such default by the Authority; provided, however, that if in the reasonable opinion of the City the default stated in the notice can be corrected, but not within such sixty (60) day period, and corrective action is instituted by the City within such sixty (60) day period and diligently pursued in good faith until the default is corrected, such default shall not be an Event of Default hereunder so long as it is corrected within a period of no more than one hundred eighty (180) days after the City shall have been given notice in writing of such default by the Authority;

(c) if the City shall file a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if a court of competent jurisdiction shall approve a petition filed with or without the consent of the City seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if under the provisions of any other law for the relief or aid of debtors any court of competent jurisdiction shall assume custody or control of the City or of the whole or any substantial part of its property;

(d) if payment of the principal of any Contract or Bond is accelerated in accordance with its terms; or

(e) if an "Event of Default" under and as defined in the WIFIA Loan Agreement shall have occurred;

then the Authority shall immediately notify the Authority Lender of such Event of Default and shall follow any written directions of the Authority Lender, which may include a direction to declare the entire principal amount of the unpaid Purchase Price and the accrued interest thereon to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable, anything contained herein to the contrary notwithstanding; provided that the unpaid Purchase Price shall automatically become due and payable without the action of the Authority or any other person if the unpaid principal amount of the WIFIA Loan shall have become immediately due and payable. Notwithstanding anything to the contrary set forth herein, the Authority shall not have the right: (i) to declare the unpaid Purchase Price immediately due and payable; or (ii) to exercise any other rights or remedies hereunder following the occurrence of an Event of Default in each case without the prior written direction of the Authority Lender.

Section 8.02. Application of Funds Upon Acceleration. Upon the date of the declaration of (or automatic, as applicable) acceleration as provided in Section 8.01, all Revenues thereafter received by the City shall be applied in the following order:

First, to the payment, without preference or priority, and in the event of any insufficiency of such Revenues ratably without any discrimination or preference, of the fees, costs and expenses of the Authority and the Authority Lender, including reasonable compensation to their respective agents, assignees, consultants, accountants and counsel;

Second, to the payment of the Operations and Maintenance Costs; and

Third, to the payment, without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, of the entire principal amount of the unpaid Series 2022 Installment Payments and the unpaid principal amount of all Bonds and Contracts and the accrued interest thereon, with interest on the overdue installments at the rate or rates of interest applicable to the Series 2022 Installment Payments and such Bonds and Contracts if paid in accordance with their respective terms.

Section 8.03. Other Remedies of the Authority. The Authority shall have the right, following the prior written direction of the Authority Lender:

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

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

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

(d) to apply the Default Rate to the unpaid balance of the Purchase Price.

Notwithstanding anything contained herein, the Authority shall have no security interest in or mortgage on the Project, the System or other assets of the City and no default hereunder shall result in the loss of the Project, the System or other assets of the City.

Section 8.04. Remedies of Authority Lender. Upon the occurrence of an Event of Default, the Authority Lender, as assignee of the Authority pursuant to the WIFIA Loan Agreement, shall be entitled and empowered to institute any actions or proceedings at law or in equity against the City for the collection of any sums due to the Authority from the City and unpaid under this Installment Purchase Agreement, and may prosecute any such judgment or final decree against the City and collect in the manner provided by law the moneys adjudged or decreed to be payable, may take such other actions at law or in equity as may appear necessary or desirable to collect all amounts payable by the City to the Authority hereunder then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of the City hereunder.

Section 8.05. Non-Waiver. Nothing in this article or in any other provision hereof shall affect or impair the obligation of the City, which is absolute and unconditional, to pay the Series 2022 Installment Payments to the Authority at the respective due dates or upon prepayment from the Net Revenues, the Revenue Fund and the other funds herein pledged for such payment, or shall affect or impair the right of the Authority or the Authority Lender, which is also absolute and unconditional, to institute suit to enforce such payment by virtue of the contract embodied herein.

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

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

Section 8.06. Remedies Not Exclusive. No remedy that is conferred upon or reserved to the Authority or the Authority Lender herein is intended to be exclusive of any other remedy, and each such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing in law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by the laws of the State of California or any other law.

## ARTICLE IX

RESERVED

## ARTICLE X

## MISCELLANEOUS

Section 10.01. Liability Limited. Notwithstanding anything contained herein, the City shall not be required to advance any moneys derived from any source of income other than the Revenues, the Revenue Fund and the other funds provided herein for the payment of amounts due hereunder or for the performance of any agreements or covenants that are required to be performed by it contained herein. The City may, however, advance moneys for any such purpose so long as such moneys are derived from a source legally available for such purpose and may be legally used by the City for such purpose.

The obligation of the City to make the Series 2022 Installment Payments is a special obligation of the City payable from the Net Revenues and does not constitute a debt of the City or of the State of California or of any political subdivision thereof in contravention of any constitutional or statutory debt limitation or restriction.



Section 10.02. Benefits of Installment Purchase Agreement Limited to Parties. Nothing contained herein, expressed or implied, is intended to give to any person other than the City, the Authority or the Authority Lender any right, remedy or claim under or pursuant hereto, and any agreement or covenant that is required herein to be performed by or on behalf of the City or the Authority shall be for the sole and exclusive benefit of the other party and the Authority Lender. The City and the Authority agree that the Authority Lender shall be a third-party beneficiary of this Agreement.

Section 10.03. Successor Is Deemed Included in all References to Predecessor. Whenever the City, the Authority or the Authority Lender is named or referred to herein, such reference shall be deemed to include the successor to the powers, duties and functions that are presently vested in the City, the Authority or the Authority Lender, and all agreements and covenants which are required hereby to be performed by or on behalf of the City or the Authority shall bind and inure to the benefit of the respective successors thereof whether so expressed or not.

Section 10.04. Waiver of Personal Liability. No member, officer or employee of the City shall be individually or personally liable for the payment of the Series 2022 Installment Payments, but nothing contained herein shall relieve any member, officer or employee of the City from the performance of any official duty provided by any applicable provisions of law or hereby.

Section 10.05. Article and Section Headings, Gender and References. The headings or titles of the several articles and sections hereof and the table of contents appended hereto shall be solely for convenience of reference and shall not affect the meaning, construction or effect hereof, and words of any gender shall be deemed and construed to include all genders. All references herein to "Articles," "Sections" and other subdivisions or clauses are to the corresponding articles, sections, subdivisions or clauses hereof and the words "hereby," "herein," "hereof," "hereto," "herewith" and other words of similar import refer to this Installment Purchase Agreement as a whole and not to any particular article, section, subdivision or clause hereof.

Section 10.06. Partial Invalidity. If any one or more of the agreements or covenants or portions thereof required hereby to be performed by or on the part of the City or the Authority shall be contrary to law, then such agreement or agreements, such covenant or covenants or such portions thereof shall be null and void and shall be deemed separable from the remaining agreements and covenants or portions thereof and shall in no way affect the validity hereof. The City and the Authority hereby declare that they would have executed this Installment Purchase Agreement, and each and every other article, section, paragraph, subdivision, sentence, clause and phrase hereof irrespective of the fact that any one or more articles, sections, paragraphs, subdivisions, sentences, clauses or phrases hereof or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

Section 10.07. Assignment. This Installment Purchase Agreement and any rights hereunder may be assigned by the Authority, as a whole or in part, without the necessity of obtaining the prior consent of the City. In addition to the rights and remedies assigned by the Authority to the Authority Lender, to the extent that the WIFIA Loan Agreement and this Installment Purchase Agreement confer upon or give or grant to the Authority Lender any right, remedy or claim under or by reason of the WIFIA Loan Agreement (including Section 21 thereof) or this Installment Purchase Agreement, the Authority Lender is hereby explicitly recognized as being a third party beneficiary hereunder and may enforce any such right, remedy or claim conferred given or granted. On each Payment Date occurring on or after the Debt Service Payment Commencement Date, the City, as agent of the Authority, shall

transfer to the Authority Lender on the Authority's behalf the Series 2022 Installment Payments hereunder from the WIFIA Debt Service Account in accordance with the terms of the WIFIA Loan Agreement.

Section 10.08. Net Contract. This Installment Purchase Agreement shall be deemed and construed to be a net contract, and the City shall pay absolutely net during the term hereof the Series 2022 Installment Payments and all other payments required hereunder, free of any deductions and without abatement, diminution or set-off whatsoever.

Section 10.09. California Law. THIS INSTALLMENT PURCHASE AGREEMENT SHALL BE CONSTRUED AND GOVERNED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA.

Section 10.10. Notices. All written notices to be given hereunder shall be given (x) in the case of the Authority Lender, by email to its email address set forth below and (y) in the case of the City and the Authority, by mail to the party entitled thereto at its address set forth below, or in each case at such other address as such party may provide to the other party in writing from time to time, namely:

If to the City: City of Escondido  
201 North Broadway  
Escondido, California 92025  
Attention: Director of Utilities

If to the Authority: Escondido Joint Powers Financing Authority  
201 North Broadway  
Escondido, California 92025  
Attention: Executive Director

If to the Authority Lender: Environmental Protection Agency  
WJC-W 6201A  
1200 Pennsylvania Avenue NW  
Washington, D.C. 20460  
Attention: WIFIA Director  
Email: WIFIA\_Portfolio@epa.gov

Section 10.11. Effective Date. This Installment Purchase Agreement shall become effective upon its execution and delivery, and shall terminate only when (a) the Purchase Price shall have been fully paid and (b) the WIFIA Loan Agreement shall have terminated in accordance with its terms.

Section 10.12. Execution in Counterparts. This Installment Purchase Agreement may be executed in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.

Section 10.13. Indemnification of Authority. The City hereby agrees to indemnify and hold harmless the Authority and the Authority Lender if and to the extent permitted by law, from and against all claims, advances, damages and losses, including legal fees and expenses, arising out of or in connection with the acceptance or the performance of its duties hereunder and under the WIFIA Loan Agreement; provided that no indemnification will be made to the Authority for willful misconduct, negligence or breach of an obligation hereunder or under the WIFIA Loan Agreement by the Authority.

Section 10.14. Amendments Permitted. This Installment Purchase Agreement and the rights and obligations of the Authority and the City may be modified or amended at any time by written amendment hereto signed by the Authority and the City which shall become binding and effective only upon the written consent of the Authority Lender.

*[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]*

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

CITY OF ESCONDIDO

By: \_\_\_\_\_  
Mayor

ATTEST:

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

ESCONDIDO JOINT POWERS FINANCING  
AUTHORITY

By: \_\_\_\_\_  
Chair

ATTEST:

\_\_\_\_\_  
Secretary

**EXHIBIT A**

**PURCHASE PRICE**

1. The principal amount of payments to be made by the City hereunder is \$\_\_\_\_\_.
2. The Series 2022 Installment Payments of principal and interest are payable in the amounts and on the Installment Payment Dates as follows:

<i><b>Installment Payment Date (Fifth Business Day Prior to)</b></i>	<i><b>Amount Attributable to Principal</b></i>	<i><b>Amount Attributable to Interest</b></i>	<i><b>Total</b></i>
1/1/2023	\$	\$	\$
7/1/2023			
1/1/2024			
7/1/2024			
1/1/2025			
7/1/2025			
1/1/2026			
7/1/2026			
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1/1/2040			
7/1/2040			
1/1/2041			
7/1/2041			
1/1/2042			

<i><b>Installment Payment Date (Fifth Business Day Prior to)</b></i>	<i><b>Amount Attributable to Principal</b></i>	<i><b>Amount Attributable to Interest</b></i>	<i><b>Total</b></i>
7/1/2042			
1/1/2043			
7/1/2043			
1/1/2044			
7/1/2044			
1/1/2045			
7/1/2045			
1/1/2046			
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1/1/2054			
7/1/2054			
1/1/2055			
7/1/2055			
<b>TOTAL</b>	\$ _____	\$ _____	\$ _____

**EXHIBIT B**

**FORM OF REQUISITION FROM ACQUISITION FUND**

UNITED STATES  
ENVIRONMENTAL PROTECTION AGENCY

WIFIA LOAN AGREEMENT

For Up to \$65,147,348

With

ESCONDIDO JOINT POWERS FINANCING AUTHORITY and

CITY OF ESCONDIDO

For the

LAKE WOHLFORD DAM REPLACEMENT PROJECT  
(WIFIA – N20149CA)

REQUISITION NO. \_ FOR  
DISBURSEMENT FROM ACQUISITION FUND

The undersigned hereby states and certifies:

(i) that the undersigned is the duly appointed, qualified and acting [City Manager] [Deputy City Manager] [Director of Utilities] of the City of Escondido, a municipal corporation and general law city that is organized and existing under the Constitution and laws of the State of California (the "City"), and as such, is familiar with the facts herein certified and is authorized to certify the same;

(ii) that, pursuant to Section 3.04 of that certain Installment Purchase Agreement, dated as of \_\_\_\_ 1, 2022 (the "Installment Purchase Agreement"), by and between the City and the Escondido Joint Powers Financing Authority, the undersigned hereby requests the Finance Director of the City to disburse on this date from the Acquisition Fund established under the Installment Purchase Agreement relating to the above-captioned obligations, in the amounts and to the payees designated on the attached Schedule A;

(iii) that each obligation mentioned herein has been incurred by the City and is a proper charge against the Acquisition Fund;

(iv) that any approval required under the California Environmental Quality Act, as amended (Division 13 of the California Public Resources Code), prior to the expenditure of such amount for the purpose set forth on the attached Schedule A has been received and is final; and

(v) that there has not been filed with or served upon the City notice of any lien, right to lien or attachment upon, or claim affecting the right to receive payment of, any of the moneys payable to any of the payees named on the attached Schedule A, which has not been released or will not be

released simultaneously with the payment of such obligation, other than materialmen's or mechanics' liens accruing by mere operation of law.

Dated: \_\_\_\_\_, 20\_\_

CITY OF ESCONDIDO

By: \_\_\_\_\_  
\_\_\_\_\_



**SCHEDULE A**

**PROJECT ACQUISITION FUND DISBURSEMENTS**

<i>Item Number</i>	<i>Payee Name and Address</i>	<i>Purpose of Obligation</i>	<i>Amount</i>
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**EXHIBIT A**

**FORM OF WIFIA NOTE**

**ESCONDIDO JOINT POWERS FINANCING AUTHORITY**

**LAKE WOHLFORD DAM REPLACEMENT PROJECT**

**(WIFIA – N20149CA)**

**WIFIA NOTE**

**Maximum Principal Amount:** \$65,147,348 (Sixty Five Million, One Hundred Forty-Seven Thousand, Three Hundred Forty-Eight Dollars)

**Effective Date:** [●]

**Interest Rate Per Annum:** [●]%

**Due:** July 1, 2055

**ESCONDIDO JOINT POWERS FINANCING AUTHORITY**, a joint exercise of powers agency duly organized and existing under and by virtue of the laws of the State of California (the “**Borrower**”), for value received, hereby promises to pay to the order of the **UNITED STATES ENVIRONMENTAL PROTECTION AGENCY**, acting by and through the Administrator of the United States Environmental Protection Agency, or its assigns (the “**WIFIA Lender**”), the lesser of (x) the Maximum Principal Amount set forth above and (y) the aggregate unpaid principal amount of all disbursements (the “**Disbursements**”) made by the WIFIA Lender (such lesser amount being hereinafter referred to as the “**Outstanding Principal Sum**”), together with accrued and unpaid interest (including, if applicable, interest at the Default Rate, as defined in the WIFIA Loan Agreement (as defined below)) on the Outstanding Principal Sum and all fees, costs and other amounts payable in connection therewith, all as more fully described in the WIFIA Loan Agreement. The principal hereof shall be payable in the manner and at the place provided in the WIFIA Loan Agreement in accordance with **Exhibit F** (*WIFIA Debt Service*) to the WIFIA Loan Agreement, as revised from time to time in accordance with the WIFIA Loan Agreement, until paid in full (which **Exhibit F**, as modified from time to time in accordance with the terms of the WIFIA Loan Agreement, is incorporated in and is a part of this WIFIA Note). The WIFIA Lender is hereby authorized to modify the Loan Amortization Schedule included in **Exhibit F** to the WIFIA Loan Agreement from time to time in accordance with the terms of the WIFIA Loan Agreement to reflect the amount of each disbursement made thereunder and the date and amount of principal or interest paid by the Borrower thereunder. Absent manifest error, the WIFIA Lender’s determination of such matters as set forth on **Exhibit F** to the WIFIA Loan Agreement shall be conclusive evidence thereof; provided that neither the failure to make any such recordation nor any error in such recordation shall affect in any manner the Borrower’s obligations hereunder or under any other WIFIA Loan Document.

Payments hereon are to be made in accordance with Section 8(e) (*Payment of Principal and Interest – Manner of Payment*) and Section 36 (*Notices*) of the WIFIA Loan Agreement as the

same become due. Principal of and interest on this WIFIA Note shall be paid in funds available on or before the due date and in any lawful coin or currency of the United States of America that at the date of payment is legal tender for the payment of public and private debts.

This WIFIA Note has been executed under and pursuant to that certain WIFIA Loan Agreement, dated as of the date hereof, among the WIFIA Lender, the Borrower and the City (the “**WIFIA Loan Agreement**”) and is issued to evidence the obligation of the Borrower under the WIFIA Loan Agreement to repay the loan made by the WIFIA Lender and any other payments of any kind required to be paid by the Borrower under the WIFIA Loan Agreement or the other WIFIA Loan Documents referred to therein. Reference is made to the WIFIA Loan Agreement for all details relating to the Borrower’s obligations hereunder. All capitalized terms used in this WIFIA Note and not defined herein shall have the meanings set forth in the WIFIA Loan Agreement.

This WIFIA Note may be prepaid at the option of the Borrower in whole or in part (and, if in part, the principal installments and amounts thereof to be prepaid are to be determined in accordance with the WIFIA Loan Agreement; provided such prepayments shall be in principal amounts of at least \$1,000,000 or any integral multiple of \$1 in excess thereof), from time to time, but not more than annually, without penalty or premium, by paying to the WIFIA Lender all or part of the principal amount of the WIFIA Note in accordance with the WIFIA Loan Agreement.

This WIFIA Note shall be subject to mandatory prepayment on the terms and conditions set forth in the WIFIA Loan Agreement.

Payment of the obligations of the Borrower under this WIFIA Note is secured pursuant to the WIFIA Loan Agreement.

This WIFIA Note is a limited obligation of the Borrower, payable solely from the Authority Revenues, and does not constitute a debt of the members of the Borrower, the State or any of its political subdivisions (including the City), except the Borrower. Notwithstanding anything to the contrary set forth in this WIFIA Note, the City is not a borrower with respect to this WIFIA Note and the City has no obligation to make any payment or provision for payment of this WIFIA Note. This WIFIA Note does not constitute a contract between the City and the WIFIA Lender by which the City has incurred an indebtedness.

Any delay on the part of the WIFIA Lender in exercising any right hereunder shall not operate as a waiver of any such right, and any waiver granted with respect to one default shall not operate as a waiver in the event of any subsequent default.

All acts, conditions and things required by the Constitution and laws of the State to happen, exist, and be performed precedent to and in the issuance of this WIFIA Note have happened, exist and have been performed as so required. This WIFIA Note is issued with the intent that the federal laws of the United States of America shall govern its construction to the extent such federal laws are applicable and the internal laws of the State shall govern its construction to the extent such federal laws are not applicable.

IN WITNESS WHEREOF, ESCONDIDO JOINT POWERS FINANCING AUTHORITY has caused this WIFIA Note to be executed in its name and its seal to be affixed hereto and attested by its duly authorized officer, all as of the Effective Date set forth above.

**ESCONDIDO JOINT POWERS  
FINANCING AUTHORITY,**  
by its authorized representative

(SEAL)

By \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

ATTEST:

\_\_\_\_\_  
Secretary



# STAFF REPORT

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May 11, 2022  
File Number 0430-80

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## SUBJECT

### FINANCIAL REPORT FOR THE QUARTER ENDED MARCH 31, 2022 AND BUDGET ADJUSTMENT REQUEST –

## DEPARTMENT

Finance

## RECOMMENDATION

Request the City Council receive and file the third quarter financial report and approve a budget adjustment to amend the fiscal year 2021/22 operating budget.

Staff Recommendation: Approval (Finance: Christina Holmes)

Presenter: Christina Holmes, Director Finance and Michelle Collett, Revenue Manager

## FISCAL ANALYSIS

See Below.

## PREVIOUS ACTION

On February 2, 2022, the City Council received the Fiscal Year 2021/22 Financial Status Report for the second quarter ending December 31, 2021.

## BACKGROUND

The City Council Budget and Financial Policies require that the City present quarterly financial reports each fiscal year. The purpose of this report is to provide City Council and the public a financial update of selected funds of the City. This report provides the City Council with the analysis of unaudited revenues and expenditures for Fiscal Year 2021/22 in comparison to Fiscal Year 2020/21 for the General Fund, the Reidy Creek Municipal Golf Course Fund, and the Water and Wastewater Funds. The financial highlights for each of these funds are summarized below.

### General Fund

Prior to the onset of the pandemic, consumer confidence was at all-time highs and the California economy was strong. Even with a stable economy, General Fund revenues have not kept pace with the growing cost of municipal services and operating budget deficits have been projected beginning in FY2017/18. The



# CITY of ESCONDIDO

## STAFF REPORT

City has maintained a balanced budget as a result of modest economic growth and stability and a combined strategy of a hardline on expenditures and cost saving measures that include reducing staff, deferring infrastructure maintenance, investing in technology to reduce ongoing costs, and outsourcing services. The conditions and these approaches left the City able to preserve municipal operations without the use of General Fund Reserves, while also setting aside funds in the Section 115 Irrevocable Pension Trust Fund.

Then in March 2020, at the onset of the COVID-19 pandemic, the public health measures and restrictions forced government operations and private businesses to close or drastically alter operations. Many economists predicted that the sudden closures would create a severe economic downturn comparable to the Great Recession, which had a devastating impact on the City's General Fund. However, as the restrictions have been lifted, the reopening of the economy has allowed for additional public activities and the economic environment continues to improve.

In June 2021, the City Council adopted the FY2021/22 operating budget with General Fund revenues of \$107.0 million and expenditures of \$117.1 million. Total operating revenue is projected to increase by 3% and the adopted expenditure budget increased by approximately \$7.1 million or 6% compared to the revised FY2020/21 operating budget. In addition to providing core City services including Public Safety, Public Works, Community Services, and Community Development, the FY2021/22 budget reflects the resources required to address specific public service needs around traffic flow, traffic safety, and homelessness.

The adopted FY2021/22 budget also projects an \$8 million net operating deficit. The cost reductions needed to balance the budget and close the budget gap would have a significant impact on the community and the services the City provides. To continue to provide essential City services and identified community priorities, respond to infrastructure maintenance and repair needs, and address the net operating deficit with a balanced budget for Fiscal Year 2021/22, City Council approved the use of the final one-time source of funds from the Successor Agency Redevelopment Loan repayment of \$2.2 million and a transfer of \$6.1 million from the Section 115 Pension Trust Fund though this did not address the ongoing deficit the City faces and the need to cut City services including public safety and public works services without an additional source of locally controlled revenue. With this deficit and the need to make cuts to public safety and public works services in mind, the City launched The Escondido Discussion as part of this year's budget process to engage residents and the community citywide on their city service needs and priorities. Through the Discussion, residents identified the following priorities:

- ✓ Addressing homelessness
- ✓ Attracting businesses and jobs to the City
- ✓ Improving public safety and police services
- ✓ Maintaining and repairing local streets, roads and sidewalks
- ✓ Keeping public areas clean and free of graffiti



# CITY of ESCONDIDO

## STAFF REPORT

Through the end of March, operating revenue exceeded the amount projected by about \$3.1 million. The largest source of revenue for the General Fund is sales tax revenue at 42%, followed by property tax revenue at 28%, and other taxes account for 12% of total operating revenue. The economy continues to recover from the initial impacts of the COVID-19 pandemic and resulting restrictions. The pent-up demand for goods, as well as inflation which has led to higher prices for goods, have driven this growth in sales tax revenue. Actual sales tax receipts have increased by \$4.7 million or 19% compared to March 2021. This increase was anticipated in the mid-year financial report to City Council, and the Sales Tax revenue budget was increased by \$4.2 million approved by City Council on February 2, 2022. Property tax and other tax revenue also increased from the prior year by about \$2.2 million. Total operating revenue as of March 2022 increased by \$7.1 million compared to March 2021.

Actual General Fund expenditures are under the projected budget amount by \$4.9 million. This can be attributed to countless conscientious and efficient operational decisions, and an overall climate of fiscal prudence on the part of the entire City workforce. In addition, the City continues to experience expenditure savings from vacant staff positions in multiple departments as recruitments are being performed, often taking much longer than anticipated to fill those positions. In calendar year 2021 the City had the highest turnover rate at 14%. This is not unique to the City given the job market locally. In April 2022, the U.S. Bureau of Labor Statistics and the California Employment Development Department reported that California's labor force — defined as the number of people who either have a job or are looking for work — has grown by nearly 350,000 people in the past year, typically a strong sign of economic recovery. But the state's labor force is still nearly 400,000 people short of the pre-pandemic high. Recent state employment statistics show that there are 29,300 fewer people working in the San Diego area in January 2022 compared to January 2020, just before the onset of the pandemic. As a result of the vacant positions and extended length of recruitments, actual Employee Services costs will be under the FY2021/22 budgeted amount.

### **Reidy Creek Municipal Golf Course Fund**

Overall operating revenues for the Reidy Creek Golf Course have declined by 1% compared to the prior year. This is due to a decrease in the total rounds of golf played at the course, which decreased by 11% compared to the prior year. Total operating expenditures through March were down 4% from the prior year, primarily due to less maintenance on the aging golf carts that were replaced in November. As of March 31, Reidy Creek total net income is \$59,987.

### **Water Fund**

Net operating income for the Water Fund through March 2022 was \$12 million, a decrease of \$579,000 from prior year. Operating revenue increased by about \$474,000 million or 1% compared to the prior year, due to approved rate increases effective March 31. Operating expenses increased by about \$1 million or 3% compared to the prior year due to increases in the costs for supplies, maintenance, and utilities.



# CITY of ESCONDIDO

## STAFF REPORT

### Wastewater Fund

Net operating income for the Wastewater Fund through March 2022 was \$9.9 million, an increase of \$2 million from the prior year. Operating revenue increased by about \$2.8 million or 11% compared to the prior year due to increased sewer service charges. Operating expenses increased by about \$767,000 or 4% compared to the prior year due to increases in the costs for supplies, maintenance, and utilities.

### Recommended Budget Adjustments:

Fleet Services is responsible for providing fuels (gasoline, diesel, and propane) for all City vehicles and equipment. On June 16, 2021, the City Council approved a contract with SC Fuels, Inc. for the purchase of unleaded gasoline and diesel fuel. The contract is part of a fuel purchasing consortium sponsored by the City of San Diego. By creating a fuel purchasing consortium, local agencies benefit from collective fuel purchasing. On average, the City saves between \$0.60 and \$0.80 per gallon from regular pump prices. However, due to the recent record high cost of gasoline and diesel fuel, a contract amendment and budget adjustment of \$350,000 is requested to fund fuel purchases for the last quarter of the fiscal year. The FY2021/22 Operating Budget for Fleet Services includes funding for annual fuel purchases of unleaded gasoline in the amount of \$900,000, and diesel fuel in the amount of \$300,000. The budget adjustment will increase the total annual fuel expense to \$1,550,000. The budget adjustment is funded by a transfer from the General Fund (\$268,960), Water Fund (\$54,530), and Wastewater Fund (\$26,510).

### ATTACHMENTS

1. Attachment 1 – Third Quarter Financial Status Report FY 2021/22
2. Budget Adjustment





**Fiscal Year 2021/22 Third Quarter  
Financial Report**

## OVERVIEW

This report summarizes the City's financial position for the fiscal year through the third quarter ending March 31, 2022 for the General Fund, the Reidy Creek Municipal Golf Course, and the Water and Wastewater Funds. The purpose of the report is to provide City Council, City Management, and the Escondido community an update on the City's fiscal status based on the most recent financial information available. The revenue projections and budget information include adjustments for encumbrances, carryovers, and any other supplemental appropriations approved by the City Council as of March 31, 2022.

This report is for internal use only. The figures presented here are unaudited and have not been prepared in accordance with Generally Accepted Accounting principles (GAAP).

## GENERAL FUND

The General Fund Fiscal Year 2021/22 operating budget was adopted as a balanced budget but relies on over \$8 million of one-time sources of funds including the final loan repayment from the Successor Agency Redevelopment Loan of \$2.2 million and a transfer of \$6.1 million from the Section 115 Pension Trust Fund. Total operating revenue is projected to increase by 3% to reach \$107.2 million and the adopted expenditure budget of \$117.1 million increased by approximately \$7.1 million or 6% compared to the revised FY2020/21 operating budget. In addition to providing core City services including Public Safety, Public Works, Community Services, and Community Development, the FY2021/22 budget reflects the resources required to address specific public service needs around traffic flow, traffic safety, and homelessness.

At the end of the third quarter, General Fund revenues are at 66% of the amended budget, while expenditures are at 69%. The Projected Results as of March 2022 shown below are based on past history of the timing of revenues collected and expenditure activity. Actual revenues are higher than projected by about \$3.1 million primarily due to increases in Sales Tax, Property Tax, and Other Taxes received through the third quarter of the fiscal year. Expenditures are tracking under the amount projected by \$4.8 million due to vacant staff positions as recruitments are being performed.

**General Fund  
Comparison of Projected FY2021/22 Operating Budget to Actuals**

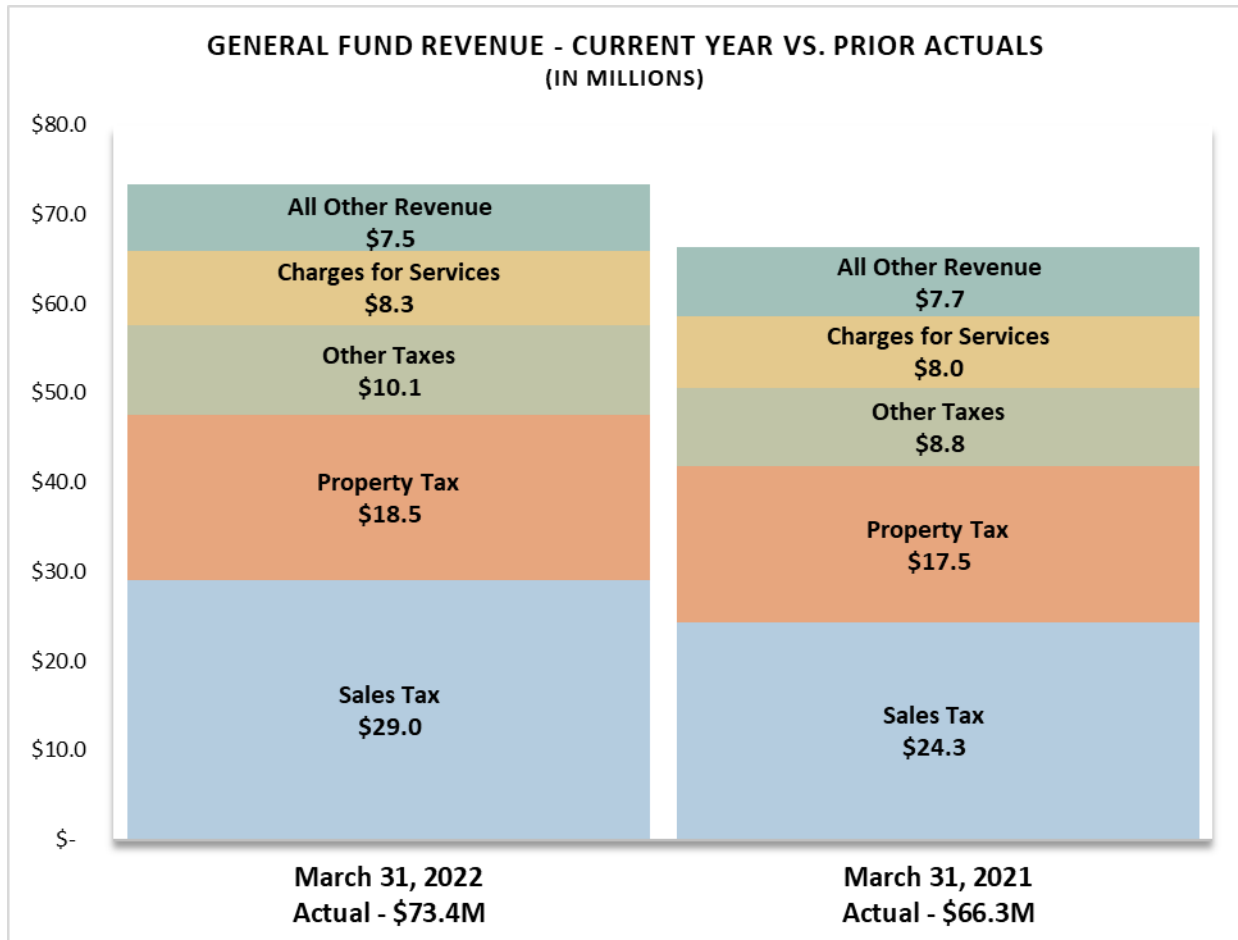
	FY2021/22 AMENDED BUDGET	PROJECTED RESULTS MARCH 2022	ACTUAL RESULTS MARCH 2022
Total Operating Revenue	\$111,409,510	\$70,240,080	\$73,361,280
Total Operating Expenditures	(119,307,480)	(86,975,150)	(82,126,800)
Other Sources (Uses)	1,563,840	1,563,840	1,563,840
<b>Net Operating Surplus / (Deficit)*</b>	<b>(\$6,324,130)</b>	<b>(\$15,171,230)</b>	<b>(\$7,201,680)</b>

\*FY2021/22 projected Operating Budget deficit closed with one-time revenue from the Redevelopment Loan payment of \$2.2 million and funding from the Section 115 Pension Trust Fund of \$6.1 million.

**GENERAL FUND REVENUE**

	<b>FY2021/22 AMENDED BUDGET</b>	<b>ACTUAL RESULTS MARCH 2022</b>	<b>ACTUAL RESULTS MARCH 2021</b>	<b>Prior Year vs. Current Year</b>
<b>Sales Tax</b>	\$46,347,300	\$28,950,210	\$24,321,020	\$4,692,190
<b>Property Tax</b>	30,925,000	18,512,290	17,517,300	994,990
<b>Other Taxes</b>	13,680,000	10,069,710	8,836,880	1,232,830
<b>Charges for Services</b>	10,169,710	8,306,030	8,022,390	283,640
<b>Intergovernmental</b>	3,341,000	2,668,110	2,531,530	136,580
<b>Permits and Licenses</b>	1,412,500	1,644,500	1,645,510	(1,010)
<b>Fines and Forfeitures</b>	908,000	645,570	586,870	58,700
<b>Rental Income</b>	3,738,000	2,230,930	2,482,890	(251,960)
<b>Other Revenue</b>	898,000	333,930	353,730	(19,800)
<b>TOTAL OPERATING REVENUE</b>	<b>\$111,419,510</b>	<b>\$73,361,280</b>	<b>\$66,298,120</b>	<b>\$7,063,160</b>

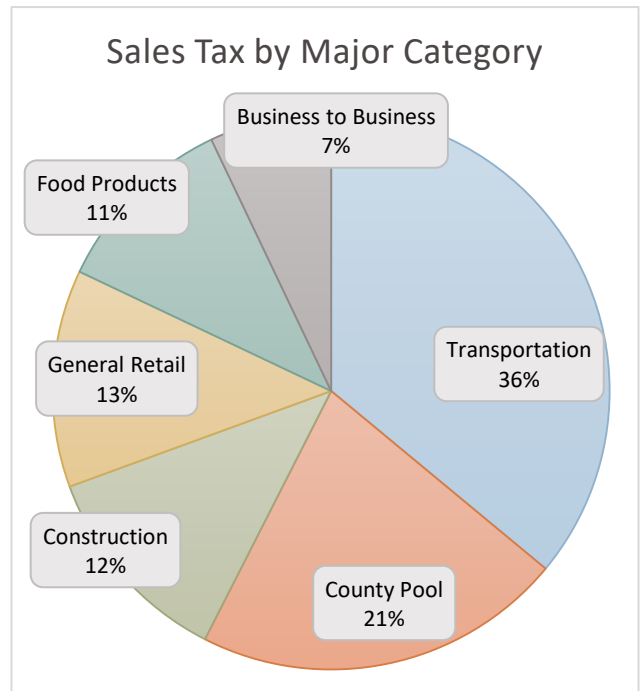
Sales tax is the largest General Fund revenue source at 42% of total revenue in FY2021/22 followed by property tax, other taxes, and charges for services. The chart below shows the major categories of revenue collected through March 31, 2022 compared to the revenue collected in the prior year through March 31, 2021.



### **Sales Tax (\$29.0 million)**

The Sales Tax revenue projected in the Fiscal Year 2021/22 Operating Budget adopted in June 2021 was \$42.1 million, an increase of \$2.7 million or 7% over the FY2020/21 amended sales tax forecast. The restrictions from the COVID-19 pandemic were expected to continue to negatively impact sales tax revenue in FY2020/21; however, actual sales tax receipts received at the close of the previous quarter resulted in strong growth that was not previously anticipated. A combination of California fully reopening its economy, improved vaccination rates, public health measures to reduce the spread of the COVID-19 virus, and additional federal funding fostered an economic environment in which consumers' buying power remained intact and the demand to spend on taxable goods significantly increased during this time period.

Overall, the City's local economy continues to experience a fairly strong recovery and as a result, sales tax revenues distributed to the City through March 2022 increased by \$4.6 million or 19% compared to the prior year. Sales tax revenues distributed to the City as of March 2022 represent sales that occurred between July and December 2022.



The largest sales tax segment, 36% of total sales tax revenue, is Transportation, which includes new and used auto sales, auto repair shops, and service stations. Sales revenues increased by 36% compared to the prior year primarily due to new auto sales. Limited supply has been overwhelmed by strong demand and the smaller inventories increased the taxable price of vehicles. As businesses, commuters, and travelers returned to the road with increased gas prices, fuel and service stations also increased by about 57% compared to the same quarter in the prior year.

Sales tax revenue received through the County Pool is now the second largest sales tax segment accounting for 21% of the sales tax revenue received this fiscal year. Effective in April 2019, new taxable sales are distributed to the City under the AB 147 Wayfair decision which extended the sales and use taxes to online and out-of-state retailers engaged in business in California. However, the increase in activity from the countywide pool experienced during the pandemic have slowed; total receipts remained flat compared to the prior year.

The Construction sales tax segment accounts for revenue generated from building materials, including both wholesale and general retail, increased from the prior year by about 8%. This can be attributed to increase in the price of materials, including lumber and steel, and the continued high demand for home improvements and new construction in the City.

General retail and food products combined make up 24% of the total sales tax revenue for the City and increased by 13% compared to the prior fiscal year. The rise in general merchandise and food product sales reflects increased foot traffic and buying activity as people return to in-store shopping and indoor dining.

### **Property Tax (\$18.5 million)**

Property Tax revenue is up \$994,990 or about 6% compared to this time in the prior year. The largest portions of property tax revenue are distributed by the County in December and April each year. The FY2021/22 Operating Budget projected property tax growth of 3% due to an increase in overall assessed values of properties in Escondido, favorable lending conditions and the continued increased number of home sales have all lead to significant growth in property tax revenues this fiscal year.

**Other Taxes (\$10.1 million)**

Other Taxes include franchise fee revenues, transient occupancy tax, and business license revenue and combined have increased by \$1,232,830 compared to the prior year.

The City collects franchise fee revenues from San Diego Gas and Electric (SDG&E), cable companies conducting business within City limits, and Escondido Disposal Incorporated (EDI). Revenues received from franchise agreements increased by \$779,000 from the prior fiscal year primarily due to an increase in fees collected from EDI and SDG&E.

Transient Occupancy Tax, also known as hotel tax, increased by \$694,750 compared to the prior year. Due to the COVID-19 pandemic, many hotels remained closed or partially closed during the prior fiscal year. The tourism industry was impacted significantly as a result of the closures, and many forecasted its recovery would take much longer than it has. The Transient Occupancy Tax receipts collected through March 2022 have increased by 6% from the pre-pandemic levels in March 2020.

All entities doing business in the City are required to have a valid business license. The business license tax is calculated based on annual gross receipts; business license revenue from the 2021 calendar year is based off of 2020 gross receipts. Business license revenues have decreased by about \$203,000 from the previous fiscal year.

**Charges for Services (\$8.3 million)**

Charges for services include paramedic fees, Community Services fees for recreational and community activities, and charges for development related services, which include engineering and planning fees. In the prior fiscal year, due to the public health orders, City recreation facilities and services were restricted or closed. However, as certain restrictions have been lifted, Community Service fees have increased by approximately \$650,000 compared to this time last year. The increase in recreation program revenues were offset by decreases in charges for development services and paramedic fees due to the timing of receipts received in the third quarter.

**Intergovernmental (\$2.6 million)**

Intergovernmental revenue includes the Rincon fire services agreement, state mandated cost claims, and various grants, and increased \$136,580 compared to the prior year primarily due to the timing of various grant reimbursements.

**Permits and Licenses (\$1.6 million)**

Revenue generated from permits and licenses has remained flat compared to the prior year as construction and development activity continues driving building permit revenue this fiscal year.

**Fines & Forfeitures (\$645,570)**

Fines & forfeitures represent fees collected for code enforcement citations, vehicle code violations, parking citations, overdue fines, and impound fees. The increase of \$58,700 to date is due to an increase in activity as the restrictions on activity as a result of the pandemic continue to be lifted.

**Investment, Rental Income, and Other Revenues (\$2.5 million)**

Investments, Rental Income, and Other Revenue includes rental income, interest earned from investing activities, and other miscellaneous receipts and has decreased by about \$270,000 compared to the prior year.

**One-Time Funds: Fire Mutual Aid Reimbursements - \$1,023,638**

The City's Fire Department staff can be deployed to assist other State agencies with responses to fires and other incidents. The California Office of Emergency Services reimburses the City for the time and resources of the staff deployed. As of March 2022, reimbursements of \$1,023,638 have been recorded.

**GENERAL FUND OPERATING EXPENDITURES**

The following table includes cumulative third quarter expenditure comparisons for General Fund departments for FY2021/22. The FY2021/22 General Fund Operating Budget increased by approximately \$7.1 million or 6% compared to the FY 2020/21 revised Operating Budget. The General Fund total expenditures through the third quarter are up 6% compared to the prior fiscal year or about \$5.1 million which is in line with the adopted budget.

	<b>FY2021/22 AMENDED BUDGET</b>	<b>ACTUAL RESULTS MARCH 2022</b>	<b>ACTUAL RESULTS MARCH 2021</b>
<b>General Government &amp; Support Services</b>	\$6,891,580	\$3,870,500	\$3,691,470
<b>Community Services</b>	9,097,870	6,331,050	5,189,470
<b>Community Development</b>	8,185,560	4,687,710	4,809,490
<b>Public Works</b>	12,497,670	7,302,270	6,887,060
<b>Police</b>	49,324,210	35,211,600	33,124,340
<b>Fire</b>	29,053,990	21,617,600	19,948,720
<b>California Center for the Arts</b>	2,412,680	2,186,490	1,725,760
<b>Other Expenditures</b>	1,843,920	919,580	1,633,010
<b>TOTAL OPERATING EXPENDITURES</b>	<b>\$119,307,480</b>	<b>\$82,126,800</b>	<b>\$77,015,320</b>

The City continues to experience expenditure savings from vacant staff positions in multiple departments as recruitments are being performed. In calendar year 2021 the City had the highest turnover rate at 14%. This is not unique to the City but is comparable to the competitive job market locally. In April 2022, the U.S. Bureau of Labor Statistics and the California Employment Development Department reported that California's labor force — defined as the number of people who either have a job or are looking for work — has grown by nearly 350,000 people in the past year, typically a strong sign of economic recovery. But the state's labor force is still nearly 400,000 people short of the pre-pandemic high. Recent state employment statistics show that there are 29,300 fewer people working in the San Diego area in January 2022 compared to January 2020, just before the onset of the pandemic. As a result of the vacant positions and extended length of recruitments, actual Employee Services costs will be under the FY2021/22 budgeted amount.

	<b>FY2021/22 AMENDED BUDGET</b>	<b>ACTUAL RESULTS MARCH 2022</b>	<b>% of Budget</b>
<b>Employee Services</b>	\$101,612,550	\$70,345,915	69%
<b>Maintenance and Operations</b>	19,270,910	13,228,865	68%
<b>Internal Service Charges</b>	13,442,760	10,082,090	75%
<b>Allocations</b>	(16,784,730)	(12,152,560)	72%
<b>Debt Service</b>	620,990	331,570	53%
<b>Capital Outlay</b>	1,145,000	290,920	25%
<b>TOTAL OPERATING EXPENDITURES</b>	<b>\$119,307,480</b>	<b>\$82,126,800</b>	<b>69%</b>

## **GENERAL FUND RESERVES**

In December 2015, City Council adopted a Fund Balance Policy and established a General Fund target Reserve balance of 25 percent of General Fund operating revenues in order to maintain adequate levels of fund balance based on a risk-based analysis, mitigate current and future risks, adequately provide for cash flow requirements, and to fund one-time unanticipated expenditure requirements.

The amended General Fund operating revenue budget in Fiscal Year 2021/22 is \$111,419,510 and 25% of this amount is \$27,854,878. The current General Fund Reserve balance is \$17,392,319, or 16% of budgeted operating revenue, which is below the identified acceptable risk-based analysis adopted by City Council and general government practices.

### **Section 115 Irrevocable Pension Trust Fund**

In February 2018, City Council authorized the establishment of a Section 115 Irrevocable Pension Trust Fund. The Trust Fund is used to set aside and hold money to meet future pension liabilities and can be used to provide economic relief during recessionary cycles and/or rate increases that are significantly above anticipated projected employee rate increases. Funds placed in this Trust can also be used to offset the City's "normal" CalPERS costs, such that if funds are necessary for other purposes, a certain amount of flexibility is present. Another benefit is that funds held in the Trust can be invested in the same manner as funds in a typical pension fund rather than as part of the City's General Fund, which means a potentially higher rate of return.

When the Pension Trust Fund was established, a funding policy for contributions to the Fund was recommended and included the four years of annual Successor Agency Redevelopment Loan Repayments of \$14 million that began in Fiscal Year 2018/19, future proceeds from the sale of City Property belonging to the General Fund, and a portion of General Fund surplus at the end of each fiscal year, if one exists. On October 27, 2021, City Council approved the transfer of the FY2020/21 Successor Agency Redevelopment Loan Repayment of \$5,982,930 and the remaining net resources from the FY2020/21 yearend operating results of \$5,567,915.

As of March 31, 2022, the Section 115 Pension Trust Fund has a balance of \$25,840,638 which includes City contributions of \$24,406,430 plus investment earnings net of expenses of \$2,616,620. The 3-month rate of return of the investment portfolio is a loss of (4.28%), the 1-year rate of return is .38%, and the 3-year rate of return is 6.10%.

The following table provides a summary of the activity since the establishment of the fund.

<b>Section 115 Pension Trust Fund</b>	
Prior Contributions	\$12,855,585
Successor Agency Advance Repayment – FY2020/21	5,982,930
General Fund Operating Results – FY2020/21	5,567,915
Investment Earnings, net of expenses	1,434,208
<b>Balance as of March 31, 2022</b>	<b>\$25,840,638</b>

**REIDY CREEK GOLF COURSE FUND**

As of March 2022, Reidy Creek Golf Course's operating revenues have declined by 1% compared to the prior year. This is due to a decrease in the total rounds of golf played at the course, which decreased by 11% compared to the prior year. Total operating expenditures through March were down by 4% from the prior year. In November 2021, new golf carts were delivered to the course and have been very well received by customers. The new fleet is alleviating maintenance costs that were needed to keep the old carts operating, resulting in decrease in expenses from the prior year.

	<b>FISCAL YEAR 2021/22 BUDGET</b>	<b>ACTUAL RESULTS March 2022</b>	<b>ACTUAL RESULTS March 2021</b>	<b>PRIOR YEAR VS CURRENT YEAR</b>
Total Revenues	\$925,060	\$720,078	\$730,938	(\$10,860)
Total Expenditures	(829,120)	(660,091)	(684,106)	24,016
<b>Net Operating Income / (Deficit)</b>	<b>\$95,940</b>	<b>\$59,987</b>	<b>\$46,832</b>	<b>\$13,156</b>
Budgeted Transfer from the General Fund	-	-	76,410	(76,410)
<b>Total Sources over (Uses)</b>	<b>\$-</b>	<b>\$59,987</b>	<b>\$123,242</b>	<b>(\$254,382)</b>

The course is also celebrating 20 years of being open to the public. Special events are being planned to celebrate the anniversary and will be advertised on the [course website](#).

The current management agreement for the operator of Reidy Creek Golf Course expires in June 2022. The City has issued a request for qualifications from operators in the area and will then proceed with issuing requests for proposals to those qualified firms for a management company to operate the course and concessions. The new management agreement with the successful bidder will seek to adopt more favorable terms for the City and will terminate in 2030 to align with the bond maturity date.

**WATER FUND**

Net operating income for the Water Fund through March 2022 was about \$12 million, a decrease of \$579,000 from prior year. Operating revenue increased by about \$474,000 or less than 1% compared to the prior year, due to approved rate increases effective March 31. Operating expenses increased by about \$1 million or 3% compared to the prior year due to increases in the costs for supplies, maintenance, and utilities.

The State of California provided funding Federal COVID-19 relief funds to the City of Escondido through the California Water and Wastewater Arrearage Payment Program for past due utility bills for the period of March 4, 2020 to June 15, 2021. The City received these funds for Water in February and credited customers' accounts in March.

	<b>FISCAL YEAR 2021/22 BUDGET</b>	<b>ACTUAL RESULTS MARCH 2022</b>	<b>ACTUAL RESULTS MARCH 2021</b>	<b>PRIOR YEAR VS CURRENT YEAR</b>
Operating Revenues	\$64,175,000	\$53,676,651	\$53,202,567	\$474,084
Operating Expenses	(59,220,360)	(41,690,932)	(40,637,646)	(1,053,286)
<b>Net Operating Income</b>	<b>\$4,954,640</b>	<b>\$11,985,719</b>	<b>\$12,564,921</b>	<b>(\$579,202)</b>

**WASTEWATER FUND**

Net operating income for the Wastewater Fund through March 2022 was \$9.9 million, an increase of \$2 million from the prior year. Operating revenue increased by about \$2.8 million or 11% compared to the prior year due to increased sewer service charges. Operating expenses increased by about \$767,000 or 4% compared to the prior year due to increases in the costs for supplies, maintenance, and utilities.

	<b>FISCAL YEAR 2021/22 BUDGET</b>	<b>ACTUAL RESULTS MARCH 2022</b>	<b>ACTUAL RESULTS MARCH 2021</b>	<b>PRIOR YEAR VS CURRENT YEAR</b>
Operating Revenues	\$41,200,000	\$29,004,797	\$26,185,427	\$2,819,370
Operating Expenses	(26,601,330)	(19,006,905)	(18,239,599)	(767,306)
<b>Net Operating Income</b>	<b>\$11,598,670</b>	<b>\$9,997,892</b>	<b>\$7,945,828</b>	<b>\$2,052,064</b>

**FOR MORE INFORMATION**

This summary report is based on detailed information generated by the City's Finance department. If you have any questions or would like additional information on this report, please contact the Finance department at (760) 839-4676 or visit [www.escondido.org](http://www.escondido.org)







# STAFF REPORT

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May 11, 2022  
File Number 0430-30

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## SUBJECT

### FISCAL YEAR 2022/23 OPERATING BUDGET BRIEFING –

## DEPARTMENT

Finance

## RECOMMENDATION

Request the City Council provide direction regarding the Fiscal Year 2022/23 General Fund Operating Budget.

Staff Recommendation: Provide Direction (Finance: Christina Holmes)

Presenter: Christina Holmes, Director of Finance

## ANALYSIS

The City's annual budget process begins around December each year with an update of the budgetary forecast and the General Fund Multi-Year Financial Plan. The financial forecast takes a look forward at the City's General Fund revenues and expenditures. Its purpose is to identify financial trends, shortfalls, and potential issues so the City can proactively address them. It does so by projecting out into the future the fiscal results of continuing the City's current service levels and policies, providing a snapshot of what the future will look like as a result of those policies.

### General Fund Financial Forecast Accuracy

The revenue projections and methodology used in the forecast are estimated based on current and known conditions, historical performance, and consultation from subject matter experts. Over 42% of total General Fund operating revenue comes from Sales Tax, which is highly sensitive to economic conditions, making this revenue particularly challenging to forecast. To assist with this analysis, the City works closely with its sales tax consultant, AvenuInsights, in projecting sales tax revenue. Because sales tax revenue is tied to economic indicators, City staff have taken a conservative approach in forecasting this revenue due to the fluctuations that can occur. For example, during the Great Recession this revenue was significantly impacted and fell by 34% or \$11.0 million. The economy and subsequent Sales Tax revenue took more than 5 years to return to pre-recession levels.

Since the Great Recession, the City has experienced a stable economy with moderate revenue growth averaging 4% annually. Then in March 2020, at the onset of the COVID-19 pandemic, the public health measures and restrictions forced government operations and private businesses to close or drastically alter operations. Many economists predicted that the sudden closures would create a severe economic



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downturn comparable to the Great Recession, which had a devastating impact on the City's General Fund as noted above. The FY2020/21 Operating Budget reflected those economic conditions, at the time of adoption in June 2020 the emergency remained in effect and the timeline for resuming many operations and businesses was uncertain. Overall operating revenue was anticipated to decline by 5%.

COVID-19 restrictions began to be lifted in FY2020/21 and a combination of California fully reopening its economy, improved vaccination rates, public health measures to reduce the spread of the COVID-19 virus, and additional federal funding allowed for additional public activities and improved the economic environment. As a result, the City's major General Fund revenues grew significantly in April, May, and June 2021 and operating revenues exceeded the original FY2020/21 budgeted amount by \$11.4 million, a 10.8% increase in revenue from the prior fiscal year.

The following table depicts the anticipated annual General Fund Operating Revenue budget compared to the actual General Fund Operating Revenue reported at the close of the fiscal year (in millions). Excluding the fiscal years noted below (Note 1 and Note 2), on average actual operating revenue has been above the amount projected by about 1.2% over the previous 10 years.

	<b>Operating Revenue Budget</b>	<b>Operating Revenue Actuals</b>	<b>Over/(Under)</b>	<b>%</b>
FY2009/10	\$73.0	\$68.0	(\$5.0)	(6.8%) <i>Note 1</i>
FY2010/11	67.6	69.7	2.1	3.1
FY2011/12	72.1	74.5	2.4	3.3
FY2012/13	75.9	77.7	1.8	2.3
FY2013/14	80.7	81.4	.7	.9
FY2014/15	86.3	84.7	(1.6)	(1.9)
FY2015/16	89.2	90.8	1.6	1.8
FY2016/17	91.4	91.4	-	-
FY2017/18	97.5	100.0	2.5	2.6
FY2018/19	101.1	102.4	1.3	1.3
FY2019/20	105.4	102.3	(3.1)	(3.0) <i>Note 2</i>
FY2020/21	102.0	113.4	11.4	11.2 <i>Note 2</i>

*Note 1:* The Great Recession, which began in 2007, impacted both Sales tax revenue and Property tax revenue. Actual tax revenue fell by more than \$6.7 million between FY2008/09 and FY2009/10, it was uncertain when the City would begin to recover from this recession.

*Note 2:* As noted above, the COVID-19 pandemic began in March 2020 and had an immediate impact on City revenues in FY2019/20, resulting in a decrease of \$3.0 million. This was due to the Stay at Home orders and restrictions that closed segments of the economy. However, as restrictions were lifted during



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FY2020/21, a change in consumer behavior and pent up demand for goods drove sales tax revenue to pre-pandemic levels resulting in a 21% increase in revenue from the prior year.

Since the impacts of the Great Recession, the City has also been challenged with funding growing expenditures and community service needs, with the moderate revenue growth experienced as result of economic conditions. Cost saving measures have been implemented in an effort to keep expenditures in line with the growth of revenue, further described under “Efficiencies, Staffing, and Cost-Control Measures” below. The following table depicts the annual General Fund Operating Expenditure budget compared to the actual General Fund Operating Expenditures reported at the close of the fiscal year (in millions).

	<b>Operating Expenditure Budget</b>	<b>Operating Expenditure Actuals</b>	<b>(Under)</b>	<b>%</b>
FY2009/10	\$76.7	\$75.4	(\$1.3)	(1.7%)
FY2010/11	73.6	71.7	(1.9)	(2.6)
FY2011/12	72.9	72.0	(0.9)	(1.2)
FY2012/13	77.9	75.7	(2.2)	(2.8)
FY2013/14	82.8	80.7	(2.1)	(2.5)
FY2014/15	88.7	86.5	(2.2)	(2.5)
FY2015/16	91.9	89.9	(2.0)	(2.2)
FY2016/17	94.1	90.8	(3.3)	(3.5)
FY2017/18	100.7	98.4	(2.3)	(2.3)
FY2018/19	104.4	102.0	(2.4)	(2.3)
FY2019/20	108.4	106.0	(2.4)	(2.2)
FY2020/21	110.3	106.1	(4.2)	(3.8) <i>Note 1</i>

*Note 1:* The expenditure savings in FY2020/21 were largely the result of vacant staff positions in multiple departments as recruitments are being performed. The effects of the COVID-19 pandemic and various closures also resulted in expenditures being less than budgeted. In May 2020 as a result of the closures of recreation facilities, certain Recreation and ASES Department staff were furloughed. In addition, the Library professional services contract was amended to account for the reduction in services, both of which contributed to the Community Services budget savings of \$1.3 million. Expenses for utilities were also under the amount budgeted as the result of closures of various City buildings during the fiscal year.

Similar to the forecast methods used for annual Operating Revenue, the City budgets conservatively for anticipated Operating Expenses. Over the previous 10-years, Operating Expenses have been approximately 2.2% below the budgeted amount. Although the City does experience savings each year from employee services resulting from vacant positions, these are not assumed in the Operating Budget or Financial Forecast with the goal of developing a conservative budget. For example, in calendar year 2021 the City had the highest turnover rate at 14%, which is not unique to the City given the current competitive local job market. The FY2020/21 Operating Budget also assumed that the COVID-19 closures



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would be lifted; however, the services the City provides continued to be restricted resulting in the additional expenditures savings of \$4.2 million compared to prior fiscal years.

### Efficiencies, Staffing, and Cost-Control Measures

Operating revenue has not kept pace with the growing costs of providing City services, and as a result the General Fund long-term financial plan has projected annual deficits creating a structural budget deficit. To address this projected shortfall, the City has maintained a hardline on expenditures and staff are continuously seeking measures that ensure efficiency, while enhancing basic operations. Decreased spending has been accomplished by:

- Reducing City staff by over 140 employees from 2008 to 2021 (10% reduction) as the City's population grew by more than 10%.
- Controlling pension and employee benefit costs by transferring the responsibility to employees to fund a larger portion of the total costs.
- Forming strategic partnerships to provide services, such as the Escondido Library, to save an estimated \$400,000 annually.
- Investing in technology to reduce ongoing costs and expand online services.

While these actions have resulted in controlling annual operating expenses, this has resulted in the lowest per capita spending for the services Escondido provides in comparison to other cities in San Diego North County. Escondido spends approximately \$703 per citizen compared to the two other full-service cities in North County, the City of Carlsbad has a per capita expense of \$1,368 and Oceanside's per capita expense is \$912. The City of Escondido has been consistently doing more with less.

### Actions Regarding Additional Revenue Opportunities

In addition to cost-control measures, revenue generating opportunities have also been explored:

- In April 2020, City Council adopted an updated fee schedule and cost allocation plan to ensure that certain fees charged by the City for the services being delivered equal the City's cost of providing the services including direct and indirect costs, departmental overhead, and City administration.
- A fiscal analysis was performed to evaluate the cost of providing police, fire, public works, community and general services to new residential development, and the results determined that the revenue received is less than the cost to provide ongoing services. In May 2020, the City Council established the CityWide Community Facilities District that would fund City services for new residential development by offsetting ongoing costs of new development with a special tax collected from the new residential property owners in the District. Future revenue resulting from the Services CFD is dependent on future development in the City. A transfer of \$285,000 is included as a funding source in the FY2022/23 General Fund proposed budget.
- City staff are currently exploring the options for creation of a Short-Term Rental Program, which may generate additional revenue from short term rental hosts. The establishment of a program would involve a large degree of administrative expense, the future fiscal impact is uncertain. A



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preliminary review provided by a prospective consultant estimates additional annual lodging taxes of less than \$100,000 potentially recoverable by the City.

In addition to implementing cost saving measures and pursuing revenue-generating opportunities, since the Great Recession, the City has controlled costs by annually deferring maintenance and capital project costs. More than *\$8 million annually* has been deferred for the City's parks, playgrounds, libraries, recreation centers, pools, streets, sidewalks, bridges, storm drains, fleet, and other City facilities. Deferred maintenance costs will only continue to increase in the future.

Despite all of these measures, and the City's efforts to fund projects with grants and other sources of one-time funds, it has not been enough to meet growing costs and demand for services. The FY2021/22 Operating Budget was adopted in June 2021 and contained certain significant budget changes to reflect the increased demand for City services around traffic safety and homelessness, that also reflected community priorities. These included:

- A multi-faceted strategy to improve traffic flow and safety throughout the City by providing additional resources to the Engineering, Police, and Public Works department budgets.
- Additional staff and resources necessary for essential services such as homeless encampment clean-up, patrolling hotspots, and removing refuse, to be provided seven-days per week.
- The budget also restored three police officer positions to the Community Oriented Policing and Problem Solving (COPPS) Unit to provide a more effective, efficient and consistent level of service by increasing coverage and proactivity to further the City's approach for addressing the community impacts of homelessness while being sensitive to the importance of tackling underlying causes and helping people.

To continue to provide essential City services and identified community priorities, respond to critical infrastructure maintenance and repair needs, and address an \$8 million budget gap, the City Council approved the use of the final one-time source of funds from the Successor Agency Redevelopment Loan repayment of \$2.2 million and a transfer of \$6.1 million from the Section 115 Pension Trust Fund. The Section 115 Pension Trust was funded with transfers of one-time funds and is not an ongoing source of revenue, funds could be depleted in under 4 years if used each year to close the projected budget gap. Due to the continuing budget shortfall projected each fiscal year, the City may have to decide on cuts to City services, including Public Works and Public Safety services.



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### Community Engagement and The Escondido Discussion

To assess resident satisfaction with City services provided and to identify issues and community priorities to address through this year's budget process, in December of 2021 the City conducted a Community Opinion Survey. Close to 1300 residents were surveyed and identified the following City service priorities:

- ✓ Addressing homelessness
- ✓ Attracting businesses and jobs to the City
- ✓ Improving public safety and police services
- ✓ Maintaining and repairing local streets, roads and sidewalks
- ✓ Keeping public areas clean and free of graffiti

As part of this year's budget process staff built on the results of the Community Opinion Survey by engaging Escondido residents CityWide through The Escondido Discussion, to hear local community priorities and City service needs. In addition to holding four City hosted events, including one at the Park Avenue Community Center for Seniors, City staff have met or will be meeting with the following groups and the list continues to grow:

- Auto dealership owners
- Brookside HOA
- Casa de Amigos
- Community Alliance for Escondido (Café)
- Downtown Business Association
- East End Club
- Emerald Heights HOA
- Escondido Democratic Club
- Escondido Education COMPACT
- Escondido Republican Club
- Greater Escondido Chamber of Commerce
- Kiwanis
- Library Support Groups
- Mercado District
- Neighborhood Leadership Forum
- Old Escondido Neighborhood
- Orchard Church
- Rotaries
- San Diego County Taxpayers Association
- Universidad Popular

As part of each discussion and through extensive outreach including social media, utility bills, partnerships with the local school districts, and City newsletters, community members have been encouraged to complete an online survey to share their priorities for the City of Escondido. As of April 28, 2022, feedback from 572 community members has been provided. Based on the responses received, the community confirmed the five priorities identified in the Community Opinion Survey.

The proposed FY2022/23 operating budget continues to reflect an overall strategy of fiscal prudence on the part of the entire City workforce by continuing to maintain a hardline on expenditures while also continuing to provide core City services including Public Safety, Public Works, Community Services, and Community Development. Understanding the community's priorities was also a critical part of the City's budget process. As a result, there are items included in the proposed operating budget that reflect these high priority items and the needs expressed by the community.



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The community has identified that **addressing the impacts of homelessness** and **keeping the City clean and free of graffiti** are top priorities. In order to meet the demand for service around homeless encampment clean-up, patrolling hotspots, and removing refuse, the FY2021/22 adopted operating budget included additional resources that enabled the Public Works staff to expand from a five-day work week to a seven-day work week. After a prolonged recruitment, the weekend clean-up crew began conducting those activities on February 1, 2022. To continue to address these priorities and the increasing demand for debris removal, additional equipment of \$230,000 is included in the FY2022/23 proposed operating budget.

**Maintaining and repairing local streets, roads and sidewalks** has been identified as the second highest priority for the community. The City's Pavement Condition Index (PCI) has been ranked as Fair and is the second lowest ranked among Northern San Diego cities. The current General Fund budget allows for treatment of approximately 8% of the City's 740 lane miles per year; at a minimum an additional \$3.5 million would be required to improve the PCI ranking and address the community's concern for maintaining the City's local streets and roads.

An important item expressed by the community is maintaining and **improving public safety and police services**. Each year, the Police department receives approximately \$2 million in grant, task force, and asset forfeiture funding. These funds augment the General Fund operating budget and provide the resources required to add two new criminal intelligence positions in this fiscal year's budget to provide proactive enforcement through crime prevention, intervention and suppression efforts. However, additional locally controlled funding is needed to ensure the City can continue to maintain local fire protection and prevention services, paramedic and emergency medical services and police services to reduce crime.

To maintain an appropriate level of service provided by the City, address select community priorities, and provide resources for infrastructure maintenance and repair needs, the FY2022/23 proposed operating budget is projecting a net operating deficit of \$8.5 million. The City continues to strive to provide the level of service residents expect and deserve, but given the deficit, inflation and rising costs, it is increasingly becoming more difficult to do so and therefore, without an additional source of locally controlled revenue, significant cuts to public safety and public works services must be considered.





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The FY 2022/23 Preliminary Operating Budget Sources and Uses are as follows:

### Sources of Funds:

Operating Revenue	\$118,257,230
Deposit – PEG Fees	11,700
Transfer from Gas Tax Fund	2,055,000
Transfer from CFD No. 2020-1 (The Services)	285,000
<b>TOTAL, Sources</b>	<b><u>\$120,608,930</u></b>

### Uses of Funds:

Operating Budget	\$128,520,810
Transfer to Building Maintenance	86,880
Transfer to Reidy Creek Golf Course – Debt Service	362,750
Transfer to Successor Agency – Housing	25,000
Transfer to Vehicle Parking District	112,400
<b>TOTAL, Uses</b>	<b><u>\$129,107,840</u></b>

**FY 2022/23 General Fund Net Operating Deficit** **(\$8,498,910)**

### Options to Close the Fiscal Year 2022/23 General Fund Deficit

Until revenue is increased on an ongoing and structural basis, the City must continue to rely on short-term, one-time resources to continue operations and avoid drastic cuts to City services. The staff recommendation to address the \$8.5 million deficit and achieve a balanced budget for Fiscal Year 2022/23 is to utilize a portion of the Section 115 Irrevocable Pension Trust.

In February 2018, City Council authorized the establishment of a Section 115 Irrevocable Pension Trust Fund. The Trust Fund is used to set aside and hold money to meet future pension liabilities and can be used to provide economic relief during recessionary cycles and/or rate increases that are significantly above anticipated projected employee rate increases. Funds placed in this Trust can also be used to offset the City's "normal" CalPERS costs, such that if funds are necessary for other purposes, a certain amount of flexibility is present. The projected payments to CalPERS in the FY2022/23 General Fund Operating Budget including an estimated Normal Cost of \$8.7 million and the Unfunded Actuarial Liability payment of \$19.7 million.

As of March 31, 2022, the Section 115 Pension Trust Fund has a balance of \$25,840,638. However, in order to close the \$8.2 million budget deficit in the prior fiscal year budget (FY2021/22), City Council approved the transfer of \$6.1 million from the Section 115 Pension Trust Fund. This would have reduced the balance to \$19.7 million. Utilizing the Section 115 Pension Trust to close the FY2022/23 budget gap of \$8.5 million would further reduce the Trust Fund balance to \$11.2. However, the improved operating



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revenue projections that have been presented in the Third Quarter Financial Status Report may reduce the amount of one-time funds that will be used to address the budgeted net operating deficit for FY2021/22, but a portion of the Section 115 Pension Trust Fund may still need to be utilized.

The General Fund also has a Reserve Balance of \$17,392,319. The Reserve was established based on a risk-based analysis and funds are to be used to mitigate current and future risks, adequately provide for cash flow requirements, and to fund one-time unanticipated expenditure requirements. Based on the analysis and general government best practices, an adequate funded level is 25% of budgeted General Fund operating revenue. The proposed General Fund operating revenue budget in FY2022/23 is \$118,257,230 and 25% of this amount is \$29,564,308. The current balance of \$17,392,319 is 14.7% of budgeted operating revenue, which is below the identified acceptable amount; therefore, it is not recommended to utilize these funds to close the budget gap.

If the City Council determines it would not be desirable to utilize \$8.5 million from the Section 115 Pension Trust Fund, cuts to the preliminary operating budget will need to be considered. The FY2022/23 preliminary operating budget proposes certain additions to the budget to reflect specific public service needs and community requests. These are described in further detail by department under “**Operating Budget**” below. Three staff positions were added to the General Fund budget to address high priority City service needs. New infrastructure expenses have been added, including equipment for the homeless encampment clean up crew and funds to make critical repairs to specific roofs on City owned buildings. In addition, the Fire Department has also proposed funds to replace aging and failing equipment.

The following is a summary and total cost of these proposed additions:

Description	General Fund Budget Amount
Staff Position – Grant Writer Management Analyst	\$112,800
Staff Position – Human Resources Analyst	76,000
Staff Position – Digital Media Technician	77,240
Equipment for the Homeless Encampment Clean Up Crew	230,000
Roof Repair of City Buildings	550,000
Fire Department EMS Fee Study	50,000
Fire Department First Responder Wellness App	45,000
Fire Department Standards of Coverage Study	150,000
Fire Department Furniture & Equipment	269,000
<b>Total Proposed Budget Items</b>	<b>\$1,560,040</b>

The City Council can provide direction to remove these line items from the preliminary operating budget. Additional items can also be considered to close the budget gap, the following are those that have been stated by City Council in previous public meetings:



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Description	General Fund Budget Amount
A hiring and salary freeze for all City employees could be enacted, resulting in estimated General Fund savings of \$2 million and \$3 million CityWide in FY2022/23. To move forward with this option, the City would be required to engage in a Meet and Confer process with each bargaining unit.	\$2,000,000
The annual support the City provides to numerous community organizations, either through direct payments of expenses such as utilities, staff support of community events, reduced user fees that benefit the community, and other City services, could be eliminated.	Between \$6,000 - \$5,600,000

If the City Council has additional proposals, Staff will include those for consideration in the FY2022/23 Operating Budget that will be presented at the June 8, 2022 meeting. It is also important to note that the community engagement and outreach regarding the City's budget and projected operating deficit will continue after this fiscal year's budget is adopted. The City Manager has set aside funds in the budget to enhance the dialogue with the community, evaluate the services the City provides, and determine the right size of the organization to continue to provide those critical City services while addressing the high priorities of the community.

### **REVENUE PROJECTIONS**

The projected Fiscal Year 2022/23 General Fund revenue estimate is \$118.3 million. The Fiscal Year 2021/22 amended revenue is the starting point to forecast revenue in the next fiscal year based on factors such as economic indicators, development in the City, past revenue history, and ongoing impacts from the COVID-19 pandemic. The FY2022/23 projected operating revenue is estimated to increase \$6.8 million or 6% over the FY2021/22 amended revenue projection. The following are the basic components underlying the revenue projections in FY2022/23, followed by an explanation of each category in the following paragraphs:

Revenue	FY2021/22 Amended	FY2022/23 Projected	Change	%
Sales Tax	\$46,347,300	\$50,012,200	\$3,664,900	8%
Property Tax	30,925,000	32,350,100	1,425,100	5
Other Taxes	13,680,000	14,617,860	937,860	7
Charges for Services	10,169,710	10,698,650	528,940	5
Intergovernmental	3,341,000	3,450,000	109,000	3
Fines & Forfeitures	908,000	832,500	(75,500)	(8)
Permits & Licenses	1,412,500	1,778,500	366,000	26



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Investment and Rental Income	4,313,000	4,350,920	37,920	1
Other Revenue	323,000	166,500	(156,500)	(48)
<b>Total Operating Revenue</b>	<b>\$111,419,510</b>	<b>\$118,257,230</b>	<b>\$6,837,720</b>	<b>6%</b>
One-Time Revenue	1,056,680	-	(1,056,680)	(100)
<b>Total Revenue</b>	<b>\$112,476,190</b>	<b>\$118,257,230</b>	<b>\$5,781,040</b>	<b>5%</b>

Sales tax revenue is highly sensitive to economic conditions and is impacted by the levels of unemployment, consumer confidence, and per-capita income that drive spending and growth in sales tax receipts. Over the past two years, since the onset of the COVID-19 pandemic, the U.S. economy has swung from the deepest recession on record to a quick recovery and a surge of inflation. The sales tax revenue collected by the City was at record highs leading into 2020, but the economic impacts of the restrictions due to COVID-19 reduced the FY2019/20 revenue by \$2.0 million or 5% from the prior fiscal year and an additional decline of 3% was expected in FY2020/21. However, a combination of California fully reopening its economy, improved vaccination rates, public health measures to reduce the spread of the COVID-19 virus, and additional Federal funding fostered an economic environment in which consumers' buying power remained intact and the demand to spend on taxable goods significantly increased during the fiscal year. Overall, the City's local economy experienced a fairly strong recovery as well and as a result, sales tax revenues distributed to the City in FY2020/21 increased by \$7.6 million or 21% from the prior year.

There are now indicators that the economy could slow once more. The fiscal support through Federal programs, which assisted in pushing up demand in 2020 and 2021 through stimulus spending, has expired. Although wages have been increasing nationwide, inflation has been rising faster, leading to a decrease in purchasing power which could hurt consumer demand. On the other hand, the combination of Federal stimulus programs and limitations on household spending for certain items, such as travel, have enabled consumers to save, which could prop up spending leading to continued sales tax growth in the next fiscal year.

The City works closely with its sales tax consultant, AvenuInsights, in projecting sales tax revenue. Based on AvenuInsights' analysis of the trend in year-to-date tax receipts and an examination of the local economy, the City's sales tax revenue is anticipated to increase in FY2022/23 by 8% to reach \$50 million.

The largest economic segments in the City are transportation and receipts from the County Pool. Together these segments generate 57% of the total sales tax revenues. The transportation segment includes new and used auto sales and service stations, and is projected to increase by 7% or \$1 million from the prior year. According to the California Auto Outlook published by the California New Car Dealers Association, the demand for new vehicles may ease in calendar year 2022 due to slower economic growth, increasing inflation, and rising interest rates, but lean inventories will continue to be the controlling factor. As a result, softening demand might reign in some of the upward pressure on vehicle prices, but it's not likely to have an impact on sales levels.



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The construction sales tax segment accounts for revenue generated from building materials, including both wholesale and general retail, and is projected to increase by 2.6% from the prior year. This is due to an increase in the price of goods, such as lumber and steel, and an increase in ongoing development and construction projects in the City.

The economic sales tax category, which had been negatively impacted throughout the pandemic, is general retail sales in brick and mortar stores like family apparel, department, and electronics/appliance stores. This segment is projected to increase by 3.6% compared to the prior fiscal year as consumers slowly return to pre-pandemic spending habits. Conversely, online sales, which increased by more than 27% compared to pre-pandemic levels, are projected to increase by approximately 7.3% from the prior year, and continues to impact the growth in general retail as consumer shop more online.

Property tax revenues also represent a major funding source for the City at 27% of the General Fund. The major factors influencing property tax revenue are the annual inflation adjustment under Proposition 13, number of home sales, and increased median home prices. In accordance with State law, property is assessed at actual full cash value and the maximum tax is 1% of the assessed valuation. Proposition 13, passed by California voters in 1979, specified that an assessed value may increase at the rate of the Consumer Price Index, not to exceed 2% per year based on the 1979 value, unless the property is improved or sold to establish a new market value. The overall property tax revenue is projected to increase approximately 5% from the prior fiscal year budgeted amount. This is attributed to an increase in current secured and unsecured tax projections, along with an increase in property transfer taxes based on the current and projected development activity, such as permits, inspections, and plan checks, which indicate continued growth in property sales.

Also included in Property tax revenues is the Property tax in lieu of Vehicle License Fees (“VLF”) which is estimated to increase by 3% to reach projected revenue of \$16.1 million. This revenue is in addition to the regular apportionment of property taxes received. In 2004, the Legislature permanently reduced the Vehicle License Fee rate from 2% to 0.65% and compensated cities for their revenue loss with a like amount of property taxes, dollar-for-dollar. Each agency’s property tax in lieu of VLF allocation increases annually in proportion to the growth in gross assessed valuation in the City based on the prior year assessment role.

Other taxes, which include franchise fees, Transient Occupancy Tax, business license fees, property transfer tax and the Redevelopment Property Tax Trust Fund (“RPTTF”) residual payment, account for 12% of General Fund revenue. These other taxes are projected to increase by 7% to reach projected revenue of \$14.6 million. The City collects franchise fee revenues from San Diego Gas and Electric (SDG&E), cable companies conducting business within City limits, and Escondido Disposal Incorporated (EDI) for trash collection services. Overall franchise fee revenues are projected to be \$8 million, an increase of 7% from the prior year. Revenue growth is projected based on population, inflation factors, and historic revenue trends. In addition, due to continued reopening of the economy and pent up demand for travel, Transient Occupancy Tax is projected to increase by 29% to reach \$2.2 million.



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Charges for services are projected to increase compared to the prior fiscal year with estimated revenue of \$10.7 million. Charges for services include paramedic fees and Community Services fees for recreational and community activities. Revenue estimates are based on the projected number of facilities and classes, number of participants, fee levels, and staff's estimate of demand for programs and services.

Permits and licenses that are collected for building, plumbing, electrical, mechanical, fire code and mobile-home permits are projected to increase by 26% from the FY2021/22 budget amount to reach projected revenue of \$1.8 million. This is due to increases in the number of new building permits from several large development projects located in the City.

Fines and forfeitures are projected to decrease slightly from the prior fiscal year to reach \$832,500. Fines and forfeitures are collected by the City for vehicle code fines, parking ticket fines, other court fines, code enforcement citations, and impound fees.

Investment and Rental Income includes income from City-owned properties and interest earned from investing activities. This revenue is projected to increase by 1% to reach revenue of \$4.4 million. The City plans to prepay the annual unfunded accrued liability ("UAL") for the Safety and Miscellaneous Plans in July 2022, which will result in interest savings to the General Fund. The General Fund is responsible for payment of 100% of the Safety Plan and approximately 56% of the Miscellaneous Plan.

Other Revenues or miscellaneous receipts projections have been decreased by approximately \$156,500 to reflect the actual revenue received in prior fiscal years for certain accounts.

One-time revenue budgeted in Fiscal Year 2021/22 accounts for fire assistance reimbursements of \$1.1 million. The City is not currently budgeting any one-time revenue in Fiscal Year 2022/23. The City's financial policy allows for the use of one-time resources to pay for non-recurring expenditures, provide transitional funding of operations for a limited time period, add to reserves, or pay down unfunded liabilities.



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### OPERATING BUDGET

The total proposed Fiscal Year 2022/23 General Fund Operating Budget is \$128.5 million. It has increased by approximately \$9.9 million or 8% compared to the revised Fiscal Year 2021/22 Operating Budget. The following chart shows General Fund expenditures by department and compares the total FY2022/23 projected expenditures to the current fiscal year revised operating budget.

Department	FY2021/22 Revised Expenses	FY2022/23 Projected Expenses	Change	%
General Government Services	\$6,740,760	\$7,110,310	\$369,550	5%
Community Services	9,073,750	9,893,430	819,680	9
Community Development	5,094,590	5,148,680	54,090	1
Engineering	2,820,380	2,940,680	120,300	4
Public Works	12,485,090	13,479,080	993,990	8
Police	49,097,170	53,258,950	4,161,780	9
Fire	28,965,040	31,290,020	2,324,490	8
California Center for the Arts	2,412,680	2,730,260	317,580	13
Other Expenses	1,936,450	2,669,400	732,950	38
<b>Total Expenditures</b>	<b>\$118,625,910*</b>	<b>\$128,520,810</b>	<b>\$9,894,900</b>	<b>8%</b>

\*Excludes FY2020/21 Carryover Requests of \$681,750

As noted earlier, certain items were incorporated into the proposed operating budget that reflect the community priorities received as part of the City's public engagement process. The following are additional budget highlights for General Fund Departments.

#### General Government Services

General Government Services include the following departments: City Council, City Manager, City Attorney, City Clerk, City Treasurer, Finance, Human Resources, Risk, Information Systems, Enterprise Software and Web Administration, and Geographic Information Systems ("GIS"). Significant budget highlights include the addition of a Management Analyst position to the Finance Department budget at an approximate annual cost of \$112,800 to oversee the City's grant application and management activity, to better leverage federal and state funding opportunities. A Human Resources Analyst position, previously eliminated in 2004 due to budgetary cuts, was added back to the Human Resources department budget at an approximate annual cost of \$76,000 to assist with the increased workload from ongoing employment and recruitment efforts. The Real Property division was transferred to the City Manager's Department to better leverage these functions as an Economic Development tool. The



# CITY of ESCONDIDO

## STAFF REPORT

associated expenses were transferred from the Engineering Department budget, so there was no impact to total General Fund expenses.

### Community Services

Community Services includes the following departments: Communications, Digital Media Services, Recreation, Library Services, Older Adult Services, and Senior Nutrition. These combined department operating budgets total \$9.9 million in FY2022/23 and have increased \$819,680 or 9% over the prior year.

As part of Communications, Digital Media Services staff ensure that residents have access to high quality broadcasts of City Council meetings and communicate important information to the public regarding policies, events, services, and activities of City government. At the recommendation of the City Council Boards and Commissions subcommittee, an additional full-time Digital Media Technician position has been added in order to record and broadcast Board and Commission meetings, which increased the operating expenses by \$77,240. Due to the increase in equipment usage over the past two years to support virtual and hybrid meetings, an annual maintenance contract of \$5,000 has been added to extend the life of some of the City's aging equipment.

The proposed increase in expenditures for Community Services is predominantly attributed to an expansion of the After School Program (ASP) in partnership with the Escondido Union School District (EUSD) but will be offset by the revenue generated through the program. EUSD requested to expand the City's ASP service from two to six schools. As the lowest-cost option available, this provides a tremendous benefit to working parents. To offset the increased expenses that will be incurred by the City, EUSD will be utilizing funding from their Expanded Learning Opportunities Program (ELOP) to reimburse the City for program administration.

### Community Development

Community Development includes Planning, Code Compliance, and Building. These departments guide the physical development of the City, protect life and property through the application of building codes and standards, and enhance the image and appearance of the City. These combined department operating budgets total \$5.1 million and increased 1% compared to the prior year primarily due to increases in employee services.

### Public Works

Public Works includes the Streets and Parks Department operating budgets. The Streets Department is responsible for filling potholes, maintaining sidewalks, cleaning storm water channels, replacing traffic signs, sweeping and lane striping City streets, and graffiti eradication. The Parks Department maintains the City's parks, median and parkway landscaping, open spaces, trees, and landscaping at City facilities. Proposed FY2022/23 operating expenses increased by \$993,990 or 8% from the prior fiscal year. Significant budget changes include the transfer of the Deputy Director of Public Works to the Streets Department from the Building Maintenance Fund to better reflect the current responsibilities of the





# CITY of ESCONDIDO

## STAFF REPORT

position. The City is currently experiencing material cost increases for concrete, asphalt, graffiti supplies, and added costs for sweeper broom replacements which is expected to continue into the next fiscal year and have been included in the total operating supplies budget.

An additional \$230,000 has been proposed for the purchase of additional equipment for the homeless encampment clean-up crew needed to support the demand for service around homeless encampment clean-up, patrolling hotspots, and removing refuse – a top priority identified by residents.

### Police

The Police Department improves community safety, enhances crime prevention, and provides emergency response. Overall, the Police Department's costs are increasing by \$4.2 million or 9% compared to the prior year to reach projected expenditures of \$53 million. Each year, the Police Department receives approximately \$2 million in grant, task force, and asset forfeiture funding. These funds augment the General Fund operating budget and provide the resources required to add two criminal intelligence positions to provide proactive enforcement through crime prevention, intervention and suppression efforts although additional funding is needed to continue to maintain police services and reduce crime. The proposed budget also includes contract-negotiated animal control cost increases as well as additional funds for the Body Worn Camera and Conducted Energy Devices contract (commonly known as tasers).

### Fire

The Fire Department provides emergency operations, emergency preparedness, and fire prevention services to safeguard lives and property. The FY2022/23 operating budget reflects an increase of \$2.3 million or 8% increase compared to the prior year to reach projected expenditures of \$31.1 million. Due to increases in call volume and the costs of supplies, total Emergency Medical Supplies such as oxygen and pharmaceuticals increased by \$120,000. The increased call volume has also led to a more rapid deterioration of personal protective and safety equipment.

The proposed budget also includes an increase in Professional Services/Contracts for the following activities. An increase in the quality assurance fees of \$74,800 is due to an increase in call volume. Funds to conduct an EMS fee study are proposed to defensively determine the appropriate amount the City should be charging for EMS services, estimated at \$50,000. Contract services also include a first responder wellness app & wellness counseling (\$45,000), a standards of coverage study and strategic plan consultant estimated at \$150,000 (that has not been completed since 1999), and a training tower pump service contract of \$15,000. Again, additional locally controlled funding is needed to support local fire protection and prevention, paramedic and emergency medical services.

### Other Expenses

Other Expenses accounts for expenditures that are not directly chargeable to other General Fund departments as well as funding for community events. The combined budgets total \$2.7 million in



# CITY of ESCONDIDO

## STAFF REPORT

FY2022/23 and include expenditures for contractual salary and benefit obligations, various CityWide membership fees, consulting fees necessary for the preparation of expected 2022 Ballot Measures, and direct support provided by the City for the Community Fireworks program, Cruisin' Grand, and the Christmas Parade.

### **Enterprise Funds**

The City's Enterprise Funds account for the financial activity of the City's water utility and the wastewater utility. The costs for providing these services to the public are recovered through user charges. Both the Water and Wastewater funds are investing in technology to reduce costs and maximize efficiencies. Below is a brief description of each department and a summary of the significant changes in their FY2022/23 Operating Budget.

#### Water Fund

The Water Fund operates the Water Treatment Plant that supplies water to approximately 26,000 residential, commercial, and agricultural customers in the City. This Department also provides maintenance on the Escondido Canal that carries untreated water 14 miles from the intake on the San Luis Rey River to Lake Wohlford. The Department's Lakes and Open Space Division maintains Daley Ranch, Dixon Lake, and Lake Wohlford that provides fishing and boating to the community.

The Water Fund budget increased by \$3.7 million or 6% compared to the prior year. In order to manage the increasing environmental regulatory needs for both the lakes and the treatment plant and distribution system operations, a Management Analyst position was added. Responsibilities will include water conservation, hazmat and hazardous waste activities, reporting, and training. To keep pace with increases passed through from the San Diego County Water Authority, the budget for purchased water costs increased by \$600,000. The preliminary budget also includes increases to water treatment chemicals due to the ever-increasing costs of manufacturing and delivering these products, especially during the COVID-19 pandemic and the increase to Utilities, specifically electricity, is due mostly to rising costs in power.

#### Wastewater Fund

The Wastewater Fund operates the Hale Avenue Resource Recovery Facility ("HARRF") for the effective treatment of wastewater within the City's jurisdiction. The Recycled Water division produces recycled water from the HARRF and distributes it to various City landscape irrigation customers including golf courses, school fields, City parks, and green belts. The Environmental Programs Division administers a number of programs relating to water, wastewater, and storm water compliance.



# CITY of ESCONDIDO

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The Wastewater Fund budget increased by \$1.4 million or 4.4% compared to the prior year. These increases were primarily due to employee service cost increases of \$512,210 and increases to Maintenance and Operations to continue to upgrade the City's lift stations to replace old motor starters, upgrade/replace relay logic controls with programmable logic controllers (PLCs), and to further increase plant and lift station security with additional cameras in strategic locations.

### **Other Funds**

The following "Other Funds" which propose an increase or decrease of more than 10% as compared to the prior year adopted budget are as follows:

#### Vehicle Parking District

This fund was established to account for transactions related to the maintenance and operation of City-owned public parking lots. Funding is provided by a transfer from the General Fund. Operating expenses are projected to increase by 11.8% or \$11,860 due to increases in maintenance and staff costs.

#### Reidy Creek Golf Course

The Reidy Creek Golf Course fund accounts for the transactions of the Reidy Creek Golf Course managed by JC Resorts. Due to the increase in activity at the course and continued popularity of Disc Golf, the fund is projecting a \$177,300 or 19% increase in operating revenue from the prior year with no transfer from the General Fund. Operating expenses are projected to rise by 13% or \$108,804 due to the increase in maintenance and staff costs needed to support the increase in activity.

#### Successor Agency – Housing

This fund was established to account for the continued administration and oversight of housing obligations after the elimination of the redevelopment agency. Due to changes in staff positions and a reallocation of resources, the proposed FY2022/23 operating budget increased by \$131,340 or 34.8%.

#### Mobilehome Park Management

This fund was created to account for transactions related to the management of Mountain Shadows and Escondido Views mobilehome parks. Budgeted operating expenses increased by \$60,040 or 37.6% due to anticipated extraordinary maintenance required at a lot in Mountain Shadows (new retaining wall) that will cost more than excess funds from a single year.

#### HOME Program

This fund was created to account for transactions related to the HOME grant awards. The resources from the Department of Housing and Urban Development (HUD) are expended for affordable housing programs. To allow for better contract management, additional resources were added to Professional Services which increased operating expenses by 20.6% or \$12,810.



# CITY of ESCONDIDO

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### Building Maintenance

This fund was created to account for financial activity related to the maintenance and repair of all City-owned buildings. Funding is provided through charges to other departments, based on square footage, common area allocation, and specific maintenance projects. In order to provide an appropriate service level to the City, six new positions were added to the department including an HVAC Technician, Electrician, two Plumbers, and two Maintenance Technicians. The employee services costs are partially offset by a decrease in professional services/contracts of about \$98,000. The roofs of many City buildings are at the end of their useful life resulting in deterioration, leaks, and potential mold. In order to address the deferred maintenance of more than \$1 million in roof repairs, the FY2022/23 proposed operating budget includes \$550,000 to address urgent repairs needed to prevent further damage.

### Fleet Services

This fund was created to account for transactions related to the maintenance, operation, and replacement of the City's vehicles. Total proposed operating expenses increased by \$1.1 million or 17.6%. Due to the ongoing General Fund structural deficit and budget limitations, the CityWide vehicle replacement plan has been underfunded and the replacement of critical public safety equipment has been delayed. In addition, repair and replacement costs for vehicles has increased substantially due to the impacts of COVID-19, supply chain shortages, and recent inflation. In order to ensure adequate funds are available to provide a safe and reliable fleet of vehicles, additional funds of \$924,560 were added to the City's Vehicle Replacement program.

### Network and Systems Administration

This fund was created to account for financial activity related to Network & Systems Administration services, licensing, and hardware. A Network Systems Engineer was added to the department to address network and cybersecurity support, fully funded by the Water and Wastewater funds. Other operating expenses are due to cybersecurity technology and additional technology demands due to COVID-19 as well as additional technology replacement costs anticipated at the Library.

### General Liability Insurance

This fund was created to account for transactions related to the City's liability exposure, including its insurance program (excluding property and workers compensation insurance). Insurance premiums have increased by an average of 161% for the City. This increase is not limited to the City, but instead is a result of a hard market cycle. Public entities, across the country but especially in California, and the insurance industry as a whole have witnessed dramatic increases in liability loss development in recent years – meaning the dollar amount of liability claims has grown exponentially. This has resulted in a decrease of available funds for insurance carriers. In an effort to increase confidence levels to rebuild surplus, insurance premiums (across the board) are experiencing drastic rate increases - this is especially true for the general liability and cyber policies.



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Although these increases are significant, as a member of PRISM (a member-directed insurance risk sharing pool of various public entities), the City benefits in the insurance market due to PRISM's size and ability to leverage that size in negotiations. The City's PRISM membership ensures it's protecting the City from possible liability exposures at the best cost to its taxpayers.

### Property Insurance

The Property Insurance Fund accounts for the transactions related to obtaining property insurance for the City. This fund is proposing a 27.2% or \$302,460 increase to its total operating budget due to an increase in the property insurance premium. The increase is in line with insurance increases industry wide as a result of significant increases of property claims from catastrophic events including wildfires and hurricanes.



# STAFF REPORT

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May 11, 2022  
File Number 0430-55

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## SUBJECT

### FIVE-YEAR CAPITAL IMPROVEMENT PROGRAM AND FISCAL YEAR 2022/23 CAPITAL IMPROVEMENT PROGRAM BUDGET STATUS –

## DEPARTMENT

Finance

## RECOMMENDATION

Request the City Council review the proposed Fiscal Year 2022/23 Five-Year Capital Improvement Program and Budget and authorize staff to return with the Fiscal Year 2022/23 Capital Improvement Program and Budget for final adoption on June 8, 2022.

Staff Recommendation: Provide Direction (Finance Department: Christina Holmes)

Presenter: Edrilyn D. Cruz, Accountant

## FISCAL ANALYSIS

See Below.

## PREVIOUS ACTION

The preliminary Five-Year CIP and FY2021/22 CIP Budget update was taken to the City Council on May 12, 2021. The City Council approved the Five-Year CIP and Budget for FY2021/22 on June 9, 2021.

## BACKGROUND

The Five-Year Capital Improvement Program (“CIP”) is a five-year planning tool for major infrastructure, capital construction, improvements, maintenance projects, and other non-capital type projects to accommodate restricted funding requirements. The CIP budget is adopted for a single year only, but the plan includes projected programming over a five-year period. The budget is updated and developed annually with a review of on-going projects, determination of available funding, and evaluation and prioritization of projects that respond to current needs and priorities of the City of Escondido (“City”).

Section 1 of the attached Preliminary CIP Budget lists the staff recommendations of projects to be funded in the FY2022/23 Five-Year Capital Improvement Program. A detailed description of each project and the funding source is provided, sorted by the type of project: General City, Library, Parks and Recreation, Public Art, Public Works, Streets, Wastewater Utilities and Water Utilities.



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A description of funding sources and projected available balances and uses are listed in Section 2 of the Preliminary CIP Budget. Nearly all capital projects in the City are paid for using funds which are restricted in some fashion by the funding source:

- Gas Tax, Road Maintenance and Rehabilitation funds, and Transnet funding account for a majority of the City's \$19 million in street projects.
- Development Impact fees, including Park Development, Public Art, Public Facilities, Storm Drain, and Traffic Impact Fees, are collected for the purpose of mitigating the impact of the development on the community. As the City continues to experience growth and expansion resulting from new development, it is anticipated that in FY2022/23, approximately \$13 million from collections of development impact fees will be available to support appropriate projects.
- Water and Wastewater Capital Projects totaling \$75 million are funded by a combination of customer fees, cost sharing with local agencies, and loan funding.

The proposed projects included in Attachment 1 do not include projects that do not have an identified funding source. A list of unfunded Infrastructure projects CityWide, totaling more than \$250 million, was provided to the City Council on April 20, 2022, and is included as Attachment 2.

### ATTACHMENTS

1. Attachment 1 – Preliminary Five-Year Capital Improvement Program and Budget FY2022/23-FY2026/27
2. Attachment 2 – Unfunded Infrastructure Projects



City of Escondido,  
California

# Preliminary Five-Year Capital Improvement Program and Budget

Fiscal Years 2023-2027







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# FY 2022/23 PRELIMINARY CAPITAL PROJECT BUDGET REQUESTS BY PROJECT TYPE

## GENERAL CITY

### AMERICAN DISABILITIES ACT

Funding to respond to internal and external requests for reasonable accommodation as required by Federal ADA law. Also provides for projects which ensure accessibility to public facilities within the City.

Funding Source	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27
General Capital	\$25,000	\$-	\$-	\$-	\$-

## LIBRARY

### LIBRARY CIRCULATING MATERIALS

Professional Librarians from Library Systems & Services purchase new titles in all formats to meet needs of Escondido's increasing population. Funds will be expended by the end of the fiscal year.

Funding Source	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27
Public Facility Fees	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000

## PARKS AND RECREATION

### 11TH AVENUE PARK

Development of a new park on the corner of 11 Avenue and Avenida Del Diablo

Funding Source	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27
Park Development	\$-	\$-	\$1,000,000	\$1,000,000	\$1,000,000

### ATHLETIC FIELD LIGHTS



This project will provide lights on existing sports fields that are currently not lit, expanding their usage into the evening and increasing revenue through field rentals and light fees.

Funding Source	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27
Park Development	\$-	\$-	\$522,600	\$412,000	\$301,300

## CITY SKATE PARKS

This project, previously named Washington Park Skate Spot, will ensure funding for future design and construction of skate spots throughout the City. Skate spot locations will be prioritized based on public outreach meetings and Council direction. We anticipate that per capita Prop 68 funds could be used to supplement this project.

Funding Source	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27
Park Development	\$-	\$-	\$1,000,000	\$1,000,000	\$1,000,000

## JIM STONE AQUATIC FACILITY EXPANSION



This project proposes to expand and modernize the Jim Stone Pool including, but not limited to, the construction of a new competition pool, warm up pool, splash pad, locker rooms, concession area, meeting and office spaces.

Funding Source	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27
Park Development	\$4,315,970	\$3,939,000	\$-	\$-	\$-

## MULTIPURPOSE ARTIFICIAL TURF FIELDS

This project will construct a multipurpose, multisport, artificial turf field. The project will provide a space for community sports such as softball, baseball, kickball, ultimate frisbee, lacrosse, football, and soccer. It will allow for additional practice and game space, allow the City to accommodate larger sports tournaments thereby increasing revenue, and provide an alternate location to host sporting activities while other fields rest. The artificial turf will also allow for year round rentals, increasing revenue. Park locations will be prioritized through a series of public meetings and with Council direction.

Funding Source	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27
Park Development	\$-	\$-	\$1,000,000	\$1,000,000	\$1,000,000

## PARK BALL FIELD

The City's youth leagues continue to grow, as does the need for additional practice and game space. The current little league fields are at capacity and cannot accommodate additional use. The Ball Field Project will provide funding to construct a new ball field in Mountain View Park.

Funding Source	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27
Park Development	\$-	\$-	\$350,000	\$350,000	\$350,000

## PUBLIC ART

### CITY MURALS

This Project will provide funding for new Murals located throughout the city.

Funding Source	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27
Public Art	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000

### PUBLIC ART INSTALLATIONS



**NEW**

This project is intended to fund new public art throughout the City of Escondido including but not limited to monuments, sculptures, structures, statues, digital art, and mosaics.

Funding Source	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27
Public Art	\$200,000	\$46,800	\$44,300	\$40,200	\$36,100

## PUBLIC WORKS

### EVCC BACK-UP GENERATOR



**NEW**

The EVCC is defined as a cool zone in our City's Continuity of Operations Plan (COOP). Escondido is surrounded by terrain that creates a very high fire hazard. SDG&E's current plans to reduce fire danger in very high fire hazard areas is to strategically employ preventative grid shutdowns, referred to as Public Safety Power Shutoffs (PSPS). In 2020, areas of Escondido were affected by SDG&E's PSPS due to high wind events. In November of 2019, we applied for a Public Safety Power Shutoff (PSPS) Resiliency grant allocation through Cal OES to fund a generator at the PW Yard and EVCC. Unfortunately, we did not receive the grant. Installing a new CARB compliant backup generator at the EVCC will ensure that the City meets the obligations outlined in the City's COOP for these critical emergency functions.

Funding Source	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27
Public Facility Fees	\$200,000	\$-	\$-	\$-	\$-

## PUBLIC WORKS YARD RELOCATION

This project supports the future relocation of the Public Works Yard. The new facility will be sized to meet current and future maintenance demands of the City. Project components will include site selection, acquisition, environmental documentation, and design for the future site. This project implements a component of the Comprehensive Economic Development Strategy (CEDS) that identifies the current yard site as a high priority area targeted for redevelopment.

Funding Source	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27
Public Facility Fees	\$2,906,130	\$2,829,600	\$2,771,600	\$2,675,000	\$2,578,400

## STREETS

### BEAR VALLEY PARKWAY AT SUNSET/RANCHITO

Funding is provided in FY22/23 for the City's share of costs associated with the widening of the east side of Bear Valley Parkway from the southerly limit of the Wohlford Residential project to Sunset/Ranchito, in accordance with the Development Agreement approved for this project. The development project will add one north-bound lane on Bear Valley Parkway from Sunset/Ranchito to the City limits at Cholla Canyon. Future year funding is proposed to design and construct the widening of the south-bound lanes of Bear Valley Parkway from the City limits at Cholla Canyon to the southerly City limits south of Sunset/Ranchito.

Funding Source	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27
Traffic Impact	\$575,000	\$1,856,690	\$1,250,000	\$-	\$-

### BRIDGE MAINTENANCE

To preserve the long-term condition of the City's 34-bridges, preventative maintenance, including deck maintenance, joint seal replacement and railing repairs are required. This project designates a budget to perform preventative maintenance at the highest priority locations, based on condition rating. Staff will pursue Caltrans bridge program funding, where available, to perform maintenance and address required repairs.

Funding Source	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27
Gas Tax	\$-	\$-	\$100,000	\$150,000	\$200,000

### CITRACADO PARKWAY EXTENSION

This project extends Citracado Pkwy from Harmony Grove Village Pkwy to Andreasen Dr. and will construct new pavement, streets, curb and gutter, center medians, landscaping, traffic signals, a bridge over Escondido Creek, and utility infrastructure. The project will be administered by City staff with Construction Management support by consultant. Construction of the project will be performed by the awarded contractor. Budget will be adjusted to include interest earned on PPH District Escrow account.

Funding Source	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27
Traffic Impact	\$2,300,000	\$100,000	\$100,000	\$100,000	\$100,000

### COMPREHENSIVE ACTIVE TRANSPORTATION STRATEGY & IMPLMENTATION

A Comprehensive Active Transportation Strategy (CATS) evaluates current infrastructure and demand to develop a well-connected active transportation network. The CATS will evaluate trail, bike lane and sidewalk connectivity to ensure that limited resources are used to improve the highest priority facilities. Funds budgeted in FY24 through FY27 are included as matching funds for grant applications for the highest priority projects identified in the CATS.

Funding Source	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27
Transnet	\$250,000	\$250,000	\$400,000	\$600,000	\$600,000

### EAST VALLEY PKWY & MIDWAY DRAINAGE IMPROVEMENTS

This project will build a new storm drain system and upsize the existing system to remove structures and roadways from the floodplain. The FEMA floodplain areas along East Valley Parkway, between Ash and Citrus, and along Midway Drive, between Bear Valley Parkway and Lincoln Avenue will be studied to determine necessary improvements. The preliminary drainage study estimates the cost of improving all seven drainage systems at \$34.7-million. The City is seeking a grant to cover 75% or more of the costs of the project. The funds programmed are intended to serve as a grant match.

Funding Source	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27
Gas Tax	\$500,000	\$700,000	\$700,000	\$1,000,000	\$1,000,000
Storm Drain	\$302,950	\$84,100	\$78,800	\$69,800	\$60,900
Transnet	\$2,200,000	\$1,150,000	\$1,000,000	\$69,800	\$60,900
<b>Total Costs</b>	<b>\$3,002,950</b>	<b>\$1,934,100</b>	<b>\$1,778,800</b>	<b>\$1,069,800</b>	<b>\$1,060,900</b>

### ESCONDIDO CREEK TRAIL BIKE PATH IMPROVEMENTS

This project closes gaps on approximately 2.5 miles of the Escondido Creek Trail Bike Path by adding lighting, pedestrian signals, crosswalks, ramps, and signage to seven intersections. The project's construction limits are Escondido Creek Trail Bike Path between Juniper Street and Citrus Avenue, and is fully funded with a state ATP grant.

Funding Source	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27
Transnet	\$250,000	\$-	\$-	\$-	\$-

## FELICITA & JUNIPER/ESCONDIDO BLVD TO CHESTNUT

The first phase of this project widens Juniper Street between Felicita Avenue and Chestnut Street with Active Transportation Program grant (Juniper Safe Routes to School Project) and Transnet funding. This phase is expected to be constructed during FY22/23. The second phase of the project will widen Felicita Avenue from Escondido Boulevard to Juniper Street. Construction to include new pavement, curbs and gutters, sidewalks, and traffic signal modifications.

Funding Source	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27
Traffic Impact	\$-	\$-	\$450,000	\$500,000	\$1,400,000
Transnet	\$50,000	\$-	\$-	\$600,000	\$1,400,000
<b>Total Costs</b>	<b>\$50,000</b>	<b>\$-</b>	<b>\$450,000</b>	<b>\$1,100,000</b>	<b>\$2,800,000</b>

## LA HONDA DRAINAGE

City's participation with La Honda Drive drainage improvements as required by Tract 920 Development Agreement (Henry Ranch Partnership) in order to prevent flooding of adjoining area. Developer to construct re-enforced, box-concrete system on La Honda Drive from El Norte Parkway through an easement to Nightingale Place and on Nightingale Place to Lincoln Avenue. Upon completion drainage assets will be dedicated to the City.

Funding Source	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27
Storm Drain	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000

## LED STREETLIGHTS CONVERSIONS

This project provides funding to convert high pressure and low pressure sodium street lights to light emitting diode (LED). LED provides a whiter light that appears brighter and provides a truer color rendering. Conversion to LED results in savings both in maintenance and energy costs.

Funding Source	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27
Gas Tax	\$300,000	\$300,000	\$300,000	\$-	\$-

## LINCOLN PARKWAY WIDENING



This project updates the Specific Alignment Plan and widens Lincoln Parkway/Avenue between Garrick Way and Fig Street. The project is expected to include medians, sidewalks, bike lanes, and improvements to the intersection at Lincoln/Fig.

Funding Source	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27
Traffic Impact	\$750,000	\$671,510	\$1,128,000	\$2,244,400	\$1,260,700
Transnet	\$-	\$-	\$-	\$707,000	\$-
<b>Total Costs</b>	<b>\$750,000</b>	<b>\$671,510</b>	<b>\$1,128,000</b>	<b>\$2,951,400</b>	<b>\$1,260,700</b>



## PAVEMENT MAINTENANCE & REHABILITATION

This annual project provides for the maintenance and repair of City streets. Work is focused in one of eight residential zones each year. Resurfacing of Major and Collector streets is performed Citywide based on pavement condition. Work includes subgrade repairs, asphalt replacement and seal coating. In addition, the project repairs lifted sidewalks and stripes bike lanes on resurfaced streets in accordance with the Bicycle Master Plan. In order to increase the City's PCI to above 70, a budget of \$9.5 million would be needed based on recent significant inflation.

Funding Source	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27
Transnet -Maint	\$1,396,800	\$1,449,000	\$1,491,300	\$1,536,600	\$1,376,400
Transnet -Rehab	\$938,707	\$1,331,000	\$1,429,700	\$1,678,400	\$1,899,600
RMRA Funds	\$3,779,782	\$3,551,400	\$3,586,200	\$3,621,000	\$3,655,800
<b>Total Funded</b>	<b>\$6,115,289</b>	<b>\$6,331,400</b>	<b>\$6,507,200</b>	<b>\$6,836,000</b>	<b>\$6,931,800</b>
Unfunded	\$3,384,711	\$3,168,600	\$2,992,800	\$2,664,000	\$2,568,200
<b>Total Costs</b>	<b>\$9,500,000</b>	<b>\$9,500,000</b>	<b>\$9,500,000</b>	<b>\$9,500,000</b>	<b>\$9,500,000</b>

## STORM DRAIN REPAIR AND IMPROVEMENTS

There are over 15 miles of corrugated metal storm drain pipe (CMP) within the City. The majority of this pipeline is beyond its service life. This project designates funding for repair and improvement of priority drainage facilities, including deteriorated storm drains and failing channels, as well as to make improvements to drainage facilities to extend their service life.

Funding Source	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27
Gas Tax	\$1,158,350	\$1,198,200	\$1,142,700	\$1,137,200	\$1,131,600
Street Fund	\$39,950	\$15,000	\$14,700	\$14,300	\$13,900
<b>Total Costs</b>	<b>\$1,198,300</b>	<b>\$1,213,200</b>	<b>\$1,157,400</b>	<b>\$1,151,500</b>	<b>\$1,145,500</b>

## STREET TREE MAINTENANCE

With the completion of the Urban Forest Inventory, the need for tree maintenance exceeds the capacity of the City Tree Crew. The city has over 53,000 trees to maintain. At present there are over 360 trees needing immediate removal, approximately 33,000 trees needing pruning/maintenance, over 3,000 new trees to plant, and approximately 300 tree stumps to be removed. An annual tree maintenance contract would significantly improve the health of the City's Urban Forest.

Funding Source	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27
Gas Tax	\$105,000	\$105,000	\$105,000	\$105,000	\$105,000

## TRAFFIC INFRASTRUCTURE

This project includes installation of signage, striping and other traffic-related infrastructure Citywide.

Funding Source	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27
Gas Tax	\$127,000	\$127,000	\$127,000	\$127,000	\$127,000

## TRAFFIC SIGNAL COMMUNICATION PROJECT

This project installs a high speed communication system for the City's traffic signals that will improve operation. The projects supports installation of upgraded signal controllers and controller cabinets that are more responsive, provide more data to support operational improvements, and will allow deployment of technology to support the ultimate build-out of the City.

Funding Source	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27
Gas Tax	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000
Public Facility Fees	\$500,000	\$360,000	\$360,000	\$360,000	\$360,000
<b>Total Costs</b>	<b>\$550,000</b>	<b>\$410,000</b>	<b>\$410,000</b>	<b>\$410,000</b>	<b>\$410,000</b>

## TRAFFIC SIGNALS AND SIGNAL IMPROVEMENTS

This project is for construction of new signals and modification of existing signals Citywide. Grant match funding is provided for the top three ranked projects that address the top 20 locations identified in the Local Roadway Safety Plan. These projects include funding to construct a signal at Centre City Parkway and Brotherton and for improvements to the Washington and Rose traffic signal.

Funding Source	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27
Transnet	\$1,100,000	\$650,000	\$650,000	\$-	\$-
Traffic Impact	\$1,162,255	\$350,000	\$-	\$-	\$-
<b>Total Costs</b>	<b>\$2,262,255</b>	<b>\$1,000,000</b>	<b>\$650,000</b>	<b>\$-</b>	<b>\$-</b>

## TRANSFER TO GENERAL FUND

Transfer to General Fund - Street Maintenance Department.

Funding Source	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27
Gas Tax	\$2,055,000	\$2,055,000	\$2,055,000	\$2,055,000	\$2,055,000

## TRANSPORTATION & COMMUNITY SAFETY

This is an annual budget designated for the Transportation and Community Safety Commission to select traffic safety and traffic calming projects.

Funding Source	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27
Gas Tax	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000

## WASTEWATER UTILITIES

### ALLEY UTILITIES REPLACEMENT PROJECT

Replacement of sewer lines located in alleys between Centre City Parkway and Quince Street, and between Grand Avenue and 11th Avenue.

Funding Source	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27
Wastewater	\$-	\$2,000,000	\$2,000,000	\$-	\$-

### CITYWIDE STORM DRAIN MAINTENANCE

The City is required to conduct annual inspections and cleaning/maintenance of its storm conveyance system infrastructure including inlets, catch basins, pipes, and curb and gutter. Funds provide equipment and staff costs to remove and dispose of trash, debris, sediment, and leaves and properly document and report on these City activities related to pollution prevention. New requirements to install trash screens in storm drains will increase maintenance and staff costs in future Fiscal Years. The project is overseen by the Environmental Programs Division and implemented by the Public Works Department.

Funding Source	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27
Wastewater	\$900,000	\$1,000,000	\$1,050,000	\$1,050,000	\$1,050,000

### EAGLE SCOUT LAKE MAINTENANCE

Eagle Scout Lake in Kit Carson Park provides value to the community as a park water feature and as a sediment detention basin to improve downstream water quality. The City completed major dredging project in 2014 and periodic maintenance since then. FY 2022/23 activities include minor maintenance and planning for future lake improvements including design of bank stabilization and easier maintenance locations upstream of the lake. Environmental Programs Division staff oversee the project and coordinate maintenance with Public Works and Engineering.

Funding Source	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27
Wastewater	\$235,000	\$60,000	\$10,000	\$10,000	\$10,000

**HABITAT REMEDIATION-SPRUCE ST.**

This projects corrects drainage problems in the Spruce Street storm water conveyance channel. Grading variances, non-native plants, and sediment deposits led to standing water in the upper channel, functioning as habitat for breeding mosquitoes and presenting water quality concerns. The City has worked since 2013 to redesign the channel (within existing constraints) and complete CEQA and environmental permitting. The City secured grant funding totaling \$638,500 from County Vector Habitat Grant and \$258,000 from State Proposition 1 funds. After project completion (2020) minor maintenance and monitoring will be needed until the site is incorporated into the Permitted Channel Maintenance CIP (#807502). The Environmental Programs Division is leading this effort in coordination with Engineering.

Funding Source	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27
Wastewater	\$75,000	\$-	\$-	\$-	\$-

**HARRF INFLUENT PUMP STATION**

The existing Influent Pump Station was built in 1973 and is in need of rehabilitation and expansion to meet the needs of the City and San Diego wastewater flows. The work would be designed and constructed by outside vendors.

Funding Source	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27
Wastewater	\$31,200	\$-	\$-	\$-	\$-

**MANHOLE REHABILITATION**

On-going rehabilitation program for City's sew manholes to include lining of manholes to prevent damage from sewage gases, shelf repair/replacement, and ring assembly raising. This program is bid out on a 5-year schedule.

Funding Source	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27
Wastewater	\$69,880	\$20,000	\$20,000	\$20,000	\$20,000

**PERMITTED CHANNEL MAINTENANCE & MITIGATION**

Permits for channel maintenance were issued in August 2015. Since then City staff have been maintaining the channels and have completed the project in Kit Carson to mitigate the impacts of maintenance to wetland habitat. The permit will be renewed and hopefully expanded to additional locations in 2020; significant efforts to prepare the renewal application are underway. The permit renewal may require additional wetland mitigation, along with monitoring and maintenance activities for existing mitigation areas. This CIP includes staff time and equipment to continue maintenance work. The project is funded through the wastewater fund. Environmental Programs Division oversee the project and coordinate maintenance with Public Works.

Funding Source	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27
Wastewater	\$400,000	\$400,000	\$400,000	\$400,000	\$400,000

## TRASH CAPTURE DEVICES

The San Diego Regional Municipal Separate Storm Sewer System (MS4) Permit from the Regional Water Quality Control Board will be renewed in 2020 to include new regulations to capture and remove trash from storm drain systems. The new requirements will install screens in storm drains in certain land uses (commercial, industrial, high density residential) and include a ten-year compliance timeframe. The Environmental Programs Division works closely with Engineering and Public Works to implement this new program, and Public Works performs maintenance under the MS4 Maintenance CIP (807601).

Funding Source	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27
Wastewater	\$100,000	\$250,000	\$250,000	\$250,000	\$250,000

## TRUNK MAIN EXPANSION/AUTO PKWY TO HARRF

Replace the sewer trunk main from the area of the Public Works Yard and Auto Pkwy to HARRF.

Funding Source	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27
Wastewater	\$6,000,000	\$4,000,000	\$1,000,000	\$-	\$-

## WASTEWATER TREATMENT PLANT MAJOR MAINTENANCE PROJECTS

Replace the sewer trunk main from the area of the Public Works Yard and Auto Pkwy to HARRF.

Funding Source	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27
Wastewater	\$833,960	\$50,000	\$50,000	\$50,000	\$50,000

## WATER UTILITIES

### ALLEY UTILITIES REPLACEMENT PROJECT



Replacement of water lines located in alleys between Centre City Parkway and Quince Street, and between Grand Avenue and 11th Avenue.

Funding Source	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27
Water	\$300,000	\$2,000,000	\$2,000,000	\$-	\$-

## LAKE WOHLFORD DAM PROJECT

Lake Wohlford Dam was originally constructed in 1895, and enlarged in 1924. The existing Lake Wohlford Dam has been determined to have the potential to liquefy during a large seismic event. The Lake Wohlford Dam Project will replace the existing dam with a new dam immediately downstream.

Funding Source	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27
WIFIA Loan	\$ 65,147,350	\$-	\$-	\$-	\$-

## WATER PIPELINE REPLACEMENT

Replace old and deteriorating water pipes within the distribution system to maintain quality service.

Funding Source	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27
Water	\$769,830	\$50,000	\$50,000	\$50,000	\$50,000

## WATER TREATMENT PLANT MAJOR MAINTENANCE PROJECTS

Major maintenance activity and equipment procurement at the Escondido-Vista Water Treatment Plant.

Funding Source	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27
Water	\$790,720	\$50,000	\$50,000	\$50,000	\$50,000



# PRELIMINARY CAPITAL PROJECT BUDGET REQUESTS BY FUND

## GENERAL CAPITAL FUND

This fund was created to account for transactions related to general-type capital projects. The funding for these expenditures is typically received through interfund transfers from the City's General Fund. General capital funding consists of remaining General Capital Fund balances from closed projects plus proportional shares of the interest earned on the City's portfolio.

LIST OF PROJECTS BY FUND	PROPOSED FY 2022/23	FORECAST FY 2023/24	FORECAST FY 2024/25	FORECAST FY 2025/26	FORECAST FY 2026/27
<b>PROJECTED AVAILABLE BALANCE</b>	46,610	61,710	101,210	139,510	176,710
AMERICAN DISABILITIES ACT	25,000	-	-	-	-
<b>TOTAL GENERAL CAPITAL FUNDED PROJECT REQUESTS</b>	<b>25,000</b>	-	-	-	-
<b>GENERAL CAPITAL FUND REMAINING BALANCE</b>	<b>21,610</b>	<b>61,710</b>	<b>101,210</b>	<b>139,510</b>	<b>176,710</b>

## PARK DEVELOPMENT FUND

This fund was established to account for transactions related to the acquisition of park land and the development of recreational facilities. Funding is received from Park Development Fees collected from developers of residential projects at a rate of \$6,849.30 per single family residential dwelling unit and \$6,533.10 per multi-family residential dwelling unit.

LIST OF PROJECTS BY FUND	PROPOSED FY 2022/23	FORECAST FY 2023/24	FORECAST FY 2024/25	FORECAST FY 2025/26	FORECAST FY 2026/27
<b>PROJECTED AVAILABLE BALANCE</b>	4,315,970	3,939,000	3,872,600	3,762,000	3,651,300
11TH AVENUE PARK	-	-	1,000,000	1,000,000	1,000,000
ATHLETIC FIELD LIGHTS <b>NEW</b>	-	-	522,600	412,000	301,300
CITY SKATE PARKS	-	-	1,000,000	1,000,000	1,000,000
JIM STONE AQUATIC FACILITY EXPANSION <b>NEW</b>	4,315,970	3,939,000	-	-	-
MULTIPURPOSE ARTIFICIAL TURF FIELD	-	-	1,000,000	1,000,000	1,000,000
PARK BALL FIELD	-	-	350,000	350,000	350,000
<b>TOTAL PARK DEVELOPMENT FUND PROJECT REQUESTS</b>	<b>4,315,970</b>	<b>3,939,000</b>	<b>3,872,600</b>	<b>3,762,000</b>	<b>3,651,300</b>
<b>PARK DEVELOPMENT FUND REMAINING BALANCE</b>	-	-	-	-	-



## PUBLIC ART FUND

This fund was established to account for expenditures that promote and provide public art throughout the City. Public art fees are assessed at a rate of \$0.30 per square foot when building permits are issued for both residential and commercial development projects. For details of potential exceptions to this fee, refer to the City's "Fee Guide for Development Projects."

LIST OF PROJECTS BY FUND	PROPOSED FY 2022/23	FORECAST FY 2023/24	FORECAST FY 2024/25	FORECAST FY 2025/26	FORECAST FY 2026/27
<b>PROJECTED AVAILABLE BALANCE</b>	<b>403,700</b>	<b>250,500</b>	<b>248,000</b>	<b>243,900</b>	<b>239,800</b>
CITY MURALS	100,000	100,000	100,000	100,000	100,000
PUBLIC ART INSTALLATIONS <b>NEW</b>	200,000	46,800	44,300	40,200	36,100
<b>TOTAL PUBLIC ART FUND PROJECT REQUESTS</b>	<b>300,000</b>	<b>146,800</b>	<b>144,300</b>	<b>140,200</b>	<b>136,100</b>
<b>PUBLIC ART FUND REMAINING BALANCE</b>	<b>103,700</b>	<b>103,700</b>	<b>103,700</b>	<b>103,700</b>	<b>103,700</b>

## PUBLIC FACILITIES FUND

This fund was created to account for developer fees that ensure public facility standards, established by the City, are met with respect to additional needs that are created as the result of growth and development in the City. The current Public Facility Fees are assessed as follows: \$4,969.99 per dwelling unit; \$2.25 per sq. ft. of Commercial building area, \$1.70 per sq. ft. of Industrial building area.

LIST OF PROJECTS BY FUND	PROPOSED FY 2022/23	FORECAST FY 2023/24	FORECAST FY 2024/25	FORECAST FY 2025/26	FORECAST FY 2026/27
<b>PROJECTED AVAILABLE BALANCE</b>	<b>3,856,130</b>	<b>3,439,600</b>	<b>3,381,600</b>	<b>3,285,000</b>	<b>3,188,400</b>
EVCC BACK-UP GENERATOR <b>NEW</b>	200,000	-	-	-	-
LIBRARY CIRCULATING MATERIALS	250,000	250,000	250,000	250,000	250,000
PUBLIC WORKS YARD RELOCATION	2,906,130	2,829,600	2,771,600	2,675,000	2,578,400
TRAFFIC SIGNAL COMMUNICATION PROJECT	500,000	360,000	360,000	360,000	360,000
<b>TOTAL PUBLIC FACILITIES FUND PROJECT REQUESTS</b>	<b>3,856,130</b>	<b>3,439,600</b>	<b>3,381,600</b>	<b>3,285,000</b>	<b>3,188,400</b>
<b>PUBLIC FACILITIES FUND REMAINING BALANCE</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## GAS TAX

This fund was established to account for revenue received from a gasoline excise tax of 18 cents per gallon of fuel under Sections 2105, 2106, 2107, and 2107.5 of the Streets and Highways Code. In July 2010, Proposition 42 funding, which was state sales tax on the sale of gasoline, was “swapped” for a gasoline excise tax under Section 2103 of the Streets and Highways Code. This amount is indexed annually by the California State Board of Equalization (BOE) in order to ensure the new excise tax keeps pace with the revenues that were expected from the sales tax on gasoline and changes the overall excise tax on gasoline on an annual basis. All resources are legally restricted for street-related expenditures within the public right-of-ways.

LIST OF PROJECTS BY FUND	PROPOSED FY 2022/23	FORECAST FY 2023/24	FORECAST FY 2024/25	FORECAST FY 2025/26	FORECAST FY 2026/27
<b>PROJECTED AVAILABLE BALANCE</b>	<b>4,295,350</b>	<b>4,535,200</b>	<b>4,579,700</b>	<b>4,624,200</b>	<b>4,668,600</b>
BRIDGE MAINTENANCE	-	-	100,000	150,000	200,000
EAST VALLEY PKWY & MIDWAY DRAINAGE IMPROVEMENTS	500,000	700,000	700,000	1,000,000	1,000,000
LED CONVERSIONS	300,000	300,000	300,000	-	-
STORM DRAIN REPAIR AND IMPROVEMENTS	1,158,350	1,198,200	1,142,700	1,137,200	1,131,600
STREET TREE MAINTENANCE	105,000	105,000	105,000	105,000	105,000
TRAFFIC INFRASTRUCTURE	127,000	127,000	127,000	127,000	127,000
TRANSFER TO GENERAL FUND (STREET MAINTENANCE)	2,055,000	2,055,000	2,055,000	2,055,000	2,055,000
TRANSPORTATION & COMMUNITY SAFETY	50,000	50,000	50,000	50,000	50,000
<b>TOTAL GAS TAX FUND PROJECT REQUESTS</b>	<b>4,295,350</b>	<b>4,535,200</b>	<b>4,579,700</b>	<b>4,624,200</b>	<b>4,668,600</b>
<b>GAS TAX FUND REMAINING BALANCE</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## ROAD MAINTENANCE AND REHABILITATION ACCOUNT

This fund was established to account for revenue allocated to the City based on section 2031 of the Streets & Highway Code and the Road Repair and Accountability Act of 2017 (SB1 Beall). These revenues come from an additional 12 cent per gallon increase to the gasoline excise tax and additional 20 cent per gallon increase to the diesel fuel excise tax effective November 1, 2017. In addition a "Transportation Improvement Fee" was added to vehicle registrations beginning January 1, 2018.

LIST OF PROJECTS BY FUND	PROPOSED FY 2022/23	FORECAST FY 2023/24	FORECAST FY 2024/25	FORECAST FY 2025/26	FORECAST FY 2026/27
<b>PROJECTED AVAILABLE BALANCE</b>	<b>3,779,782</b>	<b>3,551,400</b>	<b>3,586,200</b>	<b>3,621,000</b>	<b>3,655,800</b>
PAVEMENT MAINTENANCE FY23 <b>NEW</b>	3,779,782	3,551,400	3,586,200	3,621,000	3,655,800
<b>TOTAL STREET FUND PROJECT REQUESTS</b>	<b>3,779,782</b>	<b>3,551,400</b>	<b>3,586,200</b>	<b>3,621,000</b>	<b>3,655,800</b>
<b>RMRA FUND REMAINING BALANCE</b>	-	-	-	-	-

## STREET FUND

This fund was generated from General Fund balances remaining in street projects that were constructed during prior years plus its proportional share of the interest earned on the City's portfolio. It is also used to account for street-related reimbursements received from other agencies. These funds are designated by the City to be used only for street-related construction, improvements, and right-of-way acquisitions.

LIST OF PROJECTS BY FUND	PROPOSED FY 2022/23	FORECAST FY 2023/24	FORECAST FY 2024/25	FORECAST FY 2025/26	FORECAST FY 2026/27
<b>PROJECTED AVAILABLE BALANCE</b>	<b>39,950</b>	<b>15,000</b>	<b>14,700</b>	<b>14,300</b>	<b>13,900</b>
STORM DRAIN REPAIR AND IMPROVEMENTS	39,950	15,000	14,700	14,300	13,900
<b>TOTAL STREET FUND PROJECT REQUESTS</b>	<b>39,950</b>	<b>15,000</b>	<b>14,700</b>	<b>14,300</b>	<b>13,900</b>
<b>STREET FUND REMAINING BALANCE</b>	-	-	-	-	-

## STORM DRAIN FUND

This fund was established to account for fees collected from developers to ensure that the storm water drainage infrastructure meets the requirements established by the City's Drainage Master Plan. The current Drainage Facility Fees are assessed as follows: \$1,113.84 per dwelling unit, \$460.02 per dwelling unit for multifamily development and all other uses \$0.72 per sq. ft. of building roof area.

LIST OF PROJECTS BY FUND	PROPOSED FY 2022/23	FORECAST FY 2023/24	FORECAST FY 2024/25	FORECAST FY 2025/26	FORECAST FY 2026/27
<b>PROJECTED AVAILABLE BALANCE</b>	<b>536,456</b>	<b>351,106</b>	<b>379,306</b>	<b>403,806</b>	<b>428,406</b>
EAST VALLEY PKWY & MIDWAY DRAINAGE IMPROVEMENTS	302,950	84,100	78,800	69,800	60,900
LA HONDA DRAINAGE	200,000	200,000	200,000	200,000	200,000
<b>TOTAL STORM DRAIN FUND PROJECT REQUESTS</b>	<b>502,950</b>	<b>284,100</b>	<b>278,800</b>	<b>269,800</b>	<b>260,900</b>
<b>STORM DRAIN FUND REMAINING BALANCE</b>	<b>33,506</b>	<b>67,006</b>	<b>100,506</b>	<b>134,006</b>	<b>167,506</b>

## TRAFFIC IMPACT FUND

This fund was established to account for fees collected from developers to ensure accelerated circulation improvements required as a result of growth and new development. For a Traffic Impact Fee schedule, see City Council Resolution No. 2008-10R. Beginning July 1, 2008 this fund will also account for the Regional Transportation Congestion Improvement Program (RTCIP) in compliance with the TransNet Extension Ordinance, as administered by SANDAG. A \$2,533.15 traffic fee for each residential unit from each residential building permit issued will be collected. These Regional Traffic Impact Fees can only be spent on eligible improvements to the Regional Arterial System (RAS) in SANDAG's 2030 Regional Transportation Plan. An annual SANDAG audit of these revenues and expenditures will be completed.

LIST OF PROJECTS BY FUND	PROPOSED FY 2022/23	FORECAST FY 2023/24	FORECAST FY 2024/25	FORECAST FY 2025/26	FORECAST FY 2026/27
<b>PROJECTED AVAILABLE BALANCE</b>	<b>4,787,255</b>	<b>2,978,200</b>	<b>2,928,000</b>	<b>2,844,400</b>	<b>2,760,700</b>
BEAR VALLEY PKWY WIDENING AT SUNSET/RANCHITO	575,000	1,856,690	1,250,000	-	-
CITRACADO PKWY EXTENSION	2,300,000	100,000	100,000	100,000	100,000
FELICITA & JUNIPER/ESCONDIDO BLVD TO CHESTNUT	-	-	450,000	500,000	1,400,000
LINCOLN PARKWAY WIDENING <b>NEW</b>	750,000	671,510	1,128,000	2,244,400	1,260,700

TRAFFIC SIGNALS AND SIGNAL IMPROVEMENTS	1,162,255	350,000	-	-	-
<b>TOTAL TRAFFIC IMPACT FUND PROJECT REQUESTS</b>	<b>4,787,255</b>	<b>2,978,200</b>	<b>2,928,000</b>	<b>2,844,400</b>	<b>2,760,700</b>
<b>TRAFFIC IMPACT FUND REMAINING BALANCE</b>	-	-	-	-	-

## TRANSNET FUND

This fund was established to account for transactions related to the San Diego Transportation Improvement Program Ordinance and Expenditure Plan (TransNet) administered by the San Diego Association of Governments (SANDAG). TransNet allocations are funded by a one-half of one percent Transaction and Use Tax, which was established in 1987 under Proposition-A and extended by voters in November 2004. All resources are legally restricted to expenditures for street, pedestrian, and bicycle transportation programs. SANDAG develops and monitors projects, in addition to allocating funds, as part of a continuous comprehensive regional transportation planning program.

LIST OF PROJECTS BY FUND	PROPOSED FY 2022/23	FORECAST FY 2023/24	FORECAST FY 2024/25	FORECAST FY 2025/26	FORECAST FY 2026/27
<b>PROJECTED AVAILABLE BALANCE</b>	<b>6,185,507</b>	<b>4,830,000</b>	<b>4,971,000</b>	<b>5,122,000</b>	<b>5,276,000</b>
COMPREHENSIVE ACTIVE TRANSPORTATION STRATEGY	250,000	250,000	400,000	600,000	600,000
ESCONDIDO CREEK TRAIL BIKE PATH IMPROVEMENTS	250,000	-	-	-	-
EAST VALLEY PKWY & MIDWAY DRAINAGE IMPROVEMENTS	2,200,000	1,150,000	1,000,000	-	-
FELICITA & JUNIPER/ESCONDIDO BLVD TO CHESTNUT	50,000	-	-	600,000	1,400,000
LINCOLN PARKWAY WIDENING <b>NEW</b>	-	-	-	707,000	-
PAVEMENT MAINTENANCE AND REHABILITATION	2,335,507	2,780,000	2,921,000	3,215,000	3,276,000
TRAFFIC SIGNALS	1,100,000	650,000	650,000	-	-
<b>TOTAL TRANSNET FUND PROJECT REQUESTS</b>	<b>6,185,507</b>	<b>4,830,000</b>	<b>4,971,000</b>	<b>5,122,000</b>	<b>5,276,000</b>
<b>TRANSNET FUND REMAINING BALANCE</b>	-	-	-	-	-

## WASTEWATER CAPITAL PROJECTS FUND

This fund was established to account for transactions related to the San Diego Transportation Improvement Program Ordinance and Expenditure Plan (TransNet) administered by the San Diego Association of Governments (SANDAG). TransNet allocations are funded by a one-half of one percent Transaction and Use Tax, which was established in 1987 under Proposition-A and extended by voters in November 2004. All resources are legally restricted to expenditures for street, pedestrian, and bicycle transportation programs. SANDAG develops and monitors projects, in addition to allocating funds, as part of a continuous comprehensive regional transportation planning program.

LIST OF PROJECTS BY FUND	PROPOSED FY 2022/23	FORECAST FY 2023/24	FORECAST FY 2024/25	FORECAST FY 2025/26	FORECAST FY 2026/27
ALLEY UTILITIES REPLACEMENT PROJECT	-	2,000,000	2,000,000	-	-
CITY WIDE STORM DRAIN MAINTENANCE	900,000	1,000,000	1,050,000	1,050,000	1,050,000
EAGLE SCOUT LAKE MAINTENANCE	235,000	60,000	10,000	10,000	10,000
HABITAT REMEDIATION- SPRUCE ST	75,000	-	-	-	-
HARRF INFLUENT PUMP STATION	31,200	-	-	-	-
MANHOLE REHABILITATION	69,880	20,000	20,000	20,000	20,000
PERMITTED CHANNEL MAINTENANCE AND MITIGATION	400,000	400,000	400,000	400,000	400,000
TRASH CAPTURE DEVICES	100,000	250,000	250,000	250,000	250,000
TRUNK MAIN EXPANSION/AUTO PKWY TO HARRF	6,000,000	4,000,000	1,000,000	-	-
WASTEWATER TREATMENT PLANT MAJOR MAINT PROJECTS	833,960	50,000	50,000	50,000	50,000
<b>TOTAL CUSTOMER FEES</b>	<b>8,645,040</b>	<b>7,780,000</b>	<b>4,780,000</b>	<b>1,780,000</b>	<b>1,780,000</b>
<b>TOTAL WASTEWATER FUND PROJECT REQUESTS</b>	<b>8,645,040</b>	<b>7,780,000</b>	<b>4,780,000</b>	<b>1,780,000</b>	<b>1,780,000</b>

## WATER CAPITAL PROJECTS FUND

This fund was created to account for capital projects associated with the construction and maintenance of the City's water distribution system. The water utilities system is financed and operated in a manner similar to a private enterprise with construction and maintenance costs financed or recovered primarily through charges for services. These revenues are recorded in the Water Utilities Operating Fund and then transferred to the Water Capital Projects Fund when projects are budgeted.

LIST OF PROJECTS BY FUND	PROPOSED FY 2022/23	FORECAST FY 2023/24	FORECAST FY 2024/25	FORECAST FY 2025/26	FORECAST FY 2026/27
LAKE WOHLFORD DAM (WIFIA LOAN)	65,147,350	-	-	-	-
<b>TOTAL LOANS</b>	<b>65,147,350</b>	-	-	-	-
ALLEY UTILITIES REPLACEMENT PROJECT	300,000	2,000,000	2,000,000	-	-
WATER PIPELINE REPLACEMENT	769,830	50,000	50,000	50,000	50,000
WTP MAJOR MAINT PROJECTS	790,720	50,000	50,000	50,000	50,000
<b>TOTAL CUSTOMER FEES</b>	<b>1,860,550</b>	<b>2,100,000</b>	<b>2,100,000</b>	<b>50,000</b>	<b>50,000</b>
<b>TOTAL WATER FUND PROJECT REQUESTS</b>	<b>67,007,900</b>	<b>2,100,000</b>	<b>2,100,000</b>	<b>50,000</b>	<b>50,000</b>

## Unfunded Infrastructure Projects

#	Department	Project	Project Cost
1	Community Services	Build new Multi-use, Multigenerational Community Center/Library/Service Hub. New Center: 1 CS Supervisor II/III, 1 Recreation Coordinator, 6 Recreation Leader II (recreation staff only, not include library, BM)	\$50,000,000
2	Community Services	Mountain View Park Historic Property Restoration: This project will restore the historic Field House property located at Mountain View Park to arrest the damage that decades of deferred maintenance have caused and transform the space into an agricultural museum and event space that will celebrate and educate current and future visitors about the history and agricultural roots of historic Escondido.	\$1,250,000
3	Community Services	The Kit Carson Amphitheater is a hidden gem within the City of Escondido's Kit Carson Park. This full-service performance venue boasts a beautiful outdoor setting and is conveniently located near Westfield North County Mall, restaurants, public transportation and the 15 freeway. Improving the 42,000 square foot Amphitheater will create an opportunity to provide valuable community programs, services and activities that the City would otherwise not be able to provide.	\$1,500,000
4	Community Services	Construction of a new 2,400 square foot multipurpose community meeting room at the Escondido Sports Center. The project will also include restrooms, storage, and a kitchenette.	\$1,500,000
5	Community Services	Installation of an 18,000 square foot batting cage facility (nine cages) in Kit Carson Park, including all associated equipment.	\$300,000
6	Community Services	Daley Ranch Trail Alignment and Habitat Restoration Project: Daley Ranch is a 3,201-acre conservation area managed in perpetuity for the preservation of a biologically unique and diverse habitat area of regional importance. This project will dramatically improve trail alignment, restore habitat, and allow native flora and fauna to return to this area.	\$500,000
7	Engineering	Lining of Corrugated metal pipelines (Cat 1-4) Citywide to avoid rusting and sinkholes. Condition assessment estimate cost at \$40-M @ 20 yr. life. Current budget include approximately \$900,000 per year toward this effort, so resulting shortfall is \$22-million over 20-years	\$22,000,000
8	Engineering	Fix Top 20 Hot Spots Identified in the Local Roadway Safety Plan. Includes protected left turns at 10 locations, 2 signals, 1 roundabout, and 7 intersection improvements	\$12,000,000
9	Engineering	Centre City Parkway & Brotherton Signal: This project installs a new signal at Centre City Parkway and Brotherton Rd. to support closure of the left turn access from South Escondido Blvd. There have been numerous fatal accidents at this location, so this project will improve safety by eliminating left turn movement across this former State highway.	\$1,500,000
10	Engineering	Escondido Gateway Improvements: The Escondido Gateway Improvements relieve congestion, calm traffic, and improve safety. Phase I: Gamble to Fig / \$7-million and Phase II: Lincoln/Ash roundabout / \$ 2-million	\$9,000,000
11	Engineering	Grand Avenue Vision Plan: The Grand Avenue Vision project will widen sidewalks through a road diet to accommodate outdoor dining and pedestrian activity in our historic downtown. Additional funding, in the amount of \$6,000,000, would widen an additional block of sidewalk, build two traffic circles and add festoon lighting for two additional blocks to the project scope.	\$6,000,000
12	Engineering	Build 12 roundabouts. \$2-million/each location	\$24,000,000



## Unfunded Infrastructure Projects

#	Department	Project	Project Cost
13	Engineering	Install 2 MW of solar panels	\$3,000,000
14	Engineering	Safety Routes to School Improvements. Fill sidewalk gaps and build green corridors near schools on Citrus, Rose, Ash and Redwood. 2.75-miles of sidewalk gaps within walkshed of Hidden Valley MS, Rose Elem, Rincon M.S., Felicita Elem.	\$12,500,000
15	Engineering	Midway Drainage Improvements. Remove Midway/Valley area from floodplain (Goldenrod, Fern, Erica, Daisy & Maywood). Hundreds of homes/businesses would no longer have to pay flood insurance and could improve property	\$34,000,000
16	Engineering	Install 8.3-miles of sidewalk. Curb, gutter, and sidewalk only. No retaining walls. \$2.5-million/mile	\$20,750,000
17	Engineering	Install 30 miles of bike lanes. Slurry and re-stripe. No widening.	\$9,800,000
18	Engineering	EV Charging Stations: 30 at PAFH and 281 in park and rides. Assumes stations at park and rides would be installed by private venture	\$300,000
19	Public Safety	Hubbard Hill Fire Suppression System: installation of a chemical fire suppression system to protect emergency communications infrastructure at Hubbard Hill	\$100,000
20	Public Safety	Additional storage for vehicles and equipment at existing facilities. Add facilities before demand outpaces current services. Investment in facilities to gain efficiencies and long-term costs savings: Covered parking with solar panels, conversion of carpeted floors to polished concrete.	\$1,300,000
21	Public Safety	The Escondido Fire Department Training Tower is an integral part of ongoing training necessary for all firefighters to maintain skills and abilities. The training tower is approaching 13 years old and is in need of extensive refurbishment. In order to maintain the tower and prevent greater repair cost in the future, the following preventative maintenance is necessary: Ice Blasting and repainting all rusted surfaces \$45,000.00, Replace rusted out window frames and repaint \$20,000.00, Repair and replace all defective lighting \$5,000.00, Repair of the out-of-service water clarification system for the underground water storage cistern \$15,000.00.	\$150,000
22	Public Safety	In 2017 the Fire Department's station alerting system was upgraded with new central processing units at each fire station and the dispatch center. However, due to budget constraints the old components, such as message signs, room remotes and interface devices, were not replaced and are now over 13 years old. These components are starting to fail and they will not be supported (software and firmware) beyond 2022. New upgraded alerting system components will enable further enhancements to emergency alerting and communication.	\$315,000
23	Library	Renovate current library; add study rooms and collaborative spaces with needed equipment; add computer lab; and replace FFE; Add 1-2 FTE positions for strategic services	\$14,000,000
24	Library	Add 2nd Library Location; Add ~15 FTE for up to 20,000 sq ft location	\$20,400,000
25	Library	Mobile Van (bookmobile and outreach service)	\$100,000
26	Library	Library Book vending machines (2 locations)	\$600,000
27	Planning	General Plan Update, update every 10 years: Preparing a new GP will help us stay current and create a vision for the City's identity over time (current 20-yr cycle)	\$3,000,000

## Unfunded Infrastructure Projects

#	Department	Project	Project Cost
28	Planning / Parks	11th Avenue Park Master Plan: Enable construction of 11th Ave Park	\$300,000
29	Planning / Parks	El Caballo Park Master Plan MND: Provide environmental clearance for existing El Caballo Park Master Plan	\$125,000
30	Planning / Parks	Jesmond Dene Park Master Plan: Enable and streamline installation of improvements at Jesmond Dene Park	\$300,000
31	Planning / Parks	Mountain View Park MasterPlan: Enable and streamline installation of improvements at Mountain View Park	\$300,000
32	Planning / Parks	Rod McLeod Park MasterPlan: Enable and streamline installation of improvements at Rod McLeod Park	\$300,000
33	Planning / Parks	Washington Park Master Plan: Enable and streamline installation of improvements at Washington Park	\$250,000
34	Planning / Parks	Escondido Creek Trail Master Plan: Update/complete Creek Trail Master Plan and environmental review	\$300,000
35	Planning / Parks	Kit Carson Park Master Plan: Update KCP Master Plan including environmental review (likely EIR)	\$500,000
36	Planning / Parks	Update/Complete GDP Master Plan: Enable and streamline installation of improvements in Grape Day Park	\$300,000
			<b>\$252,540,000</b>



# CITY of ESCONDIDO

FUTURE AGENDA

5/25/2022

PRESENTATION: Award Presentation for the Annual Water Awareness Poster Contest  
PRESENTATION: Award Presentation to the HARRF staff for winning the CWEA Plant of the Year  
PRESENTATION: City Efforts on Homelessness

**CONSENT CALENDAR** - (J. PROCOPIO) - APPROVAL OF THE FINAL ASSESSMENT ENGINEER'S REPORT FOR THE LMD - Request the City Council Adopt Resolution No. 2022-26 approving the Assessment Engineer's Report and the annual levy and collection of assessments for Zones 1-38 of the City of Escondido Landscape Maintenance District ("LMD") for Fiscal Year (FY) 2022/2023.

**CONSENT CALENDAR** - (J. PERPETUA) - APPROVAL OF CALPERS INDUSTRIAL DISABILITY RETIREMENT FOR POLICE OFFICER SEAN P. DAVIDSON - It is requested that the City Council adopt Resolution No. 2022-XX, approving the California Public Employees' Retirement System (CalPERS) Industrial Disability Retirement for Police Officer Sean P. Davidson

**CONSENT CALENDAR** - (A. FINESTONE) - OUT-OF-AGENCY SEWER SERVICE AGREEMENT - it is requested that the City Council adopt Resolution 2022-52 authorizing staff to process an Out-of-Agency Sewer Service Agreement for connections to the City's sewer system, and to process an Irrevocable offer of Annexation

**CONSENT CALENDAR** - (J. AXELROD) - SAN DIEGUITO RIVER PARK JEPA AMENDMENT - REQUEST THE CITY COUNCIL APPROVE RESOLUTION 2022-58 AUTHORIZING AN AMENDMENT TO THE JOINT EXERCISE OF POWERS AGREEMENT REGARDING BOARD ALTERNATES

**CONSENT CALENDAR** - NOTICE OF COMPLETION FOR THE 2021 STREET REHABILITATION AND MAINTENANCE PROJECT – PHASE 2

**CONSENT CALENDAR** - CITY OF ESCONDIDO LANDSCAPE MAINTENANCE ASSESSMENT DISTRICT – FINAL ENGINEER'S REPORT FOR ZONES 1-38 FOR FISCAL YEAR 2022/2023.

**CURRENT BUSINESS** - (J. PROCOPIO) - APPROVAL OF THE LOCAL ROADWAY SAFETY PLAN FOR UPCOMING CALTRANS GRANTS

**CURRENT BUSINESS** - (COUNCILMEMBER MORASCO) - It is requested that the City Council consider and provide direction to staff on the preparation of a ballot measure for the November 2022 general election to set term limits for all elected city representatives.

**CURRENT BUSINESS** - (COUNCILMEMBER MORASCO) - It is requested that the City Council consider and provide direction to staff on (1) any proposed modifications to the current language in the Escondido Municipal Code relating to the City Treasurer's position and/or salary including, but not limited to, the potential to achieve financial savings, and (2) if required, the preparation of a ballot measure for the November 2022 general election related to the City Treasurer position and/or salary.

**WORKSHOP** - (C. HOLMES) - PENSION OBLIGATION BOND WORKSHOP - Request the City Council receive information on Pension Obligation Bonds and authorize staff to initiate the process of seeking court validation to issue bonds, including preparation of the necessary documents for Council approval July 13

6/8/2022

**CONSENT CALENDAR** - (C. MCKINNEY) - AMENDMENT TO CONSULTING AGREEMENT FOR EAGLE SCOUT LAKE BRIDGE PROJECT - Request the City Council adopt Resolution No. 2022-60, authorizing an amendment in an amount of \$120,000.00 to the consulting agreement with Kleinfelder, Inc. for the Eagle Scout Lake Bridge Project ("Project") in Kit Carson Park. The amendment will provide funding for additional permitting services in support of design and construction of the Project.

**PUBLIC HEARING** - (C. HOLMES) - ADOPTION OF THE FISCAL YEAR 2022/23 OPERATING BUDGET - It is requested that City Council adopt Resolution No. 2022-xx approving the Fiscal Year 2022/23 Annual Operating Budget. It is also requested that City Council adopt Resolution 2022-xx approving the Appropriations Limit (Gann Limit) for Fiscal Year 2022/23.

**PUBLIC HEARING** - (C. HOLMES) - FIVE-YEAR CAPITAL IMPROVEMENT PROGRAM AND PROJECT BUDGETS FOR FY 2022/23 - It is requested that City Council approve Resolution 2022-xx adopting the FYs 2022/23-2026/27 Five Year Capital Improvement Program and FY 2022/23 Project Budgets; and Resolution No. 2022-xx adopting the Regional Transportation Improvement Program for FYs 2022/23-2026/27.

**CURRENT BUSINESS** - (Z. BECK) - BOARDS AND COMMISSIONS SUBCOMMITTEE UPDATE -Request the City Council receive and file an update from the Boards and Commissions Subcommittee.

**CURRENT BUSINESS** - (J. PROCOPIO) - ADOPTION ORDINANCE 2022-10 - UPDATES TO CALIFORNIA VEHICLE CODE SECTION 22358.8 TO RETAIN EXISTING SPEED LIMITS ON CERTAIN STREET SEGMENTS