



Revised
11/15/2024
11:48 AM

AGENDA

SPECIAL BOARD MEETING

Board Room
3707 Old Highway 395
Fallbrook, CA 92028

Tuesday, November 19, 2024
2:00 P.M.

1. **CALL TO ORDER**
2. **ROLL CALL: Hamilton, Johnson, Mack, Townsend-Smith, Dale**
3. **PLEDGE OF ALLEGIANCE**
4. **ADDITIONS/DELETIONS/AMENDMENTS TO THE AGENDA**
5. **APPROVAL OF THE AGENDA**
6. **PUBLIC COMMENT**

Any person may address the Board at this time upon any subject not identified on this Agenda, but within the jurisdiction of Rainbow Municipal Water District; however, any matter that requires action will be referred to staff for a report and action at a subsequent Board meeting. As to matters on the Agenda, if a request to make a public comment is received, an opportunity will be given to address the Board when the matter is considered.

Members of the public may make comments in person by submitting a Speaker Slip to the Board Secretary, virtually through virtual or teleconference options, or by submitting an email to tquintanar@rainbowmwd.ca.gov no less than one hour prior to the posted start time of the meeting. Comments shall be made in an orderly manner, and profanity, slander, or abusive language which is disruptive to the meeting will not be tolerated. Individuals have a limit of three (3) minutes to make comments and will have the opportunity when called upon by the presiding officer.

7. **COMMITTEE MEETING SUMMARIES**
 - A. Budget and Finance Committee
 - B. Engineering and Operations Committee
 - C. Communications and Customer Service Committee
8. **CONSENT CALENDAR**

Consent Calendar items are expected to be routine and non-controversial, to be acted upon by the Board at one time without discussion. If any Board member, staff member, or interested person requests that an item be removed from the Calendar, it shall be removed so that it may be acted upon separately.

 - A. Notice Of Completion And Acceptance Of Minor Facilities Constructed By Customers (Districtwide)

9. ACTION ITEMS

- A. Consider Approval of an Addendum to the District's Water Tank Maintenance Contract with USG Water Solutions
- B. Consider Approval of an Increase of \$1.150M to the Pump Station Fiscal Year 24-25 Project Budget (Project #600013) for a Total Budget Of \$4.550M (Division 1)
- C. Consider Approval of a Water Billing and Service Agreement between Rainbow Municipal Water District and Eastern Municipal Water District
- D. Consider Options for the Use of One-Time Budget Savings Due to the Early Finish of Detachment From the San Diego County Water Authority
- E. Consider Adoption of a Resolution Approving and Authorizing the Execution and Delivery of an Installment Purchase Agreement With U.S. Bank for Financing \$15,800,000 Dollars for the Exit Fee From the San Diego County Water Authority
- F. Consideration of Four Rate Related Actions: (1) Adoption of an Ordinance Amending the Administrative Code to Repeal PSAWR Customer Classification and Rates and Reclassifying PSAWR Customers to Agriculture Customers, (2) Adoption of a Resolution Lowering Agriculture Rates, (3) Adoption of an Ordinance Amending Ordinance No. 23-04 Revising Provisions Relating to Construction Water Rates, and (4) Providing Direction to Staff to Not Implement the 3.6% Imported Water Cost Increase Pass-Through Rate Increase on January 1, 2025
- G. Consider Adoption of an Ordinance Authorizing Amendment to Sections 3.01.030 and 2.06.010 of the Administrative Code- Biannual Organizational Meeting and Committees Policies

10. REPORTS & COMMENTS

This is placed on the agenda to enable individual Board members, Legal Counsel, and the General Manager to convey information to the Board and the public. There is to be no discussion or action taken by the Board of Directors.

- A. Legal Counsel's Report
- B. General Manager's Report
- C. Board Member Comments
- D. Board Reports
 - 1. SDCWA
 - 2. CSDA
 - 3. LAFCO
 - 4. Santa Margarita River Watershed Watermaster Steering Committee
 - 5. ACWA
 - 6. Committees, Workshops, Seminars, Training

11. REQUESTS TO ATTEND UPCOMING MEETINGS / CONFERENCES / SEMINARS

12. SUGGESTED AGENDA ITEMS FOR THE NEXT REGULAR BOARD MEETING

13. CLOSED SESSION

- A. PUBLIC EMPLOYEE PERFORMANCE EVALUATION Pursuant to Government Code Section 54957, Title: General Manager

14. CONSIDER APPROVAL OF AMENDMENT TO THE GENERAL MANAGER EMPLOYMENT CONTRACT

15. ADJOURNMENT - To December 10, 2024, at 1:00 p.m.

ATTEST TO POSTING:

/s/Terese Quintanar
Terese Quintanar
Secretary of the Board

11/13/2024 4:29 PM
Date and Time of Posting
Outside Display Cases

Rainbow Municipal Water District (RMWD) provides remote attendance options solely as a matter of convenience to the public. RMWD will not stop or suspend its in-person public meeting should a technological interruption occur with respect to the Zoom or call-in line listed on the agenda. We encourage members of the public to attend meetings in person at 3707 Old Highway 395, Fallbrook, CA 92028, or remotely utilizing the options below:

For Online Participation:

Go to: <https://rainbowmwd.zoom.us/j/85664315900>

If members of the public attending virtually would like to ask a question or make a comment on any item listed on this agenda, please utilize the "Raise Hand" button, located at the bottom of the screen. We will be alerted that they would like to speak. When called upon, please unmute the microphone and ask the question or make comments in no more than three minutes.

For Call-in Only:

Call: (669) 900-6833, or (669) 444-9171, or
(309) 205-3325, or (312) 626-6799, or
(564) 217-2000, or (689) 278-1000
Meeting ID: 856 6431 5900

*Those who have joined by dialing a number on their telephone, can dial *9 to alert us of a request to speak, and *6 to unmute, once called upon by the presiding officer.*

In accordance with the requirements of California Government Code Section 54954.2, this agenda has been posted at the District's Administrative offices not less than 72 hours prior to the meeting date and time above. Meetings are regularly held at 1:00 p.m. All public records relating to each agenda item, including any public records distributed less than 72 hours prior to the meeting to all, or a majority of all, of the members of District's Board, are available for public inspection in the office of the District Secretary, 3707 Old Highway 395, Fallbrook, CA 92028

If you have special needs because of a disability that makes it difficult for you to participate in the meeting or you require assistance or auxiliary aids to participate in the meeting, please contact the District Secretary (760) 728-1178 by at least noon on the Friday preceding the meeting. The District will attempt to make arrangements to accommodate your disability.

BOARD INFORMATION

Item No. 7

BOARD OF DIRECTORS

SUBJECT

COMMITTEE MEETING SUMMARIES

DESCRIPTION

A verbal update will be provided at the meeting regarding meeting topics most recently discussed by the District's Standing Committees:

- A. Budget and Finance Committee
- B. Engineering and Operations Committee
- C. Communications and Customer Service Committee



Jake Wiley, General Manager

CONSENT CALENDAR

Item No. 8.A

BOARD OF DIRECTORS

November 19, 2024

SUBJECT

NOTICE OF COMPLETION AND ACCEPTANCE OF MINOR FACILITIES CONSTRUCTED BY CUSTOMERS (DISTRICTWIDE)

BACKGROUND

Customers are often required to construct improvements for Rainbow Municipal Water District (District) to develop a parcel of land within the District's boundaries. These requirements include extending a water main to serve a parcel, installing new water or sewer services, or installing a fire hydrant for fire protection. When constructing facilities to connect to an existing water main or sewer line, a customer must submit a water, sewer, or fire hydrant application, submit proposed plans for plan check services, pay all applicable fees (plan check, capacity fees, and inspection), and hire a contractor with a class "A" license to install the facilities according to the District's Standard Specifications. The customer then warrants the work free of defects for one-year following Board acceptance and filing of the Notice of Completion. The District becomes responsible for the daily operation and maintenance of the fire hydrant following the one-year warranty phase.

DESCRIPTION

The following facilities have been constructed per the District's Domestic Water, Recycled Water, and Sanitary Sewer Facilities Construction Standards Manual, inspected, and tested per specifications.

Facilities constructed and ready for acceptance include the following:

- Installation of a 1-inch Water Service at 11605 Rancho Heights Road Pala, CA 92059 constructed by Draves Pipeline, Inc. (Division 5)

Following acceptance by the Board and filing of the Notice of Completion, a one-year warranty period commences where all required maintenance and upkeep of the facilities lies with the customer. Installation costs for each project will be added to the District's total valuation.

POLICY/STRATEGIC PLAN KEY FOCUS AREA

Strategic Focus Area Two: Asset Management.

ENVIRONMENTAL

In accordance with California Environmental Quality Act (CEQA) guidelines Section 15378, the action before the Board, filing a Notice of Completion and accepting the facilities, does not constitute a "project" as defined by CEQA and further environmental review is not required at this time.

BOARD OPTIONS/FISCAL IMPACTS

The construction costs of the improvements totaling \$54,831 will be added to the District's asset valuation.

1) Option 1:

- Accept the Appurtenances Constructed by customers as complete and as shown on the District's Standard Drawings.
- Approve filing the Notice of Completion.
- Add installation costs to the District's total valuation:
 - i. \$54,831, Installation of 1-inch Water Service at 11605 Rancho Heights Road Pala, CA 92059 by Draves Pipeline, Inc.
- Make a finding that the action herein does not constitute a "project" as defined by CEQA.

2) Option 2:

- Provide other direction to staff.

STAFF RECOMMENDATION

Staff recommends Option 1.



Chad Williams
Engineering & CIP Program Manager

11/19/2024

Attachment(s):

1. Project Site Map Rancho Heights Road

**REQUESTED BY AND WHEN
RECORDED MAIL TO:**

Rainbow Municipal Water District
3707 Old Highway 395
Fallbrook, California 92028

NO FEE REQUIRED PER GOVERNMENT CODE SECTION
§6103 DEED TRANSFER TAX: \$ 0
EXEMPT FROM DOCUMENTARY TRANSFER TAX PER REV. &
TAX CODE §11922
EXEMPT FROM RECORDING FEES PER GOVT. CODE §27383

Assessor Parcel No: 109-392-57-00

NOTICE OF COMPLETION

Notice is hereby given that:

Thomas Paddon located at 436 Crestcourt Lane, Fallbrook, CA 92028("Owner"), is the developer of the 1-inch water service at 11605 Rancho Heights Road in Pala, CA; more particularly described as County of San Diego, California.

This Notice of Completion concerns the construction and acceptance of public water and sewer improvements ("Facilities") to serve said the property. The Facilities are located at 11605 Rancho Heights Road, Pala, CA 92059.

The contractor for construction of the Facilities was Draves Pipeline, Inc. P.O. Box 1051, Bonsall, CA 92003 under contract with the Owner. Work was completed on October 31, 2024.

NOTICE OF ACCEPTANCE

The Rainbow Municipal Water District ("District"), located at 3707 Old Highway 395, Fallbrook, California 92028, accepted the Facilities by Board action on November 19, 2024 The District is the owner of the Improvements in fee and easement. The Facilities are located within public streets right of way and District easements.

VERIFICATION

I, the undersigned, state that I am the General Manager of the Rainbow Municipal Water District, the public agency accepting the Facilities referred to in the foregoing Notice of Completion; that I have executed such Notice of Completion on behalf of such public agency and likewise make this verification on behalf of said public agency; and that I have read said Notice of Completion and know the contents thereof and the facts therein stated are true of my own knowledge.

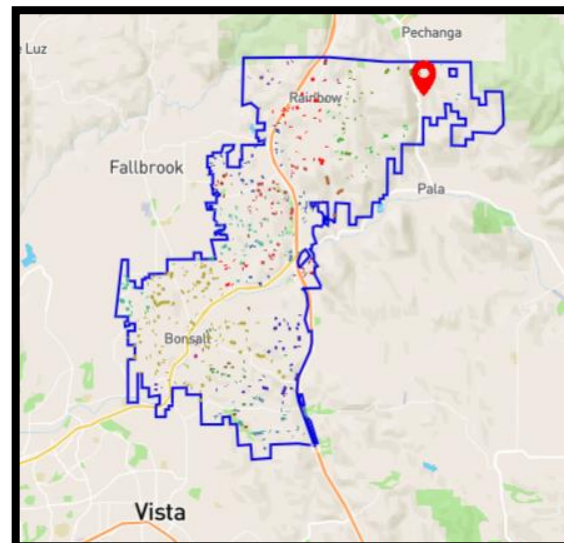
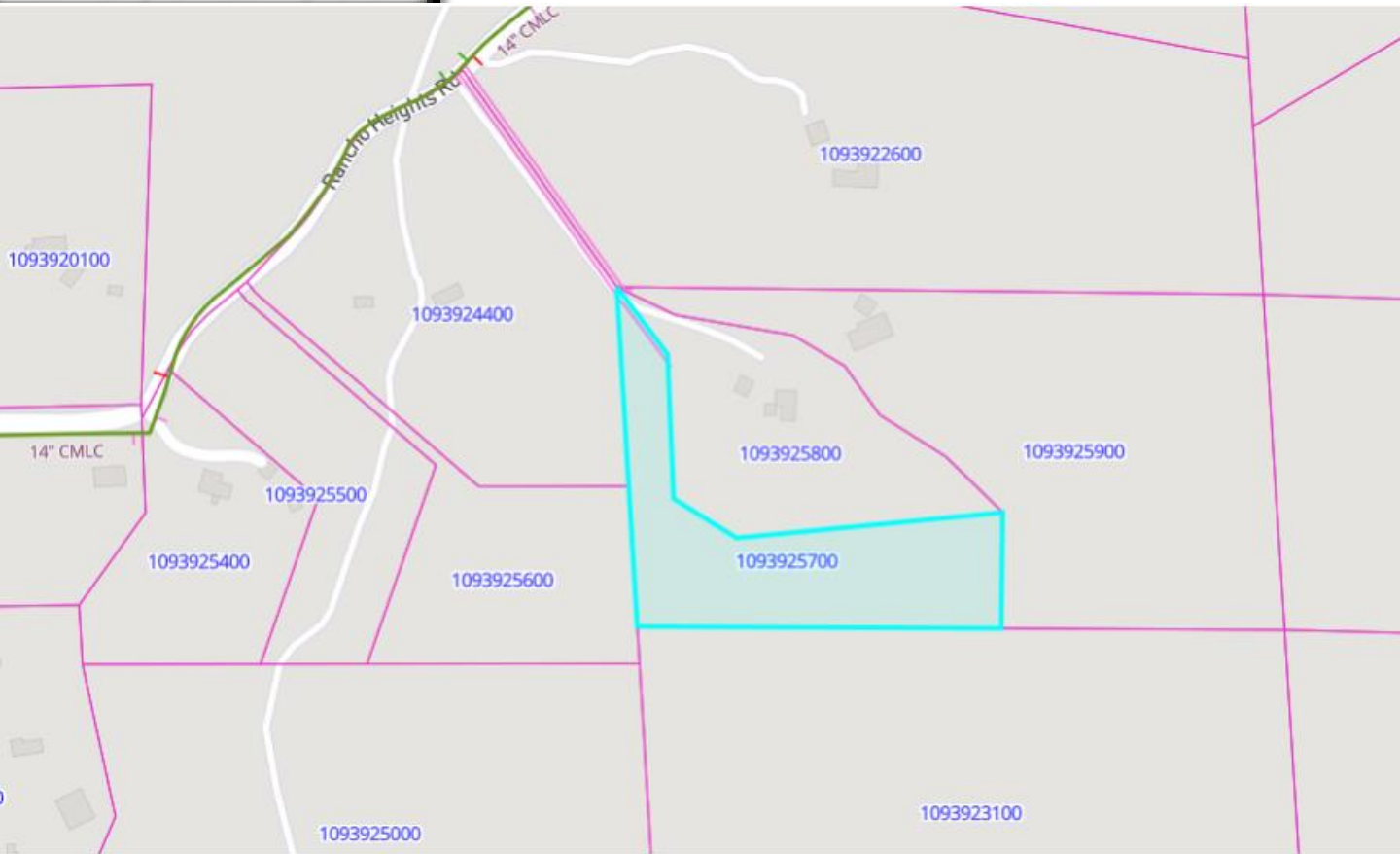
I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

November 19, 2024, Fallbrook, CA
Date and Place

Jake Wiley, General Manager
Rainbow Municipal Water District



1-INCH WATER SERVICES 11605 RANCHO HEIGHTS ROAD DISTRICT PROJECT NO. 610126



BOARD OF DIRECTORS

November 19, 2024

SUBJECT

CONSIDER APPROVAL OF AN ADDENDUM TO THE DISTRICT'S WATER TANK MAINTENANCE CONTRACT WITH USG WATER SOLUTIONS

BACKGROUND

The Engineering and Operations Committee reviewed this item at the November 5, 2024 regular meeting and recommended approval of the proposed amendment.

Rainbow Municipal Water District (District) entered into an agreement for annual tank maintenance and inspection with Utility Services Company Inc. (USC) in December 2003 (see attached, Exhibit A). The annual work included maintaining interior and exterior tank coatings for corrosion prevention and alternating visual inspections and washouts for the District's 12 welded steel tanks. A 2010 addendum to the agreement extended the expiration date to June 30, 2016. Since then, the agreement has been renewed yearly for maintenance, rehabilitation, and inspection services.

In 2015, the District and USC entered into an additional 10-year agreement for annual maintenance and inspection for the 6.0 million gallon (MG) pre-stressed concrete Pala Mesa tank, which was not included in the original 2003 agreement. In 2018, the Board approved an addendum to the original agreement for the construction of tank safety improvements. The safety improvements included the construction of metal stairways to the sides of the tanks and the installation of railing systems around the tops of the tanks. The fall prevention work was scheduled to be completed over a seven-year period.

From 2003 to present day, Utility Services Company Inc. has changed its name multiple times due to acquisition and/or restructuring. USC became Suez, then Veolia, and most recently USG Water Solutions (USG).

DESCRIPTION

Earlier this year, Staff conducted a qualitative and quantitative review of the current outsourced tank maintenance program, and notes the following:

1. The exterior of the tanks have been maintained in good condition throughout the course of the contract. The anticipated schedule for rehabilitation in the original contract (exterior re-coating every eight to nine years) has been generally adhered to either through exterior touch-ups or full recoats.
2. The visual inspections of the tanks have been frequent and generally adequate. However, Operations staff has identified certain omissions of maintenance issues in the inspection reports provided to the District by USG.
3. The washdowns have been adequate, but less regular than the visual inspections and the scheduling appears to be somewhat sporadic.

4. The interior re-coatings have been deferred much longer than anticipated in the original agreement, for the larger steel tanks (4.0MGs and larger), which comprise the most significant cost associated with tank maintenance. The contract estimated an interior coating life cycle of 10 to 11 years; however, the actual interior recoating schedule averages 16.6 years between coatings.

The Board approved a Notice of Termination be sent to USG at its August 27, 2024 Board meeting. The Board further requested that Staff begin negotiations with USG and if possible, amend the existing agreement to include more favorable terms for the District. Staff met with USG on multiple occasions and a mutually agreed upon Amendment was drafted (see attached, Exhibit B).

The amendment provides a four (4) year schedule to recoat the interiors of eight (8) tanks. Of the existing twelve (12) steel tanks, these tanks have been deferred the longest. The amendment further adds an annual meeting to discuss the proposed schedule, and language to how the tanks must be coated. The agreement continues to be year-to-year with the anniversary date on December 10th. Lastly, there is no cost increase to the District for this expedited work.

It is Staff's recommendation to amend the agreement with USG and begin work on the first tank in January 2025.

POLICY/STRATEGIC PLAN KEY FOCUS AREA

Strategic Focus Area Four: Fiscal Responsibility

ENVIRONMENTAL

In accordance with California Environmental Quality Act (CEQA) guidelines Section 15378, the action before the Board does not constitute a "project" as defined by CEQA and further environmental review is not required at this time.

BOARD OPTIONS/FISCAL IMPACTS

- 1) Option 1:
 - Approve the addendum to the current tank maintenance contract with USG Water Solutions, and authorize the General Manager to sign on behalf of the District.
 - Make a finding that the action before the Board does not constitute a "project" as defined by CEQA.
- 2) Option 2:
 - Provide other direction to staff.

Fiscal Impact: Staff compared the costs of extending the maintenance contract going forward against our current CIP plan over the next five years. The Table below summarizes the anticipated spending for both options over that time period.

Year	USG Maintenance Contract ¹	Proposed CIP ^{2,3}
2025	\$ 743,308	\$ (371,654)
2026	\$ 780,473	\$ 1,000,000
2027	\$ 819,497	\$ 1,050,000
2028	\$ 860,471	\$ 1,102,500
2029	\$ 903,495	\$ 1,157,625
Totals	\$ 4,107,244	\$ 3,938,471

1 Assumes full 5% annual escalator as defined in the USG Contract, proposes 8 Tank Interior Recoats

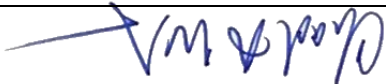
2 Includes Interior/Exterior Rehabilitation of 4 Tanks as defined in the current RMWD CIP

3 CIP Savings in Year one is deduction of 1/2 year of Maintenance Contract Cost

As shown above, the estimated costs are very similar for both options. However, the Tank Maintenance Contract, with the inclusion of this proposed addendum, includes rehabilitation of eight tanks, while the CIP proposed just four. During this period, the Tank Maintenance Contract provides additional value as USG will be responsible for all other routine maintenance items (inspections, tank washdowns, etc.).

STAFF RECOMMENDATION

Staff recommends Option 1.



Chad Williams
Engineering & CIP Manager

11/19/2024

- Attachment(s):
1. Exhibit A: Addendum To Water Tank Maintenance Contracts with USG
 2. Exhibit B: Original 2003 Agreement

Exhibit A



October 25, 2024

Mr. Chad Williams
Rainbow Municipal Water District
3707 Old Highway 395
Fallbrook, CA 92028

RE: Addendum to Water Tank Maintenance Contracts with Utility Service Co., Inc.

Dear Mr. Williams:

This letter agreement shall serve as an addendum to the Water Tank Maintenance Contracts ("Original Contracts") described as follows:

Original Contract Date	Tank Name	Gallons	Type	Tank Project #	Customer #
10-DEC-2003	CANONITA TANK	6,000,000	G.S.T.	110431	16366
10-DEC-2003	GOPHER TANK	4,000,000	G.S.T.	110432	16366
10-DEC-2003	GOMEZ TANK	3,000,000	G.S.T.	110433	16366
10-DEC-2003	MAGEE TANK	3,000,000	G.S.T.	110434	16366
10-DEC-2003	VALLECITOS TANK	400,000	G.S.T.	110435	16366
10-DEC-2003	HUTTON TANK	4,000,000	G.S.T.	110436	16366
10-DEC-2003	MORRO TANK	4,000,000	G.S.T.	110438	16366
10-DEC-2003	RAINBOW HEIGHTS TANK	4,000,000	G.S.T.	110439	16366
10-DEC-2003	RICE TANK	4,000,000	G.S.T.	110440	16366
10-DEC-2003	LOWER LOOKOUT MT U-2 TANK	2,000,000	G.S.T.	110441	16366
10-DEC-2003	TURNER TANK	4,000,000	G.S.T.	110442	16366
10-DEC-2003	UPPER LOOKOUT MT U-1 TANK	500,00	G.S.T.	110443	16366

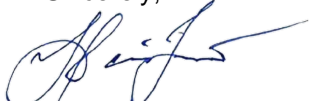
The following changes shall be made to the Original Contract :

1. The Parties have agreed upon a projected four (4) year interior coatings work schedule set forth in the included Exhibit A – Projected Interior Coatings Work Schedule, which shall be incorporated into the Contract.
2. Once each Contract Year at a time mutually agreed upon by the parties, the Company and Owner will hold an annual meeting at the Owner's business address to review the work performed that Contract Year, and any impacts to Exhibit A, to include adding an additional year to the schedule at each annual meeting. At least two (2) weeks prior to the annual meeting, the Company shall provide the Owner with tank inspection reports for the then-current Contract Year. The Company will send the reports via e-mail.
3. All cleaning, surface preparation, coating application, thickness, testing, and coating materials (where available) shall be in accordance with the most recent approved applicable standards of the following: AWWA, ANSI, NACE, (now referred to as AMPP), SSPC, (now referred to as AMPP), NSF, and ASTM. When the proposed products will be in contact with treated or raw water in potable water treatment facilities, Contractor shall submit certifications that the proposed systems comply with ANSI/NSF 61.

Any and all other aspects of the Original Contracts not addressed in this addendum shall remain unmodified and in full force and effect.

We appreciate this opportunity and look forward to working with you in the future. Please sign below indicating your agreement with the terms of this addendum.

Sincerely,



G. David Forrester
 VP Tank LOB

Rainbow Municipal Water District

Authorizing Signature: _____ **Title:** _____

The above signatory certifies that he or she is duly authorized to sign this Addendum on behalf of the entity(ies) represented.

Printed Name: _____ **Date:** _____

Exhibit A - Projected Interior Coatings Work Schedule*

Year	Tank Name	Size	Projected Start Date
2025	Hutton	4M GST	1/15/2025
	Rainbow Heights	4M GST	3/1/2025
2026	Gopher	4M GST	2/1/2026
	Turner	4M GST	4/1/2026
2027	Cantonia	6M GST	2/1/2027
	Rice	4M GST	4/1/2027
2028	Gomez	3M GST	2/1/2028
	Vallecitos	400K GST	4/1/2028

***For illustrative purposes only.**



COPY

RAINBOW MUNICIPAL WATER DISTRICT
3707 S. HIGHWAY 395, FALLBROOK, CALIFORNIA 92028
TELEPHONE: (760) 728-1178 FAX: (760) 728-2575

MAINTENANCE CONTRACT

AGREEMENT

THIS AGREEMENT is made on this 10th day of December, 2003, by and between RAINBOW MUNICIPAL WATER DISTRICT OF SAN DIEGO COUNTY, a public agency of the State of California, with its headquarters at Fallbrook, California, hereinafter designated as the "District" and Utility Service Co., Inc., located at 5618 W. 79th Street, Los Angeles, CA 90045 represented by Steven E. Bishop, hereinafter designated as the "Contractor", Telephone: (310) 649-5573.

Project Description – Provide labor and materials to maintain twelve (12) steel water tanks. Scope and fee attached as Exhibit "A". All work to be performed in accordance with Exhibit "A.", and Exhibit "B".

Workers' Compensation Insurance - By his/her signature hereunder, Contractor certifies that he/she is aware of the provisions of Section 3700 of the California Labor Code which require every employer to be insured against liability for workers compensation or to undertake self-insurance in accordance with the provisions of that code, and he/she will comply with such provisions before commencing the performance of the work of this agreement.

Indemnification - To the fullest extent permitted by law Contractor shall indemnify and hold harmless and defend Rainbow Municipal Water District, its directors officers employees, or authorized volunteers, and each of them from and against:

- a. Any and all claims, demands, causes of action, damages costs, expenses, losses or liabilities, in law or in equity of every kind or nature whatsoever for, but not limited to, injury to or death of any person including Rainbow Municipal Water District and/or Contractor, or any directors, officers, employees, or authorized volunteers of Rainbow Municipal Water District or Contractor, and damages to or destruction of property of any person, including but not limited to, Rainbow Municipal Water District and/or Contractor or their directors, officers, employees or authorized volunteers, arising out of or in any manner directly or indirectly connected with the work to be performed under this agreement, however caused regardless of any negligence of Rainbow Municipal Water District or its directors, officers employees or authorized volunteers, except the sole negligence or willful misconduct or active negligence of Rainbow Municipal Water District or its directors, officers, employees, or authorized volunteers.

- b. Any and all actions, proceedings, damages, costs, expenses, penalties or liabilities, in law or equity, of every kind or nature whatsoever, arising out of, resulting from, or on account of the violation of any governmental law or regulation, compliance with which is the responsibility of Contractor;
- c. Any and all losses, expenses, damages (including damages to the work itself), attorneys' fees, and other costs, including all costs of defense, which any of them may incur with respect to the failure, neglect, or refusal of Contractor to faithfully perform the work and all of the Contractor's obligations under the agreement. Such costs, expenses, and damages shall include all costs, including attorneys' fees, incurred by the indemnified parties in any lawsuit to which they are a party.

Contractor shall defend, at Contractor's own cost, expense and risk, any and all such aforesaid suits, actions, or other legal proceedings of every kind that may be brought or instituted against Rainbow Municipal Water District or its directors, officers, employees, or authorized volunteers.

Contractor shall pay and satisfy any judgment, award or decree that may be rendered against Rainbow Municipal Water District or its directors, officers, employees, or authorized volunteers, in any and all such suits, actions, or other legal proceedings.

Contractor shall reimburse Rainbow Municipal Water District or its directors, officers, employees, or authorized volunteers, for any and all legal expenses and costs incurred by each of them in connection therewith or in enforcing the indemnity herein provided.

Contractor's obligation to indemnify shall not be restricted to insurance proceeds, if any, received by the Rainbow Municipal Water District, or its directors, officers, employees, or authorized volunteers.

GENERAL CONDITIONS

Laws, Regulations and Permits - The Contractor shall give all notices required by law and comply with all laws, ordinances, rules and regulations pertaining to the conduct of the work. The Contractor shall be liable for all violations of the law in connection with work furnished by the Contractor. If the Contractor observes that the drawings or specifications are at variance with any law or ordinance, rule or regulation, he/she shall promptly notify the Rainbow Municipal Water District engineer in writing and any necessary changes shall be made by written instruction or change order. If the Contractor performs any work knowing it to be contrary to such laws, ordinances, rules or regulations and without giving notice to the Rainbow Municipal Water District engineer, the Contractor shall bear all costs arising therefrom.

Safety - The Contractor shall execute and maintain his/her work so as to avoid injury or damage to any person or property. The Contractor shall comply with the requirements of the specifications relating to safety measures applicable in particular operations or kinds of work.

In carrying out his/her work, the Contractor shall at all times exercise all necessary precautions for the safety of employees appropriate to the nature of the work and the conditions under which the work is to be performed, and be in compliance with all applicable federal, state and local statutory and regulatory requirements including California Department of Industrial Relations (Cal/OSHA) regulations; and the U.S.

Department of Transportation Omnibus Transportation Employee Testing Act. Safety precautions, as applicable, shall include but shall not be limited to: adequate life protection and life saving equipment; adequate illumination; instructions in accident prevention for all employees, such as the use of machinery guards, safe walkways, scaffolds, ladders, bridges, gang planks, confined space procedures, trenching and shoring, fall protection, and other safety devices; equipment and wearing apparel as are necessary or lawfully required to prevent accidents, injuries, or illnesses; and adequate facilities for the proper inspection and maintenance of all safety measures.

The Contractor shall be responsible for the safeguarding of all utilities. At least two working days before beginning work, the Contractor shall call the Underground Service Alert (USA) in order to determine the location of sub-structures. The Contractor shall immediately notify the Rainbow Municipal Water District and the utility owner if he/she disturbs, disconnects, or damages any utility.

In accordance with Section 6705 of the California Labor Code, the Contractor shall submit to the Rainbow Municipal Water District specific plans to show details of provisions for worker protection from caving ground during excavations of trenches of five feet or more in depth. The excavation/trench safety plan shall be submitted to and accepted by the Rainbow Municipal Water District prior to starting excavation. The trench safety plan shall have details showing the design of shoring, bracing, sloping or other provisions to be made for worker protection from the hazard of caving ground. If such a plan varies from the shoring system standards established by the Construction Safety Orders of the California Department of Industrial Relations (Cal/OSHA), the plan shall be prepared by a California registered civil or structural engineer. As part of the plan, a note shall be included stating that the registered civil or structural engineer certifies that the plan complies with the Cal/OSHA Construction Safety Orders, or that the registered civil or structural engineer certifies that the plan is not less effective than the shoring, bracing, sloping or other provisions of the Safety Orders. In no event shall the Contractor use a shoring, sloping, or protective system less effective than that required by said Construction Safety Orders. Submission of this plan in no way relieves the Contractor of the requirement to maintain safety in all areas. If excavations or trench work requiring a Cal/OSHA permit are to be undertaken, the Contractor shall submit his/her permit with the excavation/trench work safety plan to the Rainbow Municipal Water District before work begins.

The names and telephone numbers of at least two medical doctors practicing in the vicinity and the telephone number of the local ambulance service shall be prominently displayed adjacent to telephones.

Commercial General Liability and Automobile Liability Insurance - The Contractor shall provide and maintain the following commercial general liability and automobile liability insurance:

Coverage - Coverage for commercial general liability and automobile liability insurance shall be at least as broad as the following:

1. Insurance Services Office (ISO) Commercial General Liability Coverage (Occurrence Form CG 0001)
2. Insurance Services Office (ISO) Business Auto Coverage (Form CA 0001), covering Symbol 1 (any auto)

Limits - The Contractor shall maintain limits no less than the following:

1. General Liability - One million dollars (\$1,000,000) per occurrence for bodily injury, personal injury and property damage. If Commercial General Liability Insurance or other form with a general aggregate limit or products-completed operations aggregate limit is used, either the general aggregate limit shall apply separately to the project/location (with the ISO CG 2503, or ISO CG 2504, or insurer's equivalent endorsement provided to the Rainbow Municipal Water District) or the general aggregate limit and products-completed operations aggregate limit shall be twice the required occurrence limit.
2. Automobile Liability - One million dollars (\$1,000,000) for bodily injury and property damage each accident limit.

Required Provisions - The general liability and automobile liability policies are to contain, or be endorsed to contain, the following provisions:

1. The Rainbow Municipal Water District, its directors, officers, employees, and authorized volunteers are to be given insured status (via ISO endorsement CG 2010, CG 2033, or insurer's equivalent for general liability coverage) as respects: liability arising out of activities performed by or on behalf of the Contractors; products and completed operations of the Contractor; premises owned, occupied or used by the Contractor; and automobiles owned, leased, hired or borrowed by the Contractor. The coverage shall contain no special limitations on the scope of protection afforded to the Rainbow Municipal Water District, its directors, officers, employees, or authorized volunteers.
2. For any claims related to this project, the Contractor's insurance shall be primary insurance as respects the Rainbow Municipal Water District, its directors, officers, employees, or authorized volunteers. Any insurance, self-insurance, or other coverage maintained by the Rainbow Municipal Water District, its directors, officers, employees, or authorized volunteers shall not contribute to it.
3. Any failure to comply with reporting or other provisions of the policies including breaches of warranties shall not affect coverage provided to the Rainbow Municipal Water District, its directors, officers, employees, or authorized volunteers.
4. The Contractor's insurance shall apply separately to each insured against whom claim is made or suit is brought, except with respect to the limits of the insurer's liability.
5. Each insurance policy required by this agreement shall state, or be endorsed to state, that coverage shall not be canceled by the insurance carrier or the Contractor, except after thirty (30) days (10 days for non-payment of premium) prior written notice by U.S. mail has been given to the Rainbow Municipal Water District.

Such liability insurance shall indemnify the Contractor and his/her sub-contractors against loss from liability imposed by law upon, or assumed under contract by, the Contractor or his/her sub-contractors for damages on account of such bodily injury (including death), property damage, personal injury, completed operations, and products liability.

The general liability policy shall cover bodily injury and property damage liability, owned and non-owned equipment, blanket contractual liability, completed operations liability, explosion, collapse, underground excavation, and removal of lateral support.

The automobile liability policy shall cover all owned, non-owned, and hired automobiles.

All of the insurance shall be provided on policy forms and through companies satisfactory to the Rainbow Municipal Water District.

Deductibles and Self-Insured Retentions - Any deductible or self-insured retention must be declared to and approved by the Rainbow Municipal Water District. At the option of the Rainbow Municipal Water District, the insurer shall either reduce or eliminate such deductibles or self-insured retentions.

Acceptability of Insurers - Insurance is to be placed with insurers having a current A.M. Best rating of no less than A:VII or equivalent or as otherwise approved by the Rainbow Municipal Water District.

Workers' Compensation and Employer's Liability Insurance - The Contractor and all sub-contractors shall insure (or be a qualified self-insured) under the applicable laws relating to workers' compensation insurance, all of their employees working on or about the construction site, in accordance with the "Workers' Compensation and Insurance Act", Division IV of the Labor Code of the State of California and any Acts amendatory thereof. The Contractor shall provide employer's liability insurance with limits of no less than \$1,000,000 each accident, \$1,000,000 disease policy limit, and \$1,000,000 disease each employee.

Responsibility for Work - Until the completion and final acceptance by the Rainbow Municipal Water District of all the work under and implied by this agreement, the work shall be under the Contractor's responsible care and charge. The Contractor shall rebuild, repair, restore and make good all injuries, damages, re-erectations, and repairs occasioned or rendered necessary by causes of any nature whatsoever.

The Contractor shall provide and maintain builder's risk insurance (or installation floater) covering all risks of direct physical loss, damage or destruction to the work in the amount specified in the General Conditions, to insure against such losses until final acceptance of the work by the Rainbow Municipal Water District. Such insurance shall insure at least against the perils of fire and extended coverage, theft, vandalism and malicious mischief, and collapse.¹ The Rainbow Municipal Water District, its directors, officers, employees, and authorized volunteers shall be named insureds on any such policy. The making of progress payments to the Contractor shall not be construed as creating an insurable interest by or for the Rainbow Municipal Water District or be construed as relieving the Contractor or his/her subcontractors of responsibility for loss from any direct physical loss, damage or destruction occurring prior to final acceptance of the work by the Rainbow Municipal Water District.

¹ Addition of earthquake and flood should be considered if loss potential from these perils is significant.

The Contractor shall waive all rights of subrogation against the Rainbow Municipal Water District, its directors, officers, employees, or authorized volunteers.

Evidences of Insurance - Prior to execution of the agreement, the Contractor shall file with the Rainbow Municipal Water District a certificate of insurance (Acord Form 25-S or equivalent) signed by the insurer's representative evidencing the coverage required by this agreement. Such evidence shall include an additional insured endorsement signed by the insurer's representative and evidence of waiver of rights of subrogation against the Rainbow Municipal Water District (if builder's risk insurance is applicable). Such evidence shall also include confirmation that coverage includes or has been modified to include Required Provisions 1-5.

The Contractor shall, upon demand of the Rainbow Municipal Water District, deliver to the Rainbow Municipal Water District such policy or policies of insurance and the receipts for payment of premiums thereon.

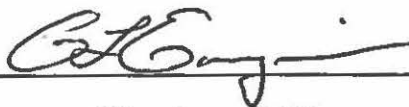
Continuation of Coverage - If any of the required coverages expire during the term of this agreement, the Contractor shall deliver the renewal certificate(s) including the general liability additional insured endorsement and evidence of waiver of rights of subrogation against the Rainbow Municipal Water District (if builder's risk insurance is applicable) to the Rainbow Municipal Water District at least ten (10) days prior to the expiration date.

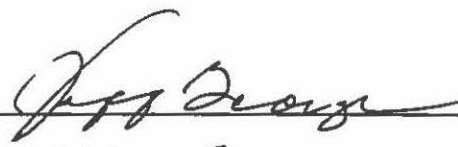
Sub-Contractors - In the event that the Contractor employs other contractors (sub-contractors) as part of the work covered by this agreement, it shall be the Contractor's responsibility to require and confirm that each sub-contractor meets the minimum insurance requirements specified above.

Note: This agreement is binding on the assigns of the District and on the assigns, successors and representatives of the District and the Contractor.

RAINBOW MUNICIPAL WATER DISTRICT
OF SAN DIEGO COUNTY

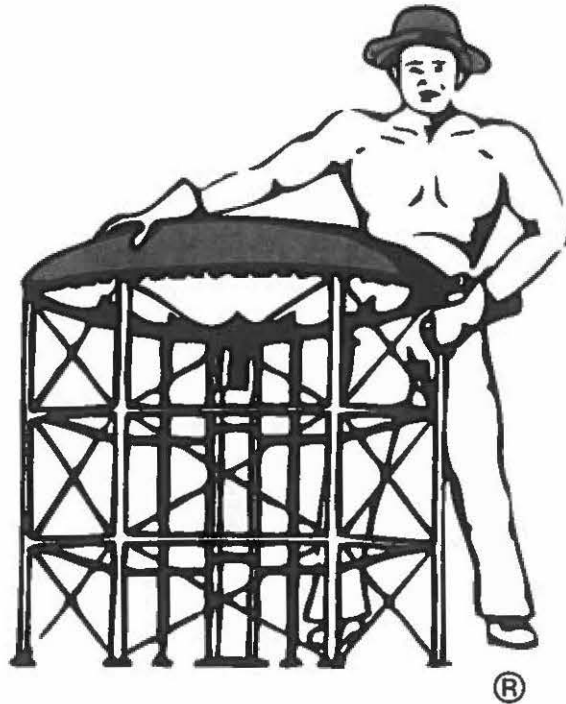
CONTRACTOR:


Name G.L. ENSMINGER
Title General Manager
Date 12/10/03

BY 
NAME JEFF GEORGE
TITLE Vice President
DATE 12/10/03

UTILITY SERVICE co., inc.

WATER TANK MAINTENANCE CONTRACT

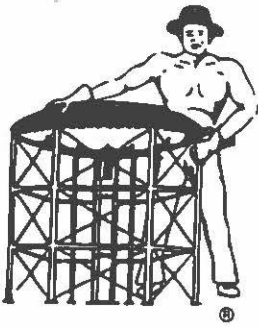


Owner RAINBOW MUNICIPAL WATER DISTRICT

Tank Size TWELVE [12] TANKS

Location FALLBROOK, CALIFORNIA

Date NOVEMBER 17, 2003



UTILITY SERVICE co., inc.

535 Courtney Hodges Blvd.
P.O. Box 1354 • Perry, GA 31069

Phone (478) 987-0303
(800) 223-3695

Fax (478) 987-2991
www.utilityservice.com

WATER TANK MAINTENANCE CONTRACT

This agreement entered into, by, and between Rainbow Municipal Water District hereinafter known as the Owner, and Utility Service Co., Inc. hereinafter known as the Company.

The Owner agrees to employ the Company to provide the professional service needed to maintain its Twelve [12] Water Tanks located at Fallbrook, California.

This agreement binds the Company to total responsibility for the care and maintenance of the above described water storage tanks. Care and maintenance shall include but not be limited to the following:

The Company will annually inspect and service the tanks beginning in the year 2003. The tanks and towers will be thoroughly inspected to ensure that the structures are in a sound, water tight condition.

Biennially, beginning with the first washout/inspection in See Attached Schedule, the tanks will be completely drained and cleaned to remove all mud, silt, and other accumulations that might be harmful to the tanks or their contents. This cleaning will utilize high pressure equipment with chemical injection. After cleaning is completed, the interior will be thoroughly inspected and disinfected prior to returning to service.

The Company shall furnish all specialized services including engineering and inspection services needed to carry out any and all repairs to the tanks and towers needed during the term of this contract. These repairs include steel replacement, steel parts, expansion joints, water level indicators, sway rod adjustments, manhole covers/gaskets, and other component parts of the tanks or towers.

The Company will clean and repaint the interior and/or exterior of the tanks at such time as complete repainting is needed. The need for interior painting is to be determined by the thickness of the existing liner and its protective condition. The need for exterior painting is to be determined by the appearance and protective condition of the existing paint.

When painting is needed, all products and procedures will be equal to or exceed the requirements of the San Diego Air Pollution Control District, the American Water Works Association, and the Steel Structures Painting Council as to surface preparation, coating materials, and disinfection.

When interior renovation is needed, procedures as outlined in A.W.W.A.-D102 specifications for cleaning and coating of potable water tanks will be followed. Only material approved for use in potable water tanks will be used on any interior surface area.

At the time the exterior requires painting, the Company agrees to utilize a coating system which best suits the site conditions, environment, and general location of the tanks.

The Company will install an anti-climb device on the access ladder to prevent unauthorized persons from climbing the towers.

A lock will be installed on the roof hatch of the tanks to prevent any unauthorized entry to the water tanks. Keys to the tanks will be retained by the Owner and the Company.

The Company will provide emergency service to handle any problems with the tanks at no additional cost to the Owner. Reasonable travel time must be allowed for the repair unit to reach the tank site.

The Company will furnish relief valves, if needed, to install in the water system so the Owner can pump direct and maintain water pressure while the tanks are being serviced.

The Company will furnish current certificates of insurance coverage to the Owner at the time any work is performed or upon renewal of any policy.

The Owner shall have the right to continue this contract for an indefinite period of time providing the annual fee is paid in accordance with the terms of payment. **The annual base fee for the twelve [12] tanks is established at \$715,000.00 during the initial ten [10] years of the Maintenance Program due to upfront renovations completed in Year 1 through Year 4. The annual fee in Years 11 and 12 is established at \$508,672.00.**

In year **2015** and each third year thereafter, the annual fee will be adjusted to reflect the current cost of service. The adjustments, either up or down, shall be limited to a maximum of 5% annually. **The adjustment is based off of the established base fee of \$508,672.00.**


It is agreed that future mandated environmental, health, or safety requirements which cause significant changes in the cost of tank maintenance will be just cause for modification of this agreement. The Company is accepting these tanks under program based upon existing structure and components [ANY MODIFICATIONS TO THE TANKS, INCLUDING ANTENNA INSTALLATIONS, SHALL BE APPROVED BY UTILITY SERVICE CO., INC. PRIOR TO IMPLEMENTATION AND MAY WARRANT AN INCREASE IN THE ANNUAL FEE]. This contract does not include the cost for containment or disposal of any hazardous waste materials, nor resolution to operational problems due to cold weather, Acts of God, or other conditions which are beyond the Owners and Company control.

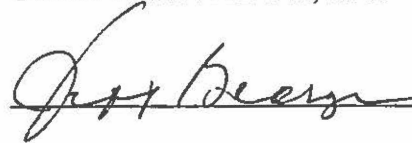
This contract is subject to cancellation by the Owner only if intent to cancel is received by the Company ninety [90] days prior to the anniversary date. Notice of Cancellation is to be delivered by registered mail and signed by three [3] authorized voting officials of the Owner's management and/or Commissioners.

This Agreement signed this 10TH day of December, 2003.

OWNER:

UTILITY SERVICE CO., INC.





by G.L. Ensminger, G.M.
title

by Jeff George, Vice President
title

witness Joyce L. Jamlinson

witness Regina J. Aitken

seal:

seal:

Addenda to Contract Number Twelve [12] Tanks, Dated 11-17-03

No. 1

PAYMENT TERMS: *All applicable taxes are the responsibility of the Owner and in addition to the stated costs and fees in this contract.* The annual fee shall be due and payable quarterly at \$178,750.00. The first quarterly fee is due November 1, 2003.

No. 2

Should the Owner elect to cancel the contract prior to the tenth year anniversary, any outstanding balance for completed work is due and payable within thirty [30] days of cancellation.

Owner

by GFB

date 12-10-03

witness Joyce L. Jamunson

Utility Service Co., Inc.

by Jess Deery

date 11-17-03

witness Regina J. Athan

The above signatories certify that they are duly authorized to sign this Contract and the Addenda on behalf of the entities represented.

The Company reserves the right to assign any outstanding receivables from this Contract to its Bank or other Lending Institutions as collateral for any Loans or Lines of Credit.

SEAL

SEAL

**RAINBOW MUNICIPAL WATER DISTRICT
FALLBROOK, CALIFORNIA
PROJECTED WORK SCHEDULE**

TANK	1	2	3	4	5	6	7	8	9	10
CONSUITA	INT, EXT, R	VIS	W/O	VIS	W/O	VIS	W/O	VIS	EXT, W/O	VIS
GOMEZ	INT, EXT, R	VIS	W/O	VIS	W/O	VIS	W/O	VIS	EXT, W/O	VIS
GOPHER	INT, EXT, R	VIS	W/O	VIS	W/O	VIS	W/O	VIS	EXT, W/O	VIS
U1	EXT,W/O, R	INT	VIS	W/O	VIS	W/O	VIS	W/O	EXT	W/O
MORRO	EXT,W/O, R	INT	VIS	W/O	VIS	W/O	VIS	W/O	EXT	W/O
RAINBOW	EXT,W/O, R	VIS	INT	VIS	W/O	VIS	W/O	VIS	EXT, W/O	VIS
VALLECITOS	EXT,W/O, R	VIS	INT	VIS	W/O	VIS	W/O	VIS	EXT, W/O	VIS
TURNER	EXT,W/O, R	VIS	INT	VIS	W/O	VIS	W/O	VIS	EXT, W/O	VIS
RICE	EXT,W/O, R	VIS	INT	VIS	W/O	VIS	W/O	VIS	EXT, W/O	VIS
MAGEE	EXT,W/O, R	VIS	VIS	INT	VIS	W/O	VIS	W/O	EXT	W/O
HUTTON	EXT,W/O, R	VIS	VIS	INT	VIS	W/O	VIS	W/O	EXT	W/O
U-2	EXT,W/O, R	VIS	VIS	INT	VIS	W/O	VIS	W/O	EXT	W/O

EXT = EXTERIOR RENOVATION, ON 8 TO 9 YEAR CYCLES

INT = INTERIOR RENOVATION, ON 10 TO 11 YEAR CYCLES

R = REPAIRS

W/O = WASHOUT OR DIVE INSPECTION

VIS = NACE CERTIFIED INSPECTION, TANK IN SERVICE

**RAINBOW MUNICIPAL WATER DISTRICT
FALLBROOK, CALIFORNIA
TWELVE [12 TANKS AND INITIAL ANNUAL FEES**

NAME OF TANK	ANNUAL FEE
CONSUITA	\$101,495
GOMEZ	\$65,007
GOPHER	\$72,876
HUTTON	\$70,753
MAGEE	\$58,470
MORRO	\$68,825
RAINBOW	\$70,308
VALLECITOS	\$16,501
TURNER	\$67,700
RICE CANYON	\$72,309
U-1	\$16,825
U-2	\$33,931
TOTAL	\$715,000

October 29, 2003

EXHIBIT 'B'

The following is a list of additional conditions, requirements and/or clarifications for the water tank maintenance contract between Rainbow Municipal Water District and Utility Service Co., Inc. entitled Twelve (12) Tanks, dated 10-13-03.

1. The Owner, Rainbow Municipal Water District, shall be named as additional insured for liability and workers compensation insurance.
2. The Company will perform all work in compliance with CalOSHA safety regulations, including confined space access safety requirements.
3. The Company will provide full access to facilities being maintained for the Owner's Engineers, Operators, and Inspectors during all phases of the work.
4. The Company will perform all structural repairs requiring welding only with welders certified in the State of California.
5. Prior to each tank repair/coating activity, the Company will provide to the Owner, material data sheets with written installation recommendations from the materials manufacturer.
6. All work performed by the Company will be in strict conformance with all applicable Rainbow Municipal Water District Standards as stated in the April 2003 Standards Manual.

BOARD ACTION

Item No. 9.B

BOARD OF DIRECTORS

November 19, 2024

SUBJECT

CONSIDER APPROVAL OF AN INCREASE OF \$1.150M TO THE PUMP STATION FISCAL YEAR 24-25 PROJECT BUDGET (PROJECT #600013) FOR A TOTAL BUDGET OF \$4.550M (DIVISION 1)

BACKGROUND

The Hutton, Turner, and Gopher Canyon tanks and associated pressure zones receive water from San Diego County Water Authority (SDCWA) connections 3, 6, and 11. As part of detaching from the SDCWA, these connections will no longer be available to the District. The District will need to transport water from its northern connections, specifically the Morro Zone, to its southern zone to fill the aforementioned tanks. Construction of the West Lilac, Rancho Amigos, and Dentro De Lomas pump stations will enable the District to transport water to the southern zone and associated tanks and allow the District to complete the detachment process with SDCWA.

At the January 26, 2021 meeting, the Board approved a design contract with Hoch Consulting for two projects associated with the replacement of the diesel driven temporary pumps with electric driven and secured permanent pumps at West Lilac and Rancho Amigos pump station sites. Subsequently, to provide efficiencies in design, bidding, construction costs, and added reliability, a third replacement pump station project, Dentro De Lomas (Dentro), was included. Hoch Consulting completed the design plans for the project in August 2023, which include the installation of three (3) prefabricated EFI pump stations.

Following a public bidding process, Pacific Hydrotech Corporation was the lowest responsible and responsive bidder. At the December 19, 2023 meeting, the Board awarded a construction contract to Pacific Hydrotech Corporation for the construction of the West Lilac, Rancho Amigos, and Dentro pump stations project.

DESCRIPTION

The Board awarded a construction contract to Pacific Hydrotech Corporation in the amount of \$5,657,500. The cost to fabricate the three EFI pump stations was a total of \$6,765,187. A total project budget of 12.9M was established for the project that would span Fiscal Years (FY) 23-24 (\$9.5M) and 24-25 (\$3.4M).

All three (3) pump stations are on-line and in use, and the project is nearly complete. The Notice of Completion is scheduled to be brought before the Board in early 2025. In preparation of closing out the project, Staff found two noteworthy expenditures that were not included in the initial approved budget. These expenditures include two (2) change orders, approved under the General Manager's authority, to Pacific Hydrotech Corporation for a total of \$398,415 and approximately \$524,000 in sales tax for the EFI prefabricated pump stations. When preparing the project budget for FY24-25, Staff did not realize that sales tax was not included. This oversight should have been identified and included in the final

budget that the Board approved in June 2024. The remaining \$227,585 consists of several smaller expenses. These expenses include environmental reviews, geotechnical support, bridge assessment (Rancho Amigos Pump Station Site), easement maintenance, and expediting of San Diego Gas & Electric construction to bring power to each of the sites totaling approximately \$227,585.

The FY 24-25 budget of \$3.4M requires an adjustment in the amount of \$1.15M to complete the project. The table below provides a summary of project expenditures and details on the requested \$1.15M adjustment.

BUDGET ADJUSTMENT SUMMARY TABLE

#	DESCRIPTION	AMOUNT
1	EFI Sales Tax	\$524,000
2.	Pacific Hydro Tech Corp Change Orders 1 & 2	\$398,415
3.	Misc Expenses	\$227,585
	Total	\$1,150,000

This item was brought before the Engineering and Operations Committee at the November meeting, and the Committee recommended approval of the requested budget adjustment.

POLICY/STRATEGIC PLAN KEY FOCUS AREA

Strategic Focus Area Two: Asset Management

ENVIRONMENTAL

In accordance with California Environmental Quality Act (CEQA) guidelines Section 15378, the action before the Board does not constitute a “project” as defined by CEQA for increasing the project budget. Previous Board action addressed the CEQA requirements on the construction project.

FISCAL IMPACTS

Staff is planning to fund the increase in the project budget of \$1.15M from the anticipated tax-exempt financing. This will increase this fiscal year’s project budget from \$3.4M to \$4,550,000.

BOARD OPTIONS

There are no alternatives provided.

STAFF RECOMMENDATION

Staff recommends the Board increase the FY 24-25 budget for Project# 600013 in the amount of \$1,150,000 for a total FY 24/25 project budget of \$4,550,000.

Chad Williams
Engineering & CIP Program Manager

11/19/2024

BOARD OF DIRECTORS

November 19, 2024

SUBJECT

CONSIDER APPROVAL OF A WATER BILLING AND SERVICE AGREEMENT BETWEEN RAINBOW MUNICIPAL WATER DISTRICT AND EASTERN MUNICIPAL WATER DISTRICT

BACKGROUND

In March 2020, and Rainbow Municipal Water District (Rainbow Water) filed a Reorganization Application with the San Diego County Local Agency Formation Commission (LAFCO) seeking approval to detach from the San Diego County Water Authority and concurrent annexation into Eastern Municipal Water District (EMWD). In July of 2023, San Diego LAFCO conditionally approved Resolution 23-12, for the detachment of Rainbow Water from the SDCWA and concurrent annexation of Rainbow Water EMWD's service boundary, subject to satisfying various conditions. Among the conditions was the successful approval by the voters within Rainbow Water's service boundary for the detachment from the SDCWA, and payment to the SDCWA of an "Exit Fee." Subsequently, the SDCWA initiated litigation, for which a Settlement Agreement was reached in December 2023. The Settlement Agreement included additional conditions, including the development of an Operations Plan, and completion of construction of facilities necessary to serve Rainbow's service area without SDCWA facilities.

With all conditions being met in late October 2024, LAFCO filed the Certificate of Completion with the County of San Diego and the County of Riverside, finalizing the reorganization of Rainbow with its concurrent detachment from the Water Authority and annexation into EMWD's service area, effective November 1, 2024.

DESCRIPTION

As the District is now part of EMWD service territory and a wholesale customer of EMWD, the terms, conditions, and financial arrangements for EMWD to provide water service to Rainbow Water need to be defined and approved. Therefore, the attached draft Water Billing and Service Agreement has been prepared for consideration. Key aspects of the agreement include points of delivery, payment of a proportionate share of Metropolitan Water District Commodity charges and fixed charge components, plus an administrative fee to EMWD. This administrative fee has been established at \$11 per acre-foot and is subject to reasonable annual adjustments. The water service agreement is in alignment with service agreements for similarly situated retail agencies of EMWD, including Fallbrook Public Utilities District and Rancho California Water District.

The EMWD Board of Directors will consider approval of this Agreement on November 20, 2024.

POLICY/STRATEGIC PLAN KEY FOCUS AREA

Strategic Focus Area One: Water Resources

ENVIRONMENTAL

In accordance with CEQA guidelines Section 15378, the action before the Board does not constitute a “project” as defined by CEQA and further environmental review is not required at this time.

BOARD OPTIONS/FISCAL IMPACTS

The terms of the water service agreement match the original terms of the MOU entered into between Rainbow and EMWD when detachment was first initiated, therefore, no alternatives are presented for consideration at this time.

STAFF RECOMMENDATION

Staff recommends approval of the Water Billing and Service Agreement



Jake Wiley
General Manager

November 19, 2024

WATER BILLING AND SERVICE AGREEMENT

EASTERN MUNICIPAL WATER DISTRICT AND RAINBOW MUNICIPAL WATER DISTRICT

This Water Billing and Service Agreement (“Agreement”) is made and entered into on _____ 2024 by and between **EASTERN MUNICIPAL WATER DISTRICT** (“Eastern”) and the **RAINBOW MUNICIPAL WATER DISTRICT** (“Rainbow”). Eastern and Rainbow may be individually referred to herein as a “Party” and collectively referred to herein as the “Parties.”

RECITALS

WHEREAS, Eastern and Rainbow are municipal water districts formed pursuant to California Water Code sections 71000 *et seq*; and

WHEREAS, Eastern is a member agency of the Metropolitan Water District of Southern California (“Metropolitan”), which provides Eastern with imported water supplies; and

WHEREAS, Eastern’s service area has historically included large parts of Riverside County, extending to its southern border with San Diego County, and adjacent to the service area of the San Diego County Water Authority (“Water Authority”); and

WHEREAS, On March 17, 2020, and March 18, 2020, respectively, Fallbrook Public Utility District (“Fallbrook”) and Rainbow filed a Reorganization Application with the Local Agency Formation Commission for the County of San Diego (“San Diego LAFCO”) seeking approval to detach from Water Authority and a corresponding annexation into Eastern; and

WHEREAS, on July 10, 2023, San Diego LAFCO approved Resolution No’s. 23-11 and 23-12 conditionally approving the reorganization applications of both Fallbrook and Rainbow to concurrently annex into Eastern and detach from the Water Authority; and

WHEREAS, on November 5, 2024, San Diego LAFCO filed a Certificate of Completion pursuant to Government code section 57200 *et seq*, with the County of San Diego and the County of Riverside thereby finalizing the reorganization of Rainbow with its concurrent detachment from the Water Authority and annexation into Eastern’s service area; and

WHEREAS, the purpose of this Agreement is to define the terms, conditions and financial arrangements whereby Eastern will provide water service to Rainbow.

NOW, THEREFORE, in consideration of the promises and mutual covenants herein contained, the Parties agree as follows:

AGREEMENT

1. Incorporation of Recitals.

The Recitals set forth above are incorporated into and are a part of this Agreement.

2. Delivery of Water.

Eastern will provide Rainbow with treated potable water delivered to Eastern by Metropolitan. Water will be transported through Metropolitan's "San Diego Pipeline #1" and "San Diego Pipeline #4" to connections through which Rainbow will take delivery. These connections are identified by Metropolitan as "SD-09", "SD-05", "SD-10", and "RB-1". Such water shall be provided by Eastern to Rainbow in accordance with an Operations Plan between Rainbow and Water Authority which may be modified from time to time as agreed to by Rainbow and Water Authority, and in coordination with Eastern.

As a member agency of Metropolitan, Eastern shall receive water delivery orders from Rainbow and shall communicate such orders to Metropolitan. Rainbow acknowledges, understands, and agrees that it shall be entirely responsible for the scheduling, receipt, and distribution of water in accordance with the aforementioned Operations Plan and that Eastern shall bear no liability or responsibility for Rainbow's compliance therewith. Further, Eastern is providing Rainbow water that is treated and supplied by Metropolitan for potable use, and Eastern bears no responsibility for the reliability of Metropolitan's supply, nor for water quality issues, including but not limited to issues relating to compliance with local, state, and federal regulatory standards. During supply allocations by Metropolitan, Eastern will develop supply allocations for its other wholesale agencies, including Rainbow, in accordance with the Metropolitan supply allocation plan that is in effect.

Additionally, as a member agency of Metropolitan, Eastern shall provide Rainbow with access to Metropolitan programs including those such as, but not limited to, Metropolitan's Local Resources Program (LRP).

3. Rates for Delivered Imported Water.

Eastern shall bill Rainbow for deliveries made through the aforementioned connections which shall be based upon Metropolitan and Eastern rates. Eastern's billing shall include a nominal per acre-foot administrative overhead fee; charges incurred by Eastern under Metropolitan's current rate structure including Metropolitan's full-service, treated, volumetric rate for deliveries; Readiness-to-Serve charges ("RTS"); Capacity Charges ("CC"); and other Metropolitan charges as may be assessed (collectively, the "Water Delivery Costs"). These charges will be allocated proportionally to Rainbow and determined as follows:

- a. Metropolitan Water Commodity Charge – This charge shall reflect the then current rate charged by Metropolitan to Eastern for delivery of treated potable water and shall be based on actual water volumes delivered by Eastern to Rainbow.
- b. Metropolitan Fixed Charge Components – Rainbow shall pay its proportional share of Metropolitan's fixed charges, including the Capacity Charge (CC) and Readiness to Serve Charge (RTS). Rainbow shall receive credit for Metropolitan's Stand-By charge that is assessed on properties located in the Rainbow service area.

- c. Metropolitan Credits & Other Charges; Future Participation in Eastern Programs – Eastern shall pass-through any credits or charges to Rainbow for Metropolitan programs that Rainbow is currently participating or benefitting from, including, but not limited to, credits for the Local Resources Program (LRP) or charges for Conservation Programs, and Eastern shall provide Rainbow access to participate in and/or benefit from any Metropolitan programs offered to its member agencies. Any new or additional water supply projects, programs, or other measures implemented by Eastern that would benefit Rainbow in terms of supply reliability enhancement, at Eastern's discretion, will be offered to Rainbow for consideration and financial participation.
- d. Eastern's Administrative Charge – Eastern has initially established an administrative charge of \$11.00 per acre-foot for Rainbow using Rate Code E405 (or any subsequent replacement thereof). The administrative charge is subject to reasonable annual adjustments by Eastern. The administrative charge, and any subsequent adjustments, shall be based on estimated costs for Eastern to administer the delivery and billing of water to Rainbow, which includes Eastern's direct operational and administrative costs for services provided to Rainbow, and its proportional share of indirect costs incurred by Eastern as a member agency of Metropolitan benefitting Rainbow and other wholesale water agencies within Eastern's boundaries with a direct Metropolitan connection. In the event Eastern elects to perform a comprehensive cost of service study for reassessment of the administrative charge, Rainbow and Eastern shall meet to discuss in good faith the appropriate methodology for the study.
- e. Other Fees & Charges – Rainbow understands, acknowledges, and agrees that Metropolitan may assess additional costs or fee components in the future, which are not yet defined, and that may change the content, manner, and timing of billing to its member agencies. Components of Metropolitan's rates and charges that comprise the Water Delivery Costs described herein are based upon Metropolitan's current rate structure and may be subject to change in the future. In the event Metropolitan alters its rate structure or assesses additional costs or fee components to its member agencies, Eastern shall assess Rainbow amended Water Delivery Costs that include any such changes in a manner that recovers costs equivalent to the components described herein, as well as any additional costs or fee components imposed by Metropolitan. This includes proportionate penalties which may be assessed under Metropolitan's Water Supply Allocation Plan.
- f. Changes in Fees & Charges – In the event Metropolitan makes changes to its rates or rate structure that may affect the amount or structure of Eastern's rates (including but not limited to the setting of new baselines for tiered deliveries), or assesses additional costs or fees to its member agencies, Eastern will ensure that any such changes are passed to Rainbow.

4. Payment and Billing Procedure for Water Delivery Costs.

As a member agency of Metropolitan, Eastern will receive monthly billings representing the quantity of water delivered to Rainbow over the preceding month. Eastern shall submit monthly invoices to Rainbow for the Water Delivery Costs within 10 days of Metropolitan's

billing representing the Water Delivery Costs. Invoice(s) shall be due and payable by Rainbow to Eastern within thirty (30) calendar days following the date of Eastern's invoice. Payments by Rainbow not received within 45 calendar days of invoice date may, at Eastern's discretion, incur a 5% late fee and a 6% percent annual interest charge.

5. Disputes.

In the event that any dispute between the Parties arises under this Agreement, the Parties shall first attempt to resolve such dispute at the management level. If the dispute is not resolved within a mutually acceptable period of time (not to exceed 90 calendar days from the date written notice of such dispute is delivered by either Party), the Parties shall attempt to resolve the dispute at the Board of Directors level. If this process and the involvement of the Parties' Boards of Directors does not result in resolution of the dispute within 120 days from the date of referral to such level then the dispute shall be referred to and finally resolved through legal proceedings. The use of the foregoing procedure is a condition precedent to the commencement of any legal proceedings hereunder.

6. Term.

This Agreement shall commence on (NOTE-Insert the 1st day of the month following Certification), and shall remain in effect unless terminated by written mutual agreement of the Parties.

7. Indemnification.

Rainbow shall release, hold harmless, immediately defend at its own expense, and indemnify Eastern, its officers, employees, and agents against any and all liability, claims, losses, damages, or expenses, including reasonable attorneys' fees, arising from all acts or omissions to act of Rainbow or its officers, agents, or employees in purchasing water pursuant to this Agreement, including any water quality related issues, and any issues related to the operation and functionality of the systems of Rainbow, Metropolitan or the Water Authority in rendering services under this agreement; excluding, however, such liability, claims, losses, damages, or expenses arising from Eastern's sole negligence or willful acts.

8. Limitation of Waiver.

Except as may be expressly provided in writing signed by the Parties, the failure or delay of either Party to insist in any instance on strict performance of any provision of this Agreement shall not be construed as a waiver of any such provision or the relinquishment of any rights under that provision in the future, but the same shall continue in full force and effect.

9. Attorney's Fees.

If any action is instituted to enforce this Agreement, the prevailing party shall be reimbursed all reasonable attorney's fees, costs of collection, as well as any other costs and expenses incurred in connection with the enforcement effort.

10. Applicable Law.

This Agreement shall be construed in accordance with and governed by the laws of the State of California.

11. Assignment.

Neither Party shall assign, sell, or otherwise transfer any obligation or interest in this Agreement without the specific written consent of the other Party.

12. Notices.

Any notice required by this Agreement to be given or delivered to any Party shall be deemed to have been received when personally delivered or mailed in the United States mail addressed as follows:

Eastern Eastern Municipal Water District
Post Office Box 8300
Perris, Ca. 92572-8300
Attn: General Manager

Rainbow Rainbow Municipal Water District
3707 Old Hwy. 395
Fallbrook, Ca. 92028
Attn: General Manager

13. Preparation of This Agreement.

This Agreement shall not be construed against the Party preparing it but shall be construed as if both parties prepared it.

14. Entire Agreement.

This Agreement represents the entire understanding of the Parties. No prior understanding, whether oral or written, shall be of any force or effect with respect to those matters covered by this Agreement.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed as of the date of the last signature below.

**RAINBOW MUNICIPAL WATER
DISTRICT**

EASTERN MUNICIPAL WATER DISTRICT

By: _____
Jake Wiley, General Manager

By: _____
Joe Mouawad, General Manager

Dated: _____

Dated: _____

Legal Review:

Legal Review:

By: Alfred Smith, General Counsel

By: _____

DRAFT

DRAFT

BOARD OF DIRECTORS

November 19, 2024

SUBJECT

CONSIDER OPTIONS FOR THE USE OF ONE-TIME BUDGET SAVINGS DUE TO THE EARLY FINISH OF DETACHMENT FROM THE SDCWA

BACKGROUND

Rainbow Municipal Water District (Rainbow Water/District) and the San Diego County Water Authority (SDCWA) reached a settlement agreement on December 21, 2023 that identified specific terms related to Rainbow Water's detachment from the SDCWA. One of the key provisions was for Rainbow to complete the construction of pump stations to allow for service to all areas of the District without the use of SDCWA facilities. Due to the complications and potential for delays typical for construction projects of any magnitude, the District assumed within the approved Fiscal Year 24/25 budget that detachment, and the first realization of any water cost savings, would occur on January 1, 2025. This date was specifically targeted to avoid any additional rate increases by the SDCWA to Rainbow.

DESCRIPTION

Due to incredible efforts by District staff to accelerate the completion of construction and commissioning of the pump station facilities, the actual detachment date occurred on November 1, 2024. Essentially, this provides additional one-time savings on the District's imported water purchase costs compared to what was budgeted. The anticipated fixed cost savings for imported water over the two-month period is \$768,796. The District has incurred high costs to fund pump station construction as well as the LAFCO imposed "exit fee" for detachment from SDCWA, so many options exist to utilize these funds. At the Board's October 30, 2024 Special Board meeting, this item was first considered, and staff was directed to explore options with the District's committee's input. Staff solicited the Engineering and Operations Committee for the acceleration of a recommended capital improvement project, the Budget and Finance Committee for a financial investment recommendation, and the Communications and Customer Service Committee for recommendations on implementing a bill credit. Based on the recommendations by the Committees, staff offers the following for Board consideration:

1. **E&O Committee Recommendation** – The E&O Committee was presented with three capital projects that were potential candidates to accelerate with funds from the early detachment. The E&O Committee recommended the La Canada Pipeline Replacement, originally scheduled for Fiscal Year 25/26, with an estimated cost of \$700,000 as the preferred project.
2. **Budget & Finance Committee Recommendation** — The Committee reviewed three financial investment options and recommended retaining the additional funding in reserves for investment and strategic use as needed. Below are the considerations that went into the recommendation:
 - a. Financial Value - Would earn a projected 4.0 to 4.5% per year (\$30,700 to \$34,500 annually or \$376,500 to \$434,900 if compounded over a 10-year period

- b. Considerations: Interest rate is uncertain and may be higher or lower than current levels. This option provides the most flexibility for future unanticipated District needs, such as mainline breaks or other CIP replacements. The District is currently below its minimum target for cash reserves. Retaining the one-time savings would align with the District’s Reserve Policy (Admin Code Section 5.03.220.02), which recommends the retention of one-time savings if reserves are below minimum targets to reach minimum target levels within 3 years.

3. **Communication and Customer Service Committee** – The Committee will review the options for distribution of the one-time savings in the form of a bill credit to all water customers that could be issued as soon as January 2025. Table A summarizes the breakdown of an equitable and proportional approach to reduce the fixed cost on each customer’s bill with total credits equal to the \$768,796 savings. This could be implemented in a single billing cycle, or the “amount per account by meter size” could be divided over multiple months, which will be reviewed by the Committee. For example, should the Committee decide to include this credit over the remainder of the 24/25 fiscal year (January through June 2025), it would result in a 5% to 8% savings each month on the fixed cost portion of each customer’s water bill.

Table A – Bill Credit Summary

One Time Bill Credit Amount Per Meter Size (All Customer Classes)			
Meter Size	Amount per Account by Meter Size	# of Accounts	Total Credit District-Wide by Meter Size
5/8"	\$ 45.25	272	\$ 12,309
3/4"	\$ 45.25	3,948	\$ 178,657
1"	\$ 75.42	4,093	\$ 308,698
1 1/2"	\$ 150.84	594	\$ 89,600
2"	\$ 241.35	489	\$ 118,019
3"	\$ 527.95	75	\$ 39,596
4"	\$ 950.30	21	\$ 19,956
6"	\$ 1,960.94	1	\$ 1,961
Total		9,493	768,796

POLICY/STRATEGIC PLAN KEY FOCUS AREA

Strategic Focus Area Four: Fiscal Responsibility—The Board is tasked with oversight of fiscal management by the District. The early finish to detachment provides an opportunity to utilize one-time savings to benefit Rainbow and its customers.

ENVIRONMENTAL

In accordance with CEQA guidelines Section 15378, the action before the Board does not constitute a “project” as defined by CEQA and further environmental review is not required at this time.

BOARD OPTIONS/FISCAL IMPACTS

The proposed actions match the calculated savings realized by early detachment; therefore, there is no negative financial impact on the District compared to the approved fiscal year 24/25 budget.

STAFF RECOMMENDATION

Staff supports Board direction.



Jake Wiley

November 19, 2024



BOARD ACTION Item No. 9.E

BOARD OF DIRECTORS

November 19, 2024

SUBJECT

CONSIDER ADOPTION OF A RESOLUTION APPROVING AND AUTHORIZING THE EXECUTION AND DELIVERY OF AN INSTALLMENT PURCHASE AGREEMENT WITH U.S. BANK FOR FINANCING FIFTEEN MILLION EIGHT HUNDRED THOUSAND DOLLARS FOR THE EXIT FEE FROM THE SAN DIEGO COUNTY WATER AUTHORITY

BACKGROUND

At its July 10, 2023 meeting, the San Diego Local Agency Formation Commission (LAFCO) approved the District in Resolution 23-12 to be able to detach from the San Diego County Water Authority (SDCWA), and imposed as a condition of detachment the requirement to pay the SDCWA an exit fee (Exit Fee) totaling \$15,798,250. Furthermore, the District entered into a settlement agreement with the SDCWA, dated December 21, 2023, where the District agreed to pay the SDCWA the full Exit Fee within 90 days of issuing the certificate of completion to detach, or otherwise incur interest at the current Local Agency Investment Fund (LAIF) rate.

It was assumed in the FY2024-25 budget and 5-year financial projection presented to the Board in the Spring of 2024 budget workshops that the District would make 5 annual payments of \$3.2M beginning at detachment in mid- FY2024-25, to pay the Exit Fee obligation, as well as any accrued interest above this on a monthly basis. This was based on a previous understanding that the District could not issue tax-exempt debt to finance the Exit Fee obligation and that it was more advantageous to the District and its customers to pay the interest to the SDCWA per the settlement agreement at the LAIF rate which is currently at 4.5%, than to take out taxable debt at a much higher interest rate (6-7%).

Recently, staff was able to confirm with Bond Counsel at Nossaman that the District could issue tax exempt debt for the Exit Fee based on the understanding that the Exit Fee is an intangible capital asset per Government Accounting Standard Board (GASB) accounting standards. This accounting treatment and the assumption of a 10-year amortization was independently confirmed by the District's financial statement auditor, Lance, Soll and Lunghard LLP. As such, staff is requesting the Board to approve issuing tax exempt debt with U.S. Bank, its primary bank and recent lender, for the full \$15,798,250, inclusive of the initial Exit Fee payment of \$3,159,650 initial payment paid on October 30, 2024 that will be reimbursed to the District from this financing in accord with the resolution stating its intent to be reimbursed (Resolution 2024-13).

DESCRIPTION

Out of a sensitivity to limited time due to the remaining Exit Fee of \$12.6M being due by January 30, 2025 (90 days from detachment) or otherwise incurring interest to the SDCWA, and the desire to lock in lower interest rates in a rising interest rate environment for longer term debt, staff negotiated the proposed terms of this financing with US Bank for the Board's consideration and approval. US Bank was selected as the initial bank to negotiate with as they had already agreed in the recent \$10M financing done this last spring to acceptable terms in the legal documents and had offered a competitive interest rate due to the District's existing relationship with them as its primary bank and investment trustee. Having the primary legal terms and language on the financing agreements already agreed upon offered significant time savings to the process.

Likewise, the District engaged with Robert Porr and Lora Nichols with Fieldman Rolapp and Associates (FRA) to act as the District's Municipal (Financial) Advisor to help review and negotiate the terms of this financing. FRA is a leading Municipal Advisory firm specializing in public financings, and specifically California water districts. Staff also engaged with Barney Allison with Nossaman LLP to act as the District's bond counsel to help with the review and drafting of legal documents, and in providing the necessary tax opinion that the proposed financing can be tax-exempt. Mr. Allison has been bond counsel for the most recent District financings and has familiarity with its related debt covenants this financing must adhere to. Both FRA and Nossaman represented the District on the recent \$10M financing with US Bank. This financing team comprised of staff, FRA, and Nossaman negotiated the terms included in the attached Installment Purchase Agreement (draft) which would provide for \$15,800,000 of financing for the full Exit Fee. FRA confirmed that the 4.63% fixed interest rate is competitive in the current municipal debt environment, considering the District's creditworthiness and financial position. The major terms of the financing are described below:

- \$15,800,000 in total financing will be provided by U.S. Bank on a tax-exempt basis to finance the Exit Fee from the SDCWA, an intangible capital asset.
- The debt be a 10 year fixed interest rate debt at a rate of 4.63%.
- The fixed rate 10 year loan may refinanced or paid off in whole or in part any time on or after 5 years without penalty.
- The fixed rate 10 year loan is payable on a semi-annual basis with one of the two payments including principal.
- The U.S. bank loan would be on parity (same priority) with the District's other debt (SRF Loans, Zion Loan & Lease, and Western Alliance Loan) with the same base debt covenants including:
 - Setting water rates to achieve a minimum of a projected 1.2x debt service coverage on net operating revenues; and
 - Achieving a minimum of 1.2x debt service coverage on net operating revenues to cover maximum annual debt service for existing debt and new proposed debt in order to issue new debt on a parity basis; and
 - Pledge of gross water revenues to repay the loan obligation, consistent with the other loans.
- Since the Exit Fee is an intangible asset, the Bank requires tangible facilities to purchase in this financing agreement and sell back to the District to legally allow for the debt. The facilities included in this transaction have to approximate the value of the financing, cannot be encumbered by other debt or grants, and consist of the following;
 - Rainbow Heights Tank #1 (4 MG)
 - Rice Canyon Tank (4 MG)
 - Hutton Tank (4 MG)
 - Gopher Tank (4 MG)

If approved, the Installment Purchase Agreement is tentatively set to close on January 7th, 2025 and would be available to receive funds shortly thereafter.

Attachments:

Resolution - Approving and authorizing the execution and delivery of an installment purchase agreement with U.S. Bank for financing the \$15.8M exit fee from the SDCWA

Exhibit A: Draft Installment Purchase Agreement

Exhibit B – 5 Year Cash Flow Impact from Financing and Other Related Items

POLICY/STRATEGIC PLAN KEY FOCUS AREA

Strategic Focus Area Four: Fiscal Responsibility

ENVIRONMENTAL

In accordance with CEQA guidelines Section 15378, the action before the Board does not constitute a "project" as defined by CEQA and further environmental review is not required at this time.

BOARD OPTIONS/FISCAL IMPACTS

Cash Flow Impact

The District originally anticipated in its 5-year financing plan reviewed with the Board this fall that the District would cash fund the \$3.2M initial Exit Fee from net revenues and pay the remaining \$12.6M Exit Fee in four installments of \$3.2M annually in the following four years (FY26 through FY29) plus interest to the SDCWA. This financing will allow the full \$15.8M to be paid to the SDCWA within 90 days from detachment, thereby not incurring any additional interest. Additionally, because the initial Exit Fee payment was budgeted to be cash funded from net revenues and will now be reimbursed from this debt, it allows a cash flow savings to cover the necessary increase to the Three Pump Stations Project (PN 600013) of \$1.15M discussed on another item on this Board Agenda, and covers the reduced revenue of \$0.68M in FY25 if the Board directs staff not implement the originally anticipated 3.6% pass-through rate increase on 1/1/2025 as discussed on the rates item on this Board Agenda. Exhibit B attached to this item shows the cash flow impacts from this financing over the next 5 years and how it can fully cover the additional \$1.15M necessary for the Three Pump Stations project and the \$0.68M (partial year) necessary in FY25 and \$1.6M (full-year) over this period, while positively increasing overall unrestricted fund balance by a net \$0.6M by the end of FY29.

Summary of Options

1. Finance Full \$15.8M Exit Fee (Recommended)

a. Benefits:

- i. Reimburses Cash Reserves by \$3.2M for the initial Exit Fee payment made on 10/30/24.
 1. Additional Cash Reserves help fund the following:
 - a. Increase project number 600013 -3 Pump Stations budget by \$1.15M to close out project
 - b. Not increase water rates by \$3.6% on 1/1/2025 (pass-through)
- ii. Helps preserve cash reserves at a critically low period (currently at \$7.8M) when significantly under the \$13.2M minimal level per Board policy
- iii. Locks in attractive interest rate of 4.63% over full ten-year period in a rising interest rate environment but still allows option to refinance or pay-off in 5 years
- iv. Provides better customer equity with stretching out debt service, and the customers paying for it, over a more representative period of the benefits to customers from detachment compared to only five years
- v. Fulfills expectation that full Exit Fee would be paid within 90 days of detachment

b. Disadvantages:

- i. Higher total interest expense from paying over 10 years rather than 5
 1. Total payments estimated at \$20.15M compared to \$17.22M
 2. Approximately \$2.9M more in gross interest cost over the 10 years compared paying SDCWA over 5 year but only \$330 thousand on a net present value basis considering the time value of money (assuming 4% discount rate)

2. Finance \$12.6M Exit Fee over 5 years

a. Benefits:

- i. \$3.2M less in debt
- ii. Locks in a competitive interest rate over 5 years
- iii. Fulfills expectation that full Exit Fee would be paid within 90 days of detachment
- iv. Approximately the same interest expense as paying SDCWA over 5 years but more certainty in amount

b. Disadvantages

- i. Does not reimburse \$3.2M initial Exit Fee payment and help strengthen reserves during a critically low period
- ii. Allows cash reserves to drop \$1.15M further from additional budget needed on PN 600013 Pump Stations project when already below minimum target levels
- iii. District would have to do 3.6% pass-through rate increase on 1/1/2025

3. Pay \$12.6M plus interest to SDCWA over next 4 years (do nothing alternative)

- a. Benefits:
 - i. \$3.2M less in debt
 - ii. Less interest expense than the 10 years option (see option 1)
- b. Disadvantages
 - i. Variable interest rate based on LAIF – uncertain payments
 - ii. Not fulfill expectations full exit fee payment would be made in 90 days from detachment
 - iii. Allows cash reserves to drop \$1.15M further from additional budget needed on PN 600013 Pump Stations project when already below minimum target levels
 - iv. District would have to do 3.6% pass-through rate increase on 1/1/2025

Debt Analysis/Good Faith Estimates

Set forth below are good faith estimates of Fieldman, Rolapp & Associates, Inc., the municipal advisor, as required under Section 5852.1 of the California Government Code (the "Code"). The following estimates are based on market conditions as of October 23, 2024, and have no bearing on, and should not be misconstrued as, any not-to-exceed financial parameters authorized by resolution.

(a) The true interest cost of the 2025 Installment Purchase Agreement is estimated at 4.63%, calculated as provided in Section 5852.1(a)(1)(A) of the Code.

(b) The finance charge of the 2025 Installment Purchase Agreement, including all fees and charges paid to third parties, is estimated at \$77,000 and consists of the following.

1. Fieldman, Rolapp, and Associates fee on a not-to-exceed basis - \$15,000
2. Nossaman LLP as Bond Counsel on a fixed fee basis - \$37,500
3. Nixon Peabody LLP as Bank's Counsel on a fixed fee basis - \$20,000
4. CDIAC Reporting Fee - \$4,500

(c) Proceeds of the 2025 Installment Purchase Agreement expected to be received by the District for the sale of the 2025 Installment Purchase Agreement less the finance charge described in (b) above and any capitalized interest or reserves paid from proceeds of the 2025 Installment Purchase Agreement (if any), is equal to \$15,798,250.

(d) The total payment amount calculated as provided in Section 5852.1(a)(1)(D) of the Code is estimated at \$20,155,642.

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

RECOMMENDATION

Staff recommends the Board adopt a Resolution approving and authorizing the execution and delivery of an installment purchase agreement with U.S. Bank for financing the \$15.8M Exit Fee from the SDCWA.



Richard R. Aragon
Chief Financial Officer

11/19/2024

RESOLUTION NO. 2024-_____

RESOLUTION OF THE BOARD OF DIRECTORS OF THE RAINBOW MUNICIPAL WATER DISTRICT, APPROVING AND AUTHORIZING THE EXECUTION AND DELIVERY OF THE INSTALLMENT PURCHASE AGREEMENT, AND RELATED DOCUMENTS AND ADDITIONAL ACTIONS

WHEREAS, the Rainbow Municipal Water District (the “District”), a special district duly organized and existing under the laws of the State of California, is authorized to acquire, or contract to acquire, water rights and privileges, and has determined it is in the District’s best interest to detach from the San Diego County Water Authority (the “Water Authority”) in order to accomplish such purposes; and

WHEREAS, on July 10, 2023, per Resolution 23-12, the San Diego LAFCO authorized the District to detach from the Water Authority and imposed as a condition of detachment an exit fee payment totaling \$15,798,250 (the “Exit Fee Payment”); and

WHEREAS, the District has entered into that certain Settlement Agreement with the Water Authority, dated as of December 21, 2023, pursuant to which the District has agreed to pay the Exit Fee Payment to the Water Authority; and

WHEREAS, the District desires to enter into an Installment Purchase Agreement (the “Installment Purchase Agreement”) with U.S. Bank National Association (the “Purchaser”) for the purpose of financing the Exit Fee Payment; and

WHEREAS, in compliance with the requirements of Government Code Section 5852.1, the District has obtained good faith estimates of certain financial terms related to the financing of the Exit Fee Payment through the execution and delivery of the Installment Purchase Agreement which estimates are disclosed and set forth in Exhibit A to the staff report submitted in connection with the approval of this Resolution and were made available at a public meeting of the Board of Directors of the District; and

NOW, THEREFORE, the Board of Directors of the Rainbow Municipal Water District does hereby RESOLVE, DETERMINE and ORDER as follows:

Section 1. Each of the above recitals is true and correct and is adopted by the Board of Directors as the legislative body of the District.

Section 2. The form of the Installment Purchase Agreement is hereby approved and each of the President, the Vice-President, the General Manager, and the Chief Financial Officer and Treasurer of the District, or their written designees (the “Authorized Officers”), acting alone, is hereby authorized and directed to execute and deliver the Installment Purchase Agreement (subject to the limitations set forth in the following sentence) in the name of and on behalf of the District, in substantially the form and content now before this meeting, but with such changes, modifications, additions and deletions therein as shall be deemed necessary, desirable or appropriate by the Authorized Officer or Authorized Officers executing the same, such approval to be conclusively evidenced by the execution and delivery thereof by one or more of the Authorized Officers. The Installment Purchase Agreement shall be executed only if the total

principal components due thereunder do not exceed \$15,800,000 and the maximum interest rate shall not exceed 4.63% (provided that no event of default or event of taxability has occurred as provided in the Installment Purchase Agreement).

Section 3. In accordance with Government Code section 5852.1, good faith estimates of the following have been obtained and are set forth on Exhibit A attached to the staff report relating to the approval of this Resolution: (a) the true interest cost of the Installment Purchase Agreement, (b) the sum of all fees and charges to be paid to third parties with respect to the Installment Purchase Agreement, including an estimate of the costs of issuance, (c) the amount of proceeds expected to be received in connection with the Installment Purchase Agreement net of the fees and charges paid to third parties and any reserves or capitalized interest paid or funded with proceeds received under the Installment Purchase Agreement, and (d) the sum total of all debt service payments due on the Installment Purchase Agreement calculated through the term of the Installment Purchase Agreement plus the fees and charges paid to third parties not paid with the proceeds received under the Installment Purchase Agreement. The Board of Directors finds and determines that the provisions of Government Code section 5852.1 have been satisfied with respect to the authorization of the Installment Purchase Agreement.

Section 4. Each of the Authorized Officers is hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all documents necessary or proper for carrying out the transactions contemplated by this Resolution, including, but not limited to, documents required by the Purchaser, including a commitment letter or similar document, and to pay all costs of issuance related to the execution and delivery of the Installment Purchase Agreement.

Section 5. This Resolution shall take effect immediately upon its passage.

PASSED AND ADOPTED at a special meeting of the Board of Directors of Rainbow Municipal Water District this 19th day of November, 2024, by the following vote, to wit:

Hayden Hamilton, Board President

ATTEST:

Terese Quintanar, Secretary

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

I, Terese Quintanar, Secretary of the Rainbow Municipal Water District, hereby certify that the foregoing is a full, true and correct copy of a Resolution duly adopted at a regular meeting of the members of said District duly and regularly held at the special meeting thereof on the 19th day of November, 2024, of which meeting all of the members of said District had due notice and at which a majority thereof was present; and that at said meeting said Resolution was adopted by the following vote:

AYES:

NOES:

ABSENT:

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

Secretary, Rainbow Municipal Water District

INSTALLMENT PURCHASE AGREEMENT

by and between

RAINBOW MUNICIPAL WATER DISTRICT

and

U.S. BANK NATIONAL ASSOCIATION

Dated as of January [7], 2025

(2025 PROJECT)

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INSTALLMENT PURCHASE AGREEMENT

This INSTALLMENT PURCHASE AGREEMENT, made and entered into and dated as of January [7], 2025, by and between RAINBOW MUNICIPAL WATER DISTRICT (the “District”), a municipal water district duly organized and validity existing under the laws the State of California, and U.S. BANK NATIONAL ASSOCIATION, a national banking association (herein called the “Purchaser”).

WITNESSETH:

WHEREAS, on July 10, 2023, per Resolution 23-12, the San Diego LAFCO authorized the District to detach from the San Diego County Water Authority and imposed as a condition of detachment an exit fee payment totaling \$15,798,250 (the “Exit Fee Payment”); and

WHEREAS, the District has entered into that certain Settlement Agreement with the San Diego County Water Authority, dated as of December 21, 2023, pursuant to which the District has agreed to pay the Exit Fee Payment to the San Diego County Water Authority; and

WHEREAS, the District proposes to finance the Exit Fee Payment (the “Project”); and

WHEREAS, the Purchaser has agreed to assist the District in financing the Project for the District on the terms and conditions set forth in this Installment Purchase Agreement; and

WHEREAS, the District and the Purchaser have duly authorized the execution of this Installment Purchase Agreement; and

WHEREAS, all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and 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; and

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 1.1 Definitions. Unless the context otherwise requires, the terms defined in this section shall for all purposes hereof and of any amendment hereof or supplement hereto and of any report or other document mentioned herein or therein have the meanings defined herein, the following definitions to be equally applicable to both the singular and plural forms of any of the terms defined herein.

Assumed Interest Rate

The term “Assumed Interest Rate” means the amount of interest calculated in accordance with the following provisions:

(A) Generally. Except as otherwise provided in subparagraph (B) below with respect to Variable Interest Rate Contracts, in subparagraph (C) below with respect to Contracts or Bonds with respect to which a Payment Agreement is in force, and in subparagraph (D) below with respect to Balloon Contracts, interest on any Contracts or Bonds shall be calculated based on the actual amount of interest that is payable under such Contracts or Bonds;

(B) Interest on Variable Interest Rate Contracts. Interest deemed to be payable on any Variable Interest Rate Contract for periods when the actual interest rate can be determined shall be the actual Variable Interest Rates and for periods when the actual interest rate cannot yet be determined shall be calculated on the assumption that the interest rate on such Variable Interest Rate Contract would be equal to (i) the average rate that accrued on such Variable Interest Rate Contract over the preceding 12 months, or (ii) if the Variable Interest Rate Contract has not been accruing interest at a variable rate for 12 months, the average interest rate that accrued on an outstanding Variable Interest Rate Contract of the District for which interest is computed on substantially the same basis during the preceding twelve month period, or (iii) if no such comparable Variable Interest Rate Contract was outstanding during the 12 months preceding the date of calculation, then (x) if the interest on such Variable Interest Rate Contract is excluded from gross income for purposes of Federal income taxation, the average rate of interest for SIFMA Index over the preceding 12 months, or, if that index is no longer published, a similar index selected by the District and acceptable to each credit enhancer providing credit enhancement for an outstanding Contracts or Bonds, or, if the District fails to select a replacement index, an interest rate equal to 66% of the yield for outstanding United States Treasury bonds having an equivalent maturity as the Variable Rate Interest Contract, or if there are no such Treasury Bonds having equivalent maturities, 66% of the lowest prevailing prime rate of any of the five largest commercial banks in the United States, ranked by assets, and (y) if interest on such Variable Interest Rate Contract is not excluded from gross income for purposes of Federal income taxation, 110% of the yield for outstanding United States Treasury bonds having an equivalent maturity as the Variable Rate Interest Contract, or if there are no such United States Treasury Bonds having equivalent maturities, 110% of the lowest prevailing prime rate of any of the five largest commercial banks in the United States, ranked by assets;

(C) Interest on Obligations with respect to which a Payment Agreement is in Force. Interest deemed to be payable on any Contracts or Bonds with respect to which a Payment Agreement is in force shall be based on the net economic effect on the District expected to be produced by the terms of such Contracts or Bonds and such Payment Agreement, including but not limited to the effects that (i) such Contracts or Bonds would, but for such Payment Agreement, be treated as an obligation bearing interest at a Variable Interest Rate instead shall be treated as an obligation bearing interest at a fixed interest rate, and (ii) such Contracts or Bonds would, but for such Payment Agreement, be treated as an obligation bearing interest at a fixed interest rate instead shall be treated as an obligation bearing interest at a Variable Interest Rate; and accordingly, the amount of interest deemed to be payable on any Contracts or Bonds with respect to which a Payment Agreement is in force shall be an amount equal to the amount of interest that would be payable at the rate or rates stated in such Contracts or Bonds plus the Payment Agreement Payments minus the Payment Agreement Receipts, and for the purpose of calculating as nearly as

practicable the Payment Agreement Receipts and the Payment Agreement Payments under such Contracts or Bonds, the following assumptions shall be made:

(1) District Obligated to Pay Net Variable Payments. If a Payment Agreement has been entered into by the District with respect to Contracts or Bonds resulting in the payment of a net variable interest rate with respect to such Contracts or Bonds and Payment Agreement by the District, the interest rate on such Contracts or Bonds for future periods when the actual interest rate cannot yet be determined shall be assumed (but only during the period the Payment Agreement is in effect) to be equal to the sum of (i) the fixed rate or rates stated in such Contracts or Bonds, minus (ii) the fixed rate paid by the Qualified Counterparty to the District, plus (iii) the lesser of (A) the interest rate cap, if any, provided by a Qualified Counterparty with respect to such Payment Agreement (but only during the period that such interest rate cap is in effect) and (B) the applicable Variable Interest Rate calculated in accordance with paragraph (B) above; and

(2) District Obligated to Pay Net Fixed Payments. If a Payment Agreement has been entered into by the District with respect to Contracts or Bonds resulting in the payment of a net fixed interest rate with respect to such Contracts or Bonds and Payment Agreement by the District, the interest on such Contracts or Bonds shall be included in the calculation of Payments (but only during the period the Payment Agreement is in effect) by including for each Fiscal Year or twelve (12) calendar month period an amount equal to the amount of interest payable at the fixed interest rate pursuant to such Payment Agreement;

(D) Interest on Balloon Contracts. If any outstanding Contracts or Bonds constitute Balloon Contracts (and such Contracts or Bonds do not constitute Short-Term Obligations excluded from the calculation of the Payments pursuant to clause (E), below) or if Contracts or Bonds proposed to be incurred would constitute Balloon Contracts (and such Contracts or Bonds would not constitute Short-Term Obligations excluded from the calculation of the Payments pursuant to clause (E), below), then such Balloon Contracts shall be treated as if the principal amount of such Contracts or Bonds were amortized from the date originally incurred in substantially equal installments of principal and interest over a term of 30 years (provided, however, that the full principal amount of such Balloon Contract shall be included in making such calculation if such principal amount is due within 90 days of the date such calculation is being made); and, if interest accrues under such Balloon Contract at other than a fixed rate, the interest rate used for such computation shall be the Assumed Interest Rate.

(E) Exclusion of Certain Short-Term Obligations. If any outstanding Contracts or Bonds constitute Short-Term Obligations or if Contracts or Bonds proposed to be incurred would constitute Short-Term Obligations, and such Short-Term Obligations are or will be payable only out of Revenues of the Fiscal Year in which such Short-Term Obligations are incurred, then such Short-Term Obligations shall be disregarded and not included in calculating Payments;

(F) Credit for Accrued and Capitalized Interest. If amounts constituting accrued interest or capitalized interest have been deposited with a third party trustee, then the interest payable from such amounts with respect to the Contracts or Bonds shall be disregarded and not included in calculating Parity Payments.

Authorized Officer

The term “Authorized Officer”, when used with respect to the District, means the President or Vice President of the Board of Directors, General Manager, Chief Financial Officer, Treasurer, Secretary, or any deputy or officer of the District designated by the General Manager or any other officer of the District which is designated by the Board of Directors of the District as an Authorized Officer. The term “Authorized Officer”, when used with respect to the Purchaser, means any officer of the Purchaser authorized by the Purchaser’s governing documents to take-action on behalf of the Purchaser.

Balloon Contract

The term “Balloon Contract” means Contracts or Bonds 25% or more of the principal of which matures or is payable on the same date and which is not required by the instrument pursuant to which such Contracts or Bonds were incurred to be amortized by payment or redemption prior to such date.

Balloon Installment Payments

The term “Balloon Installment Payments” means any Parity Payments designated as such in any Balloon Contract.

Beck SRF Agreement

The term “Beck SRF Agreement” means the Funding Agreement, dated November 16, 2012, between the State of California Department of Public Health and the District for Project Number 3710016-004C (Beck).

Beck SRF Payment

The term “Beck SRF Payments” means the debt service payments scheduled to be paid by the District under and pursuant to the Beck SRF Agreement.

Bonds

The term “Bonds” means all revenue bonds or notes of the District authorized, executed, issued and delivered by the District, the payments of which are on a parity with the Series 2025 Installment Payments and which are secured by a pledge of and lien on the Gross Revenues. The term Bonds does not include bonds heretofore or hereafter issued required by law to be paid by the District from taxes or assessments which are not Gross Revenues.

Business Day

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

Closing Date

The term “Closing Date” means the date of execution of this Installment Purchase Agreement and that all conditions precedent set forth in Section 3.6 have been met.

Contracts

The term “Contracts” means this Installment Purchase Agreement, and any amendments and supplements hereto, and all contracts of the District authorized and executed by the District, the Series 2025 Installment Payments or payments under which are on a parity with the Beck SRF Payments, the Morro SRF Payments, the 2018 Installment Payments, the 2018 Lease Payments, the 2022 Installment Payments, the 2024 Installment Payments and the Series 2025 Installment Payments and which are secured by a pledge and lien on the Gross Revenues.

Debt Service

The term “Debt Service” means, for any Fiscal Year, the sum of: (1) the interest paid during such Fiscal Year on all outstanding Bonds, assuming that all outstanding serial Bonds are retired as scheduled and that all outstanding term Bonds are prepaid or paid from sinking fund payments as scheduled (except to the extent that such interest is to be paid from the proceeds of sale of any Bonds), (2) that portion of the principal amount of all outstanding serial Bonds paid during such Fiscal Year, (3) that portion of the principal amount of all outstanding term Bonds required to be paid during such Fiscal Year, and (4) that portion of any payments, including the Installment Payments, required to be made at the times provided in the Contracts during such Fiscal Year.

For purposes of this definition, interest on any Contracts or Bonds executed or issued by the District shall be calculated based upon the Assumed Interest Rate.

Default Interest Rate

The term “Default Interest Rate” means a rate per annum equal to the then applicable Interest Rate plus 5% but in no event greater than the Maximum Rate.

Determination of Taxability

The term “Determination of Taxability” applies solely with respect to the interest component of the Installment Payments only and shall mean and shall be deemed to have occurred on the first to occur of the following:

(a) on the date when the District files any statement, supplemental statement or other tax schedule, return or document which discloses that an Event of Taxability shall have in fact occurred;

(b) on the date when the Purchaser notifies the District that it has received a written opinion by a nationally recognized firm of attorneys of substantial expertise on the subject of tax-exempt municipal finance to the effect that an Event of Taxability shall have occurred unless, within one hundred eighty (180) days after receipt by the District of such notification from the Purchaser, the District shall deliver to the Purchaser a ruling or determination letter issued to or on behalf of the District or the District by the Commissioner or any District Director of the Internal Revenue Service (or any other governmental official exercising the same or a substantially similar function from time to time) to the effect that, after taking into consideration such facts as form the basis for the opinion that an Event of Taxability has occurred, an Event of Taxability shall not have occurred;

(c) on the date when the District or the District shall be advised in writing by the Commissioner or any District Director of the Internal Revenue Service (or any other government official or agent exercising the same or a substantially similar function from time to time) that, based upon filings of the District, or upon any review or audit of the District or upon any other ground whatsoever, an Event of Taxability shall have occurred; or

(d) on the date when the District shall receive notice from the Purchaser that the Internal Revenue Service (or any other government official or agency exercising the same or a substantially similar function from time to time) has assessed as includable in the gross income of the Purchaser on the interest component of the Installment Payments due to the occurrence of an Event of Taxability;

provided, however, no Determination of Taxability shall occur under subparagraph (c) or (d) hereunder unless the District has been afforded the opportunity, at its expense, to contest any such assessment, and, further, no Determination of Taxability shall occur until such contest, if made, has been finally determined; *provided further, however,* that upon demand from the Purchaser, the District shall promptly reimburse, but solely from payments made by the District, the Purchaser for any payments, including any taxes, interest, penalties or other charges, the Purchaser shall be obligated to make as a result of the Determination of Taxability.

District

The term “District” means Rainbow Municipal Water District, a municipal water district duly organized and existing under the laws of the State of California.

Event of Default

The term “Event of Default” means an event described in Section 8.1.

Event of Taxability

The term “Event of Taxability” means a (i) change in law or fact or the interpretation thereof, or the occurrence or existence of any fact, event or circumstance (including, without limitation, the taking of any action by the District, or the failure to take any action by the District, or the making by the District of any misrepresentation herein or in any certificate required to be given in connection with the issuance, sale or delivery of this Installment Purchase Agreement) which has the effect of causing interest paid or payable on the Interest component of the Installment Payments to become includable, in whole or in part, in the gross income of the Purchaser for federal income tax purposes or (ii) the entry of any decree or judgment by a court of competent jurisdiction, or the taking of any official action by the Internal Revenue Service or the Department of the Treasury, which decree, judgment or action shall be final under applicable procedural law, in either case, which has the effect of causing interest paid or payable on the Interest component of the Installment Payments to become includable, in whole or in part, in the gross income of the Purchaser for federal income tax purposes with respect to the interest component of the Installment Payments.

Exit Fee Payment

The term “Exit Fee Payment” means the \$15,798,250 payment required to be paid, as a condition of detachment, by the District to the San Diego County Water Authority pursuant to Resolution 23-12 adopted by the San Diego LAFCO on July 10, 2023, and that certain Settlement Agreement, between the District and the San Diego County Water Authority, dated as of December 21, 2023.

Facilities

The term “Facilities” means the four water tanks, as more particularly described in Exhibit A hereto.

Fiscal Year

The term “Fiscal Year” means the period beginning on July 1 of each year and ending on the June 30 of the next succeeding year, or any other twelve-month period selected and designated as the official Fiscal Year of the District.

Gross Revenues

The term “Gross Revenues” means all gross income and revenue received or receivable by the District from the ownership and operation of the Water System, calculated in accordance with Generally Accepted Accounting Principles, including all rates, fees and charges (including fees for connecting to the Water System and any water stand-by or water availability charges or assessments) received by the District for the Water System and all other income and revenue howsoever derived by the District from the Water System or arising from the Water System; provided, however, that (i) any specific charges levied for the express purpose of reimbursing others for all or a portion of the cost of the acquisition or construction of specific facilities, (ii) customers’ deposits or any other deposits subject to refund until such deposits have become the property of the District, or (iii) the proceeds of any special assessments or special taxes levied upon real property within any improvement district served by the District and pledged solely for the purpose of paying special assessment bonds or special tax obligations of the District, are not Gross Revenues and are not subject to the lien of the Installment Purchase Agreement. Gross Revenues shall include amounts on deposit in the Revenue Fund which have been previously released from the pledge and lien of this Installment Purchase Agreement.

Independent Certified Public Accountant

The term “Independent Certified Public Accountant” means any firm of certified public accountants appointed by the District, and each of whom is independent pursuant to the Statement on Auditing Standards No. 1 of the American Institute of Certified Public Accountants.

Installment Payment Date; Series 2025 Installment Payment Date

The term “Installment Payment Date” means any date on which Installment Payments are scheduled to be paid by the District under and pursuant to any Contract. The term “Series 2025

Installment Payment Date” means the Installment Payments due hereunder as described further herein and in Exhibit B hereto.

Installment Payments; Series 2025 Installment Payments

The term “Installment Payments” means the payments scheduled to be paid by the District under and pursuant to the Contracts, including the Series 2025 Installment Payments. The term “Series 2025 Installment Payments” means the Installment Payments scheduled to be paid by the District under and pursuant hereto.

Installment Purchase Agreement

The term “Installment Purchase Agreement” means this Installment Purchase Agreement, dated as of January [7], 2025, by and between the District and the Purchaser, as originally executed and as it may from time to time be amended or supplemented in accordance herewith.

Interest Rate

The term “Interest Rate” means, assuming no Event of Default or Event of Taxability, the fixed interest rate per annum of 4.63%, calculated as set forth in Section 4.2 hereof; provided however, that upon an Event of Taxability, the Interest Rate shall be the Taxable Rate; provided, further, however, that upon the occurrence of an Event of Default, the Interest Rate shall be the Default Interest Rate.

Law

The term “Law” means the Division 20 of the Water Code of the State of California, commencing with Section 71000, as amended.

Maintenance and Operation Costs

The term “Maintenance and Operation Costs” means the reasonable and necessary costs and expenses paid by the District for maintaining and operating the Water System, including but not limited to the reasonable expenses of management and repair and other costs and expenses necessary to maintain and preserve the Water System in good repair and working order, and including but not limited to administrative costs of the District attributable to the Water System and the financing thereof “Maintenance and Operation Costs” does not include (a) interest expense relating to unsecured, subordinate or parity obligations of the District, (b) depreciation, replacement and obsolescence charges or reserves therefor, (c) amortization of intangibles or other bookkeeping entries of a similar nature, and (d) capital expenditures.

Maximum Annual Debt Service

The term “Maximum Annual Debt Service” means the highest Debt Service for any Fiscal Year or twelve (12) calendar month period through the current and subsequent five Fiscal Years of all Contracts and Bonds during which this Installment Purchase Agreement is outstanding; provided, however, for purposes of such calculation, the interest on all Contracts and Bonds shall be computed at the applicable Assumed Interest Rate.

Maximum Rate

The term “Maximum Rate” means 12% per annum.

Morro SRF Agreement

The term “Morro SRF Agreement” means the Funding Agreement, dated November 16, 2012, between the State of California Department of Public Health and the District for Project Number 3710016-008C (Morro Reservoir).

Morro SRF Payment

The term “Morro SRF Payments” means the debt service payments scheduled to be paid by the District under and pursuant to the Morro SRF Agreement.

Net Proceeds

The term “Net Proceeds” means, when used with respect to any insurance or condemnation award, the proceeds from such insurance or condemnation award remaining after payment of all reasonable expenses (including attorneys’ fees) incurred in the collection of such proceeds.

Net Revenues

The term “Net Revenues” means, for any Fiscal Year, the Gross Revenues for such Fiscal Year less the Maintenance and Operation Costs for such Fiscal Year.

Parity Payment Agreement

The term “Parity Payment Agreement” means a Payment Agreement which is a Contract.

Parity Payments

The term “Parity Payments” means all installment payments and other debt service payments scheduled to be paid by the District under all Contracts or Bonds.

Parity Payments Date

The term “Parity Payments Date” means the date on which any Parity Payments are due on Contracts or Bonds.

Payment Agreement

The term “Payment Agreement” means a written agreement for the purpose of managing or reducing the District’s exposure to fluctuations in interest rates or for any other interest rate, investment, asset or liability managing purposes, entered into either on a current or forward basis by the District and a Qualified Counterparty as authorized under any applicable laws of the State in connection with, or incidental to, the entering into of any Contracts or Bonds, that provides for an exchange of payments based on interest rates, ceilings or floors on such payments, options on such payments or any combination thereof, or any similar device.

Payment Agreement Payments

The term “Payment Agreement Payments” means the amounts periodically required to be paid by the District to all Qualified Counterparties under all Payment Agreements.

Payment Agreement Receipts

The term “Payment Agreement Receipts” means the amounts periodically required to be paid by all Qualified Counterparties to the District under all Payment Agreements.

Policy Costs

The term “Policy Costs” means the annual amount due with respect to any policy or surety bond in lieu of depositing cash in any reserve fund established for any Bonds or Contracts.

Project

The term “Project” means the Exit Fee Payment.

Purchase Price

The term “Purchase Price” means the principal amount plus interest thereon owed by the District to the Purchaser under the terms hereof as provided in Section 4.1.

Purchaser

The term “Purchaser” means U.S. Bank National Association, a national banking association, its successors and assigns.

Qualified Counterparty

The term “Qualified Counterparty” means a party (other than the District or a party related to the District) who is the other party to a Payment Agreement and (1) (a) who is rated at least equal to the ratings assigned by each of the Rating Agencies to the obligations secured by Parity Payments (without regard to any gradations within a rating category), but in no event less than a rating of “A” from Fitch, “A2” from Moody’s and “A” from S&P, (b) whose senior debt obligations are rated at least equal to the ratings assigned by each of the Rating Agencies to the obligations secured by Parity Payments (without regard to any gradations within a rating category), or guaranteed by an entity so rated, (c) whose obligations under the Payment Agreement are guaranteed for the entire term of the Payment Agreement by a bond insurer or other institution

which has been assigned a credit rating at least equal to the ratings assigned by each of the Rating Agencies to the obligations secured by Parity Payments (without regard to any gradations within a rating category), but in no event less than a rating of “A” from Fitch, “A2” from Moody’s and “A” from S&P, or (d) whose obligations under the Payment Agreement are collateralized in such a manner as to obtain a rating at least equal to the ratings assigned by each of the Rating Agencies to the obligations secured by Parity Payments, and (2) who is otherwise qualified to act as the other party to a Payment Agreement under all applicable laws of the State.

Resolution

The term “Resolution” means Resolution No. 24-__ adopted by the District on November 19, 2024, approving this Installment Purchase Agreement and all matters related thereto.

Revenue Fund

The term “Revenue Fund” means the Revenue Fund described in Section 5.2 hereof.

Short-Term Obligations

The term “Short-Term Obligations” means Contracts or Bonds having an original maturity of less than or equal to five years and which are not renewable at the option of the District for a term greater than one year beyond the date of original incurrence.

Subordinate Obligations

The term “Subordinate Obligations” means all Contracts or Bonds of the District which are secured by a pledge of and lien on the Gross Revenues subordinate to the pledge of and lien on Gross Revenues securing the Contracts or Bonds.

Taxable Date

The term “Taxable Date” means the date on which interest component of the Installment Payments is first includable in gross income of the Purchaser thereof as a result of an Event of Taxability as such date is established pursuant to a Determination of Taxability.

Taxable Period

The term “Taxable Period” has the meaning set forth in Section 4.3(b) hereof.

Taxable Rate

The term “Taxable Rate” means, with respect to a Taxable Period, 5.35%

2018 Installment Purchase Contract

The term “2018 Installment Purchase Contract” means the Installment Purchase Contract, dated October 1, 2018, by and between ZMFU II, Inc. and the District.

2018 Installment Payments

The term “2018 Installment Payments” means the installment payments scheduled to be paid by the District under and pursuant to the 2018 Installment Purchase Contract.

2018 Lease/Purchase Agreement

The term “2018 Lease/Purchase Agreement” means the Lease/Purchase Agreement, dated September 1, 2018, by and between ZB, N.A. and the District.

2018 Lease Payments

The term “2018 Lease Payments” means the lease payments scheduled to be paid by the District under and pursuant to the 2018 Lease/Purchase Agreement.

2022 Installment Purchase Agreement

The term “2022 Installment Purchase Agreement” means the Installment Purchase Agreement, dated March 1, 2022, by and between Western Alliance Business Trust and the District.

2024 Installment Purchase Agreement

The term “2024 Installment Purchase Agreement” means the Installment Purchase Agreement, dated as of May 1, 2024, by and between the Purchaser and the District.

2022 Installment Payments

The term “2022 Installment Payments” means the installment payments scheduled to be paid by the District under and pursuant to the 2022 Installment Purchase Agreement.

2024 Installment Payments

The term “2024 Installment Payments” means the installment payments scheduled to be paid by the District under and pursuant to the 2024 Installment Purchase Agreement.

Termination Payments

The term “Termination Payments” means any payments due and payable to a Qualified Counterparty in connection with the termination of a Payment Agreement.

Variable Interest Rate

The term “Variable Interest Rate” means any variable interest rate or rates to be paid under any Contracts or Bonds, the method of computing which variable interest rate shall be as specified in the applicable Contracts or Bonds, which Contracts or Bonds shall also specify either (i) the payment period or periods or time or manner of determining such period or periods or time for which each value of such variable interest rate shall remain in effect, and (ii) the time or times based upon which any change in such variable interest rate shall become effective, and which variable interest rate may, without limitation, be based on the interest rate on certain bonds or may be based on interest rate, currency, commodity or other indices.

Variable Interest Rate Contracts

The term “Variable Interest Rate Contracts” means, for any period of time, any Contracts or Bonds that bear a Variable Interest Rate during such period, except that no Contracts or Bonds shall be treated as a Variable Interest Rate Contract if the net economic effect of interest rates on any particular Parity Payments or such Contracts or Bonds and interest rates on any other Parity Payments of the same Contracts or Bonds, as set forth in such Contracts or Bonds, or the net economic effect of a Payment Agreement with respect to any particular Parity Payments, in either case is to produce obligations that bear interest at a fixed interest rate, and any Contracts or Bonds with respect to which a Payment Agreement is in force shall be treated as a Variable Interest Rate Contract if the net economic effect of the Payment Agreement is to produce obligations that bear interest at a Variable Interest Rate.

Water System

The term “Water System” means the District’s water system, including all facilities, works, properties and structures of the District for the treatment, transmission and distribution of potable and non-potable water, including all contractual rights to water supplies, transmission capacity supply, easements, rights-of-way and other works, property or structures necessary or convenient for such facilities, together with all additions, betterments, extension and improvements to such facilities or any part thereof hereafter acquired or constructed (but for purposes of this Installment Purchase Agreement only to the extent the components of the Water System may be legally transferred by the District).

ARTICLE II

REPRESENTATIONS AND WARRANTIES

Section 2.1 Representations by the District. The District makes the following representations:

(a) The District is a municipal water district organized and existing under the laws of the State of California.

(b) The District has full legal right, power and authority to enter into this Installment Purchase Agreement and carry out its obligations hereunder, to carry out and consummate all other transactions contemplated by this Installment Purchase Agreement, and the District has complied any relevant provision of California law in all matters relating to such transactions.

(c) By proper action, the District has duly authorized the execution, delivery and due performance of this Installment Purchase Agreement.

(d) The District will not take or, to the extent within its power, permit any action to be taken which results in the interest paid for the installment purchase of the Facilities under the terms of this Installment Purchase Agreement being included in the gross income of the Purchaser or its assigns for purposes of federal or State of California personal income taxation or which results in interest on the payments due hereunder being included in the gross income of the owners

thereof for federal income tax purposes or being subject to State of California personal income taxation.

(e) To the best of the District's knowledge, the District is not in violation of any of the provisions of the laws of the State of California or the United States of America or any of the provisions of any order of any court of the State of California or the United States of America which would affect its existence, or its powers referred to in the preceding Section 2.1(b). The execution, delivery and performance by the District of this Installment Purchase Agreement (i) will not violate any provision of any applicable law or regulation or of any order, writ, judgment or decree of any court, arbitrator or governmental authority; (ii) will not violate any provisions of any document constituting, regulating or otherwise affecting the operations or activities of the District; and (iii) will not violate any provision of, constitute a default under, or result in the creation, imposition or foreclosure of any lien, mortgage, pledge, charge, security interest or encumbrance of any kind other than liens created or imposed by this Installment Purchase Agreement, on any of the revenues or other assets of the District which could have a material adverse effect on the assets, financial condition, business or operations of the District, on the District's power to cause this Installment Purchase Agreement to be executed and delivered, or its ability to pay in full in a timely fashion the obligations of the District under this Installment Purchase Agreement.

(f) The District has obtained all consents, permits, licenses and approvals of, and has made all registrations and declarations with any governmental authority or regulatory body required for the execution, delivery and performance by the District of this Installment Purchase Agreement.

(g) Except as disclosed in writing to the Purchaser, there is no action, suit, inquiry or investigation or proceeding to which the District is a party, at law or in equity, before or by any court, arbitrator, governmental or other board, body or official which is pending (notice of which has been properly served on the District) or, to the best knowledge of the District, threatened in connection with any of the transactions contemplated by this Installment Purchase Agreement or against or affecting the assets of the District, nor, to the best knowledge of the District, is there any basis therefor, wherein an unfavorable decision, ruling or finding (a) would adversely affect the validity or enforceability of, or the authority or ability of the District to perform its obligations under, this Installment Purchase Agreement; or (b) would, in the reasonable opinion of the District, have a materially adverse effect on the ability of the District to conduct its business as presently conducted or as proposed or contemplated to be conducted.

(h) This Installment Purchase Agreement constitutes the legal, valid and binding special obligation of the District, enforceable against the District in accordance with its terms (except as such enforceability may be limited by bankruptcy, moratorium or other similar laws affecting creditors' rights generally and provided that the application of equitable remedies is subject to the application of equitable principles).

(i) To the best knowledge of the District, there is not pending any change of law which, if enacted or adopted could have a material adverse effect on the assets, financial condition, business or operations of the District, on the District's power to enter into this

Installment Purchase Agreement or its ability to pay in full in a timely fashion the obligations of the District under this Installment Purchase Agreement.

(j) The financial statements and other information previously provided to the Purchaser or provided to the Purchaser in the future are or will be complete and accurate and prepared in accordance with generally accepted accounting principles. There has been no material adverse change in the District's financial condition since such information was provided to the Purchaser.

(k) All information, certificates or statements given to the Purchaser pursuant to this Installment Purchase Agreement will be true and complete when given.

(l) Each representation and warranty of the District contained in this Installment Purchase Agreement is true and correct as of the Closing Date.

(m) The District is not engaged in the business of extending credit for the purpose of purchasing or carrying margin stock (within the meaning of Regulation U or X issued by the Board of Governors of the Federal Reserve System); and no proceeds provided by the Purchaser hereunder will be or have been used to extend credit to others for the purpose of purchasing or carrying any margin stock.

(n) The District is not in default in the performance, observance, or fulfillment of any of the obligations, covenants or conditions contained in any Contract or other ordinance, resolution, agreement or instrument to which it is a party which would have a material adverse effect on the ability of the District to perform its obligations hereunder or which would affect the enforceability hereof or thereof.

(o) The District represents that, under existing law, the District is not entitled to raise the defense of sovereign immunity in connection with any legal proceedings to enforce its contractual obligations under this Installment Purchase Agreement, or the transactions contemplated hereby or thereby including, without limitation, the Installment Payments.

(p) No filings, recordings, registrations or other actions are necessary to create and perfect the pledges provided for herein; all obligations of the District hereunder are secured by the lien and pledge provided for herein; and the liens and pledges provided for herein constitute valid prior liens subject to no other liens.

(q) The District is not and shall not at any time be listed on the Specially Designated Nationals and Blocked Person List or other similar lists maintained by the U.S. Department of the Treasury's Office of Foreign Assets Control ("OFAC"), and any successor thereto, the Secretary of the Treasury or included in any Executive Orders, that prohibits or limits the Purchaser from making any advance or extension of credit to the District or from otherwise conducting business with the District, and shall ensure that the proceeds of this Installment Purchase Agreement shall not be used to violate any of the foreign asset control regulations of OFAC or any enabling statute or Executive Order relating thereto.

(r) The District shall, promptly following a request by the Purchaser, provide all documentation and other information that the Purchaser reasonably requests in order to comply

with its ongoing obligations under applicable law or regulation, including, without limitation, “know your customer” and anti-money laundering rules and regulations, including the Patriot Act (USA PATRIOT Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001))), as amended from time to time, and any successor statute, and shall comply with all applicable Bank Secrecy Act laws and regulations, as amended.

(s) Upon the execution and delivery of this Installment Purchase Agreement, except for the Beck SRF Payments, the Morro SRF Payments, the 2018 Installment Payments, the 2018 Lease Payments, the 2022 Installment Payments and the 2024 Installment Payments, the District will have no other Bonds or Contracts outstanding payable from or secured by the Gross Revenues or any portion thereof. The District represents and warrants that it will incur additional Bonds or Contracts only in accordance with the provisions of Section 5.3 of this Installment Purchase Agreement.

Section 2.2 Representations and Warranties by the Purchaser. The Purchaser makes the following representations and warranties:

(a) The Purchaser is a national banking association in good standing under the laws of the jurisdiction in which it was formed, has full legal right, power and authority to enter into this Installment Purchase Agreement and to carry out and consummate all transactions contemplated by this Installment Purchase Agreement.

(b) This Installment Purchase Agreement is a valid, binding and enforceable obligation of the Purchaser.

ARTICLE III

ACQUISITION OF THE FACILITIES; CLOSING

Section 3.1 Changes to the Facilities. The District may substitute other improvements for those listed as components of the Facilities in Exhibit A hereto, but only if the District first files with the Purchaser a statement of the District in the form attached as Exhibit C:

(a) identifying the improvements to be substituted and the improvements to District facilities they replace in the Facilities; and

(b) stating that the estimated costs of construction, acquisition and installation of the substituted improvements are not less than such costs for the improvements previously planned or if such costs are greater, that the District has demonstrated to the reasonable satisfaction of the Purchaser that the District has identified reasonable funding sources sufficient to pay for such increased costs.

Section 3.2 Sale and Purchase of the Facilities. In consideration for the Purchaser’s assistance in financing the Project, the District agrees to sell, and hereby sells, to the Purchaser, and the Purchaser agrees to purchase and hereby purchases, from the District, the Facilities, at the purchase price specified in Section 4.1 hereof and otherwise in the manner and in accordance with the provisions of this Installment Purchase Agreement.

Section 3.3 Purchase and Sale of the Facilities. In consideration for the Installment Payments as set forth in Section 4.2, the Purchaser agrees to sell, and hereby sells, to the District, and the District agrees to purchase, and hereby purchases, from the Purchaser, the Facilities at the purchase price specified in Section 4.1 hereof and otherwise in the manner and in accordance with the provisions of this Installment Purchase Agreement.

Section 3.4 Title. All right, title and interest in the Facilities shall vest in the District immediately upon execution and delivery of this Installment Purchase Agreement.

Section 3.5 Acquisition of the Facilities. The Purchaser hereby agrees to acquire the Facilities in order to facilitate the Project for the benefit of the District, as its agent. The District shall enter into contracts and provide for, as agent for the Purchaser, the re-acquisition of the Facilities from the Purchaser in order to facilitate the Project. The District hereby agrees that it will cause the acquisition of the Project to be diligently performed after the deposit of funds set forth in Section 4.1 below, and that it will use its best efforts to cause the re-acquisition of the Project to be completed, except if and to the extent that any force majeure event has occurred, 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, pandemics, fire, explosion, or acts or regulations of governmental authorities. It is hereby expressly understood and agreed that the Purchaser shall be under no liability of any kind or character whatsoever for the payment of any cost of the Project and that all such costs and expenses shall be paid by the District.

Section 3.6 Conditions to Closing. The closing on this Installment Purchase Agreement is conditioned upon the satisfaction of each of the following:

(a) This Installment Purchase Agreement and all other instruments applicable to the execution thereof are in form and content satisfactory to the Purchaser and have been duly executed and delivered in form and substance satisfactory to the Purchaser and shall have not been modified, amended or rescinded, shall be in full force and effect on and as of the Closing Date and executed original or certified copies of each thereof shall have been delivered to the Purchaser.

(b) The Purchaser has received a certified copy of the Resolution which shall be in form and content satisfactory to the Purchaser and authorize the District to finance the Project, enter into and perform all acts contemplated by this Installment Purchase Agreement; and a certified copy of all other ordinances, resolutions and proceedings taken by the District authorizing the District to finance the Project, enter into and perform all acts contemplated by this Installment Purchase Agreement and the transactions contemplated hereunder and, together with such other certifications as to the specimen signatures of the officers of the District authorized to sign this Installment Purchase Agreement to be delivered by the District hereunder and as to other matters of fact as shall reasonably be requested by the Purchaser.

(c) The District has provided a certificate certifying that on the Closing Date each representation and warranty on the part of the District contained in this Installment Purchase Agreement is true and correct and no Event of Default, or event which would, with the passage of time or the giving of notice, constitute an Event of Default, has occurred and is continuing and no default exists under any other Bonds or Contracts, or under any other agreements by and between

the District and the Purchaser and certifying as to such other matters as the Purchaser might reasonably request.

(d) The District has provided a certificate certifying that, other than this Installment Purchase Agreement, the only Senior Debt outstanding as of the Closing Date is the Beck SRF Payments, the Morro SRF Payments, the 2018 Installment Payments, the 2018 Lease Payments, the 2022 Installment Payments and the 2024 Installment Payments, and that it can meet the tests required under such Contracts to issue this Installment Purchase Agreement.

(e) The Purchaser shall have received the opinion of Nossaman LLP and other counsel to the District in form and substance satisfactory to it, as well as a tax certificate of the District pertaining to the interest component of the Installment Payments.

(f) All proceedings taken in connection with the transactions contemplated by this Installment Purchase Agreement, and all instruments, authorizations and other documents applicable thereto, are satisfactory to the Purchaser and its counsel.

(g) No law, regulation, ruling or other action of the United States, the State of California or any political subdivision or authority therein or thereof shall be in effect or shall have occurred, the effect of which would be to prevent the District from fulfilling its obligations under this Installment Purchase Agreement or the other Contracts.

(h) Purchaser counsel, Nixon Peabody LLP, fees in the amount of (\$20,000) and any other fees and expenses due and payable in connection with the execution and delivery of this Installment Purchase Agreement shall have been paid by the District upon execution and delivery of this Installment Purchase Agreement.

(i) The Purchaser shall have been provided with the opportunity to review all pertinent financial information regarding the District, agreements, documents, and any other material information relating to the District or the Gross Revenues or any other component of the collateral securing the obligations of the District hereunder.

(j) All information provided by the District to the Purchaser is accurate in all material respects based on the best knowledge of the District, after due inquiry.

(k) The Purchaser shall have received such other certificates, approvals, filings, opinions and documents as shall be reasonably requested by the Purchaser.

(l) All other legal matters pertaining to the execution and delivery of this Installment Purchase Agreement shall be reasonably satisfactory to the Purchaser.

ARTICLE IV

SERIES 2025 INSTALLMENT PAYMENTS

Section 4.1 Deposit of Moneys; Purchase Price.

(a) In order to induce the District to enter into this Installment Purchase Agreement, the Purchaser shall pay \$15,798,250 to the District on the Closing Date, which amount shall be used by the District to pay the Exit Fee Payment. As an accommodation the District, the Purchaser shall use \$_____ of such amount to pay certain costs of issuance of the District, including but not limited to the fees and expenses of Nixon Peabody LLP and Nossaman LLP, as approved by an Authorized Officer of the District in connection with the execution of this Installment Purchase Agreement.

(b) The Purchase Price to be paid by the District hereunder to the Purchaser is the sum of the principal amount of the District's obligations hereunder plus the interest at the Interest Rate to accrue on the unpaid balance of such principal amount from the date hereof over the term hereof, subject to prepayment as provided in Article VII.

(c) The principal amount of the installment payments to be made by the District hereunder is set forth in Exhibit B hereto.

(d) The interest to accrue on the unpaid balance of such principal amount is as specified in Section 4.2 and Exhibit B hereto, and shall be paid by the District as and constitute interest paid on the principal amount of the District's obligations hereunder.

Section 4.2 Series 2025 Installment Payments. (a) The District shall, subject to its rights of prepayment provided in Article VII, pay the Purchaser the Purchase Price in installment payments of interest and principal in the amounts and on the Series 2025 Installment Payment Dates as set forth in Exhibit B hereto. Whenever any Series 2025 Installment Payment to be made hereunder shall be stated to be due on a day which is not a Business Day, such payment may be made on the next succeeding Business Day, with the same force and effect as if made on the applicable Series 2025 Installment Payment Date. The Interest Rate on the Series 2025 Installment Payments shall be calculated based upon a 360-day year of twelve 30-day months.

(b) Each Series 2025 Installment Payment shall be paid to the Purchaser in lawful money of the United States of America. In the event the District fails to make any of the payments required to be made by it under this section, such payment shall continue as an obligation of the District until such amount shall have been fully paid and the District agrees to pay the same with interest accruing thereon at the rate or rates of interest then applicable to the remaining unpaid principal balance of the Series 2025 Installment Payments if paid in accordance with their terms.

(c) The obligation of the District to make the Series 2025 Installment Payments is absolute and unconditional, and until such time as all of the Series 2025 Installment Payments have been paid in full (or provision for the payment thereof shall have been made pursuant to Article IX), the District will not discontinue or suspend any Series 2025 Installment Payments required to be made by it under this section when due, whether or not the Water System or any part thereof is operating or operable or has been completed, or its use is suspended, interfered with, reduced or curtailed or terminated in whole or in part, and such 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.

(d) The payment of the Series 2025 Installment Payments due hereunder shall be made by the District to the Purchaser via wire instructions to be provided by the Purchaser to the District from time to time.

(e) The Purchaser enters into this Installment Purchase Agreement upon the following additional conditions: (i) this Installment Purchase Agreement is not being registered under the Securities Act of 1933 and is not being registered or otherwise qualified for sale under the “Blue Sky” laws and regulations of any state; (ii) the Purchaser will hold this Installment Purchase Agreement as one single instrument; (iii) no CUSIP numbers will be obtained for this Installment Purchase Agreement; (iv) no final official statement has been prepared in connection with the private placement of this Installment Purchase Agreement; (v) this Installment Purchase Agreement will not close through the DTC or any similar repository and will not be in book entry form; and (vi) this Installment Purchase Agreement is not listed on any stock or other securities exchange; and (vii) this Installment Purchase Agreement will not be rated.

Section 4.3 Increased Payments. (a) Increased Costs. If, after the execution and delivery of this Installment Purchase Agreement, (1) the introduction of or any change in or in the interpretation of any law, treaty or regulation, (2) the compliance with any guideline or request from any central bank or other governmental authority (whether or not having the force of law) or (3) the introduction of any applicable law, rule, regulation or guideline regarding capital adequacy, or any change therein or any change in the interpretation or administration thereof by any central bank or governmental authority charged with the interpretation or administration thereof or supervision of compliance by the Purchaser with any request, guideline or directive regarding capital adequacy (whether or not having the force of law and after taking into account the Bank’s or such Participant’s policies as to capital adequacy) of any such central bank or other authority, shall either (x) impose, modify or deem applicable any reserve, special deposit, insurance premium, assessment, fee, capital requirement (other than reserves and assessments taken into account in determining the applicable interest rate), tax (other than income tax) or similar requirement against loan agreements entered into by the Purchaser similar to this Installment Purchase Agreement, or (y) impose on the Purchaser any other condition relating, directly or indirectly, to this Installment Purchase Agreement, and the result of any event referred to in (x) or (y) above shall be to (A) increase the cost to the Purchaser of maintaining this Installment Purchase Agreement in any material way, or (B) reduce any amount (or the effective return on capital) received or receivable by the Purchaser hereunder in any material way, then the District shall, upon written notice from the Purchaser (which notice shall set forth the matters described below), pay to the Purchaser, for the account of the Purchaser, from time to time as specified by the Purchaser, such additional amounts as shall be demanded by the Purchaser as sufficient to compensate the Purchaser, for such increased cost or reduction in yield or return, together with interest at the Interest Rate (as in effect from time to time) on amounts required to be paid under this Section 4.3 from the date of such notice until payment in full thereof, such amounts shall be due and payable within thirty (30) days after the District’s receipt of written notice thereof; *provided*, that interest thereon shall not begin to accrue until the thirtieth (30th) day after such demand.

Notwithstanding the foregoing, for purposes of this Section 4.3(a), all requests, rules, guidelines or directives in connection with the Dodd-Frank Act enacted or issued after the effective date of this Agreement shall be deemed to be included in the provisions of this Section 4.3 and all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the

Basel Committee on Banking Regulations and Supervisory Practices (or any successor or similar Institution) or any Governmental District with proper jurisdiction over the Purchaser in regard to the foregoing enacted or issued after the date of this Agreement shall be deemed included in the provisions of this Section 4.3(a).

The Purchaser shall provide the District with written notice of an increased cost or reduction in yield or return to be incurred by the Purchaser as a result of any event mentioned in this Section 4.3 promptly following the Purchaser's final determination that such increased cost or reduction in yield or return will be the subject of the certificate described in the next succeeding sentence; *provided, however*, that the failure of the Purchaser to give any such notice shall not limit or otherwise affect the obligation of the District to pay the amount set forth in said certificate.

A certificate as to such increased cost or reduction in yield or return incurred by the Purchaser as a result of any event mentioned in this Section 4.3, prepared in reasonable detail and in accordance with this Section 4.3, submitted by the Purchaser to the District, shall be conclusive, absent manifest error, as to the amount thereof.

Failure or delay on the part of the Purchaser to demand compensation pursuant to this Section 4.3 shall not constitute a waiver of the Purchaser's right to demand such compensation;

(b) **Determination of Taxability.** (i) In the event a Determination of Taxability occurs, to the extent not payable to the Purchaser under the terms of this Installment Purchase Agreement, the District hereby agrees to pay to the Purchaser on demand therefor (1) an amount equal to the difference between (A) the amount of interest that would have been paid to the Purchaser on the interest component of the Installment Payments during the period for which the interest component of the Installment Payments is included in the gross income of the Purchaser if the interest component of the Installment Payments had borne interest at the Taxable Rate, beginning on the Taxable Date (the "Taxable Period"), and (B) the amount of interest actually paid to the Purchaser during the Taxable Period, and (2) an amount equal to any interest, penalties or charges owed by the Purchaser as a result of the interest component of the Installment Payments becoming included in the gross income of the Purchaser, together with any and all attorneys' fees, court costs, or other out of pocket costs incurred by such the Purchaser in connection therewith;

Subject to the provisions of the paragraph below, the Purchaser shall afford the District the opportunity, at the District's sole cost and expense, to contest (1) the validity of any amendment to the Code which causes the interest component of the Installment Payments to be included in the gross income of the Purchaser or (2) any challenge to the validity of the tax exemption with respect to the interest component of the Installment Payments, including the right to direct the necessary litigation contesting such challenge (including administrative audit appeals); and

As a condition precedent to the exercise by the District of its right to contest set forth in clause (ii) above, the District shall, on demand, immediately reimburse the Purchaser for any and all expenses (including attorneys' fees for services that may be required or desirable, as determined by the Purchaser in its sole discretion) that may be incurred by the Purchaser in connection with any such contest, and shall, on demand, immediately reimburse the Purchaser for any payments, including any taxes, interest, penalties or other charges payable by the Purchaser for failure to include such interest in its gross income.

Section 4.4 Payment in Lawful Money; No Set Off. Each Series 2025 Installment Payment shall be paid or caused to be paid by the District on each Series 2025 Installment Payment Date in lawful money of the United States of America, which at the time of payment is legal tender for the payment of public and private debts, to or upon the order of the Purchaser at such place as the Purchaser shall designate, in writing, to the District.

Notwithstanding any dispute between the District and the Purchaser, the District shall make each and all Series 2025 Installment Payments when due and shall not withhold any Series 2025 Installment Payments pending the final resolution of such dispute nor shall the District assert any right of set off or counterclaim against its obligation to make Series 2025 Installment Payments as set forth herein.

The obligation of the District to pay the Series 2025 Installment Payments from the Gross Revenues as herein provided is absolute and unconditional, and until such time as all of the Series 2025 Installment Payments have been fully paid, the District will not discontinue or suspend any Series 2025 Installment Payments required to be made by it under this section when due, whether or not the Facilities 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 such payments shall not be subject to abatement because of any damage to, destruction or condemnation of the Facilities, 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 5.1 Pledge of Revenues. All Gross Revenues and all amounts on deposit in the Revenue Fund are hereby irrevocably pledged to the payment of the Series 2025 Installment Payments as provided herein, and except as provided in and according to the priorities with respect to the use of Gross Revenues established in Section 5.2 hereof, the Gross Revenues shall not be used for any other purpose while any of the Series 2025 Installment Payments remain unpaid; provided that out of the Gross Revenues and amounts on deposit in the Revenue Fund there may be apportioned such sums for such purposes as are expressly permitted herein including the parity claim of any Bonds or Contracts. This pledge, together with the pledge created by all other Contracts and Bonds, shall constitute a first lien on and security interest in the Gross Revenues and the Revenue Fund and all amounts on deposit therein as permitted herein and subject to the application of Gross Revenues in accordance with the terms hereof.

Section 5.2 Allocation of Revenues. In order to carry out and effectuate the pledge and lien contained herein, the District agrees and covenants that all Gross Revenues shall be received by the District in trust and shall be deposited when and as received in the "Revenue Fund" which fund the District has previously established and hereby agrees and covenants to maintain and to hold separate and apart from other funds so long as any Series 2025 Installment Payments, Contracts or Bonds remain unpaid. Moneys in the Revenue Fund shall be used and applied by the District as provided in this Installment Purchase Agreement and as needed to make payments on other Bonds and Contracts.

The District shall, from the moneys in the Revenue Fund, first, pay all Series 2025 Installment Payments and amounts due on other Bonds and Contracts (including as required to replenish Reserve Funds), all on a pro rata basis; second, pay all Operation and Maintenance Costs (including amounts reasonably required to be set aside in contingency reserves for Operation and Maintenance Costs, the payment of which is not then immediately required); and third, make all payments due on Subordinate Obligations, as the same shall become due and payable. All moneys in the Revenue Fund used to pay the Series 2025 Installment Payments shall be set aside by the District and applied as follows: On or before each Series 2025 Installment Payment Date, the District shall, from the moneys in the Revenue Fund, transfer to the Purchaser for a sum equal to the Series 2025 Installment Payment coming due on such Series 2025 Installment Payment Date.

On the last day of each month, moneys on deposit in the Revenue Fund not required to make any of the payments required above may be expended by the District at any time for any purpose permitted by law.

Section 5.3 Additional Contracts and Bonds. The District may at any time execute any Contract or issue any Bonds, as the case may be, payable from Gross Revenues on a parity with the Beck SRF Payments, the Morro SRF Payments, the 2018 Installment Payments, the 2018 Lease Payments, the 2022 Installment Payments, the 2024 Installment Payments and the Series 2025 Installment Payments in accordance herewith; provided there shall be on file with the District either:

(a) The District is not then in default under the terms of this Installment Purchase Contract; and

(b) Either

(i) the Net Revenues, calculated in accordance with Generally Accepted Accounting Principles, as shown by the books of the District for the latest Fiscal Year for which audited financial information is available or as shown by the books of the District for any more recent 12-month period selected by the District in its sole discretion, in either case verified by a certificate or opinion of an independent certified public accountant acceptable to the Purchaser in its sole discretion, plus, at the option of the District, any or all of the items described in the following subsection (c), at least equal 120% of the amount of Maximum Annual Debt Service; or which would have accrued had such Contract been executed or Bonds been issued at the beginning of such Fiscal Year or twelve month period.

(ii) the average annual Net Revenues for the prior 36-month period, calculated in accordance with Generally Accepted Accounting Principles, as shown by the books of the District for the three prior Fiscal Years for which audited financial information is available or as shown by the books of the District for any more recent 36-month period selected by the District in its sole discretion, verified by a certificate or opinion of an independent certified public accountant

acceptable to the Purchaser in its sole discretion, plus, at the option of the District, any or all of the items described in the following subsection (c), at least equal 120% of the amount of Maximum Annual Debt Service;

(c) At the option of the District, there may be added to the Net Revenues for purposes of meeting the requirements of the foregoing subsection (b) an allowance for Net Revenues arising from either of the following:

- (i) An allowance for Net Revenues from any improvements to the Water System to be made with the proceeds of such Bonds and Contracts and also for Net Revenues from any such improvements which have been made from moneys from any source but in any case which, during all or any part of the period described in the foregoing subsection (b), were not in service, all in an amount equal to 90% of the estimated additional average annual Net Revenues to be derived from such improvements for the first 36 month period in which each improvement is respectively to be in operation, all as shown by the certificate or opinion of a qualified independent engineer acceptable to the Purchaser in its sole discretion.
- (ii) An allowance for Net Revenues arising from any increase in the charges made for service from the Water System which has been adopted prior to the incurring of such Bonds and Contracts but which, during all or any part of the period described in the foregoing subsection (b), was not in effect, in an amount equal to the total amount by which the Net Revenues would have been increased if such increase in charges had been in effect during the whole of such period, all as shown by the certificate or opinion of an independent certified public accountant acceptable to the Purchaser in its sole discretion.

Notwithstanding the foregoing, Bonds issued or Contracts executed to refund Bonds or Contracts may be delivered without satisfying the conditions set forth above if Debt Service in each Fiscal Year after the Fiscal Year in which such Bonds are issued or Contracts executed is not greater than Debt Service would have been in each such Fiscal Year prior to the issuance of such Bonds or execution of such Contracts.

(d) Notwithstanding the foregoing, the District may issue evidence of indebtedness or incur other obligations for any lawful purpose that are payable from and secured by a lien on Gross Revenues or money in the Revenue Fund as may from time to time be deposited therein subordinate to the Series 2025 Installment Payments, so long as each of the following conditions has been met:

- (i) No Events of Default hereunder have occurred and are continuing and all amounts due and owing under this Installment Purchase Agreement have been paid.

(ii) Either

1. The Net Revenues, calculated in accordance with Generally Accepted Accounting Principles, as shown by the books of the District for the latest Fiscal Year for which audited financial information is available or as shown by the books of the District for any more recent 12-month period selected by the District in its sole discretion, in either case verified by a certificate or opinion of an independent certified public accountant acceptable to the Purchaser in its sole discretion, plus, at the option of the District, any or all of the items described in the prior subsection (c), at least equal 110% of the amount of annual Debt Service based at the Assumed Interest Rate after payment of any senior Bonds or Contracts (including this Installment Purchase Agreement); or which would have accrued had such Contract been executed or Bonds been issued at the beginning of such Fiscal Year or twelve month period.
2. The average annual Net Revenues for the prior 36-month period, calculated in accordance with Generally Accepted Accounting Principles, as shown by the books of the District for the three prior Fiscal Years for which audited financial information is available or as shown by the books of the District for any more recent 36-month period selected by the District in its sole discretion, verified by a certificate or opinion of an independent certified public accountant acceptable to the Purchaser in its sole discretion, plus, at the option of the District, any or all of the items described in the prior subsection (c), at least equal 110% of the amount of annual Debt Service based at the Assumed Interest Rate of any senior Bonds or Contracts (including this Installment Purchase Agreement);

(ii) Any remedies to be exercised under any subordinate obligation shall not interfere with the District's receipt of Gross Revenues to pay Maintenance and Operations Costs and debt service on any senior Bonds or Contracts (including this Installment Purchase Agreement) and no acceleration of such subordinate obligation may be accelerated without the prior written consent of the Purchaser.

Section 5.4 Investments. All moneys held by the District 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.

ARTICLE VI

COVENANTS OF THE DISTRICT

Section 6.1 Compliance with Installment Purchase Agreement and Ancillary Agreements. The District will punctually pay the Series 2025 Installment Payments in strict conformity with the terms hereof, and will faithfully observe and perform all the agreements,

conditions, covenants and terms contained herein 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 Facilities, 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 Purchaser to observe or perform any agreement, condition, covenant or term contained herein 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 Purchaser or, except as provided in Sections 3.5 and 6.6 hereof, 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, subject to Section 10.6 hereunder, each of the agreements, conditions, covenants and terms contained in each such agreement is an essential and material term of the purchase of and payment for the Facilities by the District pursuant to the Law.

The District will faithfully observe and perform all the agreements, conditions, covenants and terms 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 6.2 Against Encumbrances. The District will not make any pledge of or place any lien on Gross Revenues or the moneys in the Revenue Fund except as provided herein. The District 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 Gross Revenues or any moneys in the Revenue Fund as may from time to time be deposited therein, provided that such pledge and lien shall be subordinate in all respects to the pledge of and lien thereon provided herein.

Section 6.3 Against Sale or Other Disposition of Property. The District will not enter into any agreement or lease which materially impairs the operation of the Water System or any part thereof necessary to secure adequate Gross Revenues for the payment of the Series 2025 Installment Payments, or which would otherwise impair the rights of the Purchaser hereunder or the operation of the Water System. Any real or personal property which has become nonoperative or which is not needed for the efficient and proper operation of the Water System, or any material or equipment which has become worn out, may be sold if such sale will not materially impair the ability of the District to pay the Series 2025 Installment Payments and if the proceeds of such sale are deposited in the Revenue Fund.

Nothing herein shall restrict the ability of the District to sell any portion of the Water System if such portion is immediately repurchased by the District and if such arrangement cannot by its terms result in the purchaser of such portion of the Water System exercising any remedy which would deprive the District of or otherwise interfere with its right to own and operate such portion of the Water System.

Section 6.4 Against Competitive Facilities. The District 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 District any water system competitive with the Water System; provided the District with the prior written consent of the Purchaser may transfer or assign all or any portion of the Water System to another entity which agrees to assume the District's obligations hereunder.

Section 6.5 Tax Covenants. Notwithstanding any other provision of this Installment Purchase Agreement, absent an opinion of counsel to the District that the exclusion from gross income of the interest component of the Series 2025 Installment Payments will not be adversely affected for federal income tax purposes, the District covenants to comply with all applicable requirements of the Code necessary to preserve such exclusion from gross income on the interest component of the Series 2025 Installment Payments and specifically covenant, without limiting the generality of the foregoing, as follows:

(a) Private Activity. The District will not take or omit to take any action or make any use of the proceeds received under this Installment Purchase Agreement or of any other moneys or property which would cause the interest component of the Series 2025 Installment Payments to be "private activity bonds" within the meaning of Section 141 of the Code.

(b) Arbitrage. The District will make no use of the proceeds received under this Installment Purchase Agreement or of any other amounts or property, regardless of the source, or take or omit to take any action which would cause the interest component of the Series 2025 Installment Payments to be "arbitrage bonds" within the meaning of Section 148 of the Code.

(c) Federal Guarantee. The District will make no use of the proceeds received under this Installment Purchase Agreement or take or omit to take any action that would cause the interest component of the Series 2025 Installment Payments to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

(d) Information Reporting. The District will take or cause to be taken all necessary action to comply with the informational reporting requirements of Section 149(e) of the Code necessary to preserve the exclusion of the interest component of the Series 2025 Installment Payments pursuant to Section 103(a) of the Code.

(e) Hedge Bonds. The District will make no use of the proceeds received under this Installment Purchase Agreement or any other amounts or property, regardless of the source, or take any action or refrain from taking any action that would cause the interest component of the Series 2025 Installment Payments to be considered "hedge bonds" within the meaning of Section 149(g) of the Code unless the District take all necessary action to assure compliance with the requirements of Section 149(g) of the Code to maintain the exclusion from gross income of the interest component of the Series 2025 Installment Payments for federal income tax purposes.

(f) Miscellaneous. The District will take no action, or omit to take any action, inconsistent with the expectations stated in any Tax Certificate executed in connection with this

Installment Purchase Agreements and will comply with the covenants and requirements stated therein and incorporated by reference herein.

This section and the covenants set forth herein shall not be applicable to, and nothing contained herein shall be deemed to prevent the District from issuing Bonds or executing and delivering Contracts, the interest with respect to which has been determined by Special Counsel to be subject to federal income taxation.

Section 6.6 Maintenance and Operation of the Water System. The District will maintain and preserve the Water System in good repair and working order at all times and will operate the Water System in an efficient and economical manner and will pay all Operation and Maintenance Costs as they become due and payable, except if and to the extent that any force majeure event has occurred, 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, pandemics, fire, explosion, or acts or regulations of governmental authorities.

Section 6.7 Payment of Claims. The District will pay and discharge any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien on the Gross Revenues or the funds or accounts created hereunder or on any funds in the hands of the District pledged to pay the Series 2025 Installment Payments prior or superior to the lien of the Series 2025 Installment Payments or which might impair the security of the Series 2025 Installment Payments

Section 6.8 Compliance with Contracts. The District 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 for the use of the Water System and all other contracts affecting or involving the Water System, to the extent that the District is a party thereto.

Section 6.9 Insurance.

(a) The District will procure and maintain or cause to be procured and maintained insurance on the Water System with responsible insurers in such amounts and against such risks (including accident to or destruction of the Water System) as are usually covered in connection with facilities similar to the Water System so long as such insurance is available from reputable insurance companies.

In the event of any damage to or destruction of the Water 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 Water System. The District 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 Water System shall be free and clear of all claims and liens.

If such Net Proceeds exceed the costs of such reconstruction, repair or replacement portion of the Water System, and/or the cost of the construction of additions, betterments, extensions or

improvements to the Water System, then the excess Net Proceeds may, at the option of the District, be applied in part to the prepayment of Series 2025 Installment Payments as provided in Section 7.1 and in part to such other fund or account as may be appropriate and used for the retirement of Bonds and Contracts in the same proportion which the aggregate unpaid principal balance of Series 2025 Installment Payments then bears to the aggregate unpaid principal amount of such Bonds and Contracts. If such Net Proceeds are sufficient to enable the District to retire the entire obligation evidenced hereby prior to the final due date of the Series 2025 Installment Payments as well as the entire obligations evidenced by Bonds and Contracts then remaining unpaid prior to their final respective due dates, the District may elect not to reconstruct, repair or replace the damaged or destroyed portion of the Water System, and/or not to construct other additions, betterments, extensions or improvements to the Water System; and thereupon such Net Proceeds shall be applied to the prepayment of Series 2025 Installment Payments as provided in Section 7.1 and to the retirement of such Bonds and Contracts.

(b) The District will procure and maintain such other insurance which it shall deem advisable or necessary to protect its interests and the interests of the Purchaser, which insurance shall afford protection in such amounts and against such risks as are usually covered in connection with municipal retail water systems similar to the Water System.

(c) Any insurance required to be maintained by paragraph (a) above and, if the District determines to procure and maintain insurance pursuant to paragraph (b) above, 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 municipal retail water systems similar to the Water System and is, in the opinion of an accredited actuary, actuarially sound.

All policies of insurance required to be maintained herein shall provide that the Purchaser shall be given thirty (30) days' written notice of any intended cancellation thereof or reduction of coverage provided thereby.

Section 6.10 Accounting Records; Financial Statements and Other Reports.

(a) The District will keep appropriate accounting records in which complete and correct entries shall be made of all transactions relating to the District, which records shall be available for inspection by the Purchaser at reasonable hours and under reasonable conditions.

(b) The District will prepare and file with the Purchaser annually within two hundred seventy (270) days after the close of each Fiscal Year (commencing with the Fiscal Year ending June 30, 2024) financial statements of the District for the preceding Fiscal Year prepared in accordance with generally accepted accounting principles, together with the report of an Independent Certified Public Accountant thereon and a certificate of an Authorized Officer certifying that no Event of Default has occurred or is continuing under this Installment Purchase Agreement.

(c) During each Fiscal Year, the District will deliver a copy of its operating budget to the Purchaser annually within thirty (30) days after the adoption thereof.

(d) The District shall provide the Purchaser with notice of any material litigation no later than ten (10) Business Days after being served thereof. For purposes of this provision, “material litigation” shall mean any litigation that would expose the District to uninsured costs in excess of \$10,000,000.

(e) The District shall provide written notice of any default hereunder as soon as the District becomes aware of any default hereunder.

(f) The District shall furnish at the Purchaser’s request such additional information that the Purchaser may from time to time reasonably request.

(g) The District shall furnish notice to the Purchaser of any occurrence of an event described in subsection (b)(5)(i)(C) of the Securities and Exchange District Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (17 CFR Part 240, §240.15c2-12), as applicable, in a timely manner but not in excess of ten business days after the occurrence of such event.

Section 6.11 Protection of Security and Rights of the Purchaser. The District will preserve and protect the security hereof and the rights of the Purchaser to the Series 2025 Installment Payments hereunder and will warrant and defend such rights against all claims and demands of all persons.

Section 6.12 Payment of Taxes and Compliance with Governmental Regulations. The District will pay and discharge all taxes, assessments and other governmental charges which may hereafter be lawfully imposed upon the Water System, or any part thereof or upon the Gross Revenues when the same shall become due; provided the District shall not be required to pay such taxes, assessments and other governmental charges so long as the validity or application thereof shall be contested in good faith. The District will duly observe and conform with all valid regulations and requirements of any governmental authority relative to the operation of the Water System, or any part thereof; but the District 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 6.13 Amount of Rates and Charges.

(a) To the fullest extent permitted by law, the District will fix and prescribe rates and charges for the Water System which are reasonably expected to be at least sufficient to yield during each Fiscal Year Net Revenues equal to 120% of debt service payments on Bonds and Contracts for such Fiscal Year. The District may make adjustments, from time to time, in such rates and charges and may make such classifications thereof as it deems necessary, but shall not reduce the rates and charges then in effect unless the Net Revenues from such reduced rates and charges are reasonably expected to be sufficient to meet the requirements of this section.

(b) So long as the District has complied with its obligations set forth in subsection (a) above, the failure of Net Revenues to meet the threshold set forth in Section 6.14(a) above at the end of a Fiscal Year shall not constitute a default or an Event of Default so long as the District has complied with Section 6.14(a) at the commencement of the succeeding Fiscal Year.

Section 6.14 Collections of Rates and Charges. The District will have in effect at all times rules and regulations requiring all users of the Water System to pay the assessments, rates, fees and charges applicable to the Water System provided or made available to such users. Such rules and regulations shall also provide for the billing thereof and for a due date and a delinquency date for each bill.

Section 6.15 Eminent Domain Proceeds. If all or any part of the Water System shall be taken by eminent domain proceedings, the Net Proceeds thereof shall be applied as follows:

(a) If (1) the District files with the Purchaser a certificate showing (i) the estimated loss of annual Net Revenues, if any, suffered or to be suffered by the District by reason of such eminent domain proceedings, (ii) a general description of the additions, betterments, extensions or improvements to the Water System proposed to be acquired and constructed by the District from such Net Proceeds, and (iii) an estimate of the additional annual Net Revenues to be derived from such additions, betterments, extensions or improvements, and (2) the District, on the basis of such certificate filed with the Purchaser, determines that the estimated additional annual Net Revenues will sufficiently offset the estimated loss of annual Net Revenues resulting from such eminent domain proceedings so that the ability of the District to meet its obligations hereunder will not be substantially impaired (which determination shall be final and conclusive), then the District shall promptly proceed with the acquisition and construction of such additions, betterments, extensions or improvements substantially in accordance with such certificate and such Net Proceeds shall be applied for the payment of the costs of such acquisition and construction, and any balance of such Net Proceeds not required by the District for such purpose shall be held by the District and shall be treated as Gross Revenues.

(b) If the foregoing conditions are not met, then such Net Proceeds shall be applied by the District in part to the prepayment of Series 2025 Installment Payments as provided in Section 7.1 and in part to such other fund or account as may be appropriate and used for the retirement of Bonds and Contracts in the same proportion which the aggregate unpaid principal components of the Series 2025 Installment Payments then bears to the aggregate unpaid principal amount of such Bonds and Contracts.

Section 6.16 Further Assurances. The District 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 Purchaser of the rights and benefits provided to it herein.

Section 6.17 Enforcement of Contracts. So long as amounts are owed by the District hereunder, the District 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 which contracts provide for water to be supplied to the District which will reduce the supply of water thereunder (except as provided therein) if such rescission or amendment would in any manner impair or adversely affect the rights of the Purchaser.

Section 6.18 Superior Additional Obligations. The District shall not execute any Contracts or issue any Bonds, as the case may be, that are payable from or secured by a pledge of

and lien on Gross Revenues and any money in the Revenue Fund superior to the pledge securing the Series 2025 Installment Payments.

ARTICLE VII

PREPAYMENT OF SERIES 2025 INSTALLMENT PAYMENTS

Section 7.1 Prepayment.

(a) The District may or shall, as the case may be, prepay from the Net Proceeds as provided in Sections 6.9 and 6.15 herein on any date all or any part of the unpaid Series 2025 Installment Payments at a prepayment price equal to the sum of the principal components prepaid plus accrued interest thereon to the date of prepayment.

(b) Prior to January 7, 2030, the Series 2025 Installment Payments may not be prepaid. On or after January 7, 2030, the District may prepay the Series 2025 Installment Payments, as a whole or in part, on any Business Day at a prepayment price equal to the principal component of the Series 2025 Installment Payments being prepaid, together with all interest components of the Series 2025 Installment Payments due through such prepayment date, without premium.

In the event of prepayment in part, the partial prepayment shall be applied by the Purchaser against Installment Payments in the manner directed by the District, and the District shall cause to be provided to the Purchaser a revised schedule of Series 2025 Installment Payments reflecting said partial prepayment.

Notwithstanding any such prepayment, the District shall not be relieved of its obligations hereunder, including its obligations under Article IV, until the Purchase Price shall have been fully paid (or provision for payment thereof shall have been provided to the written satisfaction of the Purchaser) and the requirements of Article IX hereof shall have been satisfied.

Section 7.2 Method of Prepayment. Before making any prepayment pursuant to Section 7.1, the District shall, within five (5) days following the event permitting the exercise of such right to prepay or creating such obligation to prepay or a determination to prepay, give written notice to the Purchaser describing such event and specifying the date on which the prepayment will be paid, which date shall be not less than thirty (30) days from the date such notice is given unless a shorter period is agreed to by the Purchaser in its sole discretion.

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES OF THE AUTHORITY

Section 8.1 Events of Default and Acceleration of Maturities. If one or more of the following Events of Default shall happen, that is to say --

(1) if default shall be made by the District in the due and punctual payment of any Series 2025 Installment Payment or any Contract or Bond when and as the same shall become due and payable;

(2) if default shall be made by the District in the performance of any of the agreements or covenants required herein or in connection with any Contract or Bond to be performed by it, and such default shall have continued for a period of sixty (60) days after the District shall have been given notice in writing of such default by the Purchaser;

(3) if the District 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 District seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if under the provisions of any other law for the relief or aid of debtors any court of competent jurisdiction shall assume custody or control of the District or of the whole or any substantial part of its property;

(4) if payment of the principal of any Contract or Bond is accelerated in accordance with its terms;

(5) any representation or warranty made by the District in this Installment Purchase Agreement or any certificate, instrument, financial or other statement furnished by the District to the Purchaser, proves to have been untrue or incomplete in any material respect when made or deemed made;

(6) any judgment or court order for the payment of money exceeding any applicable insurance coverage by more than \$10,000,000 in the aggregate is rendered against the District and the District fails to vacate, bond, stay, contest, pay or satisfy such judgment or court order for 60 days;

(7) this Installment Purchase Agreement, or any material provision hereof or thereof, (i) ceases to be valid and binding on the District or is declared null and void, or the validity or enforceability thereof is contested by the District (unless being contested by the District in good faith), or the District denies it has any or further liability under any such document to which it is a party; or (ii) any pledge or security interest created fails to be fully enforceable with the priority required hereunder or thereunder; or

(8) moratorium, suspension or termination of the existence of the District; then and in each and every such case upon the occurrence of such Event of Default specified in clauses (3) and (4) above, without any notice to the District, the Purchaser shall declare the entire principal amount of the unpaid Series 2025 Installment Payments and the accrued interest thereon shall be immediately due and payable, and for any other Event of Default the Purchaser may, by notice in writing to the District, declare the entire principal amount of the unpaid Series 2025 Installment Payments and the accrued interest thereon to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable, anything contained herein to the contrary notwithstanding. This section, however, is subject to the condition that if at any time after the entire principal amount of the unpaid Series 2025 Installment Payments and the accrued interest thereon shall have been so declared due and payable and before any judgment or decree for the payment of the moneys due shall have been obtained or entered the District shall deposit with the Purchaser a sum sufficient to pay the unpaid principal amount of the

Series 2025 Installment Payments or the unpaid payment of any other Contract or Bond referred to in clause (1) above due prior to such declaration and the accrued interest thereon, with interest on such overdue installments, at the rate or rates applicable to the remaining unpaid principal balance of the Series 2025 Installment Payments or such Contract or Bond if paid in accordance with their terms, and the reasonable expenses of the District, and any and all other defaults known to the District (other than in the payment of the entire principal amount of the unpaid Series 2025 Installment Payments and the accrued interest thereon due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Purchaser, if appropriate, or provision deemed by the Purchaser, if appropriate, to be adequate shall have been made therefor, then and in every such case the Purchaser, if appropriate by written notice to the District, may rescind and annul such declaration and its consequences; but no such rescission and annulment shall extend to or shall affect any subsequent default or shall impair or exhaust any right or power consequent thereon.

Section 8.2 Application of Funds Upon Acceleration. Upon the date of the declaration of acceleration as provided in Section 8.1, all Gross Revenues thereafter received by the District shall be applied in the following order --

First, to the payment of the fees, costs and expenses of the Purchaser, if any, in carrying out the provisions of this article, including reasonable compensation to its accountants and counsel and any outstanding fees and expenses of the Purchaser;

Second, to the payment of the Operation and Maintenance Costs;

Third, to the payment of the entire principal amount of the unpaid Series 2025 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 2025 Installment Payments and such Bonds and Contracts if paid in accordance with their respective terms; and

Fourth, to the payment of Subordinate Obligations in accordance with the terms thereof

Section 8.3 Other Remedies of the Purchaser. The Purchaser shall have the right:

(a) by mandamus or other action or proceeding or suit at law or in equity to enforce its rights against the District or any director, officer or employee thereof, and to compel the District or any such director, officer or employee to perform and carry out his or her duties under the law and the agreements and covenants required to be performed by it or him contained herein;

(b) by suit in equity to enjoin any acts or things which are unlawful or violate the rights of the Purchaser; or

(c) by suit in equity upon the happening of an Event of Default to require the District and its directors, officers and employees to account as the trustee of an express trust.

Notwithstanding anything contained herein, the Purchaser shall have no security interest in or mortgage on the Facilities, the Water System or other assets of the District and no default hereunder shall result in the loss of the Facilities, the Water System, or other assets of the District.

Section 8.4 Non-Waiver. Nothing in this article or in any other provision hereof shall affect or impair the obligation of the District, which is absolute and unconditional, to pay the Series 2025 Installment Payments to the Purchaser at the respective due dates or upon prepayment from the Gross Revenues, the Revenue Fund and the other funds herein pledged for such payment, or shall affect or impair the right of the Purchaser, 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 Purchaser 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 Purchaser to exercise any right or remedy accruing upon any default or breach of duty or contract shall impair any such right or remedy or shall be construed to be a waiver of any such default or breach of duty or contract or an acquiescence therein, and every right or remedy conferred upon the Purchaser under the Law or by this article may be enforced and exercised from time to time and as often as shall be deemed expedient by the Purchaser.

If any action, proceeding or suit to enforce any right or exercise any remedy is abandoned or determined adversely to the Purchaser, the District and the Purchaser shall be restored to their former positions, rights and remedies as if such action, proceeding or suit had not been brought or taken.

Section 8.5 Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Purchaser 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 under law.

ARTICLE IX

DISCHARGE OF OBLIGATIONS

Section 9.1 Discharge of Obligations. When

(a) all or any portion of the Series 2025 Installment Payments shall have become due and payable in accordance herewith or a written notice of the District to prepay all or any portion of the Series 2025 Installment Payments shall have been filed with the Purchaser; and

(b) there shall have been deposited with the Purchaser, or a third party escrow agent, at or prior to the Series 2025 Installment Payment Dates or date (or dates) specified for prepayment, in trust for the benefit of the Purchaser or its assigns and irrevocably appropriated and set aside to the payment of all or any portion of the Series 2025 Installment Payments, sufficient moneys and non-callable Defeasance Securities, the principal of and interest on which when due will provide money sufficient to pay all principal, prepayment premium, if any, and

interest of such Series 2025 Installment Payments to their respective Series 2025 Installment Payment Dates or prepayment date or dates as the case may be; and

(c) provision shall have been made for paying all fees and expenses of the Purchaser, then and in that event, the right, title and interest of the Purchaser herein and the obligations of the District hereunder shall, with respect to all or such portion of the Series 2025 Installment Payments as have been so provided for, thereupon cease, terminate, become void and be completely discharged and satisfied (except for the rights of the Purchaser and the obligation of the District to have such Defeasance Securities applied to the payment of such Series 2025 Installment Payments).

In such event, upon request of the District the Purchaser shall cause an accounting for such period or periods as may be requested by the District to be prepared and filed with the District and shall execute and deliver to the District all such instruments as may be necessary or desirable to evidence such total or partial discharge and satisfaction, as the case may be, and, in the event of a total discharge and satisfaction, the Purchaser or third party escrow agent shall pay over to the District all such Defeasance Securities held by it pursuant hereto other than such Defeasance Securities, as are required for the payment or prepayment of the Series 2025 Installment Payments , which Defeasance Securities shall continue to be held by the Purchaser or third party escrow agent in trust for the payment of the Series 2025 Installment Payments and shall be applied to the payment of the Series 2025 Installment Payments of the District.

ARTICLE X

MISCELLANEOUS

Section 10.1 Liability of District Limited. Notwithstanding anything contained herein, the District shall not be required to advance any moneys derived from any source of income other than the Gross Revenues and the other funds provided herein for the payment of the Series 2025 Installment Payments or for the performance of any agreements or covenants required to be performed by it contained herein. The District 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 District for such purpose.

The obligation of the District to make the Series 2025 Installment Payments is a special obligation of the District payable solely from such Gross Revenues and other funds described herein, and does not constitute a debt of the District or of the State of California or of any political subdivision thereof within the meaning of any constitutional or statutory debt limitation or restriction.

Section 10.2 Benefits of Installment Purchase Agreement Limited to Parties. Nothing contained herein, expressed or implied, is intended to give to any person other than the District or the Purchaser and its assigns any right, remedy or claim under or pursuant hereto, and any agreement or covenant required herein to be performed by or on behalf of the District or the Purchaser shall be for the sole and exclusive benefit of the other party.

Section 10.3 Successor Is Deemed Included in all References to Predecessor.

Whenever either the District or the Purchaser 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 District or the Purchaser, and all agreements and covenants required hereby to be performed by or on behalf of the District or the Purchaser shall bind and inure to the benefit of the respective successors thereof whether so expressed or not.

Section 10.4 Waiver of Personal Liability. No director, officer or employee of the District shall be individually or personally liable for the payment of the Series 2025 Installment Payments , but nothing contained herein shall relieve any director, officer or employee of the District from the performance of any official duty provided by any applicable provisions of law or hereby.

Section 10.5 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 the Installment Purchase Agreement as a whole and not to any particular article, section, subdivision or clause hereof.

Section 10.6 Partial Invalidity. If any one or more of the agreements or covenants or portions thereof required hereby to be performed by or on the part of the District or the Purchaser 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 District and the Purchaser hereby declare that they would have executed the 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 10.7 Assignment. The Purchaser’s right, title and interest in and to this Installment Purchase Agreement may be participated, assigned and reassigned by the Purchaser in whole to one or more subsequent assignees, subject to the limitations set forth in this Section 10.7, without the necessity of obtaining the consent of the District. The Purchaser acknowledges and agrees that the restrictions and limitations on transfer as provided in this Section 10.7 shall apply to the first and subsequent assignees of any of the Purchaser’s right, title and interest in, to and under this Installment Purchase Agreement.

Any such assignment, transfer or conveyance (i) shall be made only to an investor which is a “qualified institutional buyer” as defined in Rule 144A(a)(1) promulgated under the Securities Act of 1933, as amended, or an “Accredited Investor” as defined in Section 501(a)(1), (2), (3) or (7) of Regulation D promulgated under the Securities Act of 1933 Act and is purchasing its right, title and interest in and to this Installment Purchase Agreement for its own account with no present intention to resell its interest herein; (ii) shall not require the District to make Series 2025

Installment Payments to, send notices to or otherwise deal with respect to matters arising under this Installment Purchase Agreement with any entity other than the Purchaser or a subsequent entity to whom the Purchaser transfers its right, title and interest hereunder in whole, and (iii) shall be made only to investors who complete and submit to the District a letter substantially in the form attached hereto as Exhibit D. Neither the Purchaser nor any subsequent assignee may participate out any interest held by it in this Installment Purchase Agreement and the Series 2025 Installment Payments other than in accordance with this Section 10.7. No assignment, transfer or conveyance of any of the Purchaser's rights hereunder shall be effective until such subsequent assignee has executed a letter substantially in the form attached hereto as Exhibit D and delivered it to the District.

No assignment, transfer or conveyance of the Purchaser's rights in whole permitted by this Section 10.7 shall be effective until the District shall have received a written notice of assignment that discloses the name and address of such assignee.

Section 10.8 Net Contract. The Installment Purchase Agreement shall be deemed and construed to be a net contract, and the District shall pay absolutely net during the term hereof of the Series 2025 Installment Payments and all other payments required hereunder, free of any deductions and without abatement, diminution or set-off whatsoever.

Section 10.9 California Law. THE 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 by mail to the party entitled thereto at its address set forth below, or at such other address as such party may provide to the other party in writing from time to time, namely:

If to the District: Rainbow Municipal Water District
3707 Old 395 Highway
Fallbrook, California 94019
Attention: General Manager

If to the Purchaser: U.S. Bank National Association
777 E. Wisconsin Avenue
Milwaukee, Wisconsin 53202
Attention: Dan Clements

Section 10.11 Effective Date. The Installment Purchase Agreement shall become effective upon its execution and delivery, and shall terminate when the Purchase Price shall have been fully paid (or provision for the payment thereof shall have been made to the written satisfaction of the Purchaser).

Section 10.12 Execution in Counterparts. The 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 Purchaser. The District hereby agrees to indemnify and hold harmless the Purchaser and its directors, officers and employees if and to the extent permitted by law, from and against all claims, advances, damages and losses, including legal fees and expenses with counsel selected by the District and reasonably approved by the Purchaser, arising out of or in connection with the acceptance or the performance of its duties hereunder; provided that no indemnification will be made for willful misconduct, negligence or breach of an obligation hereunder by the Purchaser.

Section 10.14 Amendments Permitted. This Installment Purchase Agreement and the rights and obligations of the Purchaser and the District may be modified or amended at any time by an amendment hereto which shall become binding upon execution by the District and the Purchaser.

Section 10.15 Arm's Length Transaction. The transaction described in this Installment Purchase Agreement is an arm's length, commercial transaction between the District and the Purchaser in which: (i) the Purchaser is acting solely as a principal (i.e., as a lender) and for its own interest; (ii) the Purchaser is not acting as a municipal advisor or financial advisor to the District; (iii) the Purchaser has no fiduciary duty pursuant to Section 15B of the Securities Exchange Act of 1934 to the District with respect to this transaction and the discussions, undertakings and procedures leading thereto (irrespective of whether the Purchaser or any of its affiliates has provided other services or is currently providing other services to the District on other matters); (iv) the only obligations the Purchaser has to the District with respect to this transaction are set forth in this Installment Purchase Agreement; and (v) the Purchaser is not recommending that the District take an action with respect to the transaction described in this Installment Purchase Agreement and the other Loan Documents, and before taking any action with respect to the this transaction, the District should discuss the information contained herein with the District's own legal, accounting, tax, financial and other advisors, as the District deems appropriate.

Section 10.16 Judicial Reference. (a) TO THE MAXIMUM EXTENT PERMITTED BY LAW, EACH OF THE PARTIES IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDINGS ARISING OUT OF OR RELATING TO THIS INSTALLMENT PURCHASE AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY. EACH OF THE PARTIES FURTHER AGREES THAT, IN THE EVENT OF LITIGATION, IT WILL NOT PERSONALLY OR THROUGH ITS AGENTS OR ATTORNEYS SEEK TO REPUDIATE THE VALIDITY OF THIS SECTION 10.16, AND IT ACKNOWLEDGES THAT IT FREELY AND VOLUNTARILY ENTERED INTO THIS INSTALLMENT PURCHASE AGREEMENT TO WAIVE TRIAL BY JURY IN ORDER TO INDUCE THE BANK TO FINANCE THE PROJECT.

(b) To the extent that the foregoing waiver of a jury trial is unenforceable under applicable State of California law, the parties agree to refer, for a complete and final adjudication, any and all issues of fact or law involved in any litigation or proceeding (including all discovery and law and motion matters, pretrial motions, trial matter and post-trial motions up to and including final judgment), brought to resolve any dispute (whether based on contract, tort or otherwise) between a party or the parties and the Purchaser arising out of, in connection with or otherwise related or incidental to this Installment Purchase Agreement to a judicial referee who shall be appointed under a general reference pursuant to California Code of Civil Procedure Section 638,

which referee's decision will stand as the decision of the court. Such judgment will be entered on the referee's statement of judgment in the same manner as if the action had been tried by the court. The parties shall select a single neutral referee, who shall be a retired state or federal judge with at least five years of judicial experience in civil matters; provided that the event the parties and the Purchaser cannot agree upon a referee, the referee will be appointed by the court. The fees and expense of any referee that is appointed in such action or proceeding shall be shared equally among the parties, but the prevailing party shall have the right to recover the portion paid by it from the non-prevailing party at the conclusion of the case.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

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

RAINBOW MUNICIPAL WATER DISTRICT

By: _____
Jake Wiley, General Manager

U.S. BANK NATIONAL ASSOCIATION, a
national banking association, as Purchaser

By: _____
Name: _____
Title: _____

EXHIBIT A

DESCRIPTION OF THE FACILITIES

The Facilities comprise the following:

1. Rainbow Heights Tank #1 (4 MG)
2. Rice Canyon Tank (4 MG)
3. Hutton Tank (4 MG)
4. Gopher Tank (4 MG)

The District may substitute other improvements to the Water System for all or a portion of the improvements listed above.

EXHIBIT B
PURCHASE PRICE

EXHIBIT C

FORM OF SUBSTITUTION CERTIFICATE

[ADDRESSED TO PURCHASER]

The undersigned General Manager of the Rainbow Municipal Water District (the “District”) hereby states pursuant to Section 3.1 of the Installment Purchase Agreement, dated as of January [7], 2025, by and between District and U.S. Bank National Association (the “Installment Purchase Agreement”) that each component of the Facilities (as defined in the Installment Purchase Agreement) described in the Exhibit 1 attached hereto, with an estimated cost set forth in Exhibit 1, will be replaced by the corresponding improvement described in the Exhibit 1 with an estimated cost set forth in Exhibit 1.

Dated: _____, 20____

General Manager

EXHIBIT D

FORM OF LENDER LETTER

[Date]

Rainbow Municipal Water District
Fallbrook, California

Re: Rainbow Municipal Water District 2025 Installment Purchase Agreement (the
“Agreement”)

Ladies and Gentlemen:

The undersigned, a duly authorized officer of U.S. Bank National Association (the
“Purchaser”) hereby represents and warrants to you as follows:

1. The Purchaser, or one of its predecessor’s in interest, has loaned to the Rainbow Municipal Water District (the “District”) on the date hereof \$_____ for the purpose of financing the Project pursuant to the Agreement (the Loan”).

2. The Purchaser has sufficient knowledge and experience in business and financial matters in general to enable the Purchaser to evaluate the Loan, the credit of the District, the collateral and the terms and that the Purchaser will make its own independent credit analysis and decision to enter into the Loan based on independent examination and evaluation of the transaction and the information deemed appropriate, without reliance on any other parties.

3. The Purchaser acknowledges that no CUSIP or credit rating has been sought or obtained with respect to the Loan.

4. The Purchaser acknowledges that no official statement has been prepared for the Loan, and that the District will not be entering into a continuing disclosure agreement to provide ongoing disclosure respecting the Loan; provided, however, that the District has agreed to provide certain ongoing information to the Purchaser. The Purchaser has been offered copies of or full access to all documents relating to the Loan and all records, reports, financial statements and other information concerning the District and pertinent to the source of payment for the Series 2025 Installment Payments as deemed material by the Purchaser, which the Purchaser as a commercial Purchaser, has requested and to which the Purchaser, as a commercial Purchaser, would attach significance in making its lending decision. The Purchaser acknowledges that the Installment Purchase Agreement is exempt from the requirements of Rule 15c2-12 of the Securities and Exchange District and that the District has not undertaken to provide continuing disclosure with respect to the Installment Purchase Agreement but that the District has agree to provide certain other ongoing financial information and notice of certain events pursuant to the Installment Purchase Agreement

5. The Purchaser confirms that it is able to bear the economic risk of its entering into the Loan, including a complete loss thereunder.

6. The Purchaser states that it is a “Qualified Institutional Buyer” as defined in Rule 144A under the Securities Act of 1933, as amended (the “1933 Act”), or an “Accredited Investor” as defined in Section 501(a)(1), (2), (3) or (7) of Regulation D promulgated under the 1933 Act; and it is capable of evaluating risks and market value independently, both in general and with regard to transactions similar to the Loan.

7. The Purchaser is entering into the Loan solely for its own account with a present intent to continue as a party to the Agreement until the termination thereof, and not with a view to, or in connection with, any distribution, resale, pledging, fractionalization, subdivision or other disposition thereof (subject to the understanding that disposition of Purchaser’s property will remain at all times within its control); provided, however, that the Purchaser shall not be precluded from transferring or assigning its interest in the Loan in accordance with the terms and conditions set forth in the Agreement and in compliance with all applicable securities laws.

8. The Purchaser understands that none of the documents in connection with the Loan (i) have been registered under the 1933 Act, or (ii) have been registered or qualified under any state securities or “Blue Sky” laws, and that none of such documents have been qualified under the Trust Indenture Act of 1939, as amended. Purchaser agrees that it will comply with any applicable state and federal securities in connection with respect to any disposition of it rights with respect to the Installment Purchase Agreement by it, and further acknowledges that any current exemption from registration of the Installment Purchase Agreement does not affect or diminish such requirements.

9. The Purchaser acknowledges that in connection with the Loan it has had the opportunity to consult with its own legal counsel and to negotiate this Letter prior to execution.

10. The Purchaser understands that the District and Counsel to the District will rely upon the accuracy and truthfulness of the representations and warranties contained herein and hereby consents to such reliance.

11. The signatory of this Letter is a duly authorized officer of the Purchaser with the authority to sign this Letter on behalf of the Purchaser, and this Letter has been duly authorized, executed and delivered.

12. Inasmuch as the Loan represents a negotiated transaction, the Purchaser is not acting as a fiduciary of the District, but rather is acting solely in its capacity as the provider of the Loan, for its own loan account. The District acknowledges and agrees that (i) the transaction contemplated herein is an arm’s length commercial transaction between the District and the Purchaser and its affiliates, (ii) in connection with such transaction, the Purchaser and its affiliates are acting solely as a principal and not as an advisor including, without limitation, a “Municipal Advisor” as such term is defined in Section 15B of the Securities and Exchange Act of 1934, as amended, and the related final rules (the “Municipal Advisor Rules”), (iii) the Purchaser and its affiliates are relying on the purchaser exemption in the Municipal Advisor Rules, (iv) the Purchaser and its affiliates have not provided any advice or assumed any advisory or fiduciary responsibility in favor of the District with respect to the transaction contemplated by the Loan and the discussions, undertakings and procedures leading thereto (whether or not the Purchaser, or any affiliate of the Purchaser, has provided other services or advised, or is currently providing other

services or advising the District on other matters) and (v) the Purchaser and its affiliates have financial and other interests that differ from those of the District.

Very truly yours,

U.S. BANK NATIONAL ASSOCIATION, a
national banking association

By: _____
Name: _____
Title: _____

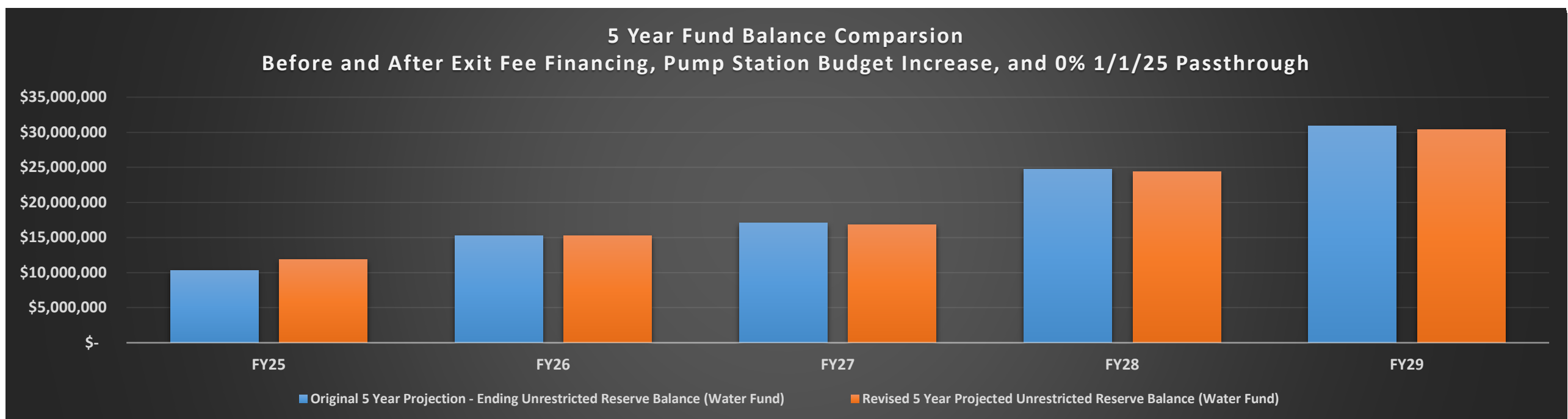
5 Year Cash Flow Impact Analysis -Before and After Exit Fee Financing, Pump Station Budget Increase, and 0% 1/1/25 Pass-through

Cash Flow Impacts from Exit Fee Financing	FY25	FY26	FY27	FY28	FY29	Total
Original Projection - Savings from Not Paying Exit Fee Payments to the SDCWA w/ Interest	\$ 3,410,000	\$ 3,645,000	\$ 3,466,000	\$ 3,310,000	\$ 3,200,000	\$ 17,031,000
Revised Projection - Cost from New Debt Service on \$15.8M US Bank Loan		\$ (2,009,350)	\$ (2,009,350)	\$ (2,009,350)	\$ (2,009,350)	\$ (8,037,400)
Cash Flow Savings / (Deficit) from Exit Fee Financing	\$ 3,410,000	\$ 1,635,650	\$ 1,456,650	\$ 1,300,650	\$ 1,190,650	\$ 8,993,600

Other Major Items Funded from Exit Fee Financing Cash Flow Savings	FY25	FY26	FY27	FY28	FY29	Total
Underfunding on 3 Pump Station Project (PN 600013)	\$ (1,150,000)					\$ (1,150,000)
Reduction in Assumed Revenue: 3.6% assumed pass-through on 1/1/2025 to 0%	\$ (675,000)	\$ (1,645,200)	\$ (1,645,200)	\$ (1,645,200)	\$ (1,645,200)	\$ (7,255,800)
Cash Flow Savings / (Deficit) from Other Items	\$ (1,825,000)	\$ (1,645,200)	\$ (1,645,200)	\$ (1,645,200)	\$ (1,645,200)	\$ (8,405,800)

Net Cash Flow Savings / (Deficit)	\$ 1,585,000	\$ (9,550)	\$ (188,550)	\$ (344,550)	\$ (454,550)	\$ 587,800
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	FY25	FY26	FY27	FY28	FY29
Original 5 Year Projection - Ending Unrestricted Reserve Balance (Water Fund)	\$ 10,319,433	\$ 15,262,309	\$ 17,040,500	\$ 24,701,649	\$ 30,873,118
Revised 5 Year Projected Unrestricted Reserve Balance (Water Fund)	\$ 11,904,433	\$ 15,252,759	\$ 16,851,950	\$ 24,357,099	\$ 30,418,568
Difference	\$ 1,585,000	\$ (9,550)	\$ (188,550)	\$ (344,550)	\$ (454,550)
Target Fund Balance	\$ 27,297,114	\$ 27,386,923	\$ 28,310,967	\$ 29,279,402	\$ 30,011,900
Amount Above/Below Target Fund Balance	\$ (15,392,681)	\$ (12,134,164)	\$ (11,459,017)	\$ (4,922,303)	\$ 406,668





BOARD ACTION Item No. 9.F

November 19, 2024

SUBJECT

CONSIDERATION OF FOUR RATE RELATED ACTIONS: (1) ADOPTION OF AN ORDINANCE AMENDING THE ADMINISTRATIVE CODE TO REPEAL PSAWR CUSTOMER CLASSIFICATION AND RATES AND RECLASSIFYING PSAWR CUSTOMERS TO AGRICULTURE CUSTOMERS, (2) ADOPTION OF A RESOLUTION LOWERING AGRICULTURE RATES, (3) ADOPTION OF AN ORDINANCE AMENDING ORDINANCE NO. 23-04 REVISING PROVISIONS RELATING TO CONSTRUCTION WATER RATES, AND (4) PROVIDING DIRECTION TO STAFF TO NOT IMPLEMENT THE 3.6% IMPORTED WATER COST INCREASE PASS-THROUGH RATE INCREASE ON JANUARY 1, 2025

BACKGROUND

With the detachment from the San Diego County Water Authority (SDCWA) effective on November 1, 2024, the District is no longer in the SDCWA's Permanent Special Agricultural Water Rate (PSAWR) program. The PSAWR program allowed the District to pay lower rates for qualifying customer's water use in exchange for becoming the first customers to receive lower water amounts during times of drought or shortage. The District passed on the full savings from the lower rates from SDCWA directly to PSAWR customers in the form of lower special PSAWR customer rates. Since the District is no longer in the PSAWR program, PSAWR customers must now be returned to their original Agriculture or Agriculture w/ Residence classification, as applicable, since there is now no distinction between these agricultural related customer classes. The District now pays the same imported water rates to its new wholesaler, the Eastern Municipal Water District, for any water use from any customer. Additionally, all customers, including formerly PSAWR customers, all have the same priority with respect to reductions from drought or other water shortage allocations.

Furthermore, the District did not include the assumption of any additional revenues from the reclassification of PSAWR customers to higher Agriculture rates in its FY24-25 budget or 5-year financial projections, staff is proposing to reduce Agriculture and Agriculture with Residence rates so that the District remains revenue neutral before and after the reclassification change. The proposed revised Agriculture and Agriculture with Residence rates are shown on the attached Exhibit A, including the basis of the calculation. These revised Agriculture related rates are 5.3% lower on the monthly variable charge based on water usage, and 1% to 5% lower for the fixed monthly service charge, depending on meter size. Former PSAWR customers will pay 10% more than previous PSAWR rates for the variable charge and 7% to 12% more for the monthly fixed service charge, depending on meter size, when paying the revised Agriculture and Agriculture with Residence rates. However, all of the District's customers, including PSAWR, would have paid an additional 13.8% in pass-through rate increases by January 1, 2026 for just rate the planned rate increases from the SDCWA of 14% on January 1, 2025 and a further 16% projected on January 1, 2026, if the District had not detached from the SDCWA.

Additionally, as discussed in the debt approval item on this Board agenda, the District will have sufficient additional cash flows in the next five years from the financing of the \$15.8M exit fee payment to the SDCWA over 10 years to cover the additional costs from the Metropolitan Water District of Southern California

(MWD) raising its rates by an average of 8.5% on January 1, 2025 without passing through these costs in the form of the originally anticipated 3.6% overall rate increase for all customers on the same date. This is anticipated to reduce revenues by \$0.68M in FY2024-25 due to the partial year, and \$1.6M per year thereafter. The Board is recommended to direct staff to not implement the 3.6% rate increase on January 1, 2025.

Finally, an Ordinance is necessary as an administrative correction to update the water rates references in the Ordinance No. 23-04 under Miscellaneous Charges for Construction Water and Meters from a specific historical rate to the current rates applicable for Commercial Customers so that the Ordinance for Miscellaneous Charges does not need to specifically be updated every time rates are adjusted. Applicable customers are already being charged the appropriate rates but this item would minimize the risk for error in the future by only requiring the standard resolution adopting a revised rate table when rates need to be adjusted.

DESCRIPTION

This item would do four water rates related actions.

1. Adopt an Ordinance that amends the Administrative code removing the PSAWR classification and rates, and reclassifying PSAWR customers to Agriculture customers.
2. Adopt a Resolution lowering Agriculture rates so that the District remains revenue neutral from the change of PSAWR customers to Agriculture customers.
3. Adopt an Ordinance amending Ordinance No. 23-04 revising provisions relating to Construction Water Rates that would cause Construction Water Service customers to automatically pay the current water rates for Commercial customers rather than requiring additional ordinances to update the rates.
4. Direct staff to not implement the previously planned 3.6% water rate increase on January 1, 2025 to pass-through the 8.5% increase in MWD rates.

Attachments:

1. Ordinance amending the Administrative code removing the PSAWR classification and rates, and reclassifying PSAWR customers to Agriculture customers
2. Resolution adopting a new rate schedule lowering Agriculture rates on December 1, 2024
 - a. Exhibit A – Rate Schedule as of December 1, 2024
3. Ordinance amending Ordinance No. 23-04 revising provisions relating to Construction Water Rates
4. Exhibit A – Schedule showing rate change impact from PSAWR to new Agriculture rate and calculations for basis of the revised rates

POLICY/STRATEGIC PLAN KEY FOCUS AREA

Strategic Focus Area Four: Fiscal Responsibility

ENVIRONMENTAL

In accordance with CEQA guidelines Section 15378, the action before the Board does not constitute a “project” as defined by CEQA and further environmental review is not required at this time.

BOARD OPTIONS/FISCAL IMPACTS

Fiscal Impacts are discussed in the Background section above.

RECOMMENDATION

Staff recommends the Board take the following actions;

1. Adopt an Ordinance amending the Administrative code to remove the PSAWR classification and rates, and reclassify PSAWR customers to Agriculture customers.
2. Adopt a Resolution lowering Agriculture rates

3. Adopt an Ordinance amending Ordinance No. 23-04 revising provisions relating to Construction Water Rates
4. Direct staff to not implement the previously planned 3.6% water rate increase on January 1, 2025 to pass-through the 8.5% increase in MWD rates.



Richard R. Aragon
Chief Financial Officer/Treasurer

11/19/2024

ORDINANCE NO. 24-XX

**ORDINANCE OF THE BOARD OF DIRECTORS
OF RAINBOW MUNICIPAL WATER DISTRICT
REPEALING PERMANENT SPECIAL AGRICULTURAL WATER RATES (PSAWR) DUE TO
DETACHMENT FROM THE SAN DIEGO COUNTY WATER AUTHORITY AND
RECLASSIFYING PSAWR CUSTOMERS**

WHEREAS, the Rainbow Municipal Water District (“RMWD” or the “District”) Board of Directors is committed to providing reliable, high-quality water and wastewater services at the most efficient costs for our ratepayers; and

WHEREAS, the District has detached from the San Diego Water Authority (“SDCWA”) as of November 1, 2024; and

WHEREAS, the District’s goal of detachment from SDCWA is long-term mitigation of the impact of future wholesale water rate increases; and

WHEREAS, the immediate impacts of detachment will include avoiding a proposed 14% SDCWA rate increase on January 1, 2025, and a projected additional 25% rate increase over the following two years, which otherwise would be passed through to customers of RMWD pursuant to Ordinance No. 23-04 and Resolution No. 24-10; and

WHEREAS, detachment requires the District to terminate its participation in PSAWR, which is a program established by SDCWA and passed-through to customers of the District; and

WHEREAS, the District’s Administrative Code includes PSAWR provisions that no longer will apply to District customers upon detachment from SDCWA and need to be amended and/or repealed; and

WHEREAS, District customers currently participating in PSAWR need to be re-classified to their applicable agricultural water use classification.

NOW, THEREFORE, IT IS HEREBY RESOLVED, DETERMINED AND ORDERED by the Board of Directors of Rainbow Municipal Water District that:

1. The Board finds and determines that the foregoing Recitals are true and correct, and hereby incorporates the Recitals herein.
2. This Ordinance shall terminate the District’s participation in PSAWR as of the effective date of detachment from SDCWA.
3. This Ordinance amends and/or repeals only the portions of the District’s Administrative Code specified below.

- a. This Ordinance amends Section 8.03.030, entitled “Classification of Service,” by deleting enumerated items nos. 8 and 9 thereunder, “PSAWR Domestic” and “PSAWR Commercial.”
 - b. This Ordinance repeals in its entirety Section 8.03.030.08, entitled “PSAWR (Permanent Special Agricultural Water Rate).”
- 4. For all bills issued after December 1, 2024, the District shall reclassify PSAWR customer accounts to their applicable agricultural water use classification, as follows:
 - a. Water users currently classified as PSAWR Domestic shall be re-classified as Agricultural with Residence.
 - b. Water users currently classified as PSAWR Commercial shall be reclassified as Agricultural/Agricultural without Residence.
 - c. Nothing herein alters Section 8.03.040 of the Administrative Code, which allows customers to request a change to their classification of service once per calendar year subject to review and approval by the District.
- 5. If any section, subsection, clause, phrases, or portion of this Ordinance is for any reason held to be invalid or unconstitutional by the decision of any court of competent jurisdiction, such decision shall not affect the validity of the remaining portions of this Ordinance or any part thereof. The District Board of Directors hereby declares that it would have adopted each section irrespective of the fact that any one or more subsections, subdivisions, sentences, clauses, or phrases be declared unconstitutional, invalid, or ineffective.
- 6. This Ordinance shall be effective immediately upon adoption and shall remain in effect until such time as modified, repealed, or superseded by further Ordinance of the Board.

PASSED AND ADOPTED at a Regular meeting of the Board of Directors of Rainbow Municipal Water District held on the 19th day of November, 2024, by the following vote, to wit:

AYES:
 NOES:
 ABSENT:
 ABSTAIN:

Hayden Hamilton, Board President

ATTEST:

Terese Quintanar, District Secretary

RESOLUTION NO. 2024-XX

**RESOLUTION OF THE BOARD OF DIRECTORS
OF RAINBOW MUNICIPAL WATER DISTRICT
REDUCING AGRICULTURAL WATER SERVICE FEES UPON DETACHMENT FROM THE
SAN DIEGO COUNTY WATER AUTHORITY**

WHEREAS, the Rainbow Municipal Water District (“RMWD” or the “District”) Board of Directors is committed to providing reliable, high-quality water and wastewater services at the most efficient costs for our ratepayers; and

WHEREAS, RMWD provides water and wastewater services throughout its service area, and Water Code sections 71000 et seq. authorize the District to impose fees to pay for the costs of the water and sewer/wastewater services and related benefits provided by the District; and

WHEREAS, on June 27, 2023, the District Board of Directors adopted a five-year rate schedule in compliance with all the applicable requirements of Proposition 218 and Government Code sections 53750 et seq., as reflected in District Ordinance No. 23-04 Revising Appendix A of the Rules and Regulations Regarding Water and Wastewater Service Charges (as subsequently amended, “Ordinance No. 23-04”); and

WHEREAS, on June 25, 2024, the District Board of Directors adopted Resolution No. 2024-10, which updated the District’s rate sheet to reflect water and wastewater rates for fiscal year 2024, as authorized under Proposition 218, Government Code sections 53750 et seq., and Ordinance No. 23-04; and

WHEREAS, the District’s rate sheet for fiscal year 2024, attached as **Exhibit 1** to Resolution 2024-10, sets forth RMWD’s current water service rates, including rates for the following classifications of agricultural water users: Agricultural without Residences; Agricultural with Residences; and Permanent Special Agricultural Water Rate (“PSAWR”); and

WHEREAS, the District detached from the SDCWA as of November 1, 2024; and

WHEREAS, detachment requires the District to terminate its participation in PSAWR, which is a program of SDCWA that establishes special water rates for agricultural water users that are passed-through to participating customers of the District; and

WHEREAS, due to detachment and the resulting termination of PSAWR, the District must reclassify its customers that currently participate in PSAWR to their corresponding non-PSAWR agricultural classification, i.e., Agricultural without Residences or Agricultural with Residences; and

WHEREAS, consistent with Proposition 218 and Ordinance No. 23-04, the District wishes to remain revenue-neutral with respect to the termination of PSAWR pass-throughs from SDCWA; accordingly, the District is proposing to lower its fiscal year 2024 water rates for all agricultural customer classes.

NOW, THEREFORE, IT IS HEREBY RESOLVED, DETERMINED AND ORDERED by the Board of Directors of Rainbow Municipal Water District that

1. The Board finds and determines that the foregoing Recitals are true and correct, and hereby incorporates the Recitals herein.
2. The water and sewer rates and charges set forth in Exhibit "1", attached hereto and incorporated herein, shall be effective as of December 1, 2024, and shall supersede and replace the fiscal year 2024 rate sheet attached to Resolution No. 24-10. The rates and charges set forth in Exhibit "1" shall be implemented by the District for all bills for water or wastewater service issued on or after December 1, 2024.
3. The rates and charges set forth in Exhibit "1" reflect reductions in the District's water rates for water users classified as Agricultural without Residences and Agricultural With Residences. Exhibit "1" omits PSAWR rates that will no longer apply to the District due to detachment from SDCWA.
4. If any section, subsection, clause, phrases, or portion of this Resolution is for any reason held to be invalid or unconstitutional by the decision of any court of competent jurisdiction, such decision shall not affect the validity of the remaining portions of this Resolution.
5. This Resolution shall be effective immediately upon adoption and shall remain in effect until such time as modified, repealed, or superseded by further Resolution of the Board.

PASSED AND ADOPTED at a Regular meeting of the Board of Directors of Rainbow Municipal Water District held on the 19th day of November, 2024, by the following vote, to wit:

AYES:
NOES:
ABSENT:
ABSTAIN:

Hayden Hamilton, Board President

ATTEST:

Terese Quintanar, District Secretary

RAINBOW MUNICIPAL WATER DISTRICT RATES AND CHARGES EFFECTIVE DECEMBER 1, 2024

Monthly Fixed Charges

Single Family, Multi-Family, Commercial, & Institutional			Agricultural, AG w/ Residence			Fixed Pumping Charges**	
Capacity Class	Meter Size	Monthly Fixed Charges	Capacity Class	Meter Size	Monthly Fixed Charges		
A	5/8"	\$96.76	A	5/8"	\$143.81	All Pumping Zones	\$8.77
B	3/4"	\$96.76	B	3/4"	\$143.81	Wastewater Fixed Charge per EDU***	
C	1"	\$157.20	C	1"	\$239.68	All Customer Classes	\$75.23
D	1 1/2"	\$308.26	D	1 1/2"	\$479.36		
E	2"	\$489.56	E	2"	\$766.97		
F	3"	\$1,063.64	F	3"	\$1,677.75		
G	4"	\$1,909.66	G	4"	\$3,019.94		
H	6"	\$3,934.07	H	6"	\$6,231.63		

Monthly Variable Charges

Water Variable Charge		Variable Pumping Charges**		
Customer Class	Total Rate/Unit*	Zone #	Pumping Zone Name	Total Rate/Unit*
Single Family Residential	\$6.23	1	Rainbow Heights	\$2.72
Multi Family	\$6.23	2	ID U-1	\$1.45
Commercial	\$6.23	3	Vallecitos	\$0.27
Institutional	\$6.23	4	Northside	\$0.14
Construction	\$6.23	5	Morro Tank	\$0.37
Agriculture w/Residence	\$4.91	6	Huntley	\$1.46
Agriculture	\$4.91	7	Magee Tank	\$0.74

*1 unit of water = 748 gallons

** Pumping Charges apply to those customers who live at higher elevations that require the water to be pumped in order to provide service, and are in addition to regular monthly fixed and variable charges.

*** Equivalent Dwelling Unit

ORDINANCE NO. 24-

**ORDINANCE OF THE BOARD OF DIRECTORS
OF RAINBOW MUNICIPAL WATER DISTRICT
AMENDING ORDINANCE NO. 23-04 AND THE ADMINISTRATIVE CODE TO UPDATE
CHARGES FOR CONSTRUCTION WATER METERS**

WHEREAS, the Rainbow Municipal Water District (“RMWD” or the “District”) Board of Directors is committed to providing reliable, high-quality water and wastewater services at the most efficient costs for our ratepayers; and

WHEREAS, RMWD provides water and sewer/wastewater services throughout its service area, and Water Code sections 71000 et seq. authorize the District to impose fees and charges to pay for the costs of the water and sewer/wastewater services and related benefits provided by the District; and

WHEREAS, on June 27, 2023, the District Board of Directors adopted a five-year rate schedule in compliance with all the applicable requirements of Proposition 218 and Government Code sections 53750 et seq., as reflected in District Ordinance No. 23-04 Revising Appendix A of the Rules and Regulations Regarding Water and Wastewater Service Charges (as subsequently amended, “Ordinance No. 23-04”); and

WHEREAS, Exhibit 1 to Ordinance No. 23-04 sets forth the District’s five-year rate schedule for fiscal years 2024 through 2028, which repealed and replaced in its entirety former Appendix A to the District’s Administrative Code; and

WHEREAS, the District’s miscellaneous charges for construction meters are set forth at the top of page 4 of Exhibit 1 to Ordinance No. 23-04, which supplies the current Appendix A to the District’s Administrative Code; and

WHEREAS, certain of the District’s miscellaneous charges for construction meters require updating in order to cover reasonable costs to the District in a manner that is fair to payors; specifically, the Meter Service Fee (3” O & M) and the Water Commodity Charge for construction meters should be equivalent to the District’s monthly fixed charges and water commodity rates for other commercial customers; and

WHEREAS, charges for construction meters are not property-related for purposes of Proposition 218 and Government Code sections 53750 et seq.; thus, such fees and charges may be updated without triggering a Proposition 218 notice and hearing process.

NOW, THEREFORE, IT IS HEREBY RESOLVED, DETERMINED AND ORDERED by the Board of Directors of Rainbow Municipal Water District that:

1. The Board finds and determines that the foregoing Recitals are true and correct, and hereby incorporates the Recitals herein.

2. This Ordinance amends only those portions of Ordinance No. 23-04 that are specified below. In all other respects, Ordinance No. 23-04, as subsequently amended by Ordinance No. 24-08, shall remain in full force and effect.
3. This Ordinance amends Exhibit 1 to Ordinance No. 23-04, entitled “Appendix A: Water and Wastewater Service Charges,” by revising the following Miscellaneous Charges for Construction Meters:

<i>Meter Service Fee (3" O & M)</i>	<i>\$438.55</i>
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shall be replaced with the following:

<i>Meter Service Fee (3" O & M)</i>	<i>Monthly Fixed Charge – Current Commercial Customer rates apply (typically 3" meter)</i>
---	--

and;

<i>Water Commodity Charge</i>	<i>\$5.53/100 cf</i>
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shall be replaced with the following:

<i>Water Commodity Charge</i>	<i>Monthly Variable Charge – Current Commercial Customer rates apply</i>
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4. These amendments to Exhibit 1 of Ordinance No. 23-04 also revise Appendix A of the District’s Administrative Code setting forth the five-year schedule for rates and charges for fiscal years 2024 through 2028.
5. If any section, subsection, clause, phrases, or portion of this Ordinance is for any reason held to be invalid or unconstitutional by the decision of any court of competent jurisdiction, such decision shall not affect the validity of the remaining portions of this Ordinance or any part thereof. The District Board of Directors hereby declares that it would have adopted each section irrespective of the fact that any one or more subsections, subdivisions, sentences, clauses, or phrases be declared unconstitutional, invalid, or ineffective.
6. This Ordinance shall be effective immediately upon adoption and shall remain in effect until such time as modified, repealed, or superseded by further Ordinance of the Board.

PASSED AND ADOPTED at a Regular meeting of the Board of Directors of Rainbow Municipal Water District held on the 19th day of November, 2024, by the following vote, to wit:

AYES:
NOES:
ABSENT:
ABSTAIN:

Hayden Hamilton, Board President

ATTEST:

Terese Quintanar, District Secretary

Ag Rates Change from Current to Revised Due to Reclassified PSAWR (effective 12-1-2024)						
			Current Rate	New Rate (12-1-24)	Difference \$	Difference %
Variable Rate	AD	All Tiers	\$ 5.18	\$ 4.91	\$ (0.27)	-5.3%
Variable Rate	AG	All Tiers	\$ 5.18	\$ 4.91	\$ (0.27)	-5.3%
Variable Rate	PSAWR - Domestic	Tier 1 (1-22 units)	\$ 5.18	\$ 4.91	\$ (0.27)	-5.3%
Variable Rate	PSAWR - Domestic	Tier 2 (22+ units)	\$ 4.46	\$ 4.91	\$ 0.45	10.0%
Variable Rate	PSAWR	All Tiers	\$ 4.46	\$ 4.91	\$ 0.45	10.0%
Monthly Fixed Meter Charges	AD	5/8"	\$ 151.70	\$ 143.81	\$ (7.89)	-5%
Monthly Fixed Meter Charges	AD	3/4"	\$ 151.70	\$ 143.81	\$ (7.89)	-5%
Monthly Fixed Meter Charges	AD	1"	\$ 248.77	\$ 239.68	\$ (9.09)	-4%
Monthly Fixed Meter Charges	AD	1 1/2"	\$ 491.42	\$ 479.36	\$ (12.06)	-2%
Monthly Fixed Meter Charges	AD	2"	\$ 782.61	\$ 766.97	\$ (15.64)	-2%
Monthly Fixed Meter Charges	AD	3"	\$ 1,704.68	\$ 1,677.75	\$ (26.93)	-2%
Monthly Fixed Meter Charges	AD	4"	\$ 3,063.53	\$ 3,019.94	\$ (43.59)	-1%
Monthly Fixed Meter Charges	AD	6"	\$ 6,315.07	\$ 6,231.63	\$ (83.44)	-1%
Monthly Fixed Meter Charges	AG	5/8"	\$ 151.70	\$ 143.81	\$ (7.89)	-5%
Monthly Fixed Meter Charges	AG	3/4"	\$ 151.70	\$ 143.81	\$ (7.89)	-5%
Monthly Fixed Meter Charges	AG	1"	\$ 248.77	\$ 239.68	\$ (9.09)	-4%
Monthly Fixed Meter Charges	AG	1 1/2"	\$ 491.42	\$ 479.36	\$ (12.06)	-2%
Monthly Fixed Meter Charges	AG	2"	\$ 782.61	\$ 766.97	\$ (15.64)	-2%
Monthly Fixed Meter Charges	AG	3"	\$ 1,704.68	\$ 1,677.75	\$ (26.93)	-2%
Monthly Fixed Meter Charges	AG	4"	\$ 3,063.53	\$ 3,019.94	\$ (43.59)	-1%
Monthly Fixed Meter Charges	AG	6"	\$ 6,315.07	\$ 6,231.63	\$ (83.44)	-1%
Monthly Fixed Meter Charges	PSAWR - Domestic	5/8"	\$ 134.38	\$ 143.81	\$ 9.43	7%
Monthly Fixed Meter Charges	PSAWR - Domestic	3/4"	\$ 134.38	\$ 143.81	\$ 9.43	7%
Monthly Fixed Meter Charges	PSAWR - Domestic	1"	\$ 219.90	\$ 239.68	\$ 19.78	9%
Monthly Fixed Meter Charges	PSAWR - Domestic	1 1/2"	\$ 433.69	\$ 479.36	\$ 45.67	11%
Monthly Fixed Meter Charges	PSAWR - Domestic	2"	\$ 690.23	\$ 766.97	\$ 76.74	11%
Monthly Fixed Meter Charges	PSAWR - Domestic	3"	\$ 1,502.61	\$ 1,677.75	\$ 175.14	12%
Monthly Fixed Meter Charges	PSAWR - Domestic	4"	\$ 2,699.81	\$ 3,019.94	\$ 320.13	12%
Monthly Fixed Meter Charges	PSAWR - Domestic	6"	\$ 5,564.54	\$ 6,231.63	\$ 667.09	12%
Monthly Fixed Meter Charges	PSAWR	5/8"	\$ 134.38	\$ 143.81	\$ 9.43	7%
Monthly Fixed Meter Charges	PSAWR	3/4"	\$ 134.38	\$ 143.81	\$ 9.43	7%
Monthly Fixed Meter Charges	PSAWR	1"	\$ 219.90	\$ 239.68	\$ 19.78	9%
Monthly Fixed Meter Charges	PSAWR	1 1/2"	\$ 433.69	\$ 479.36	\$ 45.67	11%
Monthly Fixed Meter Charges	PSAWR	2"	\$ 690.23	\$ 766.97	\$ 76.74	11%
Monthly Fixed Meter Charges	PSAWR	3"	\$ 1,502.61	\$ 1,677.75	\$ 175.14	12%
Monthly Fixed Meter Charges	PSAWR	4"	\$ 2,699.81	\$ 3,019.94	\$ 320.13	12%
Monthly Fixed Meter Charges	PSAWR	6"	\$ 5,564.54	\$ 6,231.63	\$ 667.09	12%

New AG Rate Calculation due to PSAWR Reclassification to AG

Current Rates - Variable Revenue Projection

Rate Classification	Customer Classification	FY25 Projected Annual Revenue \$*	FY25 Projected Annual Consumption (HCF)**
Variable Charges	Agriculture w/ Residence	\$ 3,748,799	723,706
Variable Charges	Agriculture	\$ 5,073,570	979,454
Variable Charges	PSAWR - Domestic	\$ 2,534,772	568,335
Variable Charges	PSAWR	\$ 2,125,050	476,469
Total Variable Revenues - (All AG ar		\$ 13,482,191	2,747,963

*Based on rates adopted as of July 1, 2024

* Assumes 10,000 AF total annual sales and sales by class allocation based on 5 year year average.

New Variable Rate Calculation

FY25 Projected Annual Revenue \$* (All AG and PSAWR)	\$ 13,482,191
FY25 Projected Annual Consumption (HCF)**(All AG and PSAWR)	2,747,963
Average Variable Rate - (All AG and PSAWR)	\$ 4.91

Current Rates - Fixed Revenue Projection

Rate Classification	Customer Classification	FY25 Annual Revenues - Fixed Monthly Charges *
Fixed Charge	Agriculture w/ Residence	\$ 359,528
Fixed Charge	Agriculture	\$ 260,181
Fixed Charge	PSAWR - Domestic	\$ 106,540
Fixed Charge	PSAWR	\$ 66,989
Total FY25 Fixed Monthly Charges R		\$ 793,238

New Fixed Rates Calculation (12-1-24)

Total AG and PSAWR Accounts by Meter Size

Line #	Meter Size	AWWA Capacity (gpm)	AWWA Capacity Ratio	Agriculture w/ Res	Agriculture	PSAWR Domestic	PSAWR Commercial	Total Accounts
1	5/8"	30	1.00	2	1	0	0	3
2	3/4"	30	1.00	170	44	16	4	234
3	1"	50	1.67	800	236	167	40	1,243
4	1 1/2"	100	3.33	147	104	61	33	345
5	2"	160	5.33	69	117	51	48	285
6	3"	350	11.67	3	16	4	5	28
7	4"	630	21.00	1	6	0	1	8
8	6"	1,300	43.33	-	1	0	0	1
				1,192	525	299	131	2,147

Total AG and PSAWR Accounts by Equivalent Units (Meter Capacity Ratio x # of Meters per Size)

Line #	Meter Size	AWWA Capacity (gpm)	AWWA Capacity Ratio	Agriculture w/ Res	Agriculture	PSAWR Domestic	PSAWR Commercial	Total Equivalent Units
1	5/8"	30	1.00	2	1	0	0	3
2	3/4"	30	1.00	170	44	16	4	234
3	1"	50	1.67	1,333	393	278	67	2,071
4	1 1/2"	100	3.33	490	347	203	110	1,150
5	2"	160	5.33	368	624	272	256	1,520
6	3"	350	11.67	35	187	47	58	327
7	4"	630	21.00	21	126	0	21	168
8	6"	1,300	43.33	0	43	0	0	43
				2,419	1,765	816	516	5,516

\$ **793,238** Total FY25 Fixed Monthly Charges Revenues - (All AG and PSAWR)
 5,516 Total AG and PSAWR Meter Equivalent Units (MEU)
 \$ **143.81** Average Rate per MEU (All Ag and PSAWR)

Line #	Meter Size	AWWA Capacity (gpm)	AWWA Capacity Ratio	Revised Fixed Monthly Charge	Total Accounts	Total Monthly Fixed Charges
1	5/8"	30	1.00	\$ 143.81	3	\$ 431.42
2	3/4"	30	1.00	\$ 143.81	234	\$ 33,650.78
3	1"	50	1.67	\$ 239.68	1,243	\$ 297,919.64
4	1 1/2"	100	3.33	\$ 479.36	345	\$ 165,377.76
5	2"	160	5.33	\$ 766.97	285	\$ 218,586.25
6	3"	350	11.67	\$ 1,677.75	28	\$ 46,976.87
7	4"	630	21.00	\$ 3,019.94	8	\$ 24,159.53
8	6"	1,300	43.33	\$ 6,231.63	1	\$ 6,231.63
					2,147	\$ 793,333.87

Difference from Current (rounding)
 \$ 95.87

BOARD ACTION Item No. 9.G

BOARD OF DIRECTORS

November 19, 2024

SUBJECT

CONSIDER ADOPTION OF AN ORDINANCE AUTHORIZING AMENDMENT TO SECTIONS 3.01.030 AND 2.06.010 OF THE ADMINISTRATIVE CODE- BIENNIAL ORGANIZATIONAL MEETING AND COMMITTEES POLICIES

BACKGROUND

Administrative Code Section 3.01.030 states that the Board of Directors shall hold an organizational meeting at its regular meeting in January of the odd-numbered year or as determined by the Board. At this meeting, the Board will elect a President and Vice President from among its members and may appoint the Executive Assistant as its Board Secretary and the CFO/Finance Manager as its Treasurer to serve until the next biannual meeting.

Administrative Code Section 2.06.010 defines the purpose, appointment and membership of the District's standing committees. It also establishes terms, agenda and minutes protocol.

DESCRIPTION

Rainbow Municipal Water District's Directors Division elections typically take place every two years, in even-numbered years. This year's Election Day will be on Tuesday, November 5th, and the Registrar of Voters is required to certify the November 5 General Election within 30 days of the election. With the Election Certification certain to occur by December 5, 2024, staff requests the Board's consideration to amend the Administrative Code to establish the biannual meeting electing the Board President and Vice President to be held in December of each even-numbered year. Staff proposes the appointment of the Board Secretary and Board Treasurer at the same meeting. The primary purpose of the proposed amendment is to streamline the various appointments by the Board to the District's committees and outside organizations. The December appointments of the President and Vice President of the Board allows time to evaluate and plan for the various appointments in January.

In addition, to streamline the Standing Committee member appointments, staff proposes policy amendment to Section 2.06.010, calling for Board action in January of each year to reappoint all of the committee members and alternates to serve for that calendar year. This would eliminate the need for the Board of Directors to reappoint committee members at various anniversary dates throughout the year. Staff also suggests clarification of Committee Meeting Agendas and Minutes preparation protocol, to reduce redundant language and define the style of minutes as brief summaries of information provided and committee recommendations made for the Board to consider.

In alignment with this, representatives for outside organizations or agencies should also be confirmed and re-appointed in January of each year, for the calendar year.

If the Board of Directors approves of the proposed amendments to the Administrative Code, staff will agendize the election of Board Officers (two year term) for December 10, 2024, and the annual reappointment of Committee Members and agency representation in January of each year.

The proposed policy amendments are attached in redline.

POLICY/STRATEGIC PLAN KEY FOCUS AREA

As the foundation for all our operations, the Administrative Code supports all of our Key Focus Areas. It is a living document that will continue to be reviewed and adapted to meet the policy and strategic needs of the District.

ENVIRONMENTAL


In accordance with CEQA guidelines Section 15378, the action before the Board does not constitute a "project" as defined by CEQA and further environmental review is not required at this time.

BOARD OPTIONS/FISCAL IMPACTS

1. Adopt the ordinance amending and updating Administrative Code Sections 3.01.030 and 2.06.010 as proposed.
2. Adopt the ordinance amending and updating Administrative Code Sections 3.01.030 and 2.06.010 as proposed with revisions.
3. Provide staff with direction.

STAFF RECOMMENDATION

Staff recommends Option 1.



Jake Wiley

November 19, 2024

Ordinance No. 24-xx

**Ordinance of the Board of Directors of the Rainbow Municipal Water District
Amending the Administrative Code Section 3.01.030, and 2.06.010
Biannual Organizational Meeting and Committees**

WHEREAS, the Rainbow Municipal Water District has, from time to time, adopted various rules and regulations for the operation of the District; and

WHEREAS, certain of those rules and regulations require updating to reflect best practices, as well as changes in applicable laws; and

WHEREAS, the Board of Directors has determined that changes in the rules or regulations of the District shall occur solely by amendment to the Administrative Code;

NOW, THEREFORE,

BE IT ORDAINED by the Board of Directors of Rainbow Municipal Water District as follows:

1. The following rules and regulations of the District, collected are hereby adopted and shall be incorporated into the Administrative Code, consisting of:

Section 3.01.030 -Biannual Organizational Meeting
Section 2.06.010- Committees

2. The General Manager is hereby directed to update the Administrative Code to reflect the approval of these rules and regulations, and to assign or reassign the numbering of the Administrative Code as necessary to codify these rules and regulations as amended.

3. This ordinance shall take effect immediately upon its adoption on this 19th day of November 2024.

Hayden Hamilton, Board President

ATTEST:

Terese Quintanar, District Secretary

Section 3.01.030
Biannual Organizational Meeting

The Board of Directors shall hold an organizational meeting at its regular meeting in ~~January~~ December of the ~~odd-even~~ numbered year or as determined by the Board. At this meeting the Board will elect a President and Vice President from among its members and may appoint the ~~Executive Assistant~~ District Secretary as its Board Secretary and the CFO/Finance Manager as its Treasurer to serve until the next biannual meeting.

- Each committee may elect a vice-chairperson, but that vice-chairperson may not also serve as an elected member of the Board of Directors.
- Members of committees, including the chairperson and vice-chairperson shall serve until their successors are appointed.
- The chairperson of a committee is its presiding officer.
- In the absence of the chairperson, the vice-chairperson shall perform the duties of the chairperson.
- The chairperson and vice-chairperson are not deprived of any of the rights and privileges of a committee member by reason of being the presiding officer.
- All committee communications must go through the designated committee chairperson.

2.06.010.04 Term

The chairperson and vice-chairperson will hold their positions for one calendar year. Appointments shall be made in January of each year for the remainder of the calendar year, with the exception of appointments made as a result of a vacancy. When appointments are made mid-year, the term shall be until the following appointment process takes place, the following January.

~~Committee members will serve a term of four years and may be reappointed at the will of the Board.~~

Committee members will serve a term of four years and may be reappointed at the will of the Board in January of each year for the calendar year, with the exception of appointments made as a result of a vacancy. In cases where the Board approves a committee appointment mid-year to fill a vacancy, that committee member will serve through the remainder of that calendar year.

2.06.010.05 Committee Meeting Agenda and Minutes

Committee meetings shall be open to the public and held in accordance with the provisions of the Ralph M. Brown Act. At least 72 hours before a committee meeting, the Secretary shall post an agenda containing a brief, general description of each item of business to be discussed at the committee meeting. The posting shall be freely accessible to the public. No action shall be taken by secret ballot at a committee meeting.

~~Each lawfully noticed committee meeting will be recorded with summary minutes prepared from the meetings audio recordings. The minutes of each committee meeting and any~~

M:\Administration\Group-Agenda Packet Items\1- 2024\11 November 2024\20241119 SBMAC Committees 2.06.010 redline.docx\Approved and Incorporated 3-27-07 by Ordinance No. 07-04\Amended and Updated 8-28-07 by Ordinance No. 07-11\Amended and Updated 11-7-07 by Ordinance No. 07-17\Amended and Updated 1-27-09 by Ordinance No. 09-02\Amended and Updated 6-24-14 by Ordinance No. 14-04\Amended and Updated 9-27-16 by Ordinance No. 16-13\Amended and Updated 4-24-18 by Ordinance No. 18-10\Amended and Updated 5-22-18 by Ordinance No. 18-13\Amended and Updated 12-4-18 by Ordinance No. 18-25\Amended and Updated 9-24-19 by Ordinance No. 19-10\Amended and Updated 10-22-19 by Ordinance No. 19-13\Amended and Updated 2-25-20 by Ordinance No. 20-03\Amended and Updated 8-25-20 by Ordinance No. 20-08\Amended and Updated 12-8-20 by Ordinance No. 20-13\Amended and Updated 3-22-22 by Ordinance No. 22-07\Amended and Updated 1-23-24 by Ordinance No. 24-01\Amended and Updated 5-28-24 by Ordinance No. 24-07

~~recommendation of a committee shall include a summary of the information presented. District staff will prepare minutes of each meeting. Draft minutes will be provided to the committee at the next available committee meeting for committee member review, consideration, and approval. Once approved, minutes will be made a part of the District's permanent records and audio recordings will be disposed of according to the District's Records Retention policy provided in the District's Administrative Code.~~

Each committee meeting will be recorded. From the recordings, staff will prepare brief summary minutes which include committee recommendations for the Board. Draft minutes will be provided to the committee at the next available committee meeting for review, consideration, and approval. Once approved, minutes will be made a part of the District's permanent records and audio recordings will be disposed of according to the District's Records Retention policy provided in the District's Administrative Code.

M:\Administration\Group-Agenda Packet Items\1- 2024\11 November 2024\20241119 SBMAC Committees 2.06.010 redline.docx\Approved and Incorporated 3-27-07 by Ordinance No. 07-04\Amended and Updated 8-28-07 by Ordinance No. 07-11\Amended and Updated 11-7-07 by Ordinance No. 07-17\Amended and Updated 1-27-09 by Ordinance No. 09-02\Amended and Updated 6-24-14 by Ordinance No. 14-04\Amended and Updated 9-27-16 by Ordinance No. 16-13\Amended and Updated 4-24-18 by Ordinance No. 18-10\Amended and Updated 5-22-18 by Ordinance No. 18-13\Amended and Updated 12-4-18 by Ordinance No. 18-25\Amended and Updated 9-24-19 by Ordinance No. 19-10\Amended and Updated 10-22-19 by Ordinance No. 19-13\Amended and Updated 2-25-20 by Ordinance No. 20-03\Amended and Updated 8-25-20 by Ordinance No. 20-08\Amended and Updated 12-8-20 by Ordinance No. 20-13\Amended and Updated 3-22-22 by Ordinance No. 22-07\Amended and Updated 1-23-24 by Ordinance No. 24-01\Amended and Updated 5-28-24 by Ordinance No. 24-07



TO: Rainbow Municipal Water District

FROM: Alfred Smith

DATE: November 19, 2024

RE: Attorney Report: Water Quality Update
501668-0002

I. INTRODUCTION.

This attorney report provides an update on a recent federal court ruling directing the United States Environmental Protection Agency (“EPA”) to initiate a rulemaking regarding the fluoridation of drinking water in the United States. Specifically, Judge Edward Chen of the United States District Court for the Northern District of California issued the ruling on September 24, 2024 in the case *Food and Water Watch, Inc. v. U.S. Environmental Protection Agency*, Case No. 17-cv-02162-EMC.

Judge Chen’s ruling holds that the plaintiffs established by a preponderance of the evidence that the fluoridation of drinking water at levels typical in the United States poses an unreasonable risk of injury to health of the public within the meaning of the federal Toxic Substances Control Act (“TSCA”). In accordance with that provision of the TSCA, the federal court directed EPA to engage with a regulatory response. The court’s ruling does not dictate precisely what EPA’s response must be. However, Judge Chen noted that regulatory actions could range from requiring a warning label to banning the chemical.

This federal court ruling does not have an immediate direct impact for the District’s operations, but instead only directs EPA to initiate what is likely to be a lengthy rulemaking process that may result in changes to warning label requirements, acceptable fluoride uses, or the recommended level of fluoridation of drinking water at a later point in time. Nonetheless, the federal court’s ruling and the anticipated EPA rulemaking process directed by the court are likely to increase public interest in this topic.

II. BACKGROUND ON FLUORIDATION IN THE UNITED STATES AND CALIFORNIA.

The EPA has long-supported adding fluoride to drinking water in the United States, with EPA and other federal agencies currently recommending an optimal level of 0.7 mg/L since 2006. In California, the Department of Drinking Water with the State Water Resources Control Board has adopted regulations reflecting this recommended

level of fluoridation, and State law generally requires public water systems with at least 10,000 service connections to fluoridate their water. (See Health and Safety Code §§ 116409-116415.) Accordingly, for decades, many local agencies across the United States have added fluoride to public water supplies to boost dental health and prevent tooth decay. Research shows fluoride can be naturally occurring in water and that fluoride is present in various imported water sources, including the State Water Project.

III. COURT'S ANALYSIS.

Amendments to the TSCA adopted in 2016 allow citizens to petition the EPA to consider whether various chemicals pose an unreasonable risk to the health of the public. (15 U.S.C. § 2620.) Where EPA declines to grant the petition, the petitioner is able to file a lawsuit asking the federal court to consider the petition in a *de novo* proceeding (i.e., the court reviews all evidence without deference to the EPA's previous determinations). Where the court finds there is an unreasonable risk, TSCA requires the EPA to initiate a rulemaking to consider that issue. While the range of regulatory outcomes can range from requiring a mere warning label to banning the chemical, the TSCA does not dictate a specific outcome of the rulemaking process.

The plaintiffs in this case included Food and Water Watch, Inc., Fluoride Action Network, Moms Against Fluoridation and several individual plaintiffs. These plaintiffs petitioned EPA in 2016 to regulate the fluoridation of drinking water supplies under the TSCA. EPA denied that petition. Plaintiffs filed a lawsuit in 2017 seeking judicial review of EPA's decision and requesting that the court find that the current recommended level of fluoride in drinking water posed an unreasonable risk to the health of the public.

After a very lengthy and procedurally complex case, and a two-week bench trial in San Francisco, the court issued its ruling which spans 80 pages. The lengthy ruling summarizes the scientific evidence presented in the case regarding fluoridation of drinking water. In particular, the court's decision focuses on the National Institute of Health's toxicology program finalized last month, which concluded that "higher levels" of fluoride is now linked to lowered IQ in children. Based on such evidence, the court concluded:

"Plaintiffs have proven, by a preponderance of the evidence, that water fluoridation at the level of 0.7 mg/L – the prescribed optimal level of fluoridation in the United States – presents an unreasonable risk of injury to health or the environment, without consideration of costs or other non-risk factors, including an unreasonable risk to a potentially exposed or susceptible subpopulation under the conditions of use."

The court accordingly ordered EPA to initiate a rulemaking to analyze fluoride in drinking water pursuant to the TSCA. However, the Ruling does not dictate precisely what EPA's regulatory response must be. In addition, the court cautioned:

"It should be noted that this finding does not conclude with certainty that fluoridated water is injurious to public health; rather, as required by the Amended TSCA, the Court finds there is an unreasonable risk of such injury, a risk sufficient to require the EPA to engage with a regulatory response."

Judge Chen further stated that under the TSCA's standards of review, he owed no deference to the EPA's position that the level of the chemical is safe. Judge Chen's opinion provides that EPA improperly ignored "the growing and robust body of evidence indicating an association between fluoride intake and cognitive impairment in children" when it denied the groups' petition to ban fluoride in drinking water. Judge Chen stated that the TSCA only requires that a risk to human health be established to prompt action by the EPA, not that it be proven that exposure definitely causes injury.

Judge Chen also rejected the EPA's argument that new regulations aren't warranted because the level at which fluoride is hazardous to humans and the precise relationship between dosage and response at lower exposure levels are not entirely clear. Pointing to the U.S. National Toxicology Program's conclusion that fluoride is associated with reduced IQ in children at exposure levels at or above 1.5 mg/L, Judge Chen concluded:

"The trial evidence in this case establishes that even if there is some uncertainty as to the precise level at which fluoride becomes hazardous (hazard level), under even the most conservative estimates of this level, there is not enough of a margin between the accepted hazard level and the actual human exposure levels to find that fluoride is safe...

And notwithstanding inherent difficulties in observing effects at lower exposure levels ... scientists have observed a statistically significant association between fluoride and adverse effects in children even at such 'lower' exposure levels."

IV. CONCLUSION.

As outlined above, the Ruling does not directly result in any changes to the EPA's current recommendations on fluoridation, but merely directs EPA to begin a rulemaking process to examine the issue. EPA has not yet indicated whether it will appeal the District Court's ruling to the Ninth Circuit Court of Appeals. If EPA does

proceed with opening a rulemaking as required under the TSCA and the court's ruling, then it is likely to be a lengthy, years-long process before the EPA makes any final determinations regarding the recommended level of fluoridation in drinking water.

As the State guidelines for fluoridation are based on the federal recommendations, there accordingly may not be any changes to the State guidelines for many years until the EPA completes its rulemaking process. However, there is the possibility that various advocacy groups may seek changes from the State Water Resources Control Board directly on the State's fluoridation requirements.

Thus, the court's ruling does not require any direct or immediate changes. The District is compliant with the State's requirements for fluoridation consistent with the existing EPA guidelines. If there are changes to those regulations, compliance review may be necessary. Notwithstanding the lack of immediate changes to the fluoridation requirements, the federal court's ruling and the anticipated EPA rulemaking process may generate greater public interest on this topic. Fluoridation comes up frequently as a topic of great interest all over the State and that is likely to increase now.

AES



SUMMARY OF FORMAL BOARD OF DIRECTORS' MEETING OCTOBER 24, 2024

1. Monthly Treasurer's Report on Investments and Cash Flow.
The Board noted and filed the Treasurer's report.
2. Establish 2025 Board meeting dates.
The Board combined the November and December Board meeting dates to November 20, 2025 and approved the 2025 Board meeting dates calendar.
3. Ordinance making amendments to Chapter 4.08 of the Administrative Code.
The Board adopted Ordinance No. 2024-06, an Ordinance of the Board of Directors of the San Diego County Water Authority making amendments to Chapter 4.08, Section 4.08.040(d) of the Administrative Code.
4. Amendment with Cameron-Daniel P.C. for Legal Services.
The Board approved Amendment 2, with such non-material modifications as approved by the General Manager or General Counsel, to the legal services contract with Cameron-Daniel P.C. in the amount of \$150,000, increasing the contract amount from \$150,000 to \$300,000, and authorized the General Counsel, or designee, to execute the amendment.
5. Design professional services contract with Wood Rodgers, Inc. for as-needed civil and traffic engineering services.
The Board awarded a design professional services contract, with such non-material modifications as approved by the General Manager or General Counsel, to Wood Rodgers, Inc. for a not-to-exceed amount of \$3 million, to provide as-needed civil and traffic engineering services for a period of three years, with the option to extend one year, and authorized the General Manager, or designee, to execute the contract.
6. Adopt positions on various bills.
The Board adopted a position of Support on the federal bill S. 5012 "Lower Colorado River Multi-Species Conservation Program Amendment Act of 2024," authored by Senator Alex Padilla.
7. Consideration to Approve Federal Advocacy Contract.
The Board awarded a professional services contract, with such non-material modifications as approved by the General Manager or General Counsel, to Pace Government Relations for a 24-month contract (from November 1, 2024 through October 31, 2026) with the option to renew for an additional 24-months for federal advocacy services for a total compensable contract amount not to exceed \$357,000 (inclusive of reimbursable expense allowance) over the contract term.
8. Approval of Minutes
The Board approved the minutes of the Formal Board of Directors' meeting of September 19, 2024.



9. Retirement of Director Gary Hurst, Ramona MWD representative.
The Board adopted Resolution No. 2024-20, a resolution of the Board of Directors of the San Diego County Water Authority, honoring Gary Hurst upon his retirement from the Board of Directors.

10. Biennial Review of the Representatives to the Metropolitan Water District of Southern California.
The Board approved MWD Delegates representatives Lois Fong-Sakai, Marty Miller, Gail Goldberg, and Mel Katz for the next two years.

BOARD OF DIRECTORS

November 19, 2024

SUBJECT

DISCUSSION AND POSSIBLE ACTION REGARDING THE APPOINTMENT, EMPLOYMENT; EVALUATION OF PERFORMANCE; OR COMPENSATION OF THE GENERAL MANAGER (JACOB WILEY)

BACKGROUND

General Manager Jake Wiley's current employment contract allows the Board of Directors the discretion to grant a base pay merit increase of up to 6% and/or a discretionary bonus of up to \$20,000 annually based on the General Manager's performance evaluation. A performance evaluation was prepared by the Board of Directors and delivered to Mr. Wiley at the September 24, 2024, closed-session board meeting.

Draft contract changes have been prepared by legal counsel for the Board's consideration, including the following changes:

- The contract term will be modified from three years to an indefinite term until it is terminated by a majority vote of three or more Board members.
- The salary is changed to reflect the 3% COLA previously approved by the Board of Directors at the September 24, 2024, board meeting.
- Placeholders are included for any discretionary action the Board of Directors may approve related to a merit increase or lump-sum bonus.
- The severance section has been updated to six months of base pay and six months of COBRA insurance continuation.

Mr. Wiley's pay rate is \$10,102.24 biweekly (\$262,658.24 annually) after the 3% cost-of-living-adjustment (COLA) previously approved. According to Mr. Wiley's contract terms, the Board may approve a base pay merit increase of 0-6% in addition to the COLA.

A 1% merit increase would bring the General Manager's base pay to \$10,203.26 (\$265,284.82 annually)
A 2% merit increase would bring the General Manager's base pay to \$10,304.28 (\$267,911.40 annually)
A 3% merit increase would bring the General Manager's base pay to \$10,405.31 (\$270,538.06 annually)
A 4% merit increase would bring the General Manager's base pay to \$10,506.33 (\$273,135.58 annually)
A 5% merit increase would bring the General Manager's base pay to \$10,607.35 (\$275,791.15 annually)
A 6% merit increase would bring the General Manager's base pay to \$10,708.37 (\$278,417.73 annually)

DESCRIPTION

The Board may take action regarding the appointment, employment, performance or compensation of the General Manager.

POLICY/STRATEGIC PLAN KEY FOCUS AREA

California Government Code §54953(c)(3) requires that before taking final action, the Board shall orally report a summary of the recommendation for final action on the salaries or compensation paid in the form of fringe benefits of a local agency executive during the open meeting in which the final action is to be taken.

BOARD OPTIONS/FISCAL IMPACTS

A member of the Board is required by Government Code §54953(c)(3) to orally report the summary of the recommendations before taking action.

Option 1: Approve the amendments to General Manager Jake Wiley's contract terms as presented in the attached draft with changes to Section 2, Term and Renewal, Section 3, Compensation and Reimbursement, to reflect the previously approved cost-of-living adjustment but no additional compensation changes, and changes to Section 7(c)(2).

Option 2: Approve the amendments to General Manager Jake Wiley's contract terms as presented in the attached draft with changes to Section 2, Term and Renewal, Section 3, Compensation and Reimbursement, to reflect the previously approved cost-of-living adjustment, and changes to Section 7(c)(2). In addition, approve:

- an increase to Mr. Wiley's base salary by a ____% merit increase to bring the annual salary to _____, beginning on _____(date), and/or
- and a one-time lump sum discretionary bonus in the amount of \$_____ to be paid on the next regular pay date.

Option 3: Other action at the Board's discretion. A member of the Board is required by Government Code §54953(c)(3) to orally report the summary of the recommendations before taking action.

ENVIRONMENTAL

In accordance with CEQA guidelines Section 15378, the action before the Board does not constitute a "project" as defined by CEQA, and further environmental review is not required at this time.

STAFF RECOMMENDATION

Staff defers to the Board for discussion and possible action.



Karleen Harp
Administrative Services Manager

November 19, 2024

AMENDMENT NO. 1

TO EMPLOYMENT AGREEMENT FOR THE GENERAL MANAGER

BETWEEN RAINBOW MUNICIPAL WATER DISTRICT

AND JACOB WILEY

Per the action of the Rainbow Municipal Water District (“District”) Board of Directors in accordance with California Government Code Section 54953, subsection (c)(3) at the September 24, 2024 and November 19, 2024 board meetings, the employment agreement (“Agreement”) between the District and Jacob Wiley (“Employee”) is hereby amended as follows.

Section 2 of the Agreement is amended to read:

2. TERM AND RENEWAL.

This Agreement shall be effective as of September 25, 2023. This Agreement shall remain in full force and effect unless and until it is terminated by a majority vote of three or more Board members. The Board shall provide Employee with at least forty-five (45) days written notice prior to terminating this Agreement.

Section 3 of the Agreement with Employee is amended to read:

3. COMPENSATION AND REIMBURSEMENT.

A. Salary. The District agrees to pay Employee for services rendered pursuant hereto at a rate of \$9,808.00 biweekly (\$255,008.00 annually) beginning on September 25, 2023, according to the procedures regularly established and as the District may amend them in its sole discretion.

1. Effective on September 25, 2024, Employee shall receive a cost-of-living adjustment of 3%, bringing his salary to \$10,102.24 biweekly (\$262,658.24 annually). Effective on _____, 2024 Employee shall receive a **X.X**% base pay merit increase to bring his salary to \$**XX,XXX.XX** biweekly (\$**XX,XXX.XX** annually), payable bi-weekly at the regular District pay periods, effective on November , 2024.

B. The Employee shall be entitled to annual Cost of Living increases equal to the average 12-month increase, if any, of the most recently published Consumer Price Index (CPI) for San Diego County, with a maximum increase of 3%, effective on the anniversary of the Employee’s first day of employment.

C. The Employee may receive an annual lump-sum bonus of up to \$20,000 based on achieving his goals and objectives, as determined by the Board in its sole discretion. Any lump-sum bonus will not be subject to CalPERS contributions. All

compensation and comparable payments to be paid to Employee shall be subject to withholdings and taxes required by law.

1. A lump-sum bonus in the amount of \$XX,XXX shall be paid to Employee on the next regular pay date of November __, 2024.

Section 7(c)(2) of this Agreement is amended to read:

In the event the District terminates Employee's employment for a reason other than those outlined in Section 7(C)(1), the Employee shall be entitled to the following severance per the terms of California Government Code sections 53260, *et seq.* An amount equal to six (6) months/13 pay periods of the Employee's then base salary and six (6) months of COBRA continuation coverage (medical, dental, vision, and EAP) provided the Employee requests such coverage. The Employee shall be entitled to this severance pay in a lump sum within 30 days of termination, subject to a separately negotiated Separation Agreement and General Release of Claims. Employee's entitlement to COBRA continuation coverage under this section 7.C(2) will expire immediately upon the Employee's eligibility to enroll in group health insurance benefits through any subsequent employer.

All other provisions of the Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the ____ day of November 2024.

By: _____
Hayden Hamilton
President, Board of Directors

Jacob Wiley
Employee

Approved as to form:

Alfred Smith, Esq.
Nossaman LLP