



# Yucaipa Valley Water District

## Notice and Agenda of a Board Workshop

Tuesday, January 13, 2015 at 4:00 p.m.

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MEETING LOCATION:	District Administration Building 12770 Second Street, Yucaipa
MEMBERS OF THE BOARD:	Director Ken Munoz, Division 1 Director Bruce Granlund, Division 2 Director Jay Bogh, Division 3 Director Lonni Granlund, Division 4 Director Tom Shalhoub, Division 5

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- I. **Call to Order**
  - II. **Public Comments** At this time, members of the public may address the Board of Directors on matters within its jurisdiction; however, no action or significant discussion may take place on any item not on the meeting agenda.
  - III. **Staff Report**
  - IV. **Presentations**
    - A. Overview of the 2015A Refunding Documents Associated with the Refinancing of the 2004A Certificates of Participation [[Workshop Memorandum No. 15-001 - Page 5 of 268](#)]
    - B. Overview of the 2015 Upper Santa Ana Watershed Integrated Regional Watershed Management Plan [[Workshop Memorandum No. 15-002 - Page 160 of 268](#)]
    - C. Overview of the Drinking Water Filtration System Production Enhancement Project [[Workshop Memorandum No. 15-003 - Page 168 of 268](#)]
  - V. **Operational Updates**
    - A. Overview of Biosolids Handling and Disposal at the Wochholz Regional Water Recycling Facility [[Workshop Memorandum No. 15-004 - Page 171 of 268](#)]
  - VI. **Capital Improvement Projects**
    - A. 2015 Pipeline Replacement Program - Construction of an 8-Inch Potable Water Pipeline in 8th Street and Washington Drive, Yucaipa [[Workshop Memorandum No. 15-005 - Page 214 of 268](#)]
  - VII. **Administrative Items**
    - A. Unaudited Financial Report for the Period Ending on December 31, 2014 [[Workshop Memorandum No. 15-006 - Page 217 of 268](#)]
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Any person with a disability who requires accommodation in order to participate in this meeting should telephone Erin Anton at (909) 797-5117, at least 48 hours prior to the meeting in order to make a request for a disability-related modification or accommodation.

Materials related to an item on this agenda submitted to the Board of Directors after distribution of the workshop packet are available for public inspection during normal business hours at the District office located at 12770 Second Street, Yucaipa. Meeting material is also be available on the District's website at [www.yvwd.dst.ca.us](http://www.yvwd.dst.ca.us)

- B. Participation in Various Organizations and Associations [[Workshop Memorandum No. 15-007 - Page 247 of 268](#)]
- C. Change Order No. 1 for the 2014 Annual Reservoir Diving Contract with Applied Diving Services [[Workshop Memorandum No. 15-008 - Page 248 of 268](#)]
- D. Regional Recycled Water System Expansion Goals and Project Priorities for 2016 [[Workshop Memorandum No. 15-009 - Page 250 of 268](#)]
- E. Annexation of 172.28 Acres (APN 407-090-001) to the Service Area of the Yucaipa Valley Water District - Hugh Holbert [[Workshop Memorandum No. 15-010 - Page 255 of 268](#)]
- F. Annexation of Various District Owned Parcels to the Yucaipa Valley Water District [[Workshop Memorandum No. 15-011 - Page 258 of 268](#)]

**VIII. Director Comments**

**IX. Adjournment**

# Staff Report



Yucaipa Valley Water District

# Presentations



Yucaipa Valley Water District



**Date:** January 13, 2015

**Subject:** Overview of the 2015A Refunding Documents Associated with the Refinancing of the 2004A Certificates of Participation

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At the regular board meeting held on October 15, 2014, the Board of Directors authorized the General Manager to: (1) enter into a contract with Fieldman Rolapp & Associates for financial advisor services related to the refinancing of the 2004A bonds; (2) enter into a contract with Stradling, Yocca, Carlson & Rauth, for bond counsel and disclosure counsel services; (3) request proposals and select an underwriter for a negotiated sale; and (4) refinance the 2004A Certificates of Participation for the Yucaipa Valley Regional Water Filtration Facility.

The District staff has been working closely with our financial advisors (Fieldman Rolapp & Associates), bond counsel (Stradling, Yocca, Carlson & Rauth), and the bond underwriters (Bank of America Merrill Lynch) to refinance the 2004A Certificates of Participation.

The purpose of this workshop item is to provide an overview of the draft financial documents that will be scheduled for approval by the Board of Directors at the regular meeting on January 21, 2015.

**Attachments:**

- Disclosure Procedures Related to the Issuance of Municipal Debt Obligations - Adopted on December 17, 2014 [Director Memorandum No. 14-103] - [See page 2 of 155](#)
- Resolution Authorizing the Issuance of refunding Revenue Bonds - [See page 6 of 155](#)
- Continuing Disclosure Certificate - [See page 9 of 155](#)
- Preliminary Official Statement - [See page 16 of 155](#)
- Escrow Agreement - [See page 73 of 155](#)
- Indenture of Trust - [See page 85 of 155](#)



Yucaipa Valley Water District

# Policy and Procedure

Policy Title		Policy Number
Disclosure Procedures Related to the Issuance of Municipal Debt Obligations		
Approval Date	Approved By	Effective Date

Board of Directors

## PURPOSE

The purpose of these Disclosure Procedures (the “Procedures”) is to memorialize and communicate procedures in connection with obligations, including notes, bonds and certificates of participation, issued by or on behalf of the Yucaipa Valley Water District (the “District”) so as to ensure that the District continues to comply with all applicable disclosure obligations and requirements under the federal securities laws.

## BACKGROUND

The District from time to time issues certificates of participation, revenue bonds, notes or other obligations (collectively, “Obligations”) in order to fund or refund capital investments, other long-term programs and working capital needs. Certain obligations are executed and delivered through the Yucaipa Valley Water District Financing Corporation (the “Financing Corporation”) and others are incurred directly by the District. In offering Obligations to the public, and at other times when the District makes certain reports, the District must comply with the “anti-fraud rules” of federal securities laws. (“Anti-fraud rules” refers to Section 17 of the Securities Act of 1933 and Section 10(b) of the Securities and Exchange Act of 1934, and regulations adopted by the Securities and Exchange Commission under those Acts, particularly “Rule 10b-5” under the 1934 Act.)

The core requirement of these rules is that potential investors in Obligations must be provided with all “material” information relating to the offered Obligations. The information provided to investors must not contain any material misstatements, and the District must not omit material information which would be necessary to provide to investors a complete and transparent description of the Obligations and the District’s financial condition. In the context of the sale of securities, a fact is generally considered to be “material” if there is a substantial likelihood that a reasonable investor would consider it to be important in determining whether or not to purchase the securities being offered.

When Obligations are issued, the two central disclosure documents which are prepared are a preliminary official statement (“POS”) and a final official statement (“OS”, and collectively with the POS, “Official Statement”). The Official Statement generally consists of (i) the forepart (which describes the specific transaction including maturity dates, interest rates, redemption provisions, the specific type of financing, the leased premises (in certificate of participation financings) and other matters particular to the financing, (ii) a section which provides information on the District, including its financial condition as well as certain operating information (“District Section”), and (iii) various other appendices, including the District’s audited financial report, form of the proposed legal opinion, and form of continuing disclosure undertaking. Investors use the Official Statement

as one of their primary resources for making informed investment decisions regarding the Obligations.

## **DISCLOSURE PROCESS**

When the District determines to issue Obligations directly or through the Financing Corporation, the District Controller requests the involved departments to commence preparation of the portions of the Official Statement (including particularly the District Section) for which they are responsible. While the general format and content of the Official Statement may not normally change substantially from offering to offering, except as necessary to reflect major events, the District Controller and other relevant staff are responsible for reviewing and preparing or updating certain portions of the District Section which are within their particular areas of knowledge. Once the draft POS has been substantially updated, the entire draft POS is shared with the General Manager for review and input. Additionally, all participants in the disclosure process are separately responsible for reviewing the entire draft POS.

Members of the financing team, including the Bond Counsel and a financial advisor, if one is engaged with respect to the Obligations (the "Financial Advisor"), assist staff in determining the materiality of any particular item, and in the development of specific language in the District Section. Members of the financing team also assist the District in the development of a "big picture" overview of the District's financial condition, included in the District section. This overview highlights particular areas of concern. Bond Counsel has a confidential, attorney-client relationship with officials and staff of the District.

The Controller or a member of the financing team at the direction thereof schedules one or more meetings or conference calls of the financing team (which includes District officials, General Counsel, Bond Counsel, the District's Financial Advisor, the underwriter of the Obligations, and the underwriter's counsel), and new drafts of the forepart of the draft POS and the District Section are circulated and discussed. Such communications may occur via electronic means rather than by meetings or conference calls. During this part of the process, there is substantial contact among District staff and other members of the financing team to discuss issues which may arise, determine the materiality of particular items and ascertain the prominence in which the items should be disclosed.

Prior to distributing a POS to potential investors, there is typically a formal conference call which includes District officials involved in the preparation of the POS, members of the financing team and the underwriters and the underwriter's counsel, during which the POS is reviewed in its entirety to obtain final comments and to allow the underwriters to ask questions of the District's senior officials. This is referred to as a "due diligence" meeting.

A substantially final form of the POS is provided to the District Board of Directors in advance of approval to afford the Board of Directors an opportunity to review the POS, ask questions and make comments. The substantially final form of the POS is approved by the Board of Directors which generally authorizes certain senior staff to make additional corrections, changes and updates to the POS in consultation with General Counsel and Bond Counsel.

At the time the POS is posted for review by potential investors, senior District officials execute certificates deeming certain portions of the POS complete (except for certain pricing terms) as required by SEC Rule 15c2-12.

Between the posting of the POS for review by potential investors and delivery of the final OS to the underwriter for redelivery to actual investors in the Obligations, any changes and developments will have been incorporated into the POS, including particularly the District Section, if required. If necessary to reflect developments following publication of the POS or OS, as applicable, supplements will be prepared and published.

In connection with the closing of the transaction, one or more senior District officials execute certificates stating that certain portions of the OS, as of the date of each OS and as of the date of closing, does not contain any untrue statement of material fact or omit to state any material fact necessary to make the statements contained in the Official Statement in light of the circumstances under which they were made, not misleading. General Counsel also provides an opinion letter (generally addressed to the underwriters) advising that information contained in the District Section of the OS (or specified portions thereof) as of its date did not, and as of the date of the closing, does not contain any untrue statement of a material fact or omitted or omits to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. General Counsel does not opine to the underwriters or to other third parties as to any financial, statistical, economic or demographic data or forecasts, charts, tables, graphs, estimates, projections, assumptions or expressions of opinion, and certain other customary matters.

#### **DISTRICT SECTION**

The information contained in the District Section is developed by personnel under the direction of the Controller, with the assistance of the financing team. In certain circumstances, additional officials will be involved, as necessary. The following principles govern the work of the respective staffs that contribute information to the District Section:

- District staff involved in the disclosure process are responsible for being familiar with its responsibilities under federal securities laws as described above.
- District staff involved in the disclosure process should err on the side of raising issues when preparing or reviewing information for disclosure. Officials and staff are encouraged to consult General Counsel, Bond Counsel or members of the financing team if there are questions regarding whether an issue is material or not.
- Care should be taken not to shortcut or eliminate any steps outlined in the Procedures on an ad hoc basis. However, the Procedures are not necessarily intended to be a rigid list of procedural requirements, but instead to provide guidelines for disclosure review. If warranted, based on experience during financings or because of additional SEC pronouncements or other reasons, the District should consider revisions to the Procedures.
- The process of updating the District Section from transaction to transaction should not be viewed as being limited to updating tables and numerical information. While it is not anticipated that there will be major changes in the form and content of the District Section at the time of each update, everyone involved in the process should consider the need for revisions in the form, content and tone of the sections for which they are responsible at the time of each update.



- The District must make sure that the staff involved in the disclosure process is of sufficient seniority such that it is reasonable to believe that, collectively, they are in possession of material information relating to the District, its operations and its finances.

## **TRAINING**

Periodic training for the staff involved in the preparation of the Official Statement (including the District Section) is coordinated by the finance team and the Controller. These training sessions are provided to assist staff members involved in identifying relevant disclosure information to be included in the District Section. The training sessions also provide an overview of federal laws relating to disclosure, situations in which disclosure rules apply, the purpose of the Official Statement and the District Section, a description of previous SEC enforcement actions and a discussion of recent developments in the area of municipal disclosure. Attendees at the training sessions are provided the opportunity to ask questions of finance team members, including Bond Counsel concerning disclosure obligations and are encouraged to contact members of the finance team at any time if they have questions.

## **ANNUAL CONTINUING DISCLOSURE REQUIREMENTS**

In connection with the issuance or execution and delivery of Obligations, the District has entered into a number of contractual agreements (“Continuing Disclosure Certificates”) to provide annual reports related to its financial condition (including its audited financial statements) as well as notice of certain events relating to the Obligations specified in the Continuing Disclosure Certificates. The District must comply with the specific requirements of each Continuing Disclosure Certificate. The District’s Continuing Disclosure Certificates generally require that the annual reports be filed within 270 days after the end of the District’s fiscal year, and material event notices are generally required to be filed within 10 business days of their occurrence.

Specific events which require “material event” notices are set forth in each particular Continuing Disclosure Certificate.

The Controller shall be responsible for preparing and filing the annual reports and material event notices required pursuant to the Continuing Disclosure Certificates. Particular care shall be paid to the timely filing of any changes in credit ratings on Obligations (including changes resulting from changes in the credit ratings of insurers of particular Obligations).

*Stradling Yocca Carlson & Rauth*  
*Draft ~~12/7/14~~ of 1/5/15*

**RESOLUTION NO. \_\_\_\_\_**

**RESOLUTION OF THE YUCAIPA VALLEY WATER DISTRICT AUTHORIZING THE ISSUANCE OF NOT TO EXCEED \$~~\_\_\_\_\_~~40,000,000 WATER SYSTEM REFUNDING REVENUE BONDS AND APPROVING THE EXECUTION AND DELIVERY OF CERTAIN DOCUMENTS IN CONNECTION THEREWITH AND CERTAIN OTHER MATTERS**

WHEREAS, the Yucaipa Valley Water District (the "District"), a county water district duly organized and existing under and pursuant to the Constitution and laws of the State of California (the "State"), has previously undertaken the acquisition of certain facilities; and

WHEREAS, this Board has determined that it is in the best interest of the District to refinance the certificates of participation executed and delivered to acquire such facilities and to approve certain documents in connection with such refinancing;

NOW, THEREFORE, the Board of Directors of the Yucaipa Valley Water District does hereby resolve as follows:

1. The Indenture of Trust, in substantially the form attached hereto as Exhibit A and, upon execution as authorized below, made a part hereof as though set forth in full herein, is hereby approved. The President or Vice President of the Board or the designee thereof is hereby authorized and directed to execute and deliver the Indenture of Trust with such changes, insertions and omissions as may be recommended by General Counsel or Stradling Yocca Carlson & Rauth, a Professional Corporation ("Bond Counsel") and approved by the officers executing the same, said execution being conclusive evidence of such approval.

2. The Escrow Agreement, in substantially the form attached hereto as Exhibit B and, upon execution as authorized below, made a part hereof as though set forth in full herein, is hereby approved. The President and Vice President of the Board or the designee thereof is hereby authorized and directed to execute and deliver the Escrow Agreement with such changes, insertions and omissions as may be recommended by General Counsel or Bond Counsel and approved by the officers executing the same, said execution being conclusive evidence of such approval.

3. The Board of Directors of the District hereby authorize the preparation, sale and delivery of the Water System Refunding Revenue Bonds (the "Bonds") in an aggregate principal amount not to exceed \$~~\_\_\_\_\_~~40,000,000 (except such amount may be increased with the approval of the General Manager to provide for original issue discount to the extent such original issue discount will result in a lower interest rate or yield to maturity with respect to the Bonds) in accordance with the terms and provisions of the Indenture of Trust to refund the Yucaipa Valley Water District Water System Revenue Certificates of Participation, Series 2004A, to fund a reserve fund, if required by the rating agencies rating the Bonds or otherwise determined to be advantageous by the District, and the pay the costs of issuance with respect to the Bonds.

4. The Bond Purchase Contract between the District and \_\_\_\_\_, ~~as representative~~ Merrill Lynch, Pierce, Fenner & Smith Incorporated, in substantially the form attached hereto as Exhibit C and, upon execution as authorized below, made a part hereof as though

set forth in full herein, and directed to execute and deliver the Bond Purchase Contract with such changes, insertions and omissions as may be recommended by General Counsel or Bond Counsel and approved by the officers executing the same, said execution being conclusive evidence of such approval; provided, however that in no event shall the principal amount of Bonds issued exceed \$~~40,000,000~~ nor shall the underwriting discount exceed ~~0.500~~% nor shall the net interest cost of the Bonds be greater than ~~5.000~~%.

5. The preparation and distribution of the Preliminary Official Statement, in substantially the form attached hereto as Exhibit D, is hereby approved. The General Manager of the District or the designee thereof is hereby authorized to sign a certificate pursuant to Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 relating to the Preliminary Official Statement and the President or Vice President of the Board or the General Manager or the designee thereof is hereby authorized and directed to execute, approve and deliver the Official Statement in substantially the form of the Preliminary Official Statement which, upon execution as authorized below, is made a part hereof as though set forth in full herein, with such changes, insertions and omissions as may be recommended by General Counsel or Bond Counsel and approved by the officers executing the same, said execution being conclusive evidence of such approval. The underwriter is hereby authorized to distribute copies of said Preliminary Official Statement to persons who may be interested in the initial purchase of the Bonds and is directed to deliver copies of any final Official Statement to all actual initial purchasers of the Bonds.

6. The Continuing Disclosure Certificate, in substantially the form attached hereto as Exhibit E and, upon execution as authorized below, made a part hereof as though set forth in full herein, is hereby approved. The President or Vice President of the Board or the designee thereof is hereby authorized and directed to execute and deliver the Continuing Disclosure Certificate with such changes, insertions and omissions as may be recommended by General Counsel or Bond Counsel and approved by the officers executing the same, said execution being conclusive evidence of such approval.

7. The Board of Directors of the District hereby authorizes the General Manager to select a municipal bond insurer to insure payments of principal of and interest on all or a portion of the Bonds so long as the General Manager determines that obtaining the municipal bond insurance policy provided thereby will result in a lower interest rate or yield to maturity with respect to such Bonds. Bond Counsel is hereby directed to make all changes to the Indenture of Trust, the Escrow Agreement, the Bond Purchase Contract, the Preliminary Official Statement and the Continuing Disclosure Certificate as are necessary to reflect the selection of a municipal bond insurer and the reasonable comments thereof.

8. In the event that a reserve fund is established with respect to the Bonds, the Board of Directors of the District hereby authorizes the General Manager to select a municipal bond insurer to provide a reserve fund surety bond to be deposited into the reserve fund for the Bonds, so long as the General Manager determines that obtaining the reserve fund surety will be cost effective to the District. Bond Counsel is hereby directed to make changes to the Indenture of Trust, the Escrow Agreement, the Bond Purchase Contract, the Preliminary Official Statement and the Continuing Disclosure Certificate as are necessary to reflect the selection of a municipal bond issuer providing a reserve fund surety bond and the reasonable comments thereof. The President or Vice President of the Board or the designee thereof are hereby authorized to execute and deliver any customary agreement with the municipal bond insurer providing the reserve fund surety bond.

9. Wells Fargo Bank, National Association, is hereby appointed to act as trustee under the Indenture of Trust.

10. The District hereby approves the engagement letter of Stradling Yocca Carlson & Rauth, a Professional Corporation, as Bond Counsel in substantially the form attached hereto as Exhibit F and authorizes the General Manager to execute and deliver said engagement letter.

11. The President or Vice President of the Board or the General Manager or the designee and any other proper officer of the District, acting singly, are hereby authorized and directed to execute and deliver any and all documents and instruments and to do and cause to be done any and all acts and things necessary or proper for carrying out the transactions contemplated by the Indenture of Trust, the Escrow Agreement, the Bond Purchase Contract, the Continuing Disclosure Certificate, the Preliminary Official Statement, the Official Statement and this resolution.

12. Unless otherwise defined herein, all terms used herein and not otherwise defined shall have the meanings given such terms in the Indenture of Trust unless the context otherwise clearly requires.

13. This resolution shall take effect immediately.

I DO HEREBY CERTIFY that the foregoing is a true and correct copy of the Resolution adopted by the Board of Directors of the Yucaipa Valley Water District on January 21, 2015.

\_\_\_\_\_  
President of the Board of Directors

[SEAL]

Attest:

\_\_\_\_\_  
Secretary of the Board of Directors

*Stradling Yocca Carlson & Rauth  
Draft of 12/17/14*

## CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the Yucaipa Valley Water District (the “District”) in connection with the issuance of \$ \_\_\_\_\_ Water System Refunding Revenue Bonds, Series 2015A (the “Bonds”). The Bonds are being issued pursuant to an Indenture of Trust, dated as of January 1, 2015 (the “Indenture”), by and between the District and Wells Fargo Bank, National Association, as Trustee (the “Trustee”). The District covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with the Rule (as defined below).

SECTION 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Beneficial Owner” shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

“Dissemination Agent” shall mean the District, or any successor Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation.

“EMMA” shall mean the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access System for municipal securities disclosures, maintained on the Internet at <http://emma.msrb.org/>.

“Holders” shall mean the Owners as defined in the Indenture.

“Listed Event” shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

“Official Statement” shall mean the Official Statement relating to the Bonds, dated January \_\_, 2015.

“Participating Underwriter” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Repository” shall mean EMMA.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“State” shall mean the State of California.

SECTION 3. Provision of Annual Reports. The District shall, or shall cause the Dissemination Agent to, not later than 270 days after the end of the District’s fiscal year (presently such fiscal year ends June 30), commencing with the report for the fiscal year ending June 30, 2015, provide to the Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the District’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

(a) If the District is unable to provide to the Repository an Annual Report by the date required in this Section 3, the District shall send a notice to the Repository in substantially the form attached as Exhibit A.

(b) Not later than fifteen (15) Business Days prior to said date, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of the Repository, if any; and

(ii) if the Dissemination Agent is other than the District, file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided and listing the Repository to which it was provided.

SECTION 4. Content of Annual Reports. The District’s Annual Report shall contain or include by reference the following:

(a) The audited financial statements of the District for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the District’s audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they come available.

(b) The operating results of the District and debt service coverage on the Bonds and any parity obligations for the last Fiscal Year, presented in a similar format as the table entitled, [“YUCAIPA VALLEY WATER DISTRICT WATER SYSTEM HISTORIC OPERATING RESULTS”] on page \_\_\_ of the Official Statement; provided however if such operating results and debt service coverage can be derived from the audited financial statements required to be filed in 4(a) above, failure to file a separate table under this section 4(b) shall not constitute a default hereunder.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which have been submitted to the Repository or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The District shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not more than ten (10) Business Days after the event:

1. principal and interest payment delinquencies;
2. unscheduled draws on debt service reserves reflecting financial difficulties;
3. unscheduled draws on credit enhancements reflecting financial difficulties;
4. substitution of credit or liquidity providers, or their failure to perform;
5. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability or Notices of Proposed Issue (IRS Form 5701 TEB);
6. tender offers;
7. defeasances;
8. ratings changes; and
9. bankruptcy, insolvency, receivership or similar proceedings.

Note: For the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) Pursuant to the provisions of this Section 5, the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. unless described in Section 5(a)(5), other notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other events affecting the tax status of the Bonds;
2. modifications to the rights of Bond holders;
3. optional, unscheduled or contingent Bond redemptions;
4. release, substitution or sale of property securing repayment of the Bonds;
5. non-payment related defaults;
6. the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; and
7. appointment of a successor or additional trustee or the change of the name of a trustee.

(c) If the District determines that knowledge of the occurrence of a Listed Event under Section 5(b) would be material under applicable federal securities laws, the District shall file a notice of such occurrence with EMMA in a timely manner not more than ten (10) Business Days after the event.

(d) While the failure to file a notice of the occurrence of a Listed Event under Section 5(a)(8) shall constitute non-compliance with the terms hereof and may be required to be disclosed by the District in accordance with the Rule, failure shall not constitute an event of default hereunder if (i) the District did not receive written notice of such rating change from the respective rating agency, (ii) the rating change was a result of a change in the rating of a liquidity or credit enhancement and the market was generally aware of the change in the rating of such liquidity or credit enhancer or (iii) the rating agency filed a notice of such rating change with the Repository.

SECTION 6. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

SECTION 7. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that, in the opinion of nationally recognized bond counsel, such amendment or waiver is permitted by the Rule. In the event of any amendment or waiver of a



provision of this Disclosure Certificate, the District shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(c), and (ii) the Annual Report for the year in which the change is made shall present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the District to file an annual report under Section 4 hereof or to file a report of a significant event under Section 5 hereof, any Holders or Beneficial Owners of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to make such filing. Notwithstanding the foregoing, no action may be undertaken by Holders or Beneficial Owners of the Bonds with respect to the accuracy of the information contained in any such filing or otherwise without the approval in writing of Holder or Beneficial Owner of at least 50% of the aggregate principal amount of the Bonds. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

No Owners or Beneficial Owners may institute such action, suit or proceeding to compel performance unless they shall have first delivered to the District satisfactory written evidence of their status as Owners or Beneficial Owners of at least 50% aggregate principal amount of the Bonds, and a written notice of and request to cure such failure, and the District shall have refused to comply therewith within a reasonable time.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or wilful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: \_\_\_\_\_, 2015

YUCAIPA VALLEY WATER DISTRICT

By: \_\_\_\_\_  
General Manager

**EXHIBIT A**

**NOTICE TO REPOSITORY OF FAILURE TO FILE ANNUAL REPORT**

Name of Obligated Person: YUCAIPA VALLEY WATER DISTRICT

Name of Obligation: WATER SYSTEM REFUNDING REVENUE BONDS,  
SERIES 2015A

Date of Issuance: \_\_\_\_\_, 2015

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate executed by the District on the date of issuance of the Bonds. The District anticipates that the Annual Report will be filed by \_\_\_\_\_.

Dated: \_\_\_\_\_

YUCAIPA VALLEY WATER DISTRICT

By: [no signature required; form only]

Stradling Yocca Carlson & Rauth  
Draft of 1/7/15

PRELIMINARY OFFICIAL STATEMENT DATED JANUARY \_\_, 2015

NEW ISSUE – BOOK-ENTRY ONLY

RATINGS: See the caption “RATINGS”

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming certain representations and compliance with certain covenants and requirements described in this Official Statement, interest (and original issue discount) on the 2015 Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest (and original issue discount) on the 2015 Bonds is exempt from State of California personal income tax. See the caption “TAX MATTERS” with respect to tax consequences relating to the 2015 Bonds.

\$ \_\_\_\_\_ \*  
YUCAIPA VALLEY WATER DISTRICT  
WATER SYSTEM REFUNDING REVENUE BONDS  
SERIES 2015A

Dated: Date of Issuance

Due: September 1, as set forth below

The 2015 Bonds are being issued to provide funds to provide a portion of the money to refund all of the currently outstanding Yucaipa Valley Water District Water System Revenue Certificates of Participation, Series 2004A and to pay costs of issuance of the 2015 Bonds, all as more fully described herein.

The 2015 Bonds are being issued in fully registered form and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York. Purchasers of the 2015 Bonds will not receive securities representing their beneficial ownership in the 2015 Bonds purchased. Interest on the 2015 Bonds is payable on March 1 and September 1 of each year, commencing September 1, 2015, until the maturity thereof. The principal of and interest on the 2015 Bonds are payable by the Trustee to Cede & Co. and such interest and principal payments are to be disbursed to the beneficial owners of the 2015 Bonds through their nominees.

The 2015 Bonds are subject to optional, mandatory and extraordinary redemption as more fully described herein.\*

The 2015 Bonds are being issued pursuant to the Indenture of Trust, dated as of January 1, 2015, by and between the Yucaipa Valley Water District and Wells Fargo Bank, National Association, as trustee. The 2015 Bonds are limited obligations of the District payable solely from Net Revenues of the District’s Water System remaining after payment of Operation and Maintenance Costs of the Water System, and amounts on deposit in certain funds and accounts created under the Indenture, including the Rate Stabilization Fund, subject to certain restrictions described herein. The District may incur additional obligations payable from Net Revenues on a parity with the obligation to pay principal of and interest on the 2015 Bonds, subject to the terms and conditions of the Indenture, as more fully described herein. The District owns and operates a Wastewater System and a Recycled Water System but the revenues of the District’s Wastewater System and Recycled Water System are not pledged to the payment of principal of and interest on the 2015 Bonds and principal of and interest on the 2015 Bonds are not payable from revenues of the District’s Wastewater System and Recycled Water System.

THE 2015 BONDS ARE NOT A DEBT OF THE STATE OF CALIFORNIA, OR ANY OF ITS POLITICAL SUBDIVISIONS (OTHER THAN THE DISTRICT), AND NEITHER THE STATE, NOR ANY OF ITS POLITICAL SUBDIVISIONS (OTHER THAN THE DISTRICT), IS LIABLE THEREON, NOR IN ANY EVENT SHALL THE 2015 BONDS BE PAYABLE OUT OF ANY FUNDS OR PROPERTIES OF THE DISTRICT OTHER THAN THE NET REVENUES AND OTHER MONEYS PLEDGED THEREFOR UNDER THE INDENTURE. THE OBLIGATION OF THE DISTRICT TO MAKE PAYMENTS IN ACCORDANCE WITH THE INDENTURE IS A LIMITED OBLIGATION OF THE DISTRICT AS SET FORTH IN THE INDENTURE AND THE DISTRICT SHALL HAVE NO LIABILITY OR OBLIGATION IN CONNECTION HEREWITH EXCEPT WITH RESPECT TO SUCH PAYMENTS TO BE MADE PURSUANT TO THE INDENTURE. THE 2015 BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE DISTRICT IN CONTRAVENTION OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

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

MATURITY SCHEDULE – See Inside Cover Page

The 2015 Bonds are offered when, as and if issued and received by the Underwriter, subject to the approval of the valid, legal and binding nature of the 2015 Bonds by Stradling Yocca Carlson & Rauth, a Professional Corporation, Sacramento, California, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the Underwriter by their counsel, Katten Muchin Rosenman LLP, New York, New York, for the District by Aklufi & Wysocki, Riverside, California, General Counsel to the District, and for the Trustee by its counsel. It is anticipated that the 2015 Bonds will be available for delivery through the facilities of The Depository Trust Company on or about February \_\_, 2015.

**BofA Merrill Lynch**

Dated: January \_\_, 2015

\* Preliminary, subject to change.

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

**MATURITY SCHEDULE**

\$ \_\_\_\_\_<sup>\*</sup>  
**YUCAIPA VALLEY WATER DISTRICT**  
**WATER SYSTEM REFUNDING REVENUE BONDS**  
**SERIES 2015A**

<i>Maturity Date (September 1)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Price</i>	<i>Yield</i>	<i>CUSIP<sup>†</sup></i>
	\$	%		%	

\$ \_\_\_\_\_ % Term Bonds due September 1, 20\_\_, Price \_\_\_\_\_, Yield \_\_\_\_\_ % CUSIP<sup>†</sup>

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<sup>\*</sup> Preliminary, subject to change.

<sup>†</sup> Copyright 2015, American Bankers Association. CUSIP data herein is provided by the CUSIP Service Bureau, managed on behalf of the American Bankers Association by Standard & Poor's. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP service. CUSIP numbers are provided for reference only. The District, the Financial Advisor and the Underwriter do not assume any responsibility for the accuracy of such numbers.

No dealer, broker, salesperson or other person has been authorized by the District or the Underwriter to give any information or to make any representations other than those contained in this Official Statement in connection with the offering made hereby and, if given or made, such other information or representations must not be relied upon as having been authorized by the District or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the 2015 Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the 2015 Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as a representation of facts.

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

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

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

**IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2015 BONDS AT A LEVEL THAT MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE 2015 BONDS TO CERTAIN DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENT AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.**

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

THE 2015 BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT. THE 2015 BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

The District maintains a website. However, the information presented there is not part of this Official Statement and should not be relied upon in making an investment decision with respect to the 2015 Bonds.

**YUCAIPA VALLEY WATER DISTRICT**

**BOARD OF DIRECTORS**

Lonni Granlund, President  
Jay Bogh, Vice President  
Bruce Granlund, Director  
Kenneth P. Munoz, Director  
Tom Shalhoub, Director

**DISTRICT STAFF**

Joseph B. Zoba, General Manager  
Jack Nelson, Assistant General Manager  
Vicky Elisalda, Controller

**SPECIAL SERVICES**

**General Counsel**

Aklufi & Wysocki  
Riverside, California

**Bond Counsel**

Stradling Yocca Carlson & Rauth, a Professional Corporation  
Sacramento, California

**Financial Advisor**

Fieldman, Rolapp & Associates  
Irvine, California

**Trustee**

Wells Fargo Bank, National Association  
Los Angeles, California

*TABLE OF CONTENTS*

	<i>Page</i>
SUMMARY STATEMENT .....	i
SERIES 2015A .....	1
INTRODUCTION .....	1
General.....	1
REFUNDING PLAN.....	2
General.....	2
THE 2015 BONDS .....	2
General Provisions .....	2
Transfers and Exchanges Upon Termination of Book-Entry Only System .....	3
Redemption of the 2015 Bonds.....	3
Notice of Redemption.....	4
Book-Entry Only System.....	5
DEBT SERVICE PAYMENT SCHEDULE .....	6
SECURITY FOR THE 2015 BONDS .....	6
Limited Obligations Payable From Net Revenues.....	6
Rate Covenant.....	8
Rate Stabilization Fund.....	8
Additional Indebtedness.....	9
No Reserve Fund.....	10
ESTIMATED SOURCES AND USES OF FUNDS .....	10
YUCAIPA VALLEY WATER DISTRICT.....	10
General.....	10
Land and Land Use .....	11
Governance and Management.....	11
District Powers.....	12
Employees and Employee Benefits.....	12
Budget Process.....	14
District Insurance .....	14
Outstanding District Obligations .....	15
Wastewater System and Recycled Water System.....	15
THE WATER SYSTEM OF THE DISTRICT.....	15
Water System and Water Supply .....	15
Upper Santa Ana Watershed Integrated Regional Water Management Plan.....	18
2014 California Drought and Response.....	19
Historic and Projected Water Supply.....	20
Historic Water Connections.....	20
Historic Water Deliveries.....	21
Historic Water Sales Revenues.....	21
Largest Customers .....	22
Water System Rates and Charges .....	22
Collection Procedures .....	25
1% Property Tax Revenues.....	26
Assessed Valuations, Tax Collections and Tax Delinquencies.....	27



*TABLE OF CONTENTS*  
*(continued)*

	<i>Page</i>
Future Water System Improvements.....	28
Projected Water Connections.....	29
Projected Water Deliveries .....	30
Projected Developer Fees.....	30
Projected Water Sales Revenues.....	30
 FINANCIAL INFORMATION OF THE DISTRICT .....	 31
Financial Statements .....	31
Historic Operating Results .....	31
Projected Operating Results and Debt Service Coverage.....	33
 LITIGATION .....	 35
 CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES.....	 35
Article XIII B.....	35
Proposition 218 .....	36
Proposition 26.....	37
Future Initiatives .....	38
 APPROVAL OF LEGAL PROCEEDINGS.....	 38
 TAX MATTERS.....	 38
 FINANCIAL ADVISOR .....	 40
 RATINGS .....	 40
 UNDERWRITING .....	 40
 CONTINUING DISCLOSURE UNDERTAKING.....	 41
 MISCELLANEOUS .....	 42
 APPENDIX A     YUCAIPA VALLEY WATER DISTRICT FINANCIAL STATEMENTS .....	  A-1
 APPENDIX B     DEFINITIONS AND SUMMARY OF THE INDENTURE.....	 B-1
 APPENDIX C     FORM OF OPINION OF BOND COUNSEL .....	 C-1
 APPENDIX D     INFORMATION CONCERNING DTC.....	 D-1
 APPENDIX E     FORM OF CONTINUING DISCLOSURE CERTIFICATE.....	 E-1

## SUMMARY STATEMENT

*This summary is subject in all respects to the more complete information contained in this Official Statement, and the offering of the 2015 Bonds to potential investors is made only by means of the entire Official Statement. Capitalized terms used and not otherwise defined in this Summary Statement have the meanings ascribed to them in this Official Statement.*

**Purpose.** The 2015 Bonds are being issued to provide funds to refund all of the currently outstanding Yucaipa Valley Water District Water System Revenue Certificates of Participation, Series 2004A and to pay costs of issuance of the 2015 Bonds, all as more fully described herein.

**Security for the 2015 Bonds.** The 2015 Bonds are secured by a pledge of all Revenues of the District's Water System. The 2015 Bonds are limited obligations of the District payable solely from Revenues of the District's Water System remaining after payment of Operation and Maintenance Costs of the Water System and amounts on deposit in certain funds and accounts created under the Indenture, including the Rate Stabilization Fund. The District may incur additional obligations payable on a parity with the obligation to pay principal of and interest on the 2015 Bonds in the future as described herein. The District owns and operates a Wastewater System and a Recycled Water System but the revenues of the District's Wastewater System and Recycled Water System are not pledged to the payment of principal of and interest on the 2015 Bonds and principal of and interest on the 2015 Bonds are not payable from revenues of the District's Wastewater System and Recycled Water System. See the caption "SECURITY FOR THE 2015 BONDS—Flow of Funds" herein.

THE 2015 BONDS ARE NOT A DEBT OF THE STATE OF CALIFORNIA, OR ANY OF ITS POLITICAL SUBDIVISIONS (OTHER THAN THE DISTRICT), AND NEITHER THE STATE, NOR ANY OF ITS POLITICAL SUBDIVISIONS (OTHER THAN THE DISTRICT), IS LIABLE THEREON, NOR IN ANY EVENT SHALL THE 2015 BONDS BE PAYABLE OUT OF ANY FUNDS OR PROPERTIES OF THE DISTRICT OTHER THAN THE NET REVENUES AND OTHER MONEYS PLEDGED THEREFOR UNDER THE INDENTURE. THE OBLIGATION OF THE DISTRICT TO MAKE PAYMENTS IN ACCORDANCE WITH THE INDENTURE IS A LIMITED OBLIGATION OF THE DISTRICT AS SET FORTH IN THE INDENTURE AND THE DISTRICT SHALL HAVE NO LIABILITY OR OBLIGATION IN CONNECTION HEREWITH EXCEPT WITH RESPECT TO SUCH PAYMENTS TO BE MADE PURSUANT TO THE INDENTURE. THE 2015 BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE DISTRICT IN CONTRAVENTION OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

**Refunding Plan.** A portion of the proceeds of the 2015 Bonds and certain other money will be transferred to Wells Fargo Bank, National Association, as trustee with respect to the 2004A Certificates to refund the \$36,895,000 currently outstanding aggregate principal amount of the 2004A Certificates on or about the date of issuance of the 2015 Bonds.

**Parity Payments.** After the refunding contemplated herein, the District will not have any outstanding obligations payable from Net Revenues on a parity with the 2015 Bonds. The District may incur additional obligations on a parity with the 2015 Bonds, subject to the terms and conditions described under the caption "SECURITY FOR THE BONDS—Additional Indebtedness." See the caption "THE DISTRICT—Other Outstanding Obligations."

**Rate Covenant.** The Indenture will require the District, to the fullest extent permitted by law, to fix and prescribe, at the commencement of each Fiscal Year, rates and charges for the Water Service provided by the Water System, which are reasonably expected, to be at least sufficient to yield during such Fiscal Year, Net Revenues equal to 110% of the Debt Service payable in such Fiscal Year; provided, however, that for purposes of the foregoing covenant, Revenues in such Fiscal Year do not include any amount transferred from the Rate Stabilization Fund to the Water System Revenue Fund in excess of 10% of Debt Service payable in such Fiscal Year. The District may make adjustments from time to time in such rates and charges and may make such

classification thereof as it deems necessary, but will not reduce the rates and charges then in effect unless the District reasonably expects Net Water System Revenues from such reduced rates and charges to be sufficient to meet the foregoing requirements. See the caption “SECURITY FOR THE 2015 BONDS—Rate Covenant.”

**No Reserve Fund.** No reserve fund has been created or will be funded with respect to the 2015 Bonds.

**Rate Stabilization Fund.** The Indenture continues the Rate Stabilization Fund which is held by the District. The District may withdraw all or any portion of the amounts on deposit in the Rate Stabilization Fund and transfer such amounts to the Water System Revenue Fund for application in accordance with the Indenture. In the event that all or a portion of the 2015 Bonds are discharged in accordance with the Indenture, the District may transfer all or any portion of such amounts for application to the payment of the 2015 Bonds in accordance with the Indenture. On the date of issuance of the 2015 Bonds, the District approximately \$[500,209.14] will be on deposit in the Rate Stabilization Fund. See the caption “SECURITY FOR THE 2015 BONDS—Rate Stabilization Fund.”

**Redemption.** The 2015 Bonds are subject to optional, mandatory and extraordinary redemption as described herein.

**The District.** The District was formed as part of a reorganization, pursuant to the Reorganization Act of 1965, being Division I of Title 6 of the Government Code of the State of California. This reorganization consisted of the formation of the District, dissolution of the Calimesa Water District and formation of Improvement District No. 1 of the District as successor in interest thereto, and dissolution of Improvement District “A” of the San Bernardino Valley Municipal Water District and the formation of Improvement District “A” of the District as successor in interest thereto. On September 14, 1971, the Secretary of State of the State of California certified and declared formation of the District. The District operates under the County Water District Law, being Division 12 of the State of California Water Code. Although the immediate function of the District was to provide water service, the District has assumed responsibility for providing wastewater and recycled water service in Yucaipa Valley.

Situated in both San Bernardino County and Riverside County, the District is located about 70 miles east of the City of Los Angeles and 20 miles southeast of the City of San Bernardino in the foothills of the San Bernardino Mountains. The District serves the cities of Calimesa and Yucaipa and has a population of approximately 44,900 [water customers] within its service area.

As of December 31, 2014, the District provided water services to approximately 12,374 active connections.

The Water System consists of 25 wells and pumps, 13 booster stations, approximately 215 miles of pipeline varying from 4 to 30 inches in diameter, and 27 above-ground reservoirs with a total storage capacity of over 34 million gallons. Most of the District water is supplied from groundwater through local wells owned by the District. The District also provides surface water treated at the Oak Glen Water Filtration Plant, which receives surface water from Birch Creek, Oak Creek, Adams Tunnel and Clark Tunnel. As a supplemental source of water, the District currently purchases State Water Project water through the San Bernardino Valley Municipal Water District and the San Geronio Pass Water Agency for potable and non-potable use and for recharge of the groundwater basin. See “THE WATER SYSTEM OF THE DISTRICT.”

§ \_\_\_\_\_ \*

**YUCAIPA VALLEY WATER DISTRICT  
WATER SYSTEM REFUNDING REVENUE BONDS  
SERIES 2015A**

**INTRODUCTION**

**General**

This Official Statement, including the cover page, the inside cover page and all appendices hereto, provides certain information concerning the sale and delivery of the Yucaipa Valley Water District Water System Refunding Revenue Bonds, Series 2015A (the “2015 Bonds”). The 2015 Bonds are being issued pursuant to an Indenture of Trust, dated as of January 1, 2015 (the “Indenture”), by and between the Yucaipa Valley Water District (the “District”) and Wells Fargo Bank, National Association, Los Angeles, California, as trustee (the “Trustee”). Descriptions and summaries of various documents hereinafter set forth do not purport to be comprehensive or definitive, and reference is made to each document for complete details of all terms and conditions. All statements herein are qualified in their entirety by reference to each document. Capitalized terms used and not otherwise defined herein have the meanings ascribed to them in Appendix B—“DEFINITIONS AND SUMMARY OF THE INDENTURE.”

The 2015 Bonds are being issued to provide funds to provide a portion of the money to refund all of the currently outstanding Yucaipa Valley Water District Water System Revenue Certificates of Participation, Series 2004A (the “2004 Certificates”) as described under the caption “REFUNDING PLAN” and to pay costs of issuance of the 2015 Bonds. See the caption “ESTIMATED SOURCES AND USES OF FUNDS.”

The 2015 Bonds are limited obligations of the District payable solely from Net Revenues, which consist of Revenues of the District’s Water System remaining after payment of Operation and Maintenance Costs of the Water System, as such terms are defined in Appendix B hereto, and amounts on deposit in certain funds and accounts created under the Indenture, including the Rate Stabilization Fund. The District may incur additional obligations payable on a parity with the obligation to pay principal of and interest on the 2015 Bonds in the future. See the caption “SECURITY FOR THE 2015 BONDS—Additional Indebtedness.” The revenues of the District’s Wastewater System and the Recycled Water System are not pledged to the payment of principal of and interest on the 2015 Bonds and principal of and interest on the 2015 Bonds are not payable from revenues of the District’s Wastewater System and Recycled Water System.

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

The District regularly prepares a variety of reports, including audits, budgets and related documents. Any registered owner of the 2015 Bonds (each, an “Owner”) may obtain a copy of such reports, as available, from the Trustee or the District. Additional information regarding the Official Statement may be obtained by contacting the Trustee or Yucaipa Valley Water District, 12770 Second Street, Yucaipa, California Telephone: (909) 797-5117.

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\* Preliminary, subject to change.

## REFUNDING PLAN

### General

The District caused the execution and delivery of the 2004 Certificates pursuant to a Trust Agreement, dated as of June 1, 2004 (the “2004 Trust Agreement”), by and among the District, the Yucaipa Valley Water District Financing Corporation (the “Corporation”) and Wells Fargo Bank, National Association, as trustee. The 2004 Certificates are payable from installment payments made under an Installment Purchase Agreement, dated as of June 1, 2004 (the “2004 Installment Purchase Agreement”), by and between the District and the Corporation. The 2004 Certificates are currently outstanding in the aggregate principal amount of \$36,895,000.

The District plans to apply a portion of the proceeds of the 2015 Bonds and certain other moneys to refund all outstanding obligations with respect to the 2004 Certificates. To effect such refunding, the District will cause a portion of the proceeds of the 2015 Bonds and certain other moneys to be deposited into the Escrow Fund (the “2004 Escrow Fund”) established under the Escrow Agreement (2004 Certificates) dated as of January 1, 2015 (the “2004 Escrow Agreement”), by and between District and Wells Fargo Bank, National Association, as escrow agent (the “Escrow Agent”). Such amounts will be held in cash or invested in direct general obligations of the United States of America (the “Defeasance Obligations”).

With respect to the 2004 Certificates, cash and certain Defeasance Obligations will be scheduled to mature in such amounts and at such times and bear interest at such rates as to provide amounts sufficient to pay on \_\_\_\_\_, 2015 the principal with respect to the 2004 Certificates maturing on and after September 1, 2015, plus accrued interest evidenced and represented thereby to the date fixed for prepayment, without premium.

All cash and Defeasance Obligations in the Escrow Fund will be irrevocably pledged to secure, when due, the payment of the principal, interest with respect to the 2004 Certificates and will not be available to pay the principal or interest on the 2015 Bonds.

As a result of the deposit and investment of funds under the 2004 Escrow Agreement, all of the District’s obligations with respect to the 2004 Certificates, including the pledge and lien on the Net Revenues of the Water System which secure the District’s obligations under the 2004 Installment Purchase Agreement, will be fully discharged upon the issuance of the 2015 Bonds.

## THE 2015 BONDS

### General Provisions

The 2015 Bonds will be issued in the aggregate principal amount of \$\_\_\_\_\_\*. The 2015 Bonds will be dated as of the date of initial issuance thereof (the “Issuance Date”), will bear interest from such date at the rates per annum set forth on the inside cover page hereof, payable on March 1 and September 1 of each year, commencing September 1, 2015 (each, an “Interest Payment Date”), and will mature on the dates set forth on the inside cover page hereof. Interest on the 2015 Bonds will be computed on the basis of a 360 day year of twelve 30 day months.

The 2015 Bonds will be issued only in fully registered form and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository for the 2015 Bonds. Ownership interests in the 2015 Bonds may be purchased in book-entry form, in denominations of \$5,000 or any integral multiple thereof. See the caption “—Book Entry Only System” below and Appendix D attached hereto.

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\* Preliminary, subject to change.

In the event that the book-entry only system described below is discontinued, the principal of and redemption premium (if any) on the 2015 Bonds are payable by check or draft of the Trustee upon presentation and surrender thereof at maturity or upon prior redemption at the office of the Trustee in Los Angeles, California (the "Office of the Trustee"). Interest on the 2015 Bonds is payable on each Interest Payment Date to the person whose name appears on the registration books maintained by the Trustee (the "Registration Books") as the Owner thereof as of the close of business on the fifteenth day of the calendar month preceding the Interest Payment Date (the "Record Date"), such interest to be paid by check or draft of the Trustee, sent by first class mail to the Owner at such Owner's address as it appears on the Registration Books. An Owner of \$1,000,000 or more in principal amount of 2015 Bonds may, at such Owner's option, be paid interest by wire transfer of immediately available funds in accordance with written instructions provided to the Trustee by such Owner prior to the applicable Record Date. The principal of and interest and premium on the 2015 Bonds will be payable in lawful money of the United States of America.

Interest on any 2015 Bond will be payable from the Interest Payment Date preceding the date of issuance thereof, unless such date is after a Record Date and on or before the succeeding Interest Payment Date, in which case interest thereon will be payable from such Interest Payment Date, or unless such date is on or before August 15, 2015, in which case interest thereon will be payable from the Issuance Date.

### **Transfers and Exchanges Upon Termination of Book-Entry Only System**

In the event that the book-entry system described above is abandoned, the 2015 Bonds will be printed and delivered as provided in the Indenture. Thereafter, any 2015 Bond may, in accordance with its terms, be transferred on the Registration Books by the person in whose name it is registered, in person or by such person's duly authorized attorney, upon surrender of such 2015 Bond for cancellation at the Office of the Trustee, accompanied by delivery of a duly executed instrument of transfer in a form approved by the Trustee. Upon the surrender of a 2015 Bond for transfer, the Trustee is to issue a new 2015 Bond or 2015 Bonds of the same maturity, for a like series and aggregate principal amount and of authorized denomination or denominations. The Trustee may charge a sum for each new 2015 Bond issued upon any transfer. The Trustee may require the payment by any 2015 Bond Owner requesting any such transfer of any tax or other governmental charge required to be paid with respect to such transfer. Following any transfer of 2015 Bonds, the Trustee will cancel and destroy the 2015 Bonds it has received.

2015 Bonds may be exchanged at the Office of the Trustee for a like aggregate principal amount of 2015 Bonds of other authorized denominations of the same series and maturity. The Trustee may charge a sum for each new 2015 Bond issued upon any exchange except in the case of any exchange of temporary 2015 Bonds for definitive 2015 Bonds. The Trustee may require the payment by the Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange. Following any exchange of 2015 Bonds, the Trustee will cancel and destroy the 2015 Bonds it has received.

The Trustee is not required to register the exchange or transfer of any 2015 Bond: (i) within 15 days preceding selection of 2015 Bonds for redemption; or (ii) selected for redemption.

### **Redemption of the 2015 Bonds**

*Optional Redemption of 2015 Bonds.\** The 2015 Bonds with stated maturities on or after September 1, 20\_\_ are subject to redemption prior to their respective stated maturities, as a whole or in part on any date in the order of maturity as directed by the District in a Written Request provided to the Trustee at least 60 days (or such lesser number of days acceptable to the Trustee in the sole discretion of the Trustee, such notice for the convenience of the Trustee) prior to such date and by lot within each maturity in integral multiples of \$5,000, on or after September 1, 20\_\_, at a Redemption Price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption, without premium.

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\* Preliminary, subject to change.

**Mandatory Redemption.**\* The 2015 Bonds with stated maturities on September 1, 20\_\_ are subject to mandatory sinking fund redemption in part (by lot) on each September 1 on and after September 1, 20\_\_, in integral multiples of \$5,000 at a Redemption Price of the principal amount thereof plus accrued interest evidenced and represented thereby to the date fixed for redemption, without premium, in accordance with the following schedule:

<i>Redemption Date</i> <i>(October 1)</i>	<i>Principal Amount</i>
	\$

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\* Final Maturity.

**Extraordinary Redemption.** The 2015 Bonds are subject to extraordinary redemption prior to their respective stated maturities, as a whole or in part on any date in the order of maturity and within maturities as directed by the District in a Written Request provided to the Trustee at least 60 days (or such lesser number of days acceptable to the Trustee in the sole discretion of the Trustee, such notice for the convenience of the Trustee) prior to such date and by lot within each maturity in integral multiples of \$5,000 from Net Proceeds, upon the terms and conditions of, and as provided for in, the Indenture, at a Redemption Price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption, without premium. See Appendix B under the captions “PARTICULAR COVENANTS—Insurance” and “PARTICULAR COVENANTS—Eminent Domain Proceeds,” respectively, for a description of the circumstances under which the 2015 Bonds could be subject to extraordinary redemption from Net Proceeds of insurance or condemnation.

**Notice of Redemption**

When redemption is authorized or required, the Trustee will give notice to the Owners of the 2015 Bonds designated for redemption. Notice of redemption will be mailed by first class mail at least 20 days but not more than 60 days before any Redemption Date, to the respective Owners of any 2015 Bonds designated for redemption at their addresses appearing on the Registration Books, to the Securities Depositories and the Information Services; provided that, in the case of notice of optional redemption not related to an advance or current refunding, such notice may be given only if sufficient funds have been deposited with the Trustee to pay the applicable Redemption Price of the 2015 Bonds to be redeemed, provided that such notice may be cancelled by the District upon Written Request delivered to the Trustee not less than five days prior to such Redemption Date. Each notice of redemption will state the date of notice, the Redemption Date, the place or places of redemption, the Redemption Price, will designate the maturities, CUSIP numbers, if any, and, if less than all 2015 Bonds of any such maturity are to be redeemed, the serial numbers of the 2015 Bonds of such maturity to be redeemed by giving the individual number of each 2015 Bond or by stating that all 2015 Bonds between two stated numbers, both inclusive, have been called for redemption and, in the case of 2015 Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice will also state that on the Redemption Date there will become due and payable on each of said 2015 Bonds or parts thereof designated for redemption the Redemption Price thereof or of said specified portion of the principal thereof in the case of a 2015 Bond to be redeemed in part only, together with interest accrued thereon to the Redemption Date, and that (provided that moneys for redemption have been deposited with the Trustee) from and after such Redemption Date interest thereon ceases to accrue, and will require that such 2015 Bonds be then surrendered to the Trustee. Neither the failure to receive such notice nor any defect in the notice or the mailing thereof will affect the validity of the redemption of any 2015 Bond. Notice of redemption of 2015 Bonds will be given by the Trustee, at the expense of the District, for and on behalf of the District.

With respect to any notice of optional redemption of 2015 Bonds, such notice will state that such redemption will be conditional upon the receipt by the Trustee on or prior to the date fixed for such redemption of moneys sufficient to pay the principal of, premium, if any, and interest on such 2015 Bonds to be redeemed and that, if such moneys have not been so received, said notice will be of no force and effect and the Trustee will not be required to redeem such 2015 Bonds. In the event that such notice of redemption contains such a condition and such moneys are not so received, the redemption will not be made, and the Trustee will within a reasonable time thereafter give notice, in the manner in which the notice of redemption was given, that such moneys were not so received.

### **Book-Entry Only System**

One fully-registered 2015 Bond of each maturity of each series will be issued in the principal amount of the 2015 Bonds of such maturity. Such 2015 Bond will be registered in the name of Cede & Co. and will be deposited with DTC.

The District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, the 2015 Bonds will be printed and delivered and will be governed by the provisions of the Indenture with respect to payment of principal and interest and rights of exchange and transfer.

The District cannot and does not give any assurances that DTC Participants or others will distribute payments of principal of and interest on the 2015 Bonds received by DTC or its nominee as the registered Owner, or any redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or that DTC will service and act in the manner described in this Official Statement. See Appendix D hereto for additional information concerning DTC.



**DEBT SERVICE PAYMENT SCHEDULE**

Set forth below is a schedule of principal of and interest on the 2015 Bonds payable in the Fiscal Years ending June 30 indicated:

<i>June 30</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2015	\$	\$	\$
2016			
2017			
2018			
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
TOTAL	\$	\$	\$

**SECURITY FOR THE 2015 BONDS**

**Limited Obligations Payable From Net Revenues**

All of the Revenues, all amounts held in the Water System Revenue Fund and the Rate Stabilization Fund under the Indenture and any other amounts (including proceeds of the sale of the 2015 Bonds) held in any fund or account established pursuant to the Indenture (except the Rebate Fund) are irrevocably pledged under the Indenture to secure the payment of the principal of and interest, and the premium, if any, on the 2015 Bonds in accordance with their terms and the provisions of the Indenture, subject however to the pledge thereon securing Bonds and Contracts. See the caption “- Flow of Funds.” The Revenues will not be used for any other purpose while the 2015 Bonds remain Outstanding; provided that out of the Revenues and amounts on deposit in the Rate Stabilization Fund there may be apportioned such sums for such purposes as are expressly permitted in the Indenture and described below.

The District is obligated to make payments of principal of and interest on the 2015 Bonds solely from the District’s Net Water System Revenues (the “Net Revenues”), along with amounts on deposit in the Rate Stabilization Fund and certain other funds and accounts created under the Indenture. The term “Net Water System Revenues” means, for any Fiscal Year of the District (currently, the District’s Fiscal Year commences on July 1 of each year) (“Fiscal Year”), the Water System Revenues for such Fiscal Year less the Operation and Maintenance Costs of the Water System for such Fiscal Year. See the caption “-Flow of Funds” for a summary of the definition of Water System Revenues. See Appendix B—“DEFINITIONS AND SUMMARY OF INDENTURE” for a detailed discussion of the terms of the Indenture. After the refunding contemplated

herein, the District will not have any obligations payable from Net Revenues on a parity with the obligation to pay principal of and interest on the 2015 Bonds.

THE 2015 BONDS ARE NOT A DEBT OF THE STATE OF CALIFORNIA, OR ANY OF ITS POLITICAL SUBDIVISIONS (OTHER THAN THE DISTRICT), AND NEITHER THE STATE, NOR ANY OF ITS POLITICAL SUBDIVISIONS (OTHER THAN THE DISTRICT), IS LIABLE THEREON, NOR IN ANY EVENT SHALL THE 2015 BONDS BE PAYABLE OUT OF ANY FUNDS OR PROPERTIES OF THE DISTRICT OTHER THAN THE NET REVENUES AND OTHER MONEYS PLEDGED THEREFOR UNDER THE INDENTURE. THE OBLIGATION OF THE DISTRICT TO MAKE PAYMENTS IN ACCORDANCE WITH THE INDENTURE IS A LIMITED OBLIGATION OF THE DISTRICT AS SET FORTH IN THE INDENTURE AND THE DISTRICT SHALL HAVE NO LIABILITY OR OBLIGATION IN CONNECTION HEREWITH EXCEPT WITH RESPECT TO SUCH PAYMENTS TO BE MADE PURSUANT TO THE INDENTURE. THE 2015 BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE DISTRICT IN CONTRAVENTION OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

**Flow of Funds.** In order to carry out and effectuate the pledge and lien contained in the Indenture, the District has agreed and covenanted that the Water System Revenues shall be deposited when and as received in a special fund designated as the "Water System Revenue Fund" which fund has been established and which fund the District has agreed and covenanted to maintain and to hold separate and apart from other funds so long as the 2015 Bonds remain unpaid. Moneys in the Water System Revenue Fund will be held in trust by the District and will be applied, used and withdrawn by the District for the purposes set forth below.

Water System Revenues are defined under the Indenture to include all income, rents, rates, fees, charges and other moneys derived from or attributable to the ownership or operation of the Water System calculated in accordance with generally accepted accounting principles, including, without limiting the generality of the foregoing, all proceeds of the Riverside County and the San Bernardino County 1% *ad valorem* property tax received by the District; plus all income, rents, rates, fees, charges, business interruption insurance proceeds or other moneys derived by the District from the sale, furnishing and supplying of water, or other services, facilities and commodities sold, furnished or supplied through the facilities of or in the conduct or operation of the business of the Water System; plus the development impact fees or similar charges related to the Water System; plus the earnings on and income derived from the investment of the amounts described above, and from investment of amounts in the Water System Revenue Fund; plus the earnings on and income derived from investment of the District reserves allocated to the Water System; plus, notwithstanding the application of generally accepted accounting principles, all amounts transferred from the Rate Stabilization Fund to the Water System Revenue Fund during any Fiscal Year in accordance with the Indenture but excluding in all cases any amounts transferred from the Water System Revenue Fund to the Rate Stabilization Fund during any Fiscal Year in accordance with the Indenture, customer deposits or any other deposits or advances subject to refund until such deposits or advances have become the property of the District, and any proceeds of taxes restricted by law to be used by the District to pay obligations of the District other than Bonds or Contracts.

The District will, from the moneys in the Water System Revenue Fund, pay all Water System Operation and Maintenance Costs (including amounts reasonably required to be set aside in contingency reserves for Water System Operation and Maintenance Costs, the payment of which is not then immediately required) as such Water System Operation and Maintenance Costs become due and payable.

The District accounts for moneys received and expenses paid in accordance with generally accepted accounting principles applicable to governmental agencies such as the District ("GAAP"). In certain cases GAAP requires or permits moneys collected in one Fiscal Year to be recognized as revenue in a subsequent Fiscal Year and requires or permits expenses paid or incurred in one Fiscal Year to be recognized as expenses in a subsequent Fiscal Year. See "APPENDIX A – YUCAIPA VALLEY WATER DISTRICT FINANCIAL

STATEMENTS.” Except as otherwise expressly noted herein, all financial information derived from the District’s audited financial statement reflect the application of GAAP.

All remaining moneys in the Water System Revenue Fund shall be applied by the District at the following times for the transfer to the following respective special funds in the following order of priority:

(i) Not later than six (6) Business Days prior to each Interest Payment Date, the District will, from the moneys in the Water System Revenue Fund, transfer to the Trustee for deposit in the Payment Fund the amount, if any, necessary for the payments of interest and principal, including mandatory sinking fund installments, if any, on the 2015 Bonds due and payable on such Interest Payment Date. The District will also, from the moneys in the Water System Revenue Fund, transfer to the applicable trustee for deposit in the respective payment fund, without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, any other Debt Service in accordance with the provisions of any Bond or Contract.

(ii) Not later than six (6) Business Days prior to each Interest Payment Date, the District will, from the remaining moneys in the Water System Revenue Fund, thereafter, without preference or priority and in the event of any insufficiency of such moneys ratably without any discrimination or preference, transfer to the applicable trustee for such other reserve funds and/or accounts, if any, as may have been established in connection with Bonds or Contracts, that sum, if any, necessary to restore such funds or accounts to an amount equal to the reserve requirement with respect thereto.

(iii) Moneys on deposit in the Water System Revenue Fund on any date when the District reasonably expects such moneys will not be needed for the payment of Water System Operation and Maintenance Costs, or for any of the purposes described in clauses (i) or (ii) above, may be expended by the District on principal of and interest on notes, bonds, contracts or other obligations payable from the Water System Net Revenues subordinate to the payments described in clauses (i) and (ii) above, or for any other purpose permitted by law, including, but not limited to the deposit of amounts in the Rate Stabilization Fund.

#### **Rate Covenant**

The Indenture will require the District, to the fullest extent permitted by law, to fix and prescribe, at the commencement of each Fiscal Year, rates and charges for the Water Service provided by the Water System which are reasonably expected to be at least sufficient to yield during each Fiscal Year Net Water System Revenues equal to one hundred ten percent (110%) of Debt Service payable in such Fiscal Year; provided, however, that for purposes of the foregoing covenant, Water System Revenues in such Fiscal Year shall not include any amount transferred from the Rate Stabilization Fund to the Water System Revenue Fund in excess of ten percent (10%) of Debt Service payable in such Fiscal Year. The District may make adjustments from time to time in such rates and charges and may make such classification thereof as it deems necessary, but shall not reduce the rates and charges then in effect unless the Net Water System Revenues from such reduced rates and charges are reasonably expected to be sufficient to meet the foregoing requirements. Failure to produce Net Water System Revenues to equal one hundred ten percent (110%) of Debt Service at the end of a Fiscal Year is not an Event of Default under the Indenture so long as the District complies with the covenant described above. Such failure may, however, affect the ability of the District to issue Bonds or incur Contracts payable from Net Revenues on a parity with the 2015 Bonds. See the caption “-Additional Indebtedness.”

#### **Rate Stabilization Fund**

There is continued under the Indenture a special fund designated as the “Rate Stabilization Fund” to be held by the District in trust thereunder, which fund the District has pledged to the payment of the 2015 Bonds under the Indenture and has agreed and covenanted to maintain and to hold separate and apart from other funds so long as any 2015 Bonds remain unpaid. On the date of the issuance of the 2015 Bonds,

approximately \$[500,209.14] will be on deposit in the Rate Stabilization Fund. Money transferred by the District from the Water System Revenue Fund to the Rate Stabilization Fund in accordance with the Indenture will be held in the Rate Stabilization Fund and applied in accordance with the Indenture.

The District may withdraw all or any portion of the amounts on deposit in the Rate Stabilization Fund and transfer such amounts to the Water System Revenue Fund for application in accordance with the Indenture or, in the event that all or a portion of the 2015 Bonds are discharged in accordance with the Indenture, transfer all or any portion of such amounts for application in accordance with the Indenture. Amounts transferred from the Rate Stabilization Fund to the Water System Revenue Fund pursuant to the Indenture during or within 270 days after a Fiscal Year, may be taken into account as Water System Revenues for purposes of the calculations described under the captions “—Rate Covenant” and “—Additional Indebtedness” in such Fiscal Year.

Under certain circumstances, moneys received in one Fiscal Year may be required or permitted by GAAP to be recorded as revenue in a subsequent Fiscal Year, regardless of whether such moneys have been deposited in the Rate Stabilization Fund. See “APPENDIX A – YUCAIPA VALLEY WATER DISTRICT FINANCIAL STATEMENTS.”

#### **Additional Indebtedness**

The District may at any time execute any Contract or issue any Bonds, as the case may be, in accordance with the Indenture; provided:

(i) The Net Revenues for the most recent audited Fiscal Year preceding the date of adoption by the Board of Directors of the District of the resolution authorizing the issuance of such Bonds or the date of the execution of such Contract, as the case may be, as evidenced by both a calculation prepared by the District and a special report prepared by an Independent Certified Public Accountant or an Independent Financial Consultant on such calculation on file with the District, shall have produced a sum equal to at least one hundred ten percent (110%) of the Debt Service for such Fiscal Year; and

(ii) The Net Revenues for the most recent audited Fiscal Year preceding the date of the execution of such Contract or the date of adoption by the Board of Directors of the District of the resolution authorizing the issuance of such Bonds, as the case may be, including adjustments to give effect as of the first day of such Fiscal Year to increases or decreases in rates and charges for the Water Service approved and in effect as of the date of calculation, as evidenced by a calculation prepared by the District and to each new connection to the Water System that, during all or any part of such Fiscal Year, was not in existence and that would have been derived from such connection if it had been made prior to the beginning of such Fiscal Year, shall have produced a sum equal to at least one hundred ten percent (110%) of the Debt Service for such Fiscal Year plus the Debt Service which would have accrued on any Contracts executed or Bonds issued since the end of such Fiscal Year assuming such Contracts had been executed or Bonds had been issued at the beginning of such Fiscal Year, plus the Debt Service which would have accrued had such Contract been executed or Bonds been issued at the beginning of such Fiscal Year; and

(iii) The estimated Net Revenues for the then current Fiscal Year and for each Fiscal Year thereafter to and including the first complete Fiscal Year after the latest date of operation of any uncompleted Parity Project, as evidenced by a certificate of the General Manager of the District on file with the District, including (after giving effect to the completion of all such uncompleted Parity Projects) an allowance for estimated Net Revenues for each of such Fiscal Years arising from any increase in the income, rents, fees, rates and charges estimated to be fixed, prescribed or received for the Water Service and which are economically feasible and reasonably considered necessary based on projected operations for such period, as evidenced by a certificate of the General Manager on file with the District, shall produce a sum equal to at least one hundred ten percent (110%) of the estimated Debt Service for each of such Fiscal Years, after giving effect to the execution of all Contracts and the issuance of all Bonds estimated to be required to be executed or issued to pay the costs of completing all uncompleted Parity Projects within such Fiscal Years, assuming that all such

Contracts and Bonds have maturities, interest rates and proportionate principal repayment provisions similar to the Contract last executed or then being executed or the Bonds last issued or then being issued for the purpose of acquiring and constructing any of such uncompleted Parity Projects.

Notwithstanding the foregoing, Bonds or Contracts may be issued or incurred to refund outstanding Bonds or Contracts if, after giving effect to the application of the proceeds thereof, total Debt Service will not be increased in any Fiscal Year in which Bonds or Contracts (outstanding on the date of issuance or incurrence of such refunding Bonds or Contracts, but excluding such refunding Bonds or Contracts) not being refunded are outstanding in an amount in excess of 10%.

Nothing in the Indenture shall prohibit the District from issuing or entering into notes, bonds, contracts or other obligations payable from Net Water System Revenues subordinate to Bonds or Contracts. See the caption “YUCAIPA VALLEY WATER DISTRICT –Outstanding District Obligations.”

**No Reserve Fund**

No reserve fund has been created or will be funded with respect to the 2015 Bonds.

**ESTIMATED SOURCES AND USES OF FUNDS**

The following table sets forth the estimated sources and uses of funds with respect to the refunding of the 2004 Certificates:

<i>Sources</i> <sup>(1)</sup> :	
Principal Amount of 2015 Bonds	\$
Net Original Issue Premium/Discount	
From Reserve Fund for 2004 Certificates	
District Contribution <sup>(2)</sup>	
Total Sources	<u>\$</u>
 <i>Uses</i> <sup>(1)</sup> :	
Transfer to Escrow Agent for Refunding of 2004 Certificates	\$
Deposit to Costs of Issuance Fund <sup>(3)</sup>	
Total Uses	<u>\$</u>

<sup>(1)</sup> All amounts rounded to the nearest dollar. Totals may not add due to rounding.  
<sup>(2)</sup> Reflects March 1, 2015 interest payment with respect to the 2004 Certificates.  
<sup>(3)</sup> Includes Underwriter’s discount and certain legal fees, premiums for the Policy, financing and printing costs.

**YUCAIPA VALLEY WATER DISTRICT**

**General**

The District was formed as part of a reorganization, pursuant to the Reorganization Act of 1965, being Division I of Title 6 of the Government Code of the State of California. This reorganization consisted of the formation of the District, dissolution of the Calimesa Water District and formation of Improvement District No. 1 of the District as successor-in-interest thereto, and dissolution of Improvement District “A” of the San Bernardino Valley Municipal Water District and the formation of Improvement District “A” of the District as successor-in-interest thereto. On September 14, 1971, the Secretary of State of the State of California certified and declared formation of the District. The District operates under the County Water District Law, being Division 12 of the State of California Water Code (the “Act”). Although the immediate function of the District was to provide water service, the District has assumed responsibility for providing wastewater and recycled water service in Yucaipa Valley.

Situated in both San Bernardino County and Riverside County, the District is located about 70 miles east of the City of Los Angeles and 20 miles southeast of the City of San Bernardino in the foothills of the San Bernardino Mountains. The District serves the cities of Calimesa and Yucaipa and has a population of approximately 44,900 [water customers] within its service area.

As of December 31, 2014, the District provided water services to approximately 12,374 active connections identified as follows:

Customer Classification	Number of Active Water Service Connections
Single Family Residential	11,296
Multi-Family Residential	515
Commercial	259
Industrial	13
Institutional	83
Irrigation - Potable Water	124
Irrigation - Recycled Water	57
Construction Water - Potable Water	22
Construction Water - Recycled Water	5
<b>Total</b>	<b>12,374</b>

The Water System consists of 25 wells and pumps, 13 booster stations, approximately 215 miles of pipeline varying from 4 to 30 inches in diameter, and 27 reservoirs with a total storage capacity of over 34 million gallons. Most of the District water is supplied from groundwater through local wells owned by the District. The District also provides surface water treated at the Oak Glen Water Filtration Plant (the "Oak Glen Plant"), which receives surface water from Birch Creek, Oak Creek, Adams Tunnel and Clark Tunnel. As a supplemental source of water, the District currently purchases State Water Project water through the San Bernardino Valley Municipal Water District ("SBVMWD") and the San Gorgonio Pass Water Agency ("SGPWA") for potable and non-potable use and for recharge of the groundwater basin. See the caption "THE WATER SYSTEM OF THE DISTRICT — Water Supply System and Water Supply" below.

#### **Land and Land Use**

The altitude of the District rises from about 2,000 feet above sea level at the western end of the valley to about 5,000 feet at the eastern end, with an average elevation of roughly 2,650 feet. The topography of the area is characterized by rolling hills separated by deeply entrenched stream beds, namely, the Yucaipa and Wilson Creeks. The District includes the incorporated cities of Yucaipa and Calimesa which are in San Bernardino and Riverside Counties, respectively.

Based upon current land use policies of the cities and counties within the boundaries of the District, the District projects that the undeveloped land within its boundaries will continue to be developed. The projected population of the District in the year 2030 will be approximately 94,800, which reflects buildout of the City of Calimesa and the Oak Valley development. Although approximately 49.8% of the land within the boundaries of the District are undeveloped, less than 1% of District water sales are to agricultural water users.

#### **Governance and Management**

The District is governed by a 5-member board of directors (the "Board"), the members of which are elected from separate divisions of the District for staggered 4-year terms. The current Board members, the expiration dates of their terms and their occupations are set forth below.

<u>Board of Directors Member</u>	<u>Expiration of Term</u>	<u>Occupation</u>
Lonni Granlund, President	2016	Property Manager, Real Estate Broker
Jay Bogh, Vice President	2018	Building Firm Manager
Bruce Granlund, Director	2018	Retired Senior District Attorney Investigator
Kenneth P. Munoz	2016	Pipeline Contractor / Business Owner
Tom Shalhoub, Director	2018	Retired Business Owner

Day-to-day management of the District is delegated to the General Manager. Set forth below is a brief resume of the General Manager and principal administrators of District operations and finances:

Joseph B. Zoba has served as General Manager and Chief Executive Officer of the District since June 1994. Together with other District staff Mr. Zoba is in charge of providing water production, water treatment, water distribution, wastewater collection, wastewater treatment, and recycled water services to the cities of Yucaipa and Calimesa. In addition, he represents the District as the Watermaster Appointee and Treasurer of the Beaumont Basin Watermaster. Mr. Zoba graduated from the University of California, Riverside with a Bachelor of Science in Biochemistry and a Master's in Business Administration and from California State University, San Bernardino with a Master's in Public Administration. Mr. Zoba has been recognized for his achievements with an Outstanding Early Career Achievement Award by the Gary A. Anderson Graduate School of Management and inducted into the John A. Rowland High School Hall of Fame.

John "Jack" Nelson has served as Assistant General Manager of the District since May 1994. Mr. Nelson began his employment with the District in 1989 as a District engineer. Mr. Nelson previously worked for ten years with a private engineering firm where he focused on water, wastewater, and storm water system design. Prior to that Mr. Nelson worked for the County of Riverside in the Sanitary Landfill Department and for Caltrans in highway design. Mr. Nelson has a Bachelor of Science in Civil Engineering from Norwich University, and a Master's in Public Administration from California State University, San Bernardino. Mr. Nelson is a registered Professional Civil Engineer in Civil Engineering in the State of California. Mr. Nelson has also completed the California Special District Association Special District Board Management certification.

Vicky Elisalda has served as District Controller since November 2003. Ms. Elisalda began her employment with the District in 1997 as the District's Accounting Supervisor and then was promoted to Administrative Manager in July 2002. Ms. Elisalda previously worked for twenty-four years in the private sector, with experience in all phases of accounting and supervision. Ms. Elisalda has an Associates Degree in Accounting and has completed numerous continuing education courses.

### **District Powers**

The District has broad general powers over the use of water within its boundaries, including the right of eminent domain and the authority to acquire, control, distribute, store, spread, sink, treat, purify, reclaim, process and salvage any water for beneficial use, to provide sewer service, to sell treated or untreated water and recycled water, to contract with the United States, other political subdivisions, public utilities, and other persons, and, subject to certain constitutional limits, to levy taxes on lands.

### **Employees and Employee Benefits**

**Pension Benefits.** The District contributes to the California Public Employees Retirement System ("PERS"), an agent multiple-employer defined benefit pension plan (the "Pension Plan") which acts as a common investment and administrative agent for its participating member employers. The Pension Plan provides retirement, disability, annual cost-of-living adjustments and death benefits to Pension Plan members

and beneficiaries. Benefit provisions under the Pension Plan are established by statutes of the State and by District resolution. Funding contributions for the Pension Plan are determined annually on an actuarial basis as of June 30 by PERS; the District must fund those contribution amounts.

For Fiscal Year 2014, the District’s annual pension cost was \$503,798 for PERS and was equal to the District’s required and actual contributions. The required contribution was determined as part of the July 1, 2012, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included: (i) a 7.50% investment rate of return (net of administrative expense); (ii) projected annual salary increases that vary by duration of service coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25%; and (iii) 3.30% to 14.20% per year cost of living adjustments depending on age, service and type of employment. Both assumptions (i) and (ii) included an inflation component of 2.75% and a payroll growth rate of 3.00%. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investment over a thirty-year period (smoothed market value). Initial unfunded liabilities are amortized over a closed period that depends on the plan’s date of entry into PERS. Subsequent plan amendments are amortized as a level percentage of pay over a closed 30-year period.

The required Fiscal Year 2015 employer contribution rate of 14.936% is equal to the annual pension cost (“APC”) percentage of payroll. Gains and losses that occur in the operation of the CalPERS 2.0% at 60 Risk Pool Retirement Plan are amortized over a rolling 30 year period. If the plan’s accrued liability exceeds the actuarial value of plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30 year amortization period. The PERS actuary uses a smoothing technique to determine actuarial value that is calculated based on certain policies and actuarial assumptions. These policies and actuarial assumptions are subject to change by PERS in the future and may result in increases to the District’s APC.

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. The following is the most recent available three-year APC information for the plan.

<i>Fiscal Year</i>	<i>APC</i>	<i>Percentage of APC Contributed</i>	<i>Net Pension Obligation</i>
2012	\$497,301	100%	-
2013	522,063	100	-
2014	503,798	100	-

The schedule below shows the history of the PERS 2.0% at 60 Risk Pool Retirement Plan actuarial value of assets, actuarial accrued liability, and the relationship of the unfunded actuarial accrued liability (“UAAL”) to payroll as of June 30, 2012:

<i>Fiscal Year</i>	<i>Actuarial Valuation Date</i>	<i>Entry Age Normal Accrued Liability [A]</i>	<i>Actuarial Value of Assets [B]</i>	<i>Unfunded Liability (Excess Assets) [A-B]</i>	<i>Funded Status [B/A]</i>	<i>Annual Covered Payroll [C]</i>	<i>UAAL/ (Excess Assets) as a % of Payroll [(A-B)/C]</i>
June 30, 2010	June 30, 2010	\$624,423,437	\$594,492,164	\$29,931,273	95.2%	\$186,777,830	16.0%
June 30, 2011	June 30, 2011	682,375,804	639,237,247	43,138,557	93.7	183,877,169	22.3%
June 30, 2012	June 30, 2012	736,231,913	701,224,211	35,007,702	95.3	208,517,122	16.8%

Contributions for participants hired on or after January 1, 2013 who were not already enrolled in PERS through their previous employers are governed by Assembly Bill 340 (“AB 340”), which is described below.



On September 12, 2012, the State Governor signed AB 340, which implements pension reform in the State. Effective January 1, 2013, AB 340, among other things: (i) requires public retirement systems and their participating employers to share equally with employees the normal cost rate for such retirement systems; (ii) prohibits employers from paying any portion of the required member contributions to such retirement systems for employees hired after January 1, 2013 who are new PERS members (those who were not already enrolled in a public retirement system through their previous employers or who moved between employers or public retirement systems with a 6 month break in service) (“New Members”); (iii) establishes a compulsory maximum non safety benefit formula of 2.5% at age 67; and (iv) defines final compensation as the highest average annual pensionable compensation earned during a 36 month period.

The District has implemented a tier of PERS pension benefits for employees hired after January 1, 2013 to comply with AB 340’s compulsory reduced formula. Participants hired on or after January 1, 2013 who are New Members are required to contribute the percentage of their annual covered salary under the Agency’s PERS plans required by PERS, which will not exceed 50% of the normal cost rate, as determined by PERS. The current contribution rate for New Members is 6.25% of annual base salary. The District makes a 7% portion of the contributions required of District employees on their behalf and for their account and New Members hired on or after January 1, 2013 pay the entire employee contribution rate of 6.25% of their member contributions.

PERS reported significant investment losses in 2009 and investment gains for Fiscal Years 2010, 2011, 2012 and 2013 in excess of 13.0%, 21.7%, 1.0% and 12.5%, respectively. Future earnings performance may increase or decrease future contribution rates for plan participants, including the District. The District does not expect any future APC increases to have a material adverse effect on the District’s obligation to make payments of principal of and interest on the 2015 Bonds. See Note 13 of the District’s audited financial statements included hereto as Appendix A for additional information with respect to the District and PERS.

***Other Post-Employment Benefits.*** On February 17, 1999, the Board of Directors eliminated District-paid post-retirement medical benefits for employees hired after July 1, 1999. The District does not currently have any post-employment benefits liability.

### **Budget Process**

Prior to June 1 of each year, the General Manager of the District submits to the Board of Directors a proposed budget for the upcoming fiscal year. The District staff presents a proposed budget at a public workshop to review the budget material and obtain comments from residents and ratepayers. Subsequent to the workshop, the Board of Directors typically approves the budget prior to July 1. The Board of Directors approved the budget for Fiscal Year 2015 on May 21, 2014, and there have been no amendments to the Fiscal Year 2015 budget since that date.

### **District Insurance**

The District manages its insurance affairs through the purchase of commercial insurance to protect the assets of the District. The District currently carries general liability insurance coverage with limits of \$1,000,000 per occurrence and \$3,000,000 in the aggregate. In addition, a \$5,000,000 excess liability policy is in place should claims exceed the underlying policy limits. The District also maintains property and inland marine coverage with a total insured value of \$104,000,000. Commercial automotive liability insurance for owned, non-owned and hired automobiles is purchased with limits of \$1,000,000 per occurrence and \$3,000,000 in the aggregate, along with excess liability coverage of \$5,000,000, should claims exceed the underlying limits. All District-owned vehicles are insured for physical damage. The employee crime insurance is covered by commercial crime coverage with a limit of \$250,000. The District has had no settled claims that exceeded its commercial coverage in any of the past three fiscal years.

### **Outstanding District Obligations**

*Outstanding Obligations Payable From Water System Revenues.* In connection with the execution and delivery of the 2004 Certificates, the District entered into the 2004 Installment Purchase Contract. The installment payments thereunder (the “2004 Installment Payments”) are secured by Water System Revenues. As of June 30, 2014, the 2004 Installment Payments were outstanding in the aggregate principal amount of \$37,930,000. The District expects to refund all of the outstanding 2004 Certificates from the proceeds of the 2015 Bonds. See the caption “REFUNDING PLAN.”

*Outstanding Obligations Payable From Wastewater System Revenues.* The District has entered into agreements to obtain five loans from the SWRCB to finance the expansion, construction and modification of its Wastewater System and Recycled Water System (collectively, the “State Loans”). The interest rates on the State Loans range from 2.2% to 2.7%. As of June 30, 2014, the total outstanding amount under the State Loans was \$49,658,520. The State Loans are payable from net revenues of the District’s Wastewater System, which generally include all revenues derived from the provision of wastewater service to customers within the District’s service area (see the caption “—Wastewater System and Recycled Water System” below). The State Loans are not payable from Water System Revenues. Net revenues of the District’s Wastewater System and Recycled Water System are not pledged to and are not available to pay the principal of and interest on the 2015 Bonds.

### **Wastewater System and Recycled Water System**

The District provides wastewater and recycled water services to customers within its service area. Domestic wastewater produced within the District’s service area is conveyed via District sewer and wastewater pipelines and is treated at the Henry N. Wochholz Wastewater Treatment Plant (the “Treatment Plant”). The Treatment Plant utilizes microfiltration, reverse osmosis, and ultraviolet light disinfection to treat wastewater. In 2008, the District completed improvements to the Treatment Plant to expand its capacity to 8 million gallons per day. In 2012, the District completed the Yucaipa Valley Regional Brineline (the “Brineline”), which transports salt and minerals produced by the reverse osmosis treatment process away from the Treatment Plant. The Brineline terminates at an existing brine disposal pipeline 15 miles from the Treatment Plant, which then extends to the Orange County Sanitation District’s facilities in the City of Huntington Beach. Recycled water produced at the Treatment Plant is distributed through the District’s recycled water distribution system for irrigation and other commercial uses within the District.

Revenues of the Wastewater System and the Recycled Water System are not available to pay debt service on the 2015 Bonds and operation and maintenance costs of the Wastewater System and Recycled Water System do not constitute Operation and Maintenance Costs of the Water System.

## **THE WATER SYSTEM OF THE DISTRICT**

### **Water System and Water Supply**

As of June 2014, there were 12,326 active water connections compared with 12,265 in June 2013. The Water System consists of 25 wells and pumps, 13 booster stations, approximately 206 miles of pipeline varying from 4 to 30 inches in diameter, 27 above-ground reservoirs with a total storage capacity of over 34 million gallons, the Oak Glen Plant which has a rated capacity of 550 gallons per minute and can receive surface water from several sources, and the Yucaipa Valley Drinking Water Filtration Facility (the “Yucaipa Filtration Facility”), which has a rated capacity of 8,333 gallons per minute and can receive surface water and water from the State Water Project.

Local wells supply approximately 60 percent of the District’s current potable water supply. The balance of the District’s current water potable supply is supplied from (i) surface water provided through the Oak Glen Plant, which receives surface water from Birch Creek, Oak Creek, Adams Tunnel, Clark Tunnel and

(ii) surface water provided through the Yucaipa Filtration Facility, which receives surface water from State Water Project purchased from SBVMWD and SGPWA. Under certain circumstances, the District may access additional surface water supplies from Mill Creek and the Santa Ana River under the Santa Ana River - Mill Creek Cooperative Water Agreement. See the caption “—State Water Project” below. Supplemental water purchased from the State Water Project through SBVMWD and SGPWA is used for direct delivery of potable water after treatment at the Yucaipa Filtration Facility, non-potable use, for backwash water and the recharge of the groundwater basins.

***The Groundwater Basin.*** The District has traditionally met the bulk of its service area customer needs from groundwater through the District’s primary water wells. Most of these wells pump from the Yucaipa Groundwater Basin (the “Yucaipa Basin”) which consists of seven sub-basins with an estimated total safe yield of 9,645 acre-feet. Over the past decade, the District has purchased supplemental water from SBVMWD and SGPWA to recharge the local groundwater basins. In addition, to manage local groundwater supplies, since [2007], the District has met part of its service area customer needs by directly delivering potable water from the Yucaipa Filtration Facility in-lieu of pumping groundwater. As of 2014, four of the seven sub-basins in the Yucaipa Basin area had increased the amount of water by volume in comparison to 1991 amounts and one sub-basin was approximately equal in water by volume in comparison to 1991 amounts. Two sub-basins in the Yucaipa Basin area, which are experiencing overdraft, are shared with other local water purveyors. The District and such local water purveyors are currently working to establish groundwater extraction rules to manage such over drafted groundwater sub-basins in the Yucaipa Basin.

The quality of present ground water meets existing regulatory requirements, with average total dissolved solids of 328 mg/l in calendar year 2013. The District purchases State Water Project water through SBVMWD and SGPWA to recharge the Yucaipa Basin.

The District is not currently involved in and is unaware of, any material litigation between any of the water users in the Yucaipa Basin. The water rights of individual water users within the Yucaipa Basin have not been adjudicated.

The District also produces groundwater from the Beaumont Basin which is managed by the Beaumont Basin Watermaster. On February 4, 2004, the District participated in a Stipulated Agreement and is currently one of five appropriators responsible for the management of the Beaumont Basin Watermaster adjudication. As of December 31, 2013, the District has 14,684 acre-feet of water available in a storage account within the Beaumont Basin.

In Fiscal Year 2014, approximately 6,923 acre-feet and 1,114 acre-feet of water was produced from the Yucaipa Basin and the Beaumont Basin, respectively, for a total of approximately 8,037 acre-feet. The District’s ability to treat State Water Project water at the Yucaipa Filtration Facility for direct delivery to District customers has reduced the District’s level of pumping from the these two local groundwater basins. See the caption “—Yucaipa Valley Regional Water Filtration Facility.”

The District currently has 25 active and standby groundwater wells available for use. The District’s current pumping capacity is 10,225 gallons per minute (“gpm”). In Fiscal Year 2014, 8,037 acre-feet was delivered to District customers from groundwater wells.

The District is currently involved with the development of a sustainable groundwater management plan in partnership with the San Bernardino Valley Municipal Water District, the City of Redlands, the SGPWA, South Mesa Mutual Water Company, Western Heights Mutual Water Company and the City of Yucaipa. With ample storage capacity, ability to recharge the basin by spreading surface waters and flexibility in managing groundwater levels without subsidence problems, the Yucaipa Basin could be conjunctively managed to meet normal annual demands and to meet water resource needs in the event of a drought and curtailment or loss of inconsistent surface water supplies, resulting in a highly reliable water supply. The current goal is to identify additional locations to construct stormwater capture facilities for passive and active

groundwater recharge and to secure agreements with the other water purveyors to eliminate the overdraft of the two aforementioned subbasins in the Yucaipa Basin area. See the caption “—Upper Santa Ana Watershed Integrated Regional Water Management Plan” below.

**Surface Water.** In 1996, the District reconstructed the Oak Glen Plant to treat surface water collected in the Oak Glen watershed. The design capacity of the Oak Glen Plant is 550 gpm. Treated flows are typically limited by seasonal surface water availability that has reached flows as low as 250 gpm. The Oak Glen Plant receives water primarily from the Birch Creek intake, Oak Creek intake, and Adams Tunnel (Well 25). Minimum water may also flow in the raw water pipeline from Worthington Tunnel and Clark Tunnel. Back Creek is also a source but has not been used since 1992 and is listed as a standby source. These sources are both minor and relatively unreliable due to their greater availability only in wet periods. In Fiscal Year 2014, approximately 249 acre-feet of surface water treated at the Oak Glen Plant was delivered to District customers.

The existing infiltration system tributary to the Oak Glen Plant was acquired by the District from the previous Yucaipa-Redlands Water Company. Exact age, condition and location of the tunnels are not known. The tunnels are located approximately 30 to 50 feet underground, with many portions structurally failed or unstable.

The District has access to additional surface water through connections to surface water sources from the Santa Ana River and Mill Creek pursuant an exchange program under the Santa Ana River - Mill Creek Cooperative Water Agreement entered into on May 3, 1976 (the “Exchange Agreement”). See the caption “—State Water Project.”

**Yucaipa Valley Regional Water Filtration Facility.** In 2007, the District completed construction of the Yucaipa Filtration Facility. The cost of the Filtration Facility was financed in part by proceeds of the 2004 Certificates. The Yucaipa Filtration Facility has the capacity to treat approximately 13,422 acre-feet of water per year. State Water Project water purchased from SBVMWD and SGPWA are the primary sources of water treated at the Yucaipa Filtration Facility and delivered to District customers. See “—State Water Project” below. In Fiscal Year 2014, approximately 5,453 acre-feet of State Water Project water treated at the Yucaipa Filtration Facility was delivered to District customers for potable and non-potable use.

In addition to the recycled water produced at the Treatment Plant (see the caption “YUCAIPA VALLEY WATER DISTRICT — Wastewater System and Recycled Water System” above), recycled water is produced at the Yucaipa Filtration Facility for delivery through the District’s Recycled Water System to District customers. Revenues from the sale of recycled water are not available to pay debt service on the 2015 Bonds and operation and maintenance costs of the Recycled Water System do not constitute Operation and Maintenance Costs of the Water System.

**State Water Project.** In general, the Department of Water Resources (“DWR”) delivers State Water Project water from reservoirs in northern and central California via the California Aqueduct to water agencies throughout northern, central and southern California. Currently, water from the State Water Project’s reservoirs flows into the Delta area at the confluence of the Sacramento and San Joaquin Rivers (the “Delta”) and is pumped out of the Delta into the California Aqueduct for delivery to DWR’s contracting agencies from the State Water Project. The State Water Project consists of 760 miles of canals and pipelines and total reservoir storage of 5.8 million acre-feet.

The District currently purchases State Water Project water through SBVMWD and SGPWA. SBVMWD encompasses much of the District and holds an entitlement to State Water Project water in the amount of 102,600 acre-feet annually. SGPWA serves the remainder of the District through its State Water Project entitlement of 17,300 acre-feet per year. Such State Water Project water is provided either directly or by exchange through the East Branch extension pipeline and is used for groundwater recharge, non-potable use and potable use after such water is treated at the Yucaipa Filtration Facility.

Through the Exchange Agreement, the District is permitted to exchange its right to State Water Project water from SBVMWD for Mill Creek water when available. Mill Creek water can be delivered by gravity to the Wilson Creek spreading grounds or to the Yucaipa Filtration Facility. The Mill Creek water source is highly variable, however, depending upon local hydrology. Flows in Mill Creek can range from 10,000-120,000 acre-feet per year with the bulk of high water flows in the winter months.

In addition to the Mill Creek supplies, the District can receive certain local surface water from certain Santa Ana River water right holders under the Exchange Agreement in exchange for District State Water Project water connected to the State Water Project East Branch extension pipeline.

The State Water Project is the subject of many studies and much discussion concerning its water supply delivery reliability. Primarily, the Bay Delta Conservation Plan (“BDCP”) and the Delta Habitat Conservation and Conveyance Program (“DHCCP”) are collaborative efforts between water agencies, environmental organizations and State and federal agencies to develop a comprehensive conservation plan for the Delta. The BDCP and the DHCCP are intended to be comprehensive solutions to protect fish species and create a sustainable water delivery system. There can be no assurance that the BDCP or the DHCCP program will be undertaken.

The DWR faces various challenges in the continued supply of State Project Water to the District. A description of these challenges as well as a variety of other operating information with respect to DWR is included in certain disclosure documents prepared by DWR. DWR has entered into certain continuing disclosure agreements pursuant to which DWR is contractually obligated for the benefit of owners of certain of their outstanding obligations, to file certain annual reports, notices of certain material events as defined under Rule 15c2-12 of the Exchange Act (“Rule 15c2-12”) and annual audited financial statements. DWR HAS NOT ENTERED INTO A CONTRACTUAL COMMITMENT WITH THE DISTRICT, THE TRUSTEE OR THE OWNERS OF THE CERTIFICATES TO PROVIDE STATE WATER PROJECT INFORMATION TO THE DISTRICT OR THE OWNERS OF THE 2015 BONDS.

**NONE OF DWR, SBVMWD AND SGPWA HAVE REVIEWED THIS OFFICIAL STATEMENT AND NONE HAVE MADE REPRESENTATIONS OR WARRANTIES WITH RESPECT TO THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED OR INCORPORATED HEREIN, INCLUDING INFORMATION WITH REGARD TO DWR, THE STATE WATER PROJECT, SGPWA AND SBVMWD. NONE OF DWR, SBVMWD AND SGPWA ARE CONTRACTUALLY OBLIGATED, AND NONE HAVE UNDERTAKEN, TO UPDATE SUCH STATE WATER PROJECT INFORMATION FOR THE BENEFIT OF THE DISTRICT OR THE OWNERS OF THE 2015 BONDS UNDER RULE 15c2-12.**

#### **Upper Santa Ana Watershed Integrated Regional Water Management Plan**

In December 2007, fourteen agencies, including the District, adopted the Upper Santa Ana Watershed Integrated Regional Water Management Plan (the “IRWMP”). The IRWMP is a comprehensive water resources plan which identifies various management strategies to help ensure a reliable water supply for the San Bernardino, Yucaipa, Big Bear Valleys, and the San Gorgonio Pass area. One of the management strategies in the IRWMP was to increase the yield of the San Bernardino Basin Area. Conjunctive use is the coordinated management of surface and groundwater supplies to best utilize local and imported supplies to enhance water reliability in an economic and environmentally responsible manner. This can be accomplished by actively managing aquifer systems to meet water demands during dry and wet years. Under a conjunctive use scenario, water is stored underground by recharge for future use.

Conjunctive use has been implemented by the District in the Yucaipa Basin area. In light of the uncertainty of State Water Project deliveries, the District will be working closely with other water purveyors and the SBVMWD to develop the contractual and physical systems necessary to use the Yucaipa Basin conjunctively to enhance water supply reliability for the region.

## 2014 California Drought and Response

**State Drought.** Hydrological conditions in California can vary widely from year to year. In 2013, much of California experienced one of the driest years on record and such dry conditions continued through January 2014. Due to these record-dry conditions, Governor Edmund G. Brown proclaimed a drought emergency on January 17, 2014.

Among the responses listed in Governor Brown's drought proclamation, State agencies will implement water use reduction plans for all State facilities and a water conservation publicity campaign with a goal of reducing water use statewide by 20 percent. Additionally, DWR is directed to take necessary actions to protect water quality and supply in the Delta, including the installation of temporary barriers or temporary water supply connections, while minimizing impacts to aquatic species.

**District Drought Response Actions and Impact.** On August 20, 2008, the Board of Directors adopted *A Strategic Plan for a Sustainable Future - The Integration and Preservation of Resources* (the "Strategic Plan"). The purpose of the strategic plan is to establish the policies and guidelines necessary to protect and preserve the natural resources within the District and to maximize the use of limited natural resources for the long-term economic growth and expansion of the local economy.

Based on the Strategic Plan, the District utilizes the Yucaipa Filtration Facility to reduce the dependency on local groundwater basins when supplemental water is available from SBVMWD and SGPWA. Since 2003, the District has ordered 74,529 acre-feet of supplemental water supplies for direct delivery to the Yucaipa Filtration Facility and for groundwater recharge. The active use of supplemental State Water Project water has eliminated the groundwater overdraft issues in the majority of the sub-basins in the Yucaipa Basin area. The table below shows the amounts of State Water Project water that the District has ordered for groundwater recharge and for the Yucaipa Filtration Facility.

Year	<i>State Water Project Water Ordered for the Yucaipa Filtration Facility (Acre-Feet)</i>	<i>State Water Project Water Ordered for Groundwater Recharge (Acre-Feet)</i>
2003	1,200	1,800
2004	1,200	--
2005	2,140	--
2006	2,000	--
2007	4,100	--
2008	6,643	--
2009	7,000	2,000
2010	1,800	6,414
2011	6,971	2,633
2012	5,000	3,000
2013	6,000	--
2014	3,000	--
2015	7,000	4,628
<b>Total</b>	<b>54,054</b>	<b>20,475</b>

Through the foregoing active water management policies, the District projects that it will be able to meet existing demands for imported water in Fiscal Years 2015 and 2016 even if dry conditions continue.

### Historic and Projected Water Supply

The District meets its water supply demand primarily through pumping water from the Yucaipa Basin, the Beaumont Basin, surface water supplies from the Oak Glen Plant and purchasing supplemental water from the State Water Project through the SBVMWD and SGPWA for potable and non-potable use and for recharge of the Yucaipa Basin. These water supplies are expected to meet all future water demands through 2035.

### Historic Water Connections

The following table shows the growth in the number of water connections, excluding recycled water connections, to the Water System for the five most recent Fiscal Years.

**Table 1**

**Yucaipa Valley Water District  
Historic Water Connections**

<i><u>Fiscal Year Ending June 30</u></i>	<i><u>Connections</u></i>	<i><u>Increase</u></i>
2010	11,996	1.42%
2011	[12,124]	1.07
2012	12,209	0.70
2013	12,265	0.46
2014	12,326	0.40

Source: The District.

The following table presents the number of connections for each customer type for the five most recent Fiscal Years.

**Table 2**

**Yucaipa Valley Water District  
Historic Water Connections Per Customer Type**

<i>Customer Type</i>	<i><u>Connections for Fiscal Years Ending June 30</u></i>				
	<i><u>2014</u></i>	<i><u>2013</u></i>	<i><u>2012</u></i>	<i><u>2011</u></i>	<i><u>2010</u></i>
Single Family	11,123	11,064	11,047	11,044	10,968
Multiple Units	514	520	520	518	518
Commercial	282	279	276	253	216
Institutional	60	59	59	60	60
Industrial	13	15	15	15	15
Irrigation	180	173	116	116	116
Fire Detectors	138	129	94	95	93
Construction	<u>16</u>	<u>26</u>	<u>9</u>	<u>14</u>	<u>10</u>
<b>Total</b>	<b>12,326</b>	<b>12,265</b>	<b>12,136</b>	<b>12,115</b>	<b>11,996</b>

Source: The District.

### Historic Water Deliveries

The following table presents a summary of historic water deliveries, excluding recycled water deliveries, for the Water System in acre-feet per year for the five most recent Fiscal Years.

**Table 3**

**Yucaipa Valley Water District  
Historic Water Deliveries In Acre-Feet Per Year**

<i>Fiscal Year Ending</i> <u>June 30</u>	<u>Total</u>	<u>Increase/Decrease</u>
2010	[11,969]	N/A
2011	11,217	(6.28)%
2012	12,095	7.83
2013	12,167	0.60
2014	12,469	2.48

<sup>①</sup> The reduction in water deliveries in Fiscal Year 2011 reflects a wet hydrological year due to increased rainfall in late 2010.  
Source: The District.

Historic water deliveries reflect connections to the Water System as well as water demand, which can be affected by weather conditions and other factors. See the caption “—Historic Water Connections” above.

### Historic Water Sales Revenues

The following table shows annual water sales revenues from water sales, excluding recycled water sales, for the five most recent Fiscal Years.

**Table 4**

**Yucaipa Valley Water District  
Historic Water Sales Revenues**

<i>Fiscal Year Ending</i> <u>June 30</u>	<u>Sales Revenues</u>	<u>Increase/(Decrease)</u>
2010	\$9,144,778	N/A
2011	8,786,848	(3.92)%
2012	9,498,351	8.10
2013	9,826,926	3.46
2014	10,268,030	4.45

Source: The District.



### Largest Customers

The following table sets forth the largest customers of the Water System as of June 30, 2014 as determined by annual payments.

**Table 5**

**Yucaipa Valley Water District  
Largest Water Customers**

<u>Customer</u>	<u>Annual Payments</u>
Lakeview Mobile Home Park	\$227,026.53
El Dorado Palms Mobile Home Park	149,540.45
Wildwood Mobile Home Park	140,330.76
Executive Mobile Home Park	115,624.13
Crestview Mobile Home Park	97,008.06
Knollwood Mobile Estates	92,623.82
Northview Mobile Home Estates	88,657.45
Coach of San Diego, Inc.	86,715.62
Hitching Post Mobile Home Park	86,140.86
Big Oak Gardens	84,500.24
<b>Total</b>	<b>\$1,168,167.92</b>

Source: The District.

These largest customers accounted for approximately 11.38% of water sales from the Water System and approximately 8.66% of total District Water System Revenues in the Fiscal Year ending June 30, 2014.

### Water System Rates and Charges

The District water rates are comprised of a monthly minimum charge and a unit charge based on the amount of water used. The District also charges for disconnections and reconnections to the Water System, and for construction meter rentals.

The District most recently increased rates for its water service in August 2011 in accordance with Resolution No. 18-2011 adopted by the Board of Directors. Resolution No. 18-2011 included a scheduled increase in [the fixed water service charge per Equivalent Dwelling Unit] effective on September 1, 2011; July 1, 2012; July 1, 2013; and July 1, 2014. In adopting the rate increases in August 2011, the District complied with all substantive requirements under law. See the caption "CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES."

[The District does not currently have any additional scheduled rate increases for its water service.]

For information with respect to certain constitutional provisions which may affect the ability of the District to increase rates and charges above levels approved in August 2011, see the caption "CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES." The Board of Directors may reduce such rates in the future, subject to the rate covenant described under the caption "SECURITY FOR THE 2015 BONDS—Rate Covenant."

**Monthly Minimum Charge.** The District monthly minimum charge is paid by all customer classes and, with the exception of multiple unit customers, is based on meter size. The monthly minimum charge is as follows:

**Table 6**

**Yucaipa Valley Water Monthly Minimum Charge  
Fiscal Year 2015**

<u>Meter Size (in inches)</u>	<u>Monthly Service Minimum Charge</u>
5/8" x 3/4"	\$14.00
1"	23.38
1-1/2"	46.62
2"	74.62
3"	140.00
4"	233.38
6"	466.62
8"	746.62

Source: The District.

**Unit Charge.** The District unit charge is based on the number of thousand gallons ("kgal") used and calculated at the rate shown on the following schedule.

<u>Quantity (kgal)</u>	<u>Cost/kgal</u>
1 to 15	\$1.429
16 to 60	1.919
61 to 100	2.099
101 or More	2.429

*Water Service Charges.* The table below sets forth a comparison of the average monthly water charges of the District for a single-family residential user to those of nearby water purveyors as of July 2014:

**Table 7**

**Yucaipa Valley Water District  
Rate Comparison<sup>(1)</sup>**

**SINGLE FAMILY RESIDENTIAL**

<u>Community</u>	<u>Monthly Service Charge<sup>(1)</sup></u>	<u>Monthly Commodity Charge<sup>(2)</sup></u>	<u>Total Monthly Charge<sup>(3)</sup></u>
Eastern Municipal Water District	\$12.91	\$61.14	\$74.05
East Valley Water District – WBR	27.10	43.99	71.09
East Valley Water District	13.71	40.71	54.42
City of Redlands	18.74	31.17	49.91
City of Riverside	18.00	31.74	49.74
City of Colton	16.70	37.03	53.73
West Valley Water District	22.21	51.20	73.41
<b>Yucaipa Valley Water District</b>	<b>10.00</b>	<b>34.36</b>	<b>44.36</b>
Western Municipal Water District	28.08	50.90	78.98
Cucamonga Valley Water District	14.19	44.75	58.94

<sup>(1)</sup> As of July 2014.

Source:

*Developer Fees.* The District charges developers fees to cover the cost of improvements to the Water System necessary to provide water service to new development within the District’s service area. The District charges developer fees per Equivalent Dwelling Unit for new development. [An Equivalent Dwelling Unit is equal to \_\_\_\_\_.] The District increases its development fee rates from time to time based on system-wide improvements necessary to support new development within its service area. The current fee schedule for new development was adopted in May 2007 and included annual rate increases each year between 2007 and 2012, inclusive. The developer fees for a typical single family residence are \$13,478 per Equivalent Dwelling Unit based on the fee components shown in the table below. [The District does not currently have any scheduled increases to its developer fee rates.]

<u>Drinking Water Facilities Capacity Charge Component</u>	<u>Rates Effective January 1, 2012 per Equivalent Dwelling Unit</u>
Yucaipa Valley Regional Water Filtration Facility	
Debt Service for Phase I Construction	\$3,279
Land, Design, Engineering Fees for Phase II and III	532
Non-Potable Water System	823
Booster Pumping Plants	885
Pipeline Facilities	4,407
Water Storage Reservoirs	3,552
<b>Total</b>	<b>\$13,478</b>

Developer fees are a highly variable revenue source for the District as they are based on the level of development activity during each Fiscal Year. The following table shows the developer fees collected for connection to the Water System for the five most recent Fiscal Years and the number of Equivalent Dwelling Units of new development in such Fiscal Years. In certain instances, a developer will undertake to construct the improvements necessary to connect its development to the Water System and dedicate such improvements

to the District. The value of facilities constructed by developers and dedicated to the District are not included in the amounts below.

**Table 8**

**Yucaipa Valley Water District  
Historic Developer Fees**

<u>Fiscal Year Ending June 30</u>	<u>Number of Equivalent Dwelling Units</u>	<u>Developer Fees</u>	<u>Increase/(Decrease)</u>
2010	17.66	\$222,991	N/A
2011	86.00	1,069,916	379.00%
2012	21.87	204,717	(80.86)
2013	57.13	438,727	114.31
2014	132.70	450,194	2.61

Source: The District.

The table below sets forth a comparison of the developer fees of the District per Equivalent Dwelling Unit to those of nearby water purveyors for Fiscal Year 2015:

**Table 9**

**Yucaipa Valley Water District  
Developer Fee Comparison  
Fiscal Year 2015**

**SINGLE FAMILY RESIDENTIAL**

<u>Community</u>	<u>Developer Fee Amount per Equivalent Dwelling Unit</u>
Eastern Municipal Water District	
Fontana Water Company	
Cucamonga County Water District	
West San Bernardino County Water District	
Yucaipa Valley Water District	
Beaumont-Cherry Valley Water District	
San Bernardino Municipal Water District	
Coachella Valley Water District	

Source:

**Collection Procedures**

The District is on a monthly billing cycle for water service. Payment is due by the 27th day after the billing date and is considered delinquent if not paid by that date. If payment is not received, a delinquency message appears on the next monthly water bill. After 28 days, delinquent customers are billed a 10% late fee and have two weeks to bring the delinquent account current. Currently, delinquent payments account for approximately 1% of total Water System Revenues. Service for accounts not paid in full within 48 days of the billing date will be discontinued until full payment is made, including late penalties and a \$75.00 disconnection and reconnection fee.

The District actively pursues delinquent accounts, and in most cases is able to collect delinquent amounts through a combination of discontinuing services, sending delinquent accounts to a collection agency, placing a lien on the applicable property, and/or pursuing the claims other legal actions, such as small claims court. In the event that the District is unable to collect delinquent amounts, the Board of Directors is requested to identify and quantify such uncollectible amounts for the preparation of the District's audited financial statements. The following table illustrates the total uncollectible amounts for the five most recent fiscal years as a percentage of total Water System and Wastewater System revenues for each Fiscal Year.

**Table 10**

**Yucaipa Valley Water District  
Identification of Uncollectible Amounts - Water Fund and Wastewater Fund**

<i>Fiscal Year Ending June 30</i>	<i>Declaration of Uncollectible Amounts as a Percentage of Total Water Fund and Wastewater Fund Revenues</i>
2008	0.27%
2009	0.24
2010	0.23
2011	0.23
2012	0.16

Source: The District.

**1% Property Tax Revenues**

Each County levies a 1% property tax on behalf of all taxing agencies in each County, including the District. The taxes collected are allocated to taxing agencies within each County, including the District, on the basis of a formula established by State law enacted in 1979. Under this formula, each County and all other taxing entities receive a base year allocation plus an allocation on the basis of "situs" growth in assessed value (new construction, change of ownership and inflation) prorated among the jurisdictions, which serve the tax rate areas within which the growth occurs. Tax rate areas are specifically defined geographic areas, which were developed to permit the levying of taxes for less than countywide or less than citywide special districts.

For Fiscal Year 2014, the allocation received by the District of the 1% property tax was \$2,629,054 of which \$2,489,554 was allocated to the Water System. For Fiscal Year 2013, the allocation received by the District of the 1% property tax was \$2,522,239 of which \$2,382,739 was allocated to the Water System. Property taxes as a percentage of the total revenues of the District averaged approximately 10% over the last five years.

From time to time legislation has been considered as part of the State budget to shift Property Tax Revenues from special districts to school districts or other governmental entities. While legislation enacted in connection with the 1992-93 State budget shifted approximately 35% of many special districts' shares of the countywide one percent *ad valorem* tax, the share of the countywide one percent *ad valorem* tax allowable to multi-county special districts, such as the District, was exempted. The 2004-05 State budget reallocated additional portions of the special districts' shares of the countywide one percent *ad valorem* tax, shifting a portion of the property tax revenues collected by the County from special districts to school districts. As a result of the 2004-05 State budget, the District lost approximately \$2,169,128 of Property Tax Revenues, cumulatively, over Fiscal Years 2005 and 2006. Pursuant to the 2004-05 State budget, such property tax revenues reverted to the District in Fiscal Year 2007.

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

On July 27, 2009, the Governor of the State signed a revised fiscal year 2009-10 State budget which included a shift of approximately 8% of the one percent *ad valorem* property tax revenues from certain local agencies, including the District, to school districts and other governmental agencies. The District participated in the State of California Proposition 1A Receivables Program to securitize its receivable from the State, and as a result received the funds shifted in the amount of \$212,312, without interest, in two installment payments in 2010 from the California Statewide Communities Development Authority.

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

The District currently allocates property tax revenues among the Water System, Wastewater System and Recycled Water System based on a year to year basis. The District allocated Property Tax Revenues for Fiscal Year 2014 in the following manner:

**Table 11**  
**Yucaipa Valley Water District**  
**1% Property Tax Revenue Allocations**  
**Fiscal Year Ended June 30, 2014**

<i>District Division</i>	<i>Allocation of Total Property Tax Revenues</i>	<i>Percentage of Allocation</i>
Water System	\$2,489,554	95.0%
Wastewater System	121,500	4.6
Recycled Water System	18,000	0.5

For the projected allocation of property tax revenues for the Water System see the table under the caption “FINANCIAL INFORMATION OF THE DISTRICT—Projected Operating Results and Debt Service Coverage.”

**Assessed Valuations, Tax Collections and Tax Delinquencies**

The following tables show the secured assessed valuation within the District in each County and the amount received by the District of the 1% property tax during the five most recent Fiscal Years. As a result of the implementation of the tax distribution system commonly referred to as the “Teeter Plan” by the County of San Bernardino and the County of Riverside and the participation by the District beginning in July 1984, the

District receives 100% of its share of the 1% property tax levies without regard to delinquencies. There can be no assurance that the Teeter Plan or the participation of the District therein will be continued indefinitely.

**Table 12**

**San Bernardino County Portion of District  
Secured Assessed Valuation and District Allocation  
County Fiscal Years Ending June 30, 2010 Through June 30, 2014**

<u>Fiscal Year</u>	<u>Total Secured Assessed Valuation</u>	<u>District Allocations in Corresponding Fiscal Year</u>
2010	\$ 5,870,761,241	\$ 2,220,322
2011	5,540,136,660	2,107,646
2012	5,569,649,234	2,118,577
2013	5,626,030,791	2,124,209
2014	5,731,974,947	2,153,239

Source: San Bernardino County Auditor-Controller for Total Secured Assessed Valuation; Yucaipa Valley Water District for District Allocations.

The District allocation of 1% property tax revenues in the County of San Bernardino for Fiscal Year 2014 as reported by the County of San Bernardino is \$2,153,239, a 1.4% increase over the prior year.

**Table 13**

**Riverside County Portion of District  
Secured Assessed Valuation and District Allocation  
County Fiscal Years Ending June 30, 2010 Through June 30, 2014**

<u>Fiscal Year</u>	<u>Total Secured Assessed Valuation</u>	<u>District Allocations in Corresponding Fiscal Year</u>
2010	\$ 999,040,405	\$ 135,522
2011	939,028,837	127,170
2012	753,105,905	125,668
2013	756,403,097	128,063
2014	775,119,465	135,624

Source: Riverside County Auditor-Controller for Total Secured Assessed Valuation; Yucaipa Valley Water District for District Allocations.

The District allocation of 1% property tax revenues in the County of Riverside for Fiscal Year 2014 as reported by the County of Riverside is \$135,624, a 5.9% increase over the prior year.

**Future Water System Improvements**

The District projects capital improvements to the Water System for existing users of approximately \$15,000,000 over the next five years. The remaining capital improvements will be financed by a combination of grants, loans and Water System Revenues. The District projects capital improvements to the Water System to accommodate future growth of approximately \$25,000,000 over the next five years.

The District expects that such capital improvements to accommodate new growth will be funded by the financing of developer impact fees and assessments levied on parcels within the District through the California Statewide Communities Development Authority's Statewide Community Infrastructure Program (the "SCIP"). The SCIP provides local agencies, such as the District, and qualifying property owners with access to financing for development fees payable by such property owners. Debt service on obligations issued through SCIP to finance development fees is payable from assessments levied in the jurisdictions in which the financed development fees are owed.

### **Projected Water Connections**

The following table shows the increase in the number of water connections to the Water System projected by the District for the current and next four fiscal years.

**Table 14**

**Yucaipa Valley Water District  
Projected Water Connections**

<i><u>Fiscal Year</u></i> <i><u>Ending June 30</u></i>	<i><u>Connections</u></i>	<i><u>Increase</u></i>
2015	12,471	N/A
2016	12,636	1.3%
2017	12,826	1.5
2018	13,036	1.6
2019	13,266	1.8

Source: The District.

The number of connections to the Water System will be affected by development activity within the District served by the Water System.



**Projected Water Deliveries**

The District currently estimates that water deliveries for the current and next four fiscal years will be as follows.

**Table 15**  
**Yucaipa Valley Water District**  
**Projected Water Deliveries in Acre-Feet Per Year**

<i>Fiscal Year Ending</i> <u>June 30</u>	<u>Total</u>	<u>Increase</u>
2015	12,656	N/A
2016	12,846	1.5%
2017	13,039	1.5
2018	13,234	1.5
2019	13,433	1.5

Source: The District.

Water deliveries indicated are potential demands based on historic use and may vary from year to year based on weather conditions, conservation, and economic factors.

**Projected Developer Fees**

The following table projects annual developer fees for the current and next four fiscal years. The projected developer fees are based on projected development activity within the District’s service area and building activity information provided by the cities of Calimesa and Yucaipa. The District increases its development fee rates from time to time based on system-wide improvements necessary to support new development within its service area. [The District does not currently have any scheduled increases to its developer fee rates. See the caption “— Water System Rates and Charges – Developer Fees” above.]

**Table 16**  
**Yucaipa Valley Water District**  
**Projected Developer Fees**

<i>Fiscal Year Ending</i> <u>June 30</u>	<u>Developer Fees</u>	<u>Increase</u>
2015	\$1,954,310	N/A
2016	2,223,870	13.8%
2017	2,560,820	15.2
2018	2,830,380	10.5
2019	3,099,940	9.5

Source: The District.

**Projected Water Sales Revenues**

The following table projects annual water sales revenues of the Water System, which projections are based on the increases in projected water deliveries described under “THE WATER SYSTEM OF THE DISTRICT — Projected Water Deliveries.” The District is currently considering water rate increases of approximately 1% in each of the next five Fiscal Years [based on the implementation of an electrical energy

surcharge pass through charge based on actual charges incurred by Southern California Edison. In addition, the District already has a pass through rate structure for any increases in the cost of State Water Project water from SBVMWD and SGPWA.]

**Table 17**

**Yucaipa Valley Water District  
Projected Water Sales Revenues**

<i>Fiscal Year Ending June 30</i>	<i>Water Sales Revenues</i>	<i>Increase</i>
2016	\$6,375,000	2.0%
2017	6,502,500	2.0
2018	6,632,550	2.0
2019	6,765,201	2.0
2020	6,900,505	2.0

Source: The District.

**FINANCIAL INFORMATION OF THE DISTRICT**

**Financial Statements**

A copy of the most recent audited financial statements of the District prepared by Vavrinek, Trine, Day & Co., LLP, (the “Auditor”) are included as Appendix A hereto (the “Financial Statements”). The Auditor’s letter concludes that the audited financial statements present fairly, in all material respects, the financial position of the Water, Sewer, and Recycled Water Enterprise Funds of the District, as of June 30, 2014, and the respective changes in financial position, and cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

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

The District accounts for moneys received and expenses paid in accordance with generally accepted accounting principles applicable to governmental agencies such as the District (“GAAP”). In certain cases GAAP requires or permits moneys collected in one Fiscal Year to be recognized as revenue in a subsequent Fiscal Year and requires or permits expenses paid or incurred in one Fiscal Year to be recognized in a subsequent Fiscal Year. See “APPENDIX A — YUCAIPA VALLEY WATER DISTRICT FINANCIAL STATEMENTS.” Except as otherwise expressly noted herein, all financial information derived from the District’s audited financial statement reflect the application of GAAP.

**Historic Operating Results**

The following table is a summary of operating results of the Water System of the District, for the last five fiscal years. These results have been derived from the Financial Statements of the District but exclude certain receipts which are not included as Water System Revenues under the Indenture and certain non-cash items and include certain other adjustments. See under the caption “YUCAIPA VALLEY WATER DISTRICT — Outstanding District Obligations.”

**Table 18**  
**Yucaipa Valley Water District**  
**Water System**  
**Historic Operating Results**  
**Fiscal Year Ended June 30**

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Revenues					
1% Property Tax Revenues <sup>(1)</sup>	\$ 2,575,342	\$ 2,159,843	\$ 1,970,404	\$ 2,382,739	\$ 2,489,554
Water sales <sup>(2)</sup>	9,144,778	8,786,848	9,498,351	9,826,926	10,268,030
Interest income <sup>(3)</sup>	7,292	4,775	8,766	7,050	9,025
Developer impact fees <sup>(4)</sup>	222,991	1,069,916	204,717	397,226	450,194
Other revenue and income <sup>(5)</sup>	<u>797,406</u>	<u>929,720</u>	<u>772,118</u>	<u>243,673</u>	<u>273,067</u>
Total Revenues	\$ 12,747,809	\$ 12,951,102	\$ 12,454,356	\$ 12,857,614	\$ 13,489,870
Operation and Maintenance Costs <sup>(6)</sup>					
Salaries & Employee Benefits	\$2,997,400	\$3,210,093	\$3,315,815	\$3,549,651	\$3,604,060
Electrical Power	1,522,017	1,465,920	1,345,028	1,420,061	1,687,906
Water Purchases	722,373	805,035	933,923	1,043,894	741,329
Administration Costs <sup>(7)</sup>	1,359,986	1,466,104	1,484,369	1,620,916	1,680,117
Crystal Creek Water Treatment	666,964	549,985	664,912	570,097	639,177
Professional Services <sup>(8)</sup>	<u>458,293</u>	<u>396,821</u>	<u>404,826</u>	<u>457,677</u>	<u>456,596</u>
Total Operations and Maintenance Costs	\$ 7,727,033	\$ 7,893,958	\$ 8,148,873	\$ 8,662,296	\$ 8,809,185
Net Revenues	\$ 5,020,776	\$ 5,057,144	\$ 4,305,483	\$ 4,195,318	\$ 4,680,685
2004 Installment Payments <sup>(9)</sup>	\$ 2,931,706	\$ 2,931,219	\$ 2,932,375	\$ 2,931,025	\$ 2,931,994
Debt Service Coverage	1.71	1.73	1.47	1.43	1.60
Transfer to Recycled Water Revenue Fund <sup>(10)</sup>	--	--	--	--	\$ 1,543,174
Remaining Net Revenues	\$ 2,089,070	\$ 2,125,925	\$ 1,373,108	\$ 1,264,293	\$ 205,517

<sup>(1)</sup> Portion of 1% Property Tax Revenues allocated to Water System.

<sup>(2)</sup> Excludes Recycled Water System revenues.

<sup>(3)</sup> Represents the share allocated to the Water System. Excludes unrealized gains and losses on investments.

<sup>(4)</sup> Includes development impact fees allocated to the Water System but excludes the value of physical facilities dedicated to the District by developers. See the caption "THE WATER SYSTEM OF THE DISTRICT – Water System Rates and Charges."

<sup>(5)</sup> Includes transfers for interfund services provided, grants and other income. Interfund services includes reimbursement amounts transferred from the sewer enterprise fund for administration accounting and general services, which amounts are included as an administrative services expense in the sewer enterprise fund. [Also includes w/s direct allocation in budget.]

<sup>(6)</sup> Excludes depreciation/amortization and loss on disposal of assets.

<sup>(7)</sup> Includes expenses relating to administrative services, operating supplies and maintenance and repairs.

<sup>(8)</sup> Includes expenses relating to insurance, professional services and other expenses.

<sup>(9)</sup> After the refunding contemplated herein, there will not be any 2004 Certificates outstanding. See the caption "REFUNDING PLAN."

<sup>(10)</sup> In Fiscal Year 2014, the District transferred \$1,543,174 [from Net Revenues after the payment of the 2004 Installment Payment] to the recycled water enterprise fund. See "-- Management Discussion of Fiscal Year 2014 Historic Operating Results" below.

Source: The District.

*Management Discussion of Fiscal Year 2014 Historic Operating Results.*

In Fiscal Year 2014, the District transferred \$1,543,174 from the Water System Revenue Fund to the Recycled Water System to fund certain Recycled Water System capital improvements. The Board determined, pursuant to a nexus study conducted in connection with the District's facility capacity charges, that certain revenues previously allocated to the Water System are allocable to the Recycled Water System. [Such transfer was made from Net Revenues after the payment of the 2004 Installment Payment.]

**Projected Operating Results and Debt Service Coverage**

The estimated projected operating results and debt service coverage for the Water System of the District for the Fiscal Years ending June 30, 2015 through June 30, 2019 are set forth below, reflecting certain significant assumptions concerning future events and circumstances. The financial forecast represents the District's estimate of projected financial results based on the assumptions set forth in the footnotes to the chart set forth below. Such assumptions are material in the development of the District's financial projections, and variations in the assumptions may produce substantially different financial results. Actual operating results achieved during the projection period may vary from those presented in the forecast and such variations may be material.

**Table 19**  
**Yucaipa Valley Water District**  
**Water System**  
**Projected Operating Results and Debt Service Coverage**  
**Fiscal Year Ending June 30**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Revenues					
1% Property Tax Revenue <sup>(1)</sup>	\$ 2,540,000	\$ 2,590,000	\$ 2,640,000	\$ 2,690,000	\$ 2,740,000
Water Sales <sup>(2)</sup>	10,470,000	10,680,000	10,890,000	11,110,000	11,330,000
Interest Income <sup>(3)</sup>	9,200	9,400	9,600	9,800	10,000
Developer Impact Fees <sup>(4)</sup>	1,954,310	2,223,870	2,560,820	2,830,380	3,099,940
Other Revenue and Income <sup>(5)</sup>	<u>278,528</u>	<u>284,099</u>	<u>289,781</u>	<u>295,577</u>	<u>301,488</u>
Total Revenues	\$ 15,252,038	\$ 15,787,369	\$ 16,390,201	\$ 16,935,757	\$ 17,481,428
Operation and Maintenance Costs					
Salaries & Employee Benefits <sup>(6)</sup>	\$3,750,000	\$3,900,000	\$4,050,000	\$4,220,000	\$4,390,000
Electrical Power <sup>(7)</sup>	1,770,000	1,860,000	1,950,000	12,050,000	2,150,000
Water Purchases <sup>(8)</sup>	1,050,000	1,070,000	1,090,000	1,110,000	1,130,000
Administration Costs <sup>(9)</sup>	1,670,000	1,700,000	1,730,000	1,760,000	1,790,000
Crystal Creek Water Treatment <sup>(10)</sup>	651,000	664,000	677,000	690,000	704,000
Professional Services <sup>(11)</sup>	<u>490,000</u>	<u>495,000</u>	<u>505,000</u>	<u>515,000</u>	<u>525,000</u>
Total Operations and Maintenance Costs	\$ 9,381,000	\$ 9,689,000	\$ 10,002,000	\$ 10,345,000	\$ 10,689,000
Net Revenues	\$ 5,871,038	\$ 6,098,369	\$ 6,388,201	\$ 6,590,757	\$ 6,792,428
Debt Service					
2004 Installment Payments <sup>(12)</sup>	\$ 2,931,425	--	--	--	--
2015 Bonds <sup>(13)</sup>	--	\$ 2,600,000	\$ 2,600,000	\$ 2,600,000	\$ 2,600,000
Debt Service Coverage	2.00	2.35	2.46	2.53	2.61
Remaining Net Revenues	\$ 2,939,613	\$ 1,885,177	\$ 1,556,467	\$ 1,376,933	\$ 211,664

<sup>(1)</sup> Projected to increase approximately 2% each year between Fiscal Years 2015 through 2019. Reflects Property Tax Revenues described under the caption "THE WATER SYSTEM OF THE DISTRICT — 1% Property Tax Revenues."

<sup>(2)</sup> Water deliveries projected as set forth under the caption "THE WATER SYSTEM OF THE DISTRICT — Projected Water Deliveries" at rates set forth under the caption "THE WATER SYSTEM OF THE DISTRICT — Project Water Sales Revenues." Projected to increase at approximately 2% per annum between Fiscal Years 2015 through 2019.

<sup>(3)</sup> Interest income [on District reserves allocated to the Water System] is projected based on current interest earning rates of approximately \_\_\_% per annum.

<sup>(4)</sup> Reflects projected developer fees described under the caption "THE WATER SYSTEM OF THE DISTRICT— Projected Developer Fees."

<sup>(5)</sup> Includes transfers for interfund services provided and other income. Interfund services includes reimbursement amounts transferred from the sewer enterprise fund for administration accounting and general services, which amounts are included as an administrative services expense in the sewer enterprise fund. Projected to increase at approximately 2% per annum between Fiscal Years 2015 through 2019.

<sup>(6)</sup> Projected to increase at approximately 4% per annum.

<sup>(7)</sup> Projected to increase at approximately 5% per annum.

<sup>(8)</sup> Projected to increase at approximately 2% per annum. [The District's existing rate structure provides for a pass through of the Water Purchase charges incurred from the San Bernardino Valley Municipal Water District and the San Geronio Pass Water Agency.]

(Footnotes continued on following page)

(Continued from previous page)

- (9) Includes expenses relating to administrative services, operating supplies and maintenance and repairs. Projected to increase at approximately 2% per annum.
- (10) Projected to increase at approximately 2% per annum.
- (11) Includes expenses relating to insurance, professional services and other expenses. Projected to increase at approximately 2% per annum.
- (12) After the refunding contemplated herein, there will not be any 2004 Certificates outstanding. See the caption "REFUNDING PLAN."
- (13) Includes payments of principal of and interest on the 2015 Bonds projected at a true-interest cost of \_\_\_\_ % and a principal amount of \$ \_\_\_\_\_. See the caption "YUCAIPA VALLEY WATER DISTRICT — Outstanding District Obligations."

Source: The District.

### LITIGATION

There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body, pending or, to the knowledge of the District, threatened against the District affecting the existence of the District or the titles of its directors or officers to their respective offices or seeking to restrain or to enjoin the sale or delivery of the 2015 Bonds, the application of the proceeds thereof in accordance with the Indenture, or in any way contesting or affecting the validity or enforceability of the 2015 Bonds, the Indenture or any action of the District contemplated by any of said documents, or in any way contesting the completeness or accuracy of this Official Statement or any amendment or supplement thereto, or contesting the powers of the District or its authority with respect to the 2015 Bonds or any action of the District contemplated by any of said documents, nor to the knowledge of the District, is there any basis therefor.

There exist lawsuits and claims against the District which are incidental to the ordinary course of business of the operation of the District. In the view of the District's general counsel, there is no such litigation present or pending, which will individually or in the aggregate materially impair the District's ability to pay the principal of and interest on the 2015 Bonds.

### CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES

#### Article XIII B

The State Constitution limits the annual appropriations of the State and of any city, county, school district, authority or other political subdivision of the State to the level of appropriations of the particular governmental entity for the prior fiscal year, as adjusted for changes in the cost of living and population. The "base year" for establishing such appropriation limit is the 1978-79 fiscal year and the limit is to be adjusted annually to reflect changes in population and consumer prices. Adjustments in the appropriations limit of an entity may also be made if: (i) the financial responsibility for a service is transferred to another public entity or to a private entity; (ii) the financial source for the provision of services is transferred from taxes to other revenues; or (iii) the voters of the entity approve a change in the limit for a period of time not to exceed four years.

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

Certain expenditures are excluded from the appropriations limit including payments of indebtedness existing or legally authorized as of January 1, 1979, or of bonded indebtedness thereafter approved by the

voters and payments required to comply with court or federal mandates which without discretion require an expenditure for additional services or which unavoidably make the providing of existing services more costly.

The District is of the opinion that the rates imposed by the District do not exceed the costs that the District reasonably bears in providing water service. The District will covenant in the Indenture that, to the fullest extent permitted by law, it will prescribe rates and charges that it reasonably expects to be sufficient to provide Net Revenues for payment of principal of and interest on the 2015 Bonds in each year.

### **Proposition 218**

*General.* An initiative measure entitled the “Right to Vote on Taxes Act” (the “Initiative”) was approved by the voters of the State of California in 1996. The Initiative added Article XIIC and Article XIID to the California Constitution. According to the “Title and Summary” of the Initiative prepared by the California Attorney General, the Initiative limits “the authority of local governments to impose taxes and property-related assessments, fees and charges.”

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

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

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

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

The District has complied with the notice, hearing and protest procedures in Article XIID with respect to its Water System rates, including those approved in August 2011. See the caption “WATER SYSTEM—Water System Rates and Charges.”

**Article XIIC.** Article XIIC provides that the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge and that the power of initiative to affect local taxes, assessments, fees and charges shall be applicable to all local governments. Article XIIC does not define the terms “local tax,” “assessment,” “fee” or “charge,” so it was unclear whether the definitions set forth in Article XIID referred to above are applicable to Article XIIC. Moreover, the provisions of Article XIIC are not expressly limited to local taxes, assessments, fees and charges imposed after November 6, 1996. On July 24, 2006, the Supreme Court held in the *Bighorn* Case that the provisions of Article XIIC included rates and fees charged for domestic water use. In the decision, the Court noted that the decision did not address whether an initiative to reduce fees and charges could override statutory rate setting obligations. The District does not believe that Article XIIC grants to the voters within the District the power to repeal or reduce the water charges in a manner which would be inconsistent with the contractual obligations of the District. However, there can be no assurance of the availability of particular remedies adequate to protect the beneficial owners of the 2015 Bonds. Remedies available to beneficial owners of the 2015 Bonds in the event of a default by the District are dependent upon judicial actions which are often subject to discretion and delay and could prove both expensive and time-consuming to obtain.

In addition to the specific limitations on remedies contained in the applicable documents themselves, the rights and obligations with respect to the 2015 Bonds and the Indenture are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors’ rights, to the application of equitable principles if equitable remedies are sought, and to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State. The various opinions of counsel to be delivered with respect to such documents, including the opinion of Bond Counsel (the form of which is attached as Appendix C), will be similarly qualified.

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

#### **Proposition 26**

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



reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity. The District does not believe that the enactment of Proposition 26 affects its ability to charge for its water service.

#### **Future Initiatives**

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

#### **APPROVAL OF LEGAL PROCEEDINGS**

The valid, legal and binding nature of the 2015 Bonds is subject to the approval of Stradling Yocca Carlson & Rauth, a Professional Corporation, acting as Bond Counsel. The form of such legal opinion is attached hereto as Appendix C, and such legal opinion will be attached to each 2015 Bond. Bond Counsel expresses no opinion as to the accuracy, completeness or fairness of this Official Statement or other offering materials relating to the 2015 Bonds and expressly disclaims any duty to advise the Owners of the 2015 Bonds as to matters related to this Official Statement.

Certain legal matters will be passed upon for the District by Aklufi & Wysocki, Riverside, California, General Counsel to the District, for the underwriter by their counsel, Katten Muchin Rosenman LLP, New York, New York ("Underwriter's Counsel") and for the Trustee by its counsel. Payment of the fees of Bond Counsel and Underwriter's Counsel is contingent upon the issuance of the 2015 Bonds.

#### **TAX MATTERS**

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the 2015 Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest (and original issue discount) on the 2015 Bonds is exempt from State of California personal income tax. Bond Counsel notes that, with respect to corporations, interest on the 2015 Bonds may be included as an adjustment in the calculation of alternative minimum taxable income, which may affect the alternative minimum tax liability of such corporations.

Bond Counsel's opinion as to the exclusion from gross income of interest on the 2015 Bonds is based upon certain representations of fact and certifications made by the District and others and is subject to the condition that the District complies with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the 2015 Bonds to assure that interest on the 2015 Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest on the 2015 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the 2015 Bonds. The District has covenanted to comply with all such requirements.

The difference between the issue price of a 2015 Bond (the first price at which a substantial amount of the 2015 Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to the 2015 Bond (to the extent the redemption price at maturity is greater than the issue price) constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a 2015 Bond Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a 2015 Bond Owner will increase the 2015 Bond Owner's basis in the applicable 2015 Bond. In the opinion of Bond Counsel, the amount of original issue discount that accrues to the 2015 Bond Owner is excluded from gross income of such 2015 Bond Owner for

federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. In the opinion of Bond Counsel, the amount of original issue discount that accrues to the 2015 Bond Owner is exempt from State of California personal income tax.

The amount by which a 2015 Bond Owner's original basis for determining loss on sale or exchange in the applicable 2015 Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which must be amortized under Section 171 of the Code; such amortizable bond premium reduces the 2015 Bond Owner's basis in the applicable 2015 Bond (and the amount of tax-exempt interest received with respect to the 2015 Bonds), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of bond premium may result in a 2015 Bond Owner realizing a taxable gain when a 2015 Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the 2015 Bond to the Owner. Purchasers of the 2015 Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable bond premium.

The Internal Revenue Service (the "IRS") has initiated an expanded program for the auditing of tax exempt bond issues, including both random and targeted audits. It is possible that the 2015 Bonds will be selected for audit by the IRS. It is also possible that the market value of the 2015 Bonds might be affected as a result of such an audit of the 2015 Bonds (or by an audit of similar municipal obligations). No assurance can be given that in the course of an audit, as a result of an audit, or otherwise, Congress or the IRS might not change the Code (or interpretation thereof) subsequent to the issuance of the 2015 Bonds to the extent that it adversely affects the exclusion from gross income of interest on the 2015 Bonds or their market value.

It is possible that subsequent to the issuance of the 2015 Bonds there might be federal, state, or local statutory changes (or judicial or regulatory interpretations of federal, state, or local law) that affect the federal, state, or local tax treatment of the 2015 Bonds or the market value of the 2015 Bonds. Recently, proposed legislative changes have been introduced in Congress, which, if enacted, could result in additional federal income or state tax being imposed on owners of tax-exempt state or local obligations, such as the 2015 Bonds. The introduction or enactment of any of such changes could adversely affect the market value or liquidity of the 2015 Bonds. No assurance can be given that subsequent to the issuance of the 2015 Bonds such changes (or other changes) will not be introduced or enacted or interpretations will not occur. Before purchasing any of the 2015 Bonds, all potential purchasers should consult their tax advisors regarding possible statutory changes or judicial or regulatory changes or interpretations, and their collateral tax consequences relating to the 2015 Bonds.

Bond Counsel's opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. Bond Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Indenture and the Tax Certificate relating to the 2015 Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. Bond Counsel expresses no opinion as to the effect on the exclusion from gross income of interest for federal income tax purposes with respect to any 2015 Bond if any such action is taken or omitted based upon the advice of counsel other than Stradling Yocca Carlson & Rauth, a Professional Corporation.

Although Bond Counsel has rendered an opinion that interest on the 2015 Bonds is excluded from gross income for federal income tax purposes provided that the District continues to comply with certain requirements of the Code, the ownership of the 2015 Bonds and the accrual or receipt of interest on the 2015 Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. Accordingly, before purchasing any of the 2015 Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the 2015 Bonds.

A complete copy of the proposed opinion of Bond Counsel is set forth in Appendix C—"FORM OF OPINION OF BOND COUNSEL."

### **FINANCIAL ADVISOR**

The District has retained Fieldman, Rolapp & Associates, Irvine, California, as financial advisor (the "Financial Advisor") in connection with the issuance of the 2015 Bonds. The Financial Advisor has not undertaken to make an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement. The fees being paid to the Financial Advisor are contingent upon the issuance of the 2015 Bonds.

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

### **RATINGS**

The District expects that S&P will assign the 2015 Bonds the rating of "\_\_\_" and that Fitch will assign the 2015 Bonds the rating of "\_\_\_." There is no assurance that any credit rating given to the 2015 Bonds will be maintained for any period of time or that the ratings may not be lowered or withdrawn entirely by S&P or Fitch, respectively, if, in the judgment of S&P or Fitch, as applicable, circumstances so warrant. Any downward revision or withdrawal of such ratings may have an adverse effect on the market price of the 2015 Bonds. Such ratings reflect only the views of S&P and Fitch, respectively, and an explanation of the significance of such ratings may be obtained from S&P and Fitch.

The District has covenanted in a Continuing Disclosure Certificate to file on EMMA, notices of any ratings changes on the 2015 Bonds. See the caption "CONTINUING DISCLOSURE" below and Appendix E—"FORM OF CONTINUING DISCLOSURE CERTIFICATE." Notwithstanding such covenant, information relating to ratings changes on the 2015 Bonds may be publicly available from the rating agencies prior to such information being provided to the District and prior to the date the District is obligated to file a notice of rating change on EMMA. Purchasers of the 2015 Bonds are directed to the ratings agencies and their respective websites and official media outlets for the most current ratings changes with respect to the 2015 Bonds after the initial issuance of the 2015 Bonds.

### **UNDERWRITING**

The 2015 Bonds will be purchased by Merrill Lynch, Pierce, Fenner & Smith Incorporated (the "Underwriter") pursuant to a Purchase Contract, dated \_\_\_\_\_, 2015 (the "Purchase Contract"), by and between the District and the Underwriter. Under the Purchase Contract, the Underwriter has agreed to purchase all, but not less than all, of the 2015 Bonds for an aggregate purchase price of \$ \_\_\_\_\_ (representing the principal amount of the 2015 Bonds, less an Underwriter's discount of \$ \_\_\_\_\_, plus/less a net original issue premium/discount of \$ \_\_\_\_\_). The Purchase Contract provides that the Underwriter will purchase all of the 2015 Bonds if any are purchased, the obligation to make such a purchase being subject to certain terms and conditions set forth in the Purchase Contract, the approval of certain legal matters by counsel and certain other conditions.

The initial public offering prices stated on the inside front cover of this Official Statement may be changed from time to time by the Underwriter. The Underwriter may offer and sell the 2015 Bonds to certain dealers (including dealers depositing 2015 Bonds into investment trusts), dealer banks, banks acting as agents and others at prices lower than said public offering prices.

### CONTINUING DISCLOSURE UNDERTAKING

The District has covenanted in a Continuing Disclosure Certificate dated the date of execution and delivery of the 2015 Bonds (the "Continuing Disclosure Certificate") to provide annually certain financial information and operating data relating to the District by not later than 270 days following the end of its Fiscal Year (commencing with Fiscal Year 2015) including the audited Financial Statements of the District for each such Fiscal Year (together, the "Annual Report"), and to provide notices of the occurrence of certain other enumerated events.

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

In the past five years, the District has been subject to a continuing disclosure certificate previously entered into with respect to the 2004 Certificates (the "Prior Continuing Disclosure Undertaking"). Pursuant to the Prior Continuing Disclosure Undertaking, the District agreed to file its audited financial reports, certain operating data relevant to the 2004 Certificates, notices of certain enumerated events and notices of the occurrence of certain other enumerated events, if material.

[In the last five years, on one instance the District filed an Annual Report four days after the date required under the Prior Continuing Disclosure Undertaking. In the last five years, ratings changes with respect to the 2004 Certificates occurred as a result of changes in the ratings of the bond insurer insuring the 2004 Certificates, and certain ratings on the 2004 Certificates were withdrawn. The District did not timely file notices of the foregoing ratings changes and withdrawals with EMMA. The current ratings with respect to the 2004 Certificates, which reflect the ratings changes and withdrawal described above, however, were filed with EMMA at the time the District filed its Fiscal Year 2013 annual report for the 2004 Certificates. Other than such ratings change notices described in this paragraph, the District is not aware of any events in the last five years which may have required the filing of significant event notices under the Prior Continuing Disclosure Undertaking that were not filed.

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

In order to ensure compliance by the District with its continuing disclosure undertakings in the future, the Board of Directors approved disclosure procedures on \_\_\_\_\_, 2014 (the "Disclosure Procedures"). Pursuant to the Disclosure Procedures, the District Controller is required to take steps to ensure that continuing disclosure filings are prepared and filed in a timely manner. A copy of the Disclosure Procedures has been provided to the Underwriter and is available from the Controller of the District at 12770 Second Street, Yucaipa, California Telephone: (909) 797-5117.

**MISCELLANEOUS**

Insofar as any statements made in this Official Statement involve matters of opinion or of estimates, whether or not expressly stated, they are set forth as such and not as representations of fact. No representation is made that any of such statements made will be realized. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract with the Owners of the 2015 Bonds.

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

**YUCAIPA VALLEY WATER DISTRICT**

By: \_\_\_\_\_  
President of the Board of Directors

**APPENDIX A**  
**YUCAIPA VALLEY WATER DISTRICT FINANCIAL STATEMENTS**

A-1

**APPENDIX B**

**DEFINITIONS AND SUMMARY OF THE INDENTURE**

*The following is a summary of certain provisions of the Indenture which are not described elsewhere. This summary does not purport to be comprehensive and reference should be made to the Indenture for a full and complete statement of the provisions thereof.*

**APPENDIX C**

**FORM OF OPINION OF BOND COUNSEL**

*Upon issuance of the 2015 Bonds, Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, proposes to render its final approving opinion in substantially the following form:*

\_\_\_\_\_, 2015

Yucaipa Valley Water District  
12770 Second Street  
Yucaipa, CA 92399

*Re: Yucaipa Valley Water District Water System Refunding Revenue Bonds, Series 2015A*

Members of the Board of Directors:

We have examined a certified copy of the record of the proceedings of the Yucaipa Valley Water District (the "District") relative to the issuance of the \$\_\_\_\_\_ Yucaipa Valley Water District Water Refunding Revenue Bonds, Series 2015A (the "2015 Bonds"), dated the date hereof, and such other information and documents as we consider necessary to render this opinion. In rendering this opinion, we have relied upon certain representations of fact and certifications made by the District, the initial purchaser of the 2015 Bonds and others. We have not undertaken to verify through independent investigation the accuracy of the representations and certifications relied upon by us.

The 2015 Bonds are being issued pursuant to an Indenture of Trust, dated as of January 1, 2015 (the "Indenture"), by and between the District and Wells Fargo Bank, National Association, as trustee (the "Trustee"). The 2015 Bonds mature on the dates and in the amounts referenced in the Indenture. The 2015 Bonds are dated their date of delivery and bear interest at the rates per annum referenced in the Indenture. The 2015 Bonds are registered in the form set forth in the Indenture.

Based on our examination as Bond Counsel of existing law, certified copies of such legal proceedings and such other proofs as we deem necessary to render this opinion, we are of the opinion, as of the date hereof and under existing law, that:

1. The proceedings of the District show lawful authority for the issuance and sale of the 2015 Bonds under the laws of the State of California now in force, and the Indenture has been duly authorized, executed and delivered by the District, and, assuming due authorization, execution and delivery by the Trustee, as appropriate, the 2015 Bonds and the Indenture are valid and binding obligations of the District enforceable against the District in accordance with their terms.

2. The obligation of the District to make the payments of principal of and interest on the 2015 Bonds from Net Revenues (as defined in the Indenture) is an enforceable obligation of the District and does not constitute an indebtedness of the District in contravention of any constitutional or statutory debt limit or restriction.

3. Under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the 2015 Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. It should be noted that, with respect to corporations, such interest may be included as an adjustment in the calculation of alternative minimum taxable income, which may affect the alternative minimum tax liability of such corporations.

4. Interest (and original issue discount) on the 2015 Bonds is exempt from State of California personal income tax.



5. The amount by which a 2015 Bond Owner's original basis for determining loss on sale or exchange in the applicable 2015 Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which must be amortized under Section 171 of the Internal Revenue Code of 1986, as amended (the "Code"); such amortizable bond premium reduces the 2015 Bond Owner's basis in the applicable 2015 Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of 2015 Bond premium may result in a 2015 Bond Owner realizing a taxable gain when a 2015 Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the 2015 Bond to the Owner. Purchasers of the 2015 Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable bond premium.

6. The difference between the issue price of a 2015 Bond (the first price at which a substantial amount of the 2015 Bonds of a maturity are to be sold to the public) and the stated redemption price at maturity with respect to such 2015 Bond constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a 2015 Bond Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a 2015 Bond Owner will increase the 2015 Bond Owner's basis in the applicable 2015 Bond. Original issue discount that accrues for the 2015 Bond Owner is excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals or corporations (as described in paragraph 3 above) and is exempt from State of California personal income tax.

The opinions expressed herein as to the exclusion from gross income of interest on the 2015 Bonds are based upon certain representations of fact and certifications made by the District and are subject to the condition that the District comply with all requirements of the Code that must be satisfied subsequent to the issuance of the 2015 Bonds to assure that such interest on the 2015 Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest on the 2015 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the 2015 Bonds. The District has covenanted to comply with all such requirements.

The opinions expressed herein may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Indenture and the Tax Certificate relating to the 2015 Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. No opinion is expressed herein as to the effect on the exclusion from gross income of interest on the 2015 Bonds for federal income tax purposes with respect to any 2015 Bond if any such action is taken or omitted based upon the opinion or advice of counsel other than ourselves. Other than expressly stated herein, we express no other opinion regarding tax consequences with respect to the 2015 Bonds.

The opinions expressed herein are based upon our analysis and interpretation of existing laws, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities. We call attention to the fact that the rights and obligations under the Indenture and the 2015 Bonds are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights, to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State of California.

Our opinion is limited to matters governed by the laws of the State of California and federal law. We assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction.

We express no opinion herein as to the accuracy, completeness or sufficiency of the Official Statement relating to the 2015 Bonds or other offering material relating to the 2015 Bonds and expressly disclaim any duty to advise the owners of the 2015 Bonds with respect to matters contained in the Official Statement.

Respectfully submitted,

## APPENDIX D

### INFORMATION CONCERNING DTC

*The information in this section concerning DTC and DTC's book-entry only system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the completeness or accuracy thereof. The following description of the procedures and record keeping with respect to beneficial ownership interests in the 2015 Bonds, payment of principal, premium, if any, accreted value, if any, and interest on the 2015 Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the 2015 Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC.*

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the 2015 Bonds. The 2015 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered 2015 Bond will be issued for each annual maturity of the 2015 Bonds, each in the aggregate principal amount of such annual maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC is rated AA+ by Standard & Poor's. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of 2015 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2015 Bonds on DTC's records. The ownership interest of each actual purchaser of each 2015 Bonds ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2015 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive bonds representing their ownership interests in 2015 Bonds, except in the event that use of the book-entry system for the 2015 Bonds is discontinued.

To facilitate subsequent transfers, all 2015 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of 2015 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2015 Bonds; DTC's records reflect only the identity of the Direct Participants to whose

accounts such 2015 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 2015 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2015 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the 2015 Bonds documents. For example, Beneficial Owners of 2015 Bonds may wish to ascertain that the nominee holding the 2015 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2015 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 2015 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts 2015 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the 2015 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A 2015 Bond Owner shall give notice to elect to have its 2015 Bonds purchased or tendered, through its Participant, to the Trustee, and shall effect delivery of such 2015 Bond by causing the Direct Participant to transfer the Participant's interest in the 2015 Bonds, on DTC's records, to the Trustee. The requirement for physical delivery of 2015 Bond in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the 2015 Bond are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered 2015 Bond to the Trustee's DTC account.

DTC may discontinue providing its services as depository with respect to the 2015 Bonds at any time by giving reasonable notice to the District or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, physical certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, 2015 Bonds will be printed and delivered to DTC.

THE TRUSTEE, AS LONG AS A BOOK-ENTRY ONLY SYSTEM IS USED FOR THE 2015 Bonds, WILL SEND ANY NOTICE OF REDEMPTION OR OTHER NOTICES TO OWNERS ONLY TO DTC. ANY FAILURE OF DTC TO ADVISE ANY DTC PARTICIPANT, OR OF ANY DTC PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER, OF ANY NOTICE AND ITS CONTENT OR EFFECT WILL NOT AFFECT THE VALIDITY OF SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION OF THE 2015 Bonds CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.

**APPENDIX E**

**FORM OF CONTINUING DISCLOSURE CERTIFICATE**

*Upon issuance of the 2015 Bonds, the District proposes to enter into a Continuing Disclosure Certificate in substantially the following form:*

*Stradling Yocca Carlson & Rauth  
Draft of 12/17/14*

### **ESCROW AGREEMENT (2004 CERTIFICATES)**

THIS ESCROW AGREEMENT (2004 CERTIFICATES), dated as of January 1, 2015 (the "Agreement"), by and between the Yucaipa Valley Water District (the "District") and Wells Fargo Bank, National Association, Los Angeles, California, as escrow agent (the "Escrow Agent"), and the 2004 Trustee (as defined below) is entered into in accordance with Resolution No. \_\_\_ of the District adopted on \_\_\_\_\_, 2014 and a Trust Agreement, dated as of June 1, 2004 (the "2004 Trust Agreement"), by and among the Yucaipa Valley Water District Financing Corporation (the "Corporation"), Wells Fargo Bank, National Association (the "2004 Trustee") and the District, to refund all of the outstanding Yucaipa Valley Water District Water System Revenue Certificates of Participation, Series 2004A (the "2004 Certificates").

#### W I T N E S S E T H :

WHEREAS, the District previously authorized the execution and delivery of the 2004 Certificates pursuant to the 2004 Trust Agreement;

WHEREAS, the District has determined that a portion of the proceeds of the \$ \_\_\_\_\_ aggregate principal amount of the Yucaipa Valley Water District Water System Refunding Revenue Bonds, Series 2015A (the "2015 Bonds") issued pursuant to an Indenture of Trust, dated as of January 1, 2015, by and between the District and Wells Fargo Bank, National Association, as trustee (the "Trustee"), together with certain other money deposited by the District, will be used to provide the funds to pay, with respect to the 2004 Certificates, the regularly scheduled payment of interest on [March 1], 2015 and to pay on [March 1], 2015 the principal maturing on and after September 1, 2015, without premium (the "Prepayment Price"); and

WHEREAS, by irrevocably depositing with the Escrow Agent moneys (as permitted by, in the manner prescribed by, and all in accordance with the 2004 Trust Agreement), which moneys will be used to purchase securities satisfying the criteria set forth in Section 10.1 of the 2004 Trust Agreement as described on Schedule A hereto (the "Federal Securities"), provided the principal of and the interest on the Federal Securities when paid will provide money, which moneys, together with the moneys deposited with the Escrow Agent at the same time pursuant to this Agreement, will be fully sufficient to pay and discharge the 2004 Certificates;

NOW THEREFORE, in consideration of the mutual covenants and agreements herein contained, the District and the Escrow Agent agree as follows:

SECTION 1. Deposit of Moneys. The District hereby instructs the Escrow Agent to deposit (i) \$ \_\_\_\_\_ received from the Trustee from a portion of the net proceeds of the sale of the 2015 Bonds and (ii) \$ \_\_\_\_\_ transferred by the 2004 Trustee from the funds and accounts held with respect to the 2004 Certificates, into the Escrow Fund established hereunder. The Escrow Agent shall hold all such amounts in irrevocable escrow separate and apart from other funds of the District and the Escrow Agent in a fund hereby created and established to be known as the "2004 Certificates Escrow Fund" (the "Escrow Fund") and to be applied solely as provided in this Agreement. The District hereby instructs the Escrow Agent to apply \$ \_\_\_\_\_ of the moneys set forth above to purchase the Federal Securities listed in Schedule A hereto, and to hold \$ \_\_\_\_\_ uninvested as cash.

SECTION 2. Investment of Moneys. The Escrow Agent acknowledges receipt of the moneys described in Section 1 and agrees immediately to invest such moneys in the Federal Securities listed on Schedule A hereto and to deposit such Federal Securities in the Escrow Fund. The Escrow Agent shall be entitled to rely upon the conclusion of [\_\_\_\_\_] (the "Verification Agent"), that the Federal Securities listed on Schedule A hereto mature and bear interest payable in such amounts and at such times as, together with cash on deposit in the Escrow Fund, will be sufficient to pay when due, with respect to the 2004 Certificates, the regularly scheduled payment of interest on [March 1], 2015 and to pay on [March 1], 2015, the Prepayment Price.

SECTION 3. Investment of Any Remaining Moneys. At the written direction of the District, the Escrow Agent shall reinvest any other amount of principal and interest, or any portion thereof, received from the Federal Securities prior to the date on which such payment is required for the purposes set forth herein, in noncallable Federal Securities maturing not later than the date on which such payment or portion thereof is required for the purposes set forth in Section 5, at the written direction of the District, as verified in a report prepared by an independent certified public accountant or firm of certified public accountants of favorable national reputation experienced in the refunding of obligations of political subdivisions to the effect that the reinvestment described in said report will not adversely affect the sufficiency of the amounts of securities, investments and money in the Escrow Fund to pay when due, with respect to the 2004 Certificates, the regularly scheduled payment of interest on [March 1], 2015 and to pay on [March 1], 2015, the Prepayment Price, and provided that the District has obtained and delivered to the Escrow Agent an unqualified opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, that such reinvestment will not adversely affect the exclusion from gross income for federal income tax purposes of the interest portion of the Installment Payments (as such term is defined in the 2004 Trust Agreement) or interest on the 2015 Bonds. Any interest income resulting from investment or reinvestment of moneys pursuant to this Section 3 which are not required for the purposes set forth in Section 5, as verified in the letter of the Verification Agent originally obtained by the District with respect to the refunding of the 2004 Certificates or in any other report prepared by an independent certified public accountant or firm of certified public accountants of favorable national reputation experienced in the refunding of tax-exempt obligations of political subdivisions, shall be paid to the District promptly upon the receipt of such interest income by the Escrow Agent. The determination of the District as to whether an accountant qualifies under this Escrow Agreement shall be conclusive.

SECTION 4. Substitution of Securities. Upon the written request of the District, and subject to the conditions and limitations herein set forth and applicable governmental rules and regulations, the Escrow Agent shall sell, redeem or otherwise dispose of the Federal Securities, provided that there are substituted therefor from the proceeds of the Federal Securities other Federal Securities, but only after the District has obtained and delivered to the Escrow Agent: (i) an unqualified opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, to the effect that the substitution of securities is permitted under the legal documents in effect with respect to the 2004 Certificates and that such reinvestment will not adversely affect the exclusion from gross income for federal income tax purposes of the interest portion of the Installment Payments or interest with respect to the 2015 Bonds; and (ii) a report by a firm of independent certified public accountants to the effect that the reinvestment described in said report will not adversely affect the sufficiency of the amounts of securities, investments and money in the Escrow Fund to pay when due, with respect to the 2004 Certificates, the regularly scheduled payment of interest on [March 1], 2015 and to pay on [March 1], 2015, the Prepayment Price. The Escrow Agent shall not be liable or responsible for any loss resulting from any reinvestment made pursuant to this Agreement and in full compliance with the provisions hereof.

SECTION 5. Payment of 2004 Certificates.

(a) Payment. From the maturing principal of the Federal Securities and the investment income and other earnings thereon and other moneys on deposit in the Escrow Fund, the Escrow Agent shall apply the amounts on deposit in the Escrow Fund to pay when due, (i) with respect to the 2004 Certificates, the regularly scheduled payment of interest on [March 1], 2015 and to pay on [March 1], 2015, the Prepayment Price.

(b) Irrevocable Instructions to Provide Notice. The forms of the notices required to be mailed pursuant to Sections 4.3 and 10.1 of the 2004 Trust Agreement are substantially in the forms attached hereto as Exhibits A and B. The District hereby irrevocably instructs the Escrow Agent to mail a notice of prepayment and a notice of defeasance of the 2004 Certificates in accordance with Sections 4.3 and 10.1, respectively, of the 2004 Trust Agreement, as required to provide for the prepayment of the 2004 Certificates in accordance with this Section 5.

(c) Unclaimed Moneys. Any moneys which remain unclaimed for 30 days after [March 1], 2015 shall be repaid by the Escrow Agent to the District.

(d) Priority of Payments. The owners of the 2004 Certificates shall have a first and exclusive lien on all moneys and securities in the Escrow Fund until such moneys and such securities are used and applied as provided in this Agreement.

(e) Termination of Obligation. As provided in the 2004 Trust Agreement, upon deposit of moneys with the Escrow Agent in the Escrow Fund as set forth in Section 1 hereof and the purchase of the various Federal Securities as provided in Section 2 hereof, the owners of the 2004 Certificates shall cease to be entitled to the pledge of and lien on the Installment Payments as provided in the 2004 Trust Agreement, and all agreements and covenants of the Corporation, the District and the Trustee under the 2004 Trust Agreement shall cease, terminate and become void, except as set forth in the 2004 Trust Agreement. As provided in Section 9.1 of the Installment Purchase Agreement, dated as of June 1, 2004 (the "2004 Installment Purchase Agreement"), by and between the District and the Corporation, the right, title and interest of the Trustee, as assignee of the Corporation and the obligations of the District under the 2004 Installment Purchase Agreement shall cease, terminate, become void and be completely discharged and satisfied (except for the rights of the 2004 Trustee and the obligation of the District to have the Federal Securities and moneys on deposit in the Escrow Fund applied to Installment Payments).

SECTION 6. Application of Certain Terms of the 2004 Trust Agreement. All of the terms of the 2004 Trust Agreement relating to the making of payments of principal and interest with respect to the 2004 Certificates and relating to the exchange or transfer of the 2004 Certificates are incorporated in this Agreement as if set forth in full herein. The procedures set forth in Section 8.3 of the 2004 Trust Agreement relating to the resignation and removal and merger of the 2004 Trustee under the 2004 Trust Agreement are also incorporated in this Agreement as if set forth in full herein and shall be the procedures to be followed with respect to any resignation or removal of the Escrow Agent hereunder.

SECTION 7. Performance of Duties. The Escrow Agent agrees to perform only the duties set forth herein and shall have no responsibility to take any action or omit to take any action not set forth herein.

SECTION 8. Escrow Agent's Authority to Make Investments. Except as provided in Section 2, 3, 4, and 5 hereof, the Escrow Agent shall have no power or duty to invest any funds held under this Agreement or to sell, transfer or otherwise dispose of the moneys or Federal Securities held hereunder.

SECTION 9. Indemnity. The District hereby assumes liability for, and hereby agrees (whether or not any of the transactions contemplated hereby are consummated) to indemnify, protect, save and keep harmless the Escrow Agent and its respective successors, assigns, agents, employees and servants, from and against any and all liabilities, obligations, losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements (including reasonable legal fees and disbursements) of whatsoever kind and nature which may be imposed on, incurred by, or asserted against, the Escrow Agent at any time (whether or not also indemnified against the same by the District or any other person under any other agreement or instrument, but without double indemnity) in any way relating to or arising out of the execution, delivery and performance of this Agreement, the establishment hereunder of the Escrow Fund, the acceptance of the funds and securities deposited therein, the retention of the proceeds thereof and any payment, transfer or other application of moneys or securities by the Escrow Agent in accordance with the provisions of this Agreement; provided, however, that the District shall not be required to indemnify the Escrow Agent against the Escrow Agent's own negligence or willful misconduct or the negligence or willful misconduct of the Escrow Agent's respective employees or the willful breach by the Escrow Agent of the terms of this Agreement. In no event shall the District or the Escrow Agent be liable to any person by reason of the transactions contemplated hereby other than to each other as set forth in this Section. The indemnities contained in this Section shall survive the termination of this Agreement and the resignation or removal of the Escrow Agent.

SECTION 10. Responsibilities of Escrow Agent. The Escrow Agent and its agents and servants shall not be held to any personal liability whatsoever, in tort, contract, or otherwise, in connection with the execution and delivery of this Agreement, the establishment of the Escrow Fund, the acceptance of the moneys or securities deposited therein, the retention of the Federal Securities or the proceeds thereof, the sufficiency of the Federal Securities to pay the 2004 Certificates or any payment, transfer or other application of moneys or obligations by the Escrow Agent in accordance with the provisions of this Agreement or by reason of any non-negligent act, non-negligent omission or non-negligent error of the Escrow Agent made in good faith in the conduct of its duties. The recitals of fact contained in the "Whereas" clauses herein shall be taken as the statements of the District, and the Escrow Agent assumes no responsibility for the correctness thereof. The Escrow Agent makes no representation as to the sufficiency of the proceeds to accomplish the refunding of the 2004 Certificates or to the validity of this Agreement as to the District and, except as otherwise provided herein, the Escrow Agent shall incur no liability in respect thereof. The Escrow Agent shall not be liable in connection with the performance of its duties under this Agreement except for its own negligence, willful misconduct or default, and the duties and obligations of the Escrow Agent shall be determined by the express provisions of this Agreement. The Escrow Agent may consult with counsel, who may or may not be counsel to the District, and in reliance upon the written opinion of such counsel shall have full and complete authorization and protection in respect of any action taken, suffered or omitted by it in good faith in accordance therewith. Whenever the Escrow Agent shall deem it necessary or desirable that a matter be proved or established prior to taking, suffering, or omitting any action under this Agreement, such matter may be deemed to be conclusively established by a certificate signed by an officer of the District.



No provision of this Agreement shall require the Escrow Agent to expend or risk its own funds or otherwise incur any financial liability in the performance or exercise of any of its duties hereunder, or in the exercise of its rights or powers.

If the Escrow Agent learns that the Department of the Treasury or the Bureau of Public Debt will not, for any reason, accept a subscription of Securities that is to be submitted pursuant to this Agreement, the Escrow Agent shall promptly request alternative written investment instructions from the District with respect to escrowed funds which were to be invested in securities. The Escrow Agent shall follow such instructions and, upon the maturity of any such alternative investment, the Escrow Agent shall hold funds uninvested and without liability for interest until receipt of further written instructions from the District. In the absence of investment instructions from the District, the Escrow Agent shall not be responsible for the investment of such funds or interest thereon. The Escrow Agent may conclusively rely upon the District's selection of an alternative investment as a determination of the alternative investment's legality and suitability and shall not be liable for any losses related to the alternative investments or for compliance with any yield restriction applicable thereto.

The Escrow Agent shall have the right to accept and act upon instructions, including funds transfer instructions ("Instructions") given pursuant to this Agreement and delivered using Electronic Means ("Electronic Means" shall mean the following communications methods: S.W.I.F.T., e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Escrow Agent, or another method or system specified by the Escrow Agent as available for use in connection with its services hereunder); provided, however, that the District shall provide to the Escrow Agent an incumbency certificate listing officers with the authority to provide such Instructions ("Authorized Officers") and containing specimen signatures of such Authorized Officers, which incumbency certificate shall be amended by the District whenever a person is to be added or deleted from the listing. If the District elects to give the Escrow Agent Instructions using Electronic Means and the Escrow Agent in its discretion elects to act upon such Instructions, the Escrow Agent's understanding of such Instructions shall be deemed controlling. The District understands and agrees that the Escrow Agent cannot determine the identity of the actual sender of such Instructions and that the Escrow Agent shall conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Escrow Agent have been sent by such Authorized Officer. The District shall be responsible for ensuring that only Authorized Officers transmit such Instructions to the Escrow Agent and that the District and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the District. The Escrow Agent shall not be liable for any losses, costs or expenses arising directly or indirectly from the Escrow Agent's reliance upon and compliance with such Instructions notwithstanding such directions conflict or are inconsistent with a subsequent written instruction. The District agrees: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Escrow Agent, including without limitation the risk of the Escrow Agent acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Escrow Agent and that there may be more secure methods of transmitting Instructions than the method(s) selected by the District; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Escrow Agent immediately upon learning of any compromise or unauthorized use of the security procedures.

Any company into which the Escrow Agent may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Escrow Agent may sell or transfer all or substantially all of its corporate trust business shall be the successor to the Escrow Agent without the execution or filing of any paper or further act, anything herein to the contrary notwithstanding.

SECTION 11. Amendments. This Agreement is made for the benefit of the District and the owners from time to time of the 2004 Certificates and it shall not be repealed, revoked, altered or amended without the written consent of all such owners, the Escrow Agent and the District; provided, however, that the District and the Escrow Agent may, without the consent of, or notice to, such owners, amend this Agreement or enter into such agreements supplemental to this Agreement as shall not adversely affect the rights of such owners and as shall not be inconsistent with the terms and provisions of this Agreement, Division 12 of the Water Code of the State of California, or the 2004 Trust Agreement, for any one or more of the following purposes: (i) to cure any ambiguity or formal defect or omission in this Agreement; (ii) to grant to, or confer upon, the Escrow Agent for the benefit of the owners of the 2004 Certificates, any additional rights, remedies, powers or authority that may lawfully be granted to, or conferred upon, such owners or the Escrow Agent; and (iii) to include under this Agreement additional funds. The Escrow Agent shall be entitled to rely conclusively upon an unqualified opinion of Stradling Yocca Carlson & Rauth, A Professional Corporation, with respect to compliance with this Section, including the extent, if any, to which any change, modification, addition or elimination affects the rights of the owners of the various 2004 Certificates or that any instrument executed hereunder complies with the conditions and provisions of this Section.

SECTION 12. Term. This Agreement shall commence upon its execution and delivery and shall terminate on the later to occur of either: (i) the date upon which the 2004 Certificates have been paid in accordance with this Agreement; or (ii) the date upon which no unclaimed moneys remain on deposit with the Escrow Agent pursuant to Section 5(c) of this Agreement.

SECTION 13. Compensation. The Escrow Agent shall receive its reasonable fees and expenses as previously agreed to by the Escrow Agent and the District and any other reasonable fees and expenses of the Escrow Agent approved by the District; provided, however, that under no circumstances shall the Escrow Agent be entitled to any lien or assert any lien whatsoever on any moneys or obligations in the Escrow Fund for the payment of fees and expenses for services rendered or expenses incurred by the Escrow Agent under this Agreement.

SECTION 14. Severability. If any one or more of the covenants or agreements provided in this Agreement on the part of the District or the Escrow Agent to be performed should be determined by a court of competent jurisdiction to be contrary to law, such covenants or agreements shall be null and void and shall be deemed separate from the remaining covenants and agreements herein contained and shall in no way affect the validity of the remaining provisions of this Agreement.

SECTION 15. Counterparts. This Agreement may be executed in several counterparts, all or any of which shall be regarded for all purposes as an original but all of which shall constitute and be but one and the same instrument.

SECTION 16. Governing Law. THIS AGREEMENT SHALL BE CONSTRUED UNDER THE LAWS OF THE STATE OF CALIFORNIA.

SECTION 17. Insufficient Funds. If at any time the Escrow Agent has actual knowledge that the moneys and investments in the Escrow Fund, including the anticipated proceeds of and earnings thereon, will not be sufficient to make all payments required by this Agreement, the Escrow Agent shall notify the District in writing, of the amount thereof and the reason therefor to the extent known to it. The Escrow Agent shall have no responsibility regarding any such deficiency.

SECTION 18. Notice to District, Escrow Agent. Any notice to or demand upon the Escrow Agent may be served or presented, and such demand may be made, at the principal corporate trust office of the Escrow Agent at 707 Wilshire Blvd., 17<sup>th</sup> Floor, Los Angeles, California 90017, Attention: Corporate Trust Department. Any notice to or demand upon the District shall be deemed to have been sufficiently given or served for all purposes by being mailed by registered or certified mail, and deposited, postage prepaid, in a post office letter box, addressed to the District at P.O. Box 730, Yucaipa, California 92399, Attention: General Manager (or such other address as may have been filed in writing by the District with the Escrow Agent).

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized officers and attested as of the date first above written.

YUCAIPA VALLEY WATER DISTRICT

By: \_\_\_\_\_  
President of the Board of Directors

WELLS FARGO BANK, NATIONAL  
ASSOCIATION, as Escrow Agent

By: \_\_\_\_\_  
Authorized Officer

**SCHEDULE A**

Federal Securities

<i>Security</i>	<i>Maturity</i>	<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Price</i>
		\$	%	\$

Schedule A-1

**EXHIBIT A****NOTICE OF PREPAYMENT**

YUCAIPA VALLEY WATER DISTRICT  
 WATER SYSTEM REVENUE CERTIFICATES OF PARTICIPATION  
 SERIES 2004A

BASE CUSIP NO. 98839Y

NOTICE IS HEREBY GIVEN to the owners of the above-captioned Water System Revenue Certificates of Participation, Series 2004A (the "2004 Certificates") of the Yucaipa Valley Water District (the "District") pursuant to the Trust Agreement, dated as of June 1, 2004 (the "2004 Trust Agreement"), by and among the District, the Yucaipa Valley Water District Financing Corporation and Wells Fargo Bank, National Association., as trustee (the "2004 Trustee"), that the 2004 Certificates in the following principal amounts have been called for prepayment on [March 1], 2015 (the "Prepayment Date").

<i>CUSIP</i>	<i>Certificate Payment Date (September 1)</i>	<i>Rate</i>	<i>Amount</i>	<i>Price</i>
AL0	2015	5.00%	\$ 1,080,000	100%
AM8	2016	5.00	1,140,000	100
AN6	2017	5.25	1,200,000	100
AP1	2018	5.25	1,265,000	100
AQ9	2019	5.25	1,330,000	100
AR7	2020	5.25	1,400,000	100
AS5	2021	5.25	1,480,000	100
AT3	2022	5.375	1,560,000	100
AU0	2023	5.25	1,645,000	100
AV8	2024	5.25	1,730,000	100
AW6	2029	5.00	10,100,000	100
AX4	2034	5.00	12,965,000	100

The 2004 Certificates will be payable on the Prepayment Date at a prepayment price of 100% of the principal amount plus accrued interest to such date (the "Prepayment Price"). Subject to prior rescission as referenced below, the Prepayment Price of the 2004 Certificates will become due and payable on the Prepayment Date. Interest with respect to the 2004 Certificates will cease to accrue on and after the Prepayment Date, and the 2004 Certificates will be surrendered to the 2004 Trustee.

All 2004 Certificates are required to be surrendered to the principal corporate office of the 2004 Trustee, on the Prepayment Date at the following location. If the 2004 Certificates are mailed, the use of registered, insured mail is recommended:

**By Hand:****By Registered or Certified  
Mail:****By Air Courier:**

Exhibit A-1

If the Owner of any 2004 Certificate subject to optional prepayment fails to deliver such 2004 Certificate to the 2004 Trustee on the Prepayment Date, such 2004 Certificate shall nevertheless be deemed prepaid on the Prepayment Date and the Owner of such 2004 Certificate shall have no rights in respect thereof except to receive payment of the Prepayment Price from funds held by the 2004 Trustee for such payment.

A form W-9 must be submitted with the 2004 Certificates. Failure to provide a completed form W-9 will result in 31% backup withholding pursuant to the Interest and Dividend Tax Compliance Act of 1983. Under the Jobs and Growth Tax Relief Reconciliation Act of 2003, 28% will be withheld if the tax identification number is not properly certified.

WELLS FARGO BANK NATIONAL  
ASSOCIATION., as Trustee

DATED this \_\_ day of \_\_\_\_\_, 2015.

Exhibit A-2

**EXHIBIT B****NOTICE OF DEFEASANCE**

YUCAIPA VALLEY WATER DISTRICT  
WATER SYSTEM REVENUE CERTIFICATES OF SERIES 2004A

BASE CUSIP NO. 98869Y

NOTICE IS HEREBY GIVEN to the owners of the above-captioned Water System Revenue Certificates of Participation, Series 2004A (the "2004 Certificates") of the Yucaipa Valley Water District (the "District"), that the District has deposited with Wells Fargo Bank, National Association as trustee (the "2004 Trustee") under the Trust Agreement, dated as of June 1, 2004 (the "2004 Trust Agreement"), by and among the District, the Yucaipa Valley Water District Financing Corporation and the 2004 Trustee, cash and United States of America government securities sufficient to pay, with respect to the 2004 Certificates, the regularly scheduled payment of interest on [March 1], 2015 and to pay on [March 1], 2015 the principal maturing on September 1, 2015 through September 1, 2034, without premium.

The 2004 Certificates to be defeased are as follows:

<i>CUSIP</i>	<i>Certificate Payment Date (September 1)</i>	<i>Rate</i>	<i>Amount</i>	<i>Price</i>
AL0	2015	5.00%	\$ 1,080,000	100%
AM8	2016	5.00	1,140,000	100
AN6	2017	5.25	1,200,000	100
AP1	2018	5.25	1,265,000	100
AQ9	2019	5.25	1,330,000	100
AR7	2020	5.25	1,400,000	100
AS5	2021	5.25	1,480,000	100
AT3	2022	5.375	1,560,000	100
AU0	2023	5.25	1,645,000	100
AV8	2024	5.25	1,730,000	100
AW6	2029	5.00	10,100,000	100
AX4	2034	5.00	12,965,000	100

In accordance with the 2004 Trust Agreement, the 2004 Certificates are deemed to have been paid in accordance with Section 10.1 thereof and the obligations of the District and the Corporation under the 2004 Trust Agreement and the Installment Purchase Agreement, dated as of June 1, 2004, by and between the District and the Corporation, with respect to the 2004 Certificates have thereupon ceased, terminated and become void and are discharged and satisfied.

WELLS FARGO BANK, NATIONAL ASSOCIATION,  
as Trustee

DATED this \_\_\_ day of \_\_\_, 2015.

Exhibit B-1



*Stradling Yocca Carlson & Rauth  
Draft of 12/17/14*

**INDENTURE OF TRUST**

**Dated as of January 1, 2015**

**By and between**

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

**and the**

**YUCAIPA VALLEY WATER DISTRICT**

**Relating to**

**\$ \_\_\_\_\_  
YUCAIPA VALLEY WATER DISTRICT  
WATER SYSTEM REFUNDING REVENUE BONDS,  
SERIES 2015A**

TABLE OF CONTENTS

Page

ARTICLE I

DEFINITIONS; CONTENT OF CERTIFICATES AND OPINIONS ..... 2

    Section 1.01. Definitions ..... 3

    Section 1.02. Content of Certificates and Opinions ..... 15

    Section 1.03. Interpretation ..... 15

ARTICLE II

THE 2015 BONDS ..... 15

    Section 2.01. Authorization of 2015 Bonds ..... 15

    Section 2.02. Terms of the 2015 Bonds ..... 16

    Section 2.03. Transfer of 2015 Bonds ..... 17

    Section 2.04. Exchange of 2015 Bonds ..... 17

    Section 2.05. Registration Books ..... 17

    Section 2.06. Form and Execution of 2015 Bonds ..... 17

    Section 2.07. 2015 Bonds Mutilated, Lost, Destroyed or Stolen ..... 18

    Section 2.08. Book Entry System ..... 18

ARTICLE III

ISSUANCE OF 2015 BONDS; APPLICATION OF PROCEEDS..... 21

    Section 3.01. Issuance of the 2015 Bonds ..... 21

    Section 3.02. Application of Proceeds of the 2015 Bonds and Certain Other Moneys..... 21

    Section 3.03. Establishment and Application of Costs of Issuance Fund ..... 21

    Section 3.04. Validity of 2015 Bonds ..... 22

ARTICLE IV

REDEMPTION OF 2015 BONDS ..... 22

    Section 4.01. Terms of Redemption ..... 22

    Section 4.02. Selection of 2015 Bonds for Redemption ..... 23

    Section 4.03. Notice of Redemption..... 23

    Section 4.04. Partial Redemption of 2015 Bonds..... 23

    Section 4.05. Effect of Redemption ..... 24

ARTICLE V

WATER SYSTEM REVENUES, FUNDS AND ACCOUNTS;  
PAYMENT OF PRINCIPAL AND INTEREST ..... 24

    Section 5.01. Pledge and Assignment; Revenue Funds ..... 24

    Section 5.02. Application of Payment Fund..... 26

    Section 5.03. Application of Interest Account ..... 26

*TABLE OF CONTENTS*  
(continued)

	<u>Page</u>
Section 5.04. Application of Principal Account .....	26
Section 5.05. Application of Redemption Fund .....	27
Section 5.06. Rate Stabilization Fund .....	27
Section 5.07. [RESERVED].....	27
Section 5.08. Investments.....	27
Section 5.09. Rebate Fund.....	28
Section 5.10. Application of Funds and Accounts When No 2015 Bonds are Outstanding	30
Section 5.11. Additional Contracts and Bonds.....	30
Section 5.12. Claims Upon the Insurance Policy and Payments by and to the Insurer.....	31
Section 5.13. Payments by the Insurer as a Result of Nonpayment .....	31
<b>ARTICLE VI</b>	
PARTICULAR COVENANTS .....	31
Section 6.01. Compliance with Indenture .....	31
Section 6.02. Budgets .....	31
Section 6.03. Payment of Taxes and Compliance with Governmental Regulations .....	32
Section 6.04. Observance of Laws and Regulations .....	32
Section 6.05. Eminent Domain Proceeds .....	32
Section 6.06. Against Sale or Other Disposition of Property .....	33
Section 6.07. Against Competitive Facilities .....	33
Section 6.08. Maintenance and Operation of the Water System .....	33
Section 6.09. Payment of Claims .....	33
Section 6.10. Compliance with Contracts .....	33
Section 6.11. Insurance .....	34
Section 6.12. Amount of Rates and Charges .....	34
Section 6.13. Collection of Rates and Charges .....	35
Section 6.14. Enforcement of Contracts.....	35
Section 6.15. Continuing Disclosure.....	35
Section 6.16. Punctual Payment .....	35
Section 6.17. Extension of Payment of 2015 Bonds .....	35
Section 6.18. Against Encumbrances .....	36
Section 6.19. Power to Issue 2015 Bonds and Make Pledge and Assignment.....	36
Section 6.20. Accounting Records and Financial Statements .....	36
Section 6.21. Tax Covenants.....	36
Section 6.22. Waiver of Laws .....	37
Section 6.23. Further Assurances .....	37
Section 6.24. Prosecution and Defense of Suits .....	37
<b>ARTICLE VII</b>	
EVENTS OF DEFAULT AND REMEDIES OF 2015 BONDS OWNERS.....	38
Section 7.01. Events of Default.....	38
Section 7.02. Remedies Upon Event of Default.....	39
Section 7.03. Application of Water System Revenues and Other Funds After Default.....	39
Section 7.04. Trustee to Represent 2015 Bond Owners .....	40

TABLE OF CONTENTS  
(continued)

	<u>Page</u>
Section 7.05. 2015 Bond Owners’ Direction of Proceedings.....	41
Section 7.06. Suit by Owners .....	41
Section 7.07. Absolute Obligation of the District .....	41
Section 7.08. Remedies Not Exclusive.....	41
Section 7.09. No Waiver of Default .....	42
Section 7.10. Insurer Rights .....	42
ARTICLE VIII	
THE TRUSTEE .....	42
Section 8.01. Duties, Immunities and Liabilities of Trustee .....	42
Section 8.02. Merger or Consolidation.....	43
Section 8.03. Liability of Trustee.....	44
Section 8.04. Right to Rely on Documents .....	46
Section 8.05. Preservation and Inspection of Documents .....	47
Section 8.06. Compensation and Indemnification.....	47
Section 8.07. Notice to Insurer by Trustee .....	47
ARTICLE IX	
MODIFICATION OR AMENDMENT OF THE INDENTURE .....	47
Section 9.01. Amendments Permitted .....	47
Section 9.02. Effect of Supplemental Indenture.....	48
Section 9.03. Endorsement of 2015 Bonds; Preparation of New 2015 Bonds .....	49
Section 9.04. Amendment of Particular 2015 Bonds .....	49
Section 9.05. Effect of Insurance Policy .....	49
ARTICLE X	
DEFEASANCE.....	49
Section 10.01. Discharge of Indenture .....	49
Section 10.02. Discharge of Liability on 2015 Bonds.....	50
Section 10.03. Deposit of Money or Securities with Trustee.....	50
Section 10.04. Payment of 2015 Bonds After Discharge of Indenture .....	51
ARTICLE XI	
MISCELLANEOUS .....	52
Section 11.01. Liability Limited.....	52
Section 11.02. Successor Is Deemed Included in All References to Predecessor.....	52
Section 11.03. Limitation of Rights to Parties and 2015 Bond Owners.....	52
Section 11.04. Waiver of Notice; Requirement of Mailed Notice .....	52
Section 11.05. Destruction of 2015 Bonds .....	52
Section 11.06. Severability of Invalid Provisions .....	52

*TABLE OF CONTENTS*  
(continued)

	<u>Page</u>
Section 11.07. Notices .....	53
Section 11.08. Evidence of Rights of 2015 Bond Owners .....	53
Section 11.09. Disqualified 2015 Bonds .....	53
Section 11.10. Money Held for Particular 2015 Bonds.....	54
Section 11.11. Funds and Accounts .....	54
Section 11.12. Waiver of Personal Liability .....	54
Section 11.13. Execution in Several Counterparts .....	54
Section 11.14. CUSIP Numbers .....	54
Section 11.15. Choice of Law .....	54
Section 11.16. Insurer as Third Party Beneficiary .....	54
Section 11.17. Impairment of Insurer’s Rights .....	54
Section 11.18. Interest Rate Exchange Agreement .....	55
Section 11.19. Insurer Consideration .....	55
Section 11.20. Amounts Paid by Insurer .....	55
Section 11.21. Covenant to Preserve Priority.....	55
Section 11.22. Subrogation and Survival of Obligations .....	55
Section 11.23. Reimbursement of Fees .....	56
Section 11.24. Provision of Information .....	56
Section 11.25. Additional Information .....	57
Section 11.26. Discussion of and Access to Information.....	57
 Signatures .....	 S-1
Exhibit A Form of 2015 Bond.....	A-1

## INDENTURE OF TRUST

THIS INDENTURE OF TRUST, made and entered into and dated as of January 1, 2015 (the "Indenture"), by and between YUCAIPA VALLEY WATER DISTRICT, a county water district duly organized and existing under and by virtue of the laws of the State of California (the "District"), and WELLS FARGO BANK, NATIONAL ASSOCIATION., a national banking association duly organized and existing under the laws of the United States of America, as trustee hereunder (the "Trustee");

### WITNESSETH:

WHEREAS, the District has determined that it is in the best interest of the public to refund the outstanding Yucaipa Valley Water District Water System Revenue Certificates of Participation, Series 2004A (the "Refunded Obligations"); and

WHEREAS, the District is authorized by Article 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California, including but not limited to Section 53583, to issue bonds for the purpose of refunding any evidences of indebtedness of the District; and

WHEREAS, in order to provide for the authentication and delivery of refunding revenue bonds (the "2015 Bonds"), to establish and declare the terms and conditions upon which such 2015 Bonds are to be issued and secured and to secure the payment of the principal thereof and interest and premium, if any, thereon, the District has authorized the execution and delivery of the Indenture; and

WHEREAS, the District has determined that all acts and proceedings required by law necessary to make the 2015 Bonds, when executed by the District, authenticated and delivered by the Trustee, and duly issued, the valid, binding and legal special obligations of the District, and to constitute the Indenture a valid and binding agreement for the uses and purposes herein set forth in accordance with its terms, have been done and taken, and the execution and delivery of the Indenture have been in all respects duly authorized;

NOW, THEREFORE, THE INDENTURE WITNESSETH:

### GRANTING CLAUSES

The District, in consideration of the premises and the acceptance by the Trustee of the trusts hereby created and of the mutual covenants herein contained and of the purchase and acceptance of the 2015 Bonds by the Owners thereof, and for other valuable considerations, the receipt of which is hereby acknowledged, in order to secure the payment of the principal of and the interest and premium (if any) on all 2015 Bonds at any time issued and Outstanding under the Indenture, according to their tenor, and to secure the performance and observance of all the covenants and conditions therein and herein set forth, does hereby assign and pledge unto, and grant a security interest in, the following (the "Trust Estate") to the Trustee, and its successors in trust and assigns forever, for the securing of the performance of the obligations of the District to the 2015 Bond Owners hereinafter set forth:

## GRANTING CLAUSE FIRST

All right, title and interest of the District in and to the Water System Revenues (as defined herein), including, but without limiting the generality of the foregoing, the present and continuing right to make claim for, collect, receive and receipt for any Water System Revenues payable to or receivable by the District under the Constitution of the State, the Water Code and the Government Code of the State of California and the Indenture and any other applicable laws of the State or otherwise, to bring actions and proceedings thereunder for the enforcement thereof, and to do any and all things which the District is or may become entitled to do thereunder, subject to the terms hereof.

## GRANTING CLAUSE SECOND

All moneys and securities held in funds and accounts of the Indenture, except amounts held in the Rebate Fund, and all other rights of every name and nature from time to time herein or hereafter by delivery or by writing of any kind pledged, assigned or transferred as and for additional security hereunder to the Trustee by the District or by anyone on its behalf, or with its written consent, and to hold and apply the same, subject to the terms hereof.

TO HAVE AND TO HOLD all and singular the Trust Estate, whether now owned or hereafter acquired, unto the Trustee and its respective successors in trust and assigns forever for the benefit of the Owners and such pledge shall constitute a lien on and security interest in such Trust Estate;

IN TRUST NEVERTHELESS, upon the terms and trusts herein set forth for the equal and proportionate benefit, security and protection of all present and future Owners of the 2015 Bonds issued under and secured by the Indenture without privilege, priority or distinction as to the lien or otherwise of any of the 2015 Bonds over any of the other 2015 Bonds;

PROVIDED, HOWEVER, that if the District, its successors or assigns shall well and truly pay, or cause to be paid, the principal of and interest and any redemption premium on the 2015 Bonds due or to become due thereon, at the times and in the manner provided in the 2015 Bonds according to the true intent and meaning thereof, and shall well and truly keep, perform and observe all the covenants and conditions pursuant to the terms of the Indenture to be kept, performed and observed by it, and shall pay or cause to be paid to Trustee all sums of money due or to become due in accordance with the terms and provisions hereof, then upon such final payments or deposits as herein provided, the Indenture and the rights hereby granted shall cease, terminate and be void; otherwise the Indenture shall remain in full force and effect.

THE INDENTURE FURTHER WITNESSETH, and it is expressly declared, that all 2015 Bonds issued and secured hereunder are to be issued, authenticated and delivered, and all sold property, rights and interests, including, without limitation, the Water System Revenues, hereby assigned and pledged, are to be dealt with and disposed of, under, upon and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes hereinafter expressed, and the District has agreed and covenanted and does hereby covenant and agree with the Trustee, for the benefit of the respective Owners from time to time of the 2015 Bonds, as follows:

## ARTICLE I

DEFINITIONS; CONTENT OF CERTIFICATES AND  
OPINIONS

Section 1.01. Definitions. Unless the context otherwise requires, the terms defined in this Section 1.01 shall, for all purposes of the Indenture and of any indenture supplemental hereto and of any certificate, opinion or other document herein mentioned, have the meanings herein specified, to be equally applicable to both the singular and plural forms of any of the terms herein defined.

Accountant's Report. The term "Accountant's Report" means a report signed by an Independent Certified Public Accountant.

Authorized Representative. The term "Authorized Representative" means, with respect to the District, its President, Vice President, Secretary, General Manager, Deputy General Managers, Chief Financial Officer or any other person designated as an Authorized Representative of the District by a Certificate of the District signed by its President, Vice President, Secretary, General Manager, Deputy General Managers or Chief Financial Officer and filed with the Trustee.

Bond Counsel. The term "Bond Counsel" means Stradling Yocca Carlson & Rauth, a Professional Corporation, or another firm of nationally recognized attorneys experienced in the issuance of obligations the interest on which is excludable from gross income under Section 103 of the Code.

Bond Year. The term "Bond Year" will have the meaning set forth in the Tax Certificate.

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 payable from Net Water System Revenues on a parity with the 2015 Bonds and which are secured by a pledge of and lien on Water System Revenues as described in Section 5.01 hereof.

Business Day. The term "Business Day" means: (i) a day which is not a Saturday, Sunday or legal holiday on which banking institutions in the State, or in any other state in which the Office of the Trustee is located, are closed; or (ii) a day on which the New York Stock Exchange is not closed.

Certificate; Direction; Request; Requisition. The terms "Certificate," "Direction," "Request," and "Requisition" of the District mean a written certificate, direction, request or requisition signed in the name of the District by its Authorized Representative. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument. If and to the extent required by Section 1.02, each such instrument shall include the statements provided for in Section 1.02.

Closing Date. The term "Closing Date" means the date on which the 2015 Bonds are delivered to the original purchaser thereof.

Code. The term "Code" means the Internal Revenue Code of 1986, as amended.

Continuing Disclosure Certificate. The term "Continuing Disclosure Certificate" means the Continuing Disclosure Certificate, dated the Closing Date, by the District, as originally executed and as it may be from time to time amended or supplemented in accordance with its terms.



Contracts. The term “Contracts” means and is limited to all contracts of the District previously or hereafter authorized and executed by the District which are on a parity with the 2015 Bonds and which are secured by a pledge and lien on the Water System Revenues as described in Section 5.01 hereof, but excluding any contracts entered into for operation and maintenance of the Water System.

Corporation. The term “Corporation” means the Yucaipa Valley Water District Financing Corporation, a nonprofit public benefit corporation duly organized and existing under and by virtue of the laws of the State of California.

Costs of Issuance. The term “Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the District and related to the authorization, issuance, sale and delivery of the 2015 Bonds, including but not limited to costs of preparation and reproduction of documents, printing expenses, filing and recording fees, initial fees and charges of the Trustee and counsel to the Trustee, legal fees and charges, fees and disbursements of consultants and professionals, Rating Agency fees, title insurance premiums, letter of credit fees and bond insurance premiums (if any), fees and charges for preparation, execution and safekeeping of the 2015 Bonds and any other cost, charge or fee in connection with the original issuance of the 2015 Bonds.

Costs of Issuance Fund. The term “Costs of Issuance Fund” means the fund by that name established pursuant to Section 3.03.

Debt Service. The term “Debt Service” means, for any period of calculation, the sum of:

- (1) the interest payable during such period on all outstanding Bonds, assuming that all outstanding serial Bonds are retired as scheduled and that all outstanding term Bonds are redeemed or paid from sinking fund payments as scheduled (except to the extent that such interest is capitalized);
- (2) those portions of the principal amount of all outstanding serial Bonds maturing in such period;
- (3) those portions of the principal amount of all outstanding term Bonds required to be prepaid or paid in such period; and
- (4) those portions of the Contracts required to be made during such period (except to the extent the interest evidenced and represented thereby is capitalized);

but less the earnings to be derived from the investment of moneys on deposit in debt service reserve funds established for Bonds or Contracts;

provided that, as to any such Bonds or Contracts bearing or comprising interest at other than a fixed rate, the rate of interest used to calculate Debt Service shall, for all purposes, be assumed to bear interest at a fixed rate equal to the higher of:

- (i) the then current variable interest rate borne by such Bonds or Contracts plus 1%, and
- (ii) if such Bonds or Contracts have been outstanding for at least twelve months, the average rate over the twelve months immediately preceding the date of

calculation, or if such Bonds or Contracts have not been outstanding for the twelve prior months, the average rate borne by reference to an index comparable to that to be utilized in determining the interest rate for the Bonds to be issued or the Contracts to be executed;

provided further that if any series or issue of such Bonds or Contracts have twenty-five percent (25%) or more of the aggregate principal amount of such series or issue due in any one year, Debt Service shall be determined for the period of determination as if the principal of and interest on such series or issue of such Bonds or Contracts were being paid from the date of incurrence thereof in substantially equal annual amounts over a period of twenty-five (25) years from the date of calculation; and

provided further that, as to any such Bonds or Contracts or portions thereof bearing no interest but which are sold at a discount and which discount accretes with respect to such Bonds or Contracts or portions thereof, such accreted discount shall be treated as interest in the calculation of Debt Service; and

provided further that if the Bonds or Contracts constitute paired obligations, the interest rate on such Bonds or Contracts shall be the resulting linked rate or the effective fixed interest rate to be paid by the District with respect to such paired obligations; and

provided further that the amount on deposit in a debt service reserve fund on any date of calculation of Debt Service shall be deducted from the amount of principal due at the final maturity of the Bonds and Contracts for which such debt service reserve fund was established and to the extent the amount in such debt service reserve fund is in excess of such amount of principal, such excess shall be applied to the full amount of principal due, in each preceding year, in descending order, until such amount is exhausted.

Defeasance Securities. The term “Defeasance Securities” means: (1) cash, (2) non-callable direct obligations of the United States of America (“Treasuries”), (3) evidences of ownership of proportionate interests in future interest and principal payments on Treasuries held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Treasuries are not available to any person claiming through the custodian or to whom the custodian may be obligated, (4) subject to the prior written consent of the Insurer (so long as the Insurer has not defaulted on any obligation under the Insurance Policy), pre-refunded municipal obligations rated “AAA” and “Aaa” by S&P and Moody’s, respectively, and (5) subject to the prior written consent of the Insurer (so long as the Insurer has not defaulted on any obligation under the Insurance Policy), securities eligible for “AAA” defeasance under then existing criteria of S&P.

Depository; DTC. The term “Depository” or “DTC” means The Depository Trust Company, New York, New York, a limited purpose trust company organized under the laws of the State of New York in its capacity as Securities Depository for the 2015 Bonds.

District. The term “District” means Yucaipa Valley Water District, a county water district duly organized and existing under and by virtue of the laws of the State.

Event of Default. The term “Event of Default” means any of the events specified in Section 7.01.

Federal Securities. The term “Federal Securities” means any direct, noncallable general obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America), or noncallable obligations the timely payment of principal of and interest on which are fully and unconditionally guaranteed by the United States of America.

Fiscal Year. The term “Fiscal Year” means the twelve month period beginning on July 1 of each year and ending on June 30 of the following year, both dates inclusive, or any other twelve month period hereafter selected and designated as the official fiscal year period of the District.

Indenture. The term “Indenture” means the Indenture of Trust, dated as of January 1, 2015, by and between the District and the Trustee, as originally executed or as it may from time to time be supplemented, modified or amended by any Supplemental Indenture.

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

Independent Financial Consultant. The term “Independent Financial Consultant” means a financial consultant or firm of such consultants appointed by the District, which may, for purposes of the certification described in the definition of “Paired Obligations” be an interest rate swap adviser, and who, or each of whom: (1) is in fact independent and not under domination of the District; (2) does not have any substantial interest, direct or indirect, with the District; and (3) is not connected with the District as an officer or employee thereof, but who may be regularly retained to make reports thereto.

Information Services. The term “Information Services” means the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access system; or, in accordance with then-current guidelines of the Securities and Exchange Commission, such other services providing information with respect to called bonds as the District may specify in a certificate to the Trustee and as the Trustee may select.

Insurance Policy. The term “Insurance Policy” means the insurance policy issued by the Insurer guaranteeing the scheduled payment of principal of and interest on the 2015 Bonds when due.

Insurer. The term “Insurer” means \_\_\_\_\_, a \_\_\_\_\_, or any successor thereto or assignee thereof.

Interest Account. The term “Interest Account” means the account by that name in the Payment Fund established pursuant to Section 5.02.

Interest Payment Date. The term “Interest Payment Date” means September 1, 2015 and each March 1 and September 1 of each year thereafter.

Investment Agreement. The term “Investment Agreement” means an investment agreement supported by appropriate opinions of counsel; provided the provider thereof or the guarantor thereof is rated by at least two Rating Agencies, at the time of issuance, at least “AA”, “Aa” or “AA” (S&P, Moody’s or Fitch, respectively).

Letter of Representations. The term “Letter of Representations” means the letter of the District and the Trustee delivered to and accepted by the Depository on or prior to delivery of the 2015 Bonds as book entry bonds setting forth the basis on which the Depository serves as depository for such book entry bonds, as originally executed or as it may be supplemented or revised or replaced by a letter from the District and the Trustee delivered to and accepted by the Depository.

[Moody’s. The term “Moody’s” means Moody’s Investors Service, Inc., or any successor thereto.]

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

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

Nominee. The term “Nominee” means the nominee of the Depository, which may be the Depository, as determined from time to time pursuant to Section 2.08 hereof.

Office of the Trustee. The term “Office of the Trustee” means the principal corporate trust office of the Trustee in Los Angeles, California, provided that for purposes of payment, redemption, exchange, transfer, surrender and cancellation of 2015 Bonds, such term means the office of the Trustee at which it conducts its corporate agency business, or such other office as the Trustee may from time to time designate in writing to the District and the Owners.

Operation and Maintenance Costs of the Water System. The term “Operation and Maintenance Costs of the Water System” means (i) costs spent or incurred for maintenance and operation of the Water System calculated in accordance with generally accepted accounting principles, including (among other things) the reasonable expenses of management and repair and other expenses necessary to maintain and preserve the Water System in good repair and working order, and including administrative costs of the District that are charged directly or apportioned to the Water System, including but not limited to salaries and wages of employees, payments to the Public Employees Retirement System, overhead, insurance, taxes (if any), fees of auditors, accountants, attorneys, consultants or engineers and insurance premiums, and including all other reasonable and necessary costs of the District or charges (other than Debt Service) required to be paid by it to comply with the terms of this Indenture or any other Contract or of any resolution or indenture authorizing the issuance of any Bonds or of such Bonds, and (ii) all costs of water purchased or otherwise acquired for delivery by the Water System (including any interim or renewed arrangement therefor), including payments under agreements or other arrangements pursuant to which the District has agreed to treat costs thereunder as operating and maintenance costs, whether such arrangements are take-or-pay arrangements or otherwise, but excluding in all cases (Y) depreciation, replacement and obsolescence charges or reserves therefor and amortization of intangibles or other bookkeeping entries of a similar nature and (Z) any amounts transferred to the Rate Stabilization Fund.

Opinion of Counsel. The term “Opinion of Counsel” means a written opinion of counsel (including but not limited to counsel to the District) selected by the District. If and to the extent

required by the provisions of Section 1.02, each Opinion of Counsel shall include the statements provided for in Section 1.02.

Outstanding. The term “Outstanding,” when used as of any particular time with reference to 2015 Bonds, means (subject to the provisions of Section 11.09) all 2015 Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under the Indenture except: (i) 2015 Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (ii) 2015 Bonds with respect to which all liability of the District shall have been discharged in accordance with Section 10.02, including 2015 Bonds (or portions thereof) described in Section 11.09; and (iii) 2015 Bonds for the transfer or exchange of or in lieu of or in substitution for which other 2015 Bonds shall have been authenticated and delivered by the Trustee pursuant to the Indenture.

Owner; 2015 Bond Owner. The term “Owner” or “2015 Bond Owner,” whenever used herein with respect to a 2015 Bond, means the person in whose name the ownership of such 2015 Bond is registered on the Registration Books.

Parity Project. The term “Parity Project” means any additions, betterments, extensions or improvements to the District’s Water System designated by the Board of Directors of the District as a Parity Project, the acquisition and construction of which is to be paid for with the proceeds of any Contracts or Bonds.

Participants. The term “Participants” means those broker-dealers, banks and other financial institutions from time to time for which the Depository holds book entry certificates as Securities Depository.

Payment Fund. The term “Payment Fund” means the fund by that name established pursuant to Section 5.02.

Permitted Investments. The term “Permitted Investments” means any of the following obligations if and to the extent that they are permissible investments of funds of the District (provided that the Trustee shall be entitled to rely upon any investment directions from the District as conclusive certification to the Trustee that the investments described therein are permissible investment of funds of the District):

(a) Direct obligations of the United States (including obligations issued or held in book-entry form on the books of the Department of the Treasury, and CATS and TIGRS) or obligations the principal of and interest on which are unconditionally guaranteed by the United States.

(b) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States (stripped securities are only permitted if they have been stripped by the agency itself):

1. U.S. Export-Import Bank (“Eximbank”)
  - Direct obligations or fully guaranteed certificates of beneficial ownership

2. Farmers Home Administration (“FmHA”)
  - Certificates of beneficial ownership
3. Federal Financing Bank
4. Federal Housing Administration Debentures (“FHA”)
5. General Services Administration
  - Participation certificates
6. Government National Mortgage Association (“GNMA”)
  - GNMA - guaranteed mortgage-backed bonds
  - GNMA - guaranteed pass-through obligations (not acceptable for certain cash-flow sensitive issues)
7. United States Maritime Administration
  - Guaranteed Title XI financing
8. United States Department of Housing and Urban Development (“HUD”)
  - Project Notes
  - Local Authority Bonds
  - New Communities Debentures
  - United States government guaranteed debentures
  - United States Public Housing Notes and Bonds
  - United States government guaranteed public housing notes and bonds

(c) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit United States government agencies (stripped securities are only permitted if they have been stripped by the agency itself):

1. Federal Home Loan Bank System
  - Senior debt obligations
2. Federal Home Loan Mortgage Corporation (“FHLMC”)
  - Participation Certificates
  - Senior debt obligations
3. Federal National Mortgage Association (“FNMA”)
  - Mortgage-backed securities and senior debt obligations
4. Student Loan Marketing Association (“SLMA”)
  - Senior debt obligations
5. Resolution Funding Corporation obligations
6. Farm Credit System
  - Consolidated system-wide bonds and notes

(d) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of “AAAm-G,” “AAA-m” or “AA-m” and if rated by Moody’s rated “Aaa,” “Aa1” or “Aa2,” including such funds for which the Trustee, its affiliates or subsidiaries provide investment advisory or other management services or for which the Trustee or an affiliate of the Trustee serves as investment administrator, shareholder servicing agent, and/or custodian or subcustodian, notwithstanding that (i) the Trustee or an affiliate of the Trustee receives fees from funds for services rendered, (ii) the Trustee collects fees for services rendered pursuant to this Indenture, which fees are separate from the fees received from such funds, and (iii) services performed for such funds and pursuant to this Indenture may at times duplicate those provided to such funds by the Trustee or an affiliate of the Trustee.

(e) Certificates of deposit secured at all times by collateral described in clauses (a) and/or (b) above. Such certificates must be issued by commercial banks (including affiliates of the Trustee), savings and loan associations or mutual savings banks. The collateral must be held by a third party and the bondholders must have a perfected first security interest in the collateral.

(f) Certificates of deposit, savings accounts, deposit accounts or money market deposits (including those of the Trustee and its affiliates) which are fully insured by FDIC, or secured at all times by collateral described in clauses (a) and/or (b) above.

(g) Investment Agreements, including guaranteed investment contracts, forward purchase agreements and reserve fund put agreements.

(h) Commercial paper rated, at the time of purchase, “Prime-1” by Moody’s and “A-1” or better by S&P.

(i) Bonds or notes issued by any state or municipality which are rated by Moody’s and S&P in one of the two highest Rating Categories assigned by such agencies.

(j) Federal funds or bankers acceptances with a maximum term of one year of any bank (including those of the Trustee and its affiliates) which has an unsecured, uninsured and unguaranteed obligation rating of “Prime-1” or “A3” or better by Moody’s and “A-1” or “A” or better by S&P.

(k) Repurchase agreements for 30 days or less must follow the following criteria. Repurchase agreements which provide for the transfer of securities from a dealer bank or securities firm (seller/borrower) to a municipal entity (buyer/lender), and the transfer of cash from a municipal entity to the dealer bank or securities firm with an agreement that the dealer bank or securities firm will repay the cash plus a yield to the municipal entity in exchange for the securities at a specified date; and:

1. Repurchase agreements must be between the municipal entity and a dealer bank or securities firm;

A. Primary dealers on the Federal Reserve reporting dealer list which are rated “A” or better by S&P and Moody’s; or

B. Banks rated “A” or above by S&P and Moody’s.

2. The written repurchase agreements contract must include the following:

A. Securities which are acceptable for transfer are:

(1) Direct United States governments, or

(2) Federal agencies backed by the full faith and credit of the United States government (and FNMA & FHLMC)

B. The term of a repurchase agreement may be up to 30 days

C. The collateral must be delivered to the municipal entity, trustee (if trustee is not supplying the collateral) or third party acting as agent for the trustee (if the trustee is supplying the collateral) before/simultaneous with payment (perfection by possession of certificated securities).

D. Valuation of Collateral

(1) The securities must be valued weekly, marked to market at current market price plus accrued interest.

(2) The value of collateral must be equal to 104% of the amount of cash transferred by the municipal entity to the dealer bank or security firm under the repo plus accrued interest. If the value of securities held as collateral slips below 104% of the value of the cash transferred by municipality, then additional cash and/or acceptable securities must be transferred. If, however, the securities used as collateral are FNMA or FHLMC, then the value of collateral must equal 105%.

(3) A legal opinion must be delivered to the municipal entity to the effect that the repurchase agreement meets guidelines under state law for legal investment of public funds.

(l) The California Asset Management Program.

(m) Any state administered pooled investment fund in which the District is statutorily permitted or required to invest will be deemed a permitted investment, including, but not limited to the Local Agency Investment Fund in the treasury of the State.

Principal Account. The term “Principal Account” means the account by that name in the Payment Fund established pursuant to Section 5.02.

Rate Stabilization Fund. The term “Rate Stabilization Fund” means the District account designated by the District as account number 02-10314, together with other accounts created in the future and designated by action of the Board of Directors as a part of the Rate Stabilization Fund continued pursuant to Section 5.06.

Rating. The term “Rating” means any currently effective rating on the 2015 Bonds issued by a Rating Agency.



Rating Agencies. The term “Rating Agencies” means S&P [and Moody’s] if such rating agencies are then rating the 2015 Bonds.

Rebate Fund. The term “Rebate Fund” means the fund by that name established for the 2015 Bonds pursuant to Section 5.09.

Record Date. The term “Record Date” means, with respect to any Interest Payment Date, the fifteenth (15th) day of the calendar month preceding such Interest Payment Date, whether or not such day is a Business Day.

Recycled Water System. The term “Recycled Water System” means all properties and assets, real and personal, tangible and intangible, of the District now or hereafter existing, used or pertaining to the acquisition, treatment, transmission, distribution and sale of recycled water, including all additions, extensions, expansions, improvements and betterments thereto; provided, however, that to the extent the District is not the sole owner of an asset or property or to the extent that an asset or property is used in part for the above described water purposes, only the District’s ownership interest in such asset or property or only the part of the asset or property so used for water purposes shall be considered to be part of the Recycled Water System.

Redemption Date. The term “Redemption Date” means the date fixed for an optional redemption prior to maturity of the 2015 Bonds.

Redemption Fund. The term “Redemption Fund” means the fund by that name established pursuant to Section 5.05.

Redemption Price. The term “Redemption Price” means, with respect to any 2015 Bond (or portion thereof), the principal amount of such 2015 Bond (or portion) plus the interest accrued to the applicable Redemption Date and the applicable premium, if any, payable upon redemption thereof pursuant to the provisions of such 2015 Bond and the Indenture.

Registration Books. The term “Registration Books” means the records maintained by the Trustee for the registration of ownership and registration of transfer of the 2015 Bonds pursuant to Section 2.05.

Responsible Officer of the Trustee. The term “Responsible Officer of the Trustee” means any officer within the corporate trust division (or any successor group or department of the Trustee) including any vice president, assistant vice president, assistant secretary or any other officer or assistant officer of the Trustee customarily performing functions similar to those performed by the persons who at the time shall be such officers, respectively, with responsibility for the administration of the Indenture.

S&P. The term “S&P” means Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business, or any successor thereto.

Securities Depositories. The term “Securities Depositories” means The Depository Trust Company; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the District may designate in a Written Request of the District deliver to the Trustee.

State. The term “State” means the State of California.

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

Tax Certificate. The term “Tax Certificate” means the Tax Certificate dated the Closing Date, concerning certain matters pertaining to the use and investment of proceeds of the 2015 Bonds, issued by the District on the date of issuance of the 2015 Bonds, including any and all exhibits attached thereto.

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

2004 Certificates. The term “2004 Certificates” has the meaning assigned thereto in the WHEREAS clauses to this Indenture.

2004 Certificates Escrow Agreement. The term “2004 Certificates Escrow Agreement” means the 2004 Certificates Escrow Agreement, dated as of January 1, 2015, by and between the District and the 2004 Escrow Agent, as originally executed or as it may from time to time be amended or supplemented in accordance with its terms.

2004 Escrow Agent. The term “2004 Escrow Agent” means Wells Fargo Bank, National Association, as escrow agent pursuant to the terms of the 2004 Certificates Escrow Agreement, or its successor thereunder.

2004 Installment Purchase Contract. The term “2004 Installment Purchase Contract” means the Installment Purchase Contract, dated as of June 1, 2004, by and between the District and the Corporation, as originally executed and as it may from time to time be amended or supplemented in accordance therewith.

2004 Trust Agreement. The term “2004 Trust Agreement” means the Trust Agreement, dated as of June 1, 2004, by and among the District, the Corporation, and The Bank of New York Mellon Trust Company, N.A., as trustee thereunder.

2015 Bonds. The term “2015 Bonds” means the Yucaipa Valley Water District Water System Refunding Revenue Bonds, Series 2015A issued hereunder.

Valuation Date. “Valuation Date” means the fifth Business Day preceding the date of redemption.

Value. The term “Value,” which shall be determined as of the date of calculation, means that the value of any investments shall be calculated as follows:

(a) For the purpose of determining the amount of any fund, all Permitted Investments credited to such fund shall be valued at fair market value. The Trustee shall determine the fair market value based on accepted industry standards and from accepted industry providers. Accepted industry providers shall include, but are not limited to, pricing services provided by Financial Times Interactive Data Corporation, Bank of America Merrill Lynch, and Morgan Stanley Smith Barney.

(b) As to certificates of deposit and bankers' acceptances: the face amount thereof, plus accrued interest.

(c) As to any investment not specified above: market value, or, if the market value is not ascertainable by the District or the Trustee, at cost.

Water Service. The term "Water Service" means the water distribution service made available or provided by the Water System.

Water System. The term "Water System" means all properties and assets, real and personal, tangible and intangible, of the District now or hereafter existing, used or pertaining to the acquisition, treatment, transmission, distribution and sale of water, including all additions, extensions, expansions, improvements and betterments thereto but excluding the Recycled Water System; provided, however, that to the extent the District is not the sole owner of an asset or property or to the extent that an asset or property is used in part for the above described water purposes, only the District's ownership interest in such asset or property or only the part of the asset or property so used for water purposes shall be considered to be part of the Water System.

Water System Revenue Fund. The term "Water System Revenue Fund" means those District accounts designated by the District as account numbers 02-11001; 02-11019; 02-11020; 02-10401; and 0-10403 (excluding account numbers 02-10215; 02-10216; 02-10217; 02-10310; 02-10311; 02-10313; 02-10315; 02-10316; 02-10400; 02-10410; 02-10411; 02-10412; and 02-10413), together with other accounts created in the future and designated by action of the Board of Directors as a part of the Water System Revenue Fund established pursuant to Section 5.01(b).

Water System Revenues. The term "Water System Revenues" means all income, rents, rates, fees, charges and other moneys derived from or attributable the ownership or operation of the Water System calculated in accordance with generally accepted accounting principles, including, without limiting the generality of the foregoing,

(1) all proceeds of the Riverside County and the San Bernardino County 1% ad valorem property tax received by the District; plus

(2) all income, rents, rates, fees, charges, business interruption insurance proceeds or other moneys derived by the District from the sale, furnishing and supplying of water, or other services, facilities and commodities sold, furnished or supplied through the facilities of or in the conduct or operation of the business of the Water System; plus

(3) the development impact fees or similar charges related to the Water System; plus

(4) the earnings on and income derived from the investment of the amounts described in clauses (1) through (3) hereof, and from investment of amounts in the Water System Revenue Fund; plus

(5) the earnings on and income derived from investment of the District reserves allocated to the Water System; plus

(6) notwithstanding the application of generally accepted accounting principles, all amounts transferred from the Rate Stabilization Fund to the Water System Revenue Fund during any Fiscal Year in accordance with Section 5.06 hereof;

but excluding in all cases (i) any amounts transferred from the Water System Revenue Fund to the Rate Stabilization Fund during any Fiscal Year in accordance with Section 5.01(b)(iii) hereof, (ii) customer deposits or any other deposits or advances subject to refund until such deposits or advances have become the property of the District, and (iii) any proceeds of taxes restricted by law to be used by the District to pay obligations of the District other than Bonds or Contracts.

Written Consent of the District; Written Order of the District; Written Request of the District; Written Requisition of the District. The terms “Written Consent of the District,” “Written Order of the District,” “Written Request of the District,” and “Written Requisition of the District” mean, respectively, a written consent, order, request or requisition signed by or on behalf of the District by the President of its Board of Directors or its General Manager or by the Secretary of its Board of Directors or by any two persons (whether or not officers of the Board of Directors of the District) who are specifically authorized by resolution of the District to sign or execute such a document on its behalf.

Section 1.02. Content of Certificates and Opinions. Every certificate or opinion provided for in the Indenture except the certificate of destruction provided for in Section 11.05 hereof, with respect to compliance with any provision hereof shall include: (1) a statement that the person making or giving such certificate or opinion has read such provision and the definitions herein relating thereto; (2) a brief statement as to the nature and scope of the examination or investigation upon which the certificate or opinion is based; (3) a statement that, in the opinion of such person he has made or caused to be made such examination or investigation as is necessary to enable him to express an informed opinion with respect to the subject matter referred to in the instrument to which his signature is affixed; (4) a statement of the assumptions upon which such certificate or opinion is based, and that such assumptions are reasonable; and (5) a statement as to whether, in the opinion of such person, such provision has been complied with.

Section 1.03. Interpretation.

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

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

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

## ARTICLE II

### THE 2015 BONDS

Section 2.01. Authorization of 2015 Bonds. The District hereby authorizes the issuance hereunder from time to time of the 2015 Bonds, which shall constitute special obligations of the

District, for the purpose of refunding the outstanding 2004 Certificates. The 2015 Bonds are hereby designated the “Yucaipa Valley Water District Water System Refunding Revenue Bonds, Series 2015A” in the aggregate principal amount of \$\_\_\_\_\_. The Indenture constitutes a continuing agreement with the Owners from time to time of the 2015 Bonds to secure the full payment of the principal of and interest and premium (if any) on all the 2015 Bonds, subject to the covenants, provisions and conditions herein contained.

Section 2.02. Terms of the 2015 Bonds. The 2015 Bonds shall be issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple thereof.

(a) The 2015 Bonds shall mature on September 1 in each of the years and in the amounts set forth below and shall bear interest on each Interest Payment Date at the rates set forth below:

<i>Maturity Date</i> <i>(September 1)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>
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Interest on the 2015 Bonds shall be payable on each Interest Payment Date to the person whose name appears on the Registration Books as the Owner thereof as of the Record Date immediately preceding each such Interest Payment Date, such interest to be paid by check of the Trustee sent by first class mail on the applicable Interest Payment Date to the Owner at the address of such Owner as it appears on the Registration Books (except that in the case of an Owner of one million dollars (\$1,000,000) or more in principal amount, such payment may, at such Owner’s option, be made by wire transfer of immediately available funds to an account in the United States in accordance with written instructions provided to the Trustee by such Owner prior to the Record Date). Principal of and premium (if any) on any 2015 Bond shall be paid by check of the Trustee upon presentation and surrender thereof at maturity or upon the prior redemption thereof, at the Office of the Trustee. Both the principal of and interest and premium (if any) on the 2015 Bonds shall be payable in lawful money of the United States of America.

Each 2015 Bond shall be dated the date of initial delivery, and shall bear interest from the Interest Payment Date next preceding the date of authentication thereof unless: (a) it is authenticated after a Record Date and on or before the following Interest Payment Date, in which event it shall bear interest from such Interest Payment Date; or (b) unless it is authenticated on or before August 15,

2015, in which event it shall bear interest from the date of initial delivery; provided, however, that if, as of the date of authentication of any 2015 Bond, interest thereon is in default, such 2015 Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

Interest on the 2015 Bonds shall be calculated on the basis of a 360 day year composed of twelve 30 day months.

Section 2.03. Transfer of 2015 Bonds. Any 2015 Bond may, in accordance with its terms, be transferred on the Registration Books by the person in whose name it is registered, in person or by his or her duly authorized attorney, upon surrender of such 2015 Bond at the Office of the Trustee for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form acceptable to the Trustee. The Trustee shall not be required to register the transfer of any 2015 Bond during the period in which the Trustee is selecting 2015 Bonds for redemption and any 2015 Bond that has been selected for redemption.

Whenever any 2015 Bond or 2015 Bonds shall be surrendered for transfer, the District shall execute and the Trustee shall authenticate and shall deliver a new 2015 Bond or 2015 Bonds of authorized denomination or denominations for a like series and aggregate principal amount of the same maturity. The Trustee shall require the 2015 Bond Owner requesting such transfer to pay any tax or other governmental charge required to be paid with respect to such transfer. Following any transfer of 2015 Bonds, the Trustee will cancel and destroy the 2015 Bonds it has received.

Section 2.04. Exchange of 2015 Bonds. 2015 Bonds may be exchanged at the Office of the Trustee for a like aggregate principal amount of other authorized denominations of the same series and maturity. The Trustee shall not be required to exchange any 2015 Bond during the period in which the Trustee is selecting 2015 Bonds for redemption and any 2015 Bond that has been selected for redemption. The Trustee shall require the 2015 Bond Owner requesting such exchange to pay any tax or other governmental charge required to be paid with respect to such exchange. Following any exchange of 2015 Bonds, the Trustee will cancel and destroy the 2015 Bonds it has received.

Section 2.05. Registration Books. The Trustee will keep or cause to be kept, at the Office of the Trustee, sufficient records for the registration and transfer of ownership of the 2015 Bonds, which shall upon reasonable notice and at reasonable times be open to inspection during regular business hours by the District and the Owners; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on such records, the ownership of the 2015 Bonds as hereinbefore provided.

The person in whose name any 2015 Bond shall be registered shall be deemed the Owner thereof for all purposes hereof, and payment of or on account of the interest on and principal and Redemption Price of by such 2015 Bonds shall be made only to or upon the order in writing of such registered Owner, which payments shall be valid and effectual to satisfy and discharge liability upon such 2015 Bond to the extent of the sum or sums so paid.

Section 2.06. Form and Execution of 2015 Bonds. The 2015 Bonds shall be in substantially the form set forth in Exhibit A hereto. The 2015 Bonds shall be executed in the name and on behalf of the District with the manual or facsimile signature of its President. The 2015 Bonds may carry a seal, and such seal may be in the form of a facsimile of the District's seal and may be reproduced, imprinted or impressed on the 2015 Bonds. The 2015 Bonds shall then be delivered to

the Trustee for authentication by it. In case any of the officers who shall have signed or attested any of the 2015 Bonds shall cease to be such officer or officers of the District before the 2015 Bonds so signed or attested shall have been authenticated or delivered by the Trustee, or issued by the District, such 2015 Bonds may nevertheless be authenticated, delivered and issued and, upon such authentication, delivery and issue, shall be as binding upon the District as though those who signed and attested the same had continued to be such officers of the District, and also any 2015 Bonds may be signed and attested on behalf of the District by such persons as at the actual date of execution of such 2015 Bonds shall be the proper officers of the District although at the nominal date of such 2015 Bonds any such person shall not have been such officer of the District.

Only such of the 2015 Bonds as shall bear thereon a certificate of authentication substantially in the form set forth in Exhibit A hereto, manually executed by the Trustee, shall be valid or obligatory for any purpose or entitled to the benefits of the Indenture, and such certificate of or on behalf of the Trustee shall be conclusive evidence that the 2015 Bonds so authenticated have been duly executed, authenticated and delivered hereunder and are entitled to the benefits of the Indenture.

Section 2.07. 2015 Bonds Mutilated, Lost, Destroyed or Stolen. If any 2015 Bond shall become mutilated, the District, at the expense of the Owner of said 2015 Bond, shall execute, and the Trustee shall thereupon authenticate and deliver, a new 2015 Bond of like tenor, series and authorized denomination in exchange and substitution for the 2015 Bonds so mutilated, but only upon surrender to the Trustee of the 2015 Bond so mutilated. Every mutilated 2015 Bond so surrendered to the Trustee shall be canceled by it. If any 2015 Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and, if such evidence be satisfactory to the Trustee and indemnity satisfactory to the Trustee shall be given, the District, at the expense of the Owner, shall execute, and the Trustee shall thereupon authenticate and deliver, a new 2015 Bond of like tenor, series and authorized denomination in lieu of and in substitution for the 2015 Bond so lost, destroyed or stolen (or if any such 2015 Bond shall have matured or shall be about to mature, instead of issuing a substitute 2015 Bond, the Trustee may pay the same without surrender thereof). The District may require payment by the Owner of a sum not exceeding the actual cost of preparing each new 2015 Bond issued under this Section and of the expenses which may be incurred by the District and the Trustee in connection therewith. Any 2015 Bond issued under the provisions of this Section in lieu of any 2015 Bond alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the District whether or not the 2015 Bond so alleged to be lost, destroyed, or stolen be at any time enforceable by anyone, and shall be entitled to the benefits of the Indenture with all other 2015 Bonds secured by the Indenture. Notwithstanding any other provision of this Section, in lieu of delivering a new 2015 Bond for a 2015 Bond which has been mutilated, lost, destroyed or stolen and which has matured or has been selected for redemption, the Trustee may make payment of such 2015 Bond upon receipt of indemnity satisfactory to the Trustee.

Section 2.08. Book Entry System.

(a) Election of Book Entry System. Prior to the issuance of the 2015 Bonds, the District may provide that such 2015 Bonds shall be initially issued as book entry 2015 Bonds. If the District shall elect to deliver any 2015 Bonds in book entry form, then the District shall cause the delivery of a separate single fully registered bond (which may be typewritten) for each maturity date of such 2015 Bonds in an authorized denomination corresponding to that total principal amount of the 2015 Bonds designated to mature on such date. Upon initial issuance, the ownership of each such 2015 Bond shall be registered in the 2015 Bond Registration Books in the name of the Nominee, as

nominee of the Depository, and ownership of the 2015 Bonds, or any portion thereof may not thereafter be transferred except as provided in Section 2.08(e).

With respect to book entry 2015 Bonds, the District and the Trustee shall have no responsibility or obligation to any Participant or to any person on behalf of which such a Participant holds an interest in such book entry 2015 Bonds. Without limiting the immediately preceding sentence, the District and the Trustee shall have no responsibility or obligation with respect to: (i) the accuracy of the records of the Depository, the Nominee, or any Participant with respect to any ownership interest in book entry 2015 Bonds; (ii) the delivery to any Participant or any other person, other than an Owner as shown in the 2015 Bond Registration Books, of any notice with respect to book entry 2015 Bonds, including any notice of redemption; (iii) the selection by the Depository and its Participants of the beneficial interests in book entry 2015 Bonds to be redeemed in the event the District redeems the 2015 Bonds in part; or (iv) the payment by the Depository or any Participant or any other person, of any amount of principal of, premium, if any, or interest on book entry 2015 Bonds. The District and the Trustee may treat and consider the person in whose name each book entry 2015 Bond is registered in the 2015 Bond Registration Books as the absolute Owner of such book entry 2015 Bond for the purpose of payment of principal of, premium and interest on such 2015 Bond, for the purpose of giving notices of redemption and other matters with respect to such 2015 Bond, for the purpose of registering transfers with respect to such 2015 Bond, and for all other purposes whatsoever. The Trustee shall pay all principal of, premium, if any, and interest on the 2015 Bonds only to or upon the order of the respective Owner, as shown in the 2015 Bond Registration Books, or his respective attorney duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the District's obligations with respect to payment of principal of, premium, if any, and interest on the 2015 Bonds to the extent of the sum or sums so paid. No person other than an Owner, as shown in the 2015 Bond Registration Books, shall receive a 2015 Bond evidencing the obligation to make payments of principal of, premium, if any, and interest on the 2015 Bonds. Upon delivery by the Depository to the District and the Trustee of written notice to the effect that the Depository has determined to substitute a new nominee in place of the Nominee, and subject to the provisions herein with respect to Record Dates, the word Nominee in the Indenture shall refer to such nominee of the Depository.

(b) Delivery of Letter of Representations. In order to qualify the book entry 2015 Bonds for the Depository's book entry system, the District and the Trustee shall execute and deliver to the Depository a Letter of Representations. The execution and delivery of a Letter of Representations shall not in any way impose upon the District or the Trustee any obligation whatsoever with respect to persons having interests in such book entry 2015 Bonds other than the Owners, as shown on the 2015 Bond Registration Books. By executing a Letter of Representations, the Trustee shall agree to take all action necessary at all times so that the Trustee will be in compliance with all representations of the Trustee in such Letter of Representations. In addition to the execution and delivery of a Letter of Representations, the District and the Trustee shall take such other actions, not inconsistent with the Indenture, as are reasonably necessary to qualify book entry 2015 Bonds for the Depository's book entry program.

(c) Selection of Depository. In the event that: (i) the Depository determines not to continue to act as Securities Depository for book entry 2015 Bonds; or (ii) the District determines that continuation of the book entry system is not in the best interest of the beneficial owners of the 2015 Bonds or the District, then the District will discontinue the book entry system with the Depository. If the District determines to replace the Depository with another qualified Securities Depository, the District shall prepare or direct the preparation of a new single, separate, fully



registered 2015 Bond for each of the maturity dates of such book entry 2015 Bonds, registered in the name of such successor or substitute qualified Securities Depository or its Nominee as provided in subsection (e) hereof. If the District fails to identify another qualified Securities Depository to replace the Depository, then the 2015 Bonds shall no longer be restricted to being registered in such 2015 Bond Registration Books in the name of the Nominee, but shall be registered in whatever name or names the Owners transferring or exchanging such 2015 Bonds shall designate, in accordance with the provisions of Sections 2.03 and 2.04 hereof.

(d) Payments To Depository. Notwithstanding any other provision of the Indenture to the contrary, so long as all Outstanding 2015 Bonds are held in book entry form and registered in the name of the Nominee, all payments of principal of, redemption premium, if any, and interest on such 2015 Bond and all notices with respect to such 2015 Bond shall be made and given, respectively to the Nominee, as provided in the Letter of Representations or as otherwise instructed by the Depository and agreed to by the Trustee notwithstanding any inconsistent provisions herein.

(e) Transfer of 2015 Bonds to Substitute Depository.

(i) The 2015 Bonds shall be initially issued as provided in Section 2.01 hereof. Registered ownership of such 2015 Bonds, or any portions thereof, may not thereafter be transferred except:

(A) to any successor of DTC or its nominee, or of any substitute depository designated pursuant to clause (B) of subsection (i) of this Section 2.08(e) (“Substitute Depository”); provided that any successor of DTC or Substitute Depository shall be qualified under any applicable laws to provide the service proposed to be provided by it;

(B) to any Substitute Depository, upon: (1) the resignation of DTC or its successor (or any Substitute Depository or its successor) from its functions as depository; or (2) a determination by the District that DTC (or its successor) is no longer able to carry out its functions as depository; provided that any such Substitute Depository shall be qualified under any applicable laws to provide the services proposed to be provided by it; or

(C) to any person as provided below, upon: (1) the resignation of DTC or its successor (or any Substitute Depository or its successor) from its functions as depository; or (2) a determination by the District that DTC or its successor (or Substitute Depository or its successor) is no longer able to carry out its functions as depository.

(ii) In the case of any transfer pursuant to clause (A) or clause (B) of subsection (i) of this Section 2.08(e), upon receipt of all Outstanding 2015 Bonds by the Trustee, together with a Written Request of the District to the Trustee designating the Substitute Depository, a single new 2015 Bond, which the District shall prepare or cause to be prepared, shall be issued for each maturity of 2015 Bonds then Outstanding, registered in the name of such successor or such Substitute Depository or their Nominees, as the case may be, all as specified in such Written Request of the District. In the case of any transfer pursuant to clause (C) of subsection (i) of this Section 2.08(e), upon receipt of all Outstanding 2015 Bonds by the Trustee, together with a Written Request of the District to the Trustee, new 2015 Bonds, which the District shall prepare or cause to be prepared, shall be issued in such denominations and registered in the names of such persons as are requested in such Written Request of the District, subject to the limitations of Section 2.01 hereof,

provided that the Trustee shall not be required to deliver such new 2015 Bonds within a period of less than sixty (60) days from the date of receipt of such Written Request from the District.

(iii) In the case of a partial redemption or an advance refunding of any 2015 Bonds evidencing a portion of the principal maturing in a particular year, DTC or its successor (or any Substitute Depository or its successor) shall make an appropriate notation on such 2015 Bonds indicating the date and amounts of such reduction in principal, in form acceptable to the Trustee, all in accordance with the Letter of Representations. The Trustee shall not be liable for such Depository's failure to make such notations or errors in making such notations and the records of the Trustee as to the Outstanding principal amount of such 2015 Bonds shall be controlling.

(iv) The District and the Trustee shall be entitled to treat the person in whose name any 2015 Bond is registered as the Owner thereof for all purposes of the Indenture and any applicable laws, notwithstanding any notice to the contrary received by the Trustee or the District; and the District and the Trustee shall have no responsibility for transmitting payments to, communicating with, notifying, or otherwise dealing with any beneficial owners of the 2015 Bonds. Neither the District nor the Trustee shall have any responsibility or obligation, legal or otherwise, to any such beneficial owners or to any other party, including DTC or its successor (or Substitute Depository or its successor), except to the Owner of any 2015 Bonds, and the Trustee may rely conclusively on its records as to the identity of the Owners of the 2015 Bonds.

### ARTICLE III

#### ISSUANCE OF 2015 BONDS; APPLICATION OF PROCEEDS

Section 3.01. Issuance of the 2015 Bonds. At any time after the execution of the Indenture, the District may execute and the Trustee shall authenticate and, upon Written Request of the District, deliver the 2015 Bonds in the aggregate principal amount of \$\_\_\_\_\_.

Section 3.02. Application of Proceeds of the 2015 Bonds and Certain Other Moneys. The proceeds received from the sale of the 2015 Bonds (other than \$\_\_\_\_\_ paid by the initial purchasers of the 2015 Bonds directly to the Bond Insurer) shall be deposited with the Trustee, who shall transfer: (a) \$\_\_\_\_\_ from the proceeds of the 2015 Bonds to the 2004 Escrow Agent for deposit in the 2004 Certificates Escrow Fund (as such term is defined in the 2004 Certificates Escrow Agreement) and (b) deposit the amount of \$\_\_\_\_\_ from the proceeds of the 2015 Bonds in the Costs of Issuance Fund. The Trustee may establish temporary funds or accounts in its records to record and facilitate such deposits and transfer.

Section 3.03. Establishment and Application of Costs of Issuance Fund. The Trustee shall establish, maintain and hold in trust a separate fund designated as the "Costs of Issuance Fund." The moneys in the Costs of Issuance Fund shall be used and withdrawn by the Trustee to pay the Costs of Issuance upon submission of Requisitions of the District stating the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred, that such payment is proper charge against said fund and that payment for such charge has not previously been made. Each such Requisition of the District shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts. On the six month anniversary of the issuance of the 2015 Bonds, or upon the earlier Written Request of the District, all amounts remaining in the Costs of Issuance Fund shall be transferred by the Trustee to the Interest

Account and the Costs of Issuance Fund shall be closed. Investment earnings on amounts on deposit in the Costs of Issuance Fund shall be retained in the Cost of Issuance Fund.

Section 3.04. Validity of 2015 Bonds. The validity of the authorization and issuance of the 2015 Bonds is not dependent on and shall not be affected in any way by any proceedings taken by the District or the Trustee with respect to any other agreement. The recital contained in the 2015 Bonds that the same are issued pursuant to the Constitution and laws of the State shall be conclusive evidence of the validity and of compliance with the provisions of law in their issuance.

ARTICLE IV

REDEMPTION OF 2015 BONDS

Section 4.01. Terms of Redemption.

(a) The 2015 Bonds shall be subject to extraordinary redemption prior to their respective stated maturities, as a whole or in part on any date in the order of maturity and within maturities as directed by the District in a Written Request provided to the Trustee at least 60 days (or such lesser number of days acceptable to the Trustee in the sole discretion of the Trustee, such notice for the convenience of the Trustee) prior to such date and by lot within each maturity in integral multiples of \$5,000 from Net Proceeds, upon the terms and conditions of, and as provided for in, Sections 6.06 and 6.12, at a Redemption Price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption, without premium.

(b) The 2015 Bonds with stated maturities on or after September 1, 20\_\_ shall be subject to redemption prior to their respective stated maturities, as a whole or in part on any date in the order of maturity as directed by the District in a Written Request provided to the Trustee at least 60 days (or such lesser number of days acceptable to the Trustee in the sole discretion of the Trustee, such notice for the convenience of the Trustee) prior to such date and by lot within each maturity in integral multiples of \$5,000, on or after September 1, 20\_\_ at a Redemption Price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption, without premium

(c) The 2015 Bonds with stated maturities on September 1, 20\_\_ are subject to mandatory sinking fund redemption in part (by lot), on each September 1 on and after September 1, 20\_\_ in integral multiples of \$5,000 at a Redemption Price of the principal amount thereof plus accrued interest evidenced thereby to the date fixed for redemption, without premium, in accordance with the following schedule:

<i>Redemption Date</i>	<i>Principal</i>
<i>(September 1)</i>	<i>Amount</i>

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\* Final Maturity.

In the event of a redemption pursuant to Section 4.01(a) and (b) above the District shall provide the Trustee with a revised sinking fund schedule giving effect to the redemption so completed.

Section 4.02. Selection of 2015 Bonds for Redemption. Whenever provision is made in the Indenture for the redemption of less than all of the 2015 Bonds, the Trustee shall select the 2015 Bonds for redemption as a whole or in part on any date as directed by the District and approved in writing by the Insurer (so long as the Insurer has not defaulted on any obligation under the Insurance Policy), and by lot within each maturity in integral multiples of \$5,000 in accordance with Section 4.01 hereof. The Trustee will promptly notify the District in writing of the numbers of the 2015 Bonds or portions thereof so selected for redemption.

Section 4.03. Notice of Redemption. Notice of redemption (other than mandatory sinking fund redemption) shall be mailed by first class mail at least twenty (20) days but not more than sixty (60) days before any Redemption Date, to the respective Owners of any 2015 Bonds designated for redemption at their addresses appearing on the Registration Books, to the Securities Depositories and the Information Services; provided that, in the case of notice of optional redemption not related to an advance or current refunding, such notice may be given only if sufficient funds have been deposited with the Trustee to pay the applicable Redemption Price of the 2015 Bonds to be redeemed, provided that such notice may be cancelled by the District upon Written Request delivered to the Trustee not less than five (5) days prior to such Redemption Date. Each notice of redemption shall state the date of notice, the Redemption Date, the place or places of redemption, the Redemption Price, will designate the maturities, CUSIP numbers, if any, and, if less than all 2015 Bonds of any such maturity are to be redeemed, the serial numbers of the 2015 Bonds of such maturity to be redeemed by giving the individual number of each 2015 Bond or by stating that all 2015 Bonds between two stated numbers, both inclusive, have been called for redemption and, in the case of 2015 Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice shall also state that on the Redemption Date there will become due and payable on each of said 2015 Bonds or parts thereof designated for redemption the Redemption Price thereof or of said specified portion of the principal thereof in the case of a 2015 Bond to be redeemed in part only, together with interest accrued thereon to the Redemption Date, and that (provided that moneys for redemption have been deposited with the Trustee) from and after such Redemption Date interest thereon shall cease to accrue, and shall require that such 2015 Bonds be then surrendered to the Trustee. Neither the failure to receive such notice nor any defect in the notice or the mailing thereof will affect the validity of the redemption of any 2015 Bond. Notice of redemption of 2015 Bonds shall be given by the Trustee at the expense of the District.

With respect to any notice of optional redemption of 2015 Bonds, such notice shall state that such redemption shall be conditional upon the receipt by the Trustee on or prior to the date fixed for such redemption of moneys sufficient to pay the principal of, premium, if any, and interest on such 2015 Bonds to be redeemed and that, if such moneys shall not have been so received, said notice shall be of no force and effect and the Trustee shall not be required to redeem such 2015 Bonds. In the event that such notice of redemption contains such a condition and such moneys are not so received, the redemption shall not be made, and the Trustee shall within a reasonable time thereafter give notice, in the manner in which the notice of redemption was given, that such moneys were not so received.

Section 4.04. Partial Redemption of 2015 Bonds. Upon surrender of any 2015 Bond redeemed in part only, the District shall execute and the Trustee shall authenticate and deliver to the

Owner thereof, at the expense of the District, a new 2015 Bond or 2015 Bonds of authorized denominations equal in aggregate principal amount to the unredeemed portion of the 2015 Bonds surrendered and of the same series, interest rate and maturity.

Section 4.05. Effect of Redemption. Notice of redemption having been duly given as aforesaid, and moneys for payment of the Redemption Price of, together with interest accrued to the date fixed for redemption on, the 2015 Bonds (or portions thereof) so called for redemption being held by the Trustee, on the Redemption Date designated in such notice, the 2015 Bonds (or portions thereof) so called for redemption shall become due and payable, interest on the 2015 Bonds so called for redemption shall cease to accrue, said 2015 Bonds (or portions thereof) shall cease to be entitled to any benefit or security under the Indenture, and the Owners of said 2015 Bonds shall have no rights in respect thereof except to receive payment of the Redemption Price thereof. The Trustee shall, upon surrender for payment of any of the 2015 Bonds to be redeemed on their Redemption Dates, pay such 2015 Bonds at the Redemption Price.

All 2015 Bonds redeemed pursuant to the provisions of this Article shall be canceled upon surrender thereof.

#### ARTICLE V

#### WATER SYSTEM REVENUES, FUNDS AND ACCOUNTS; PAYMENT OF PRINCIPAL AND INTEREST

##### Section 5.01. Pledge and Assignment; Revenue Funds.

(a) All of the Water System Revenues, all amounts held in the Water System Revenue Fund described in subsection (b) below, the Rate Stabilization Fund described in Section 5.06 below and any other amounts (including proceeds of the sale of the 2015 Bonds) held in any fund or account established pursuant to the Indenture (except the Rebate Fund) are hereby irrevocably pledged to secure the payment of the principal of and interest, and the premium, if any, on the 2015 Bonds in accordance with their terms and the provisions of the Indenture, subject however to the pledge thereon securing Bonds and Contracts, and the Water System Revenues shall not be used for any other purpose while the 2015 Bonds remain Outstanding; provided that out of the Water System Revenues and amounts on deposit in the Rate Stabilization Fund there may be apportioned such sums for such purposes as are expressly permitted herein. Said pledge, together with the pledge created for the benefit of other Bonds and Contracts, shall constitute a first lien on and security interest on Water System Revenues and, subject to application of Water System Revenues and all amounts on deposit in the Water System Revenue Fund and the Rate Stabilization Fund as permitted herein, the Water System Revenue Fund, the Rate Stabilization Fund and other funds and accounts created hereunder for the payment of the principal of and interest, and the premium, if any, on the 2015 Bonds in accordance with the terms hereof, and shall attach, be perfected and be valid and binding from and after the Closing Date, without any physical delivery thereof or further act and shall be valid and binding against all parties having claims of any kind in tort, contract or otherwise against the District, irrespective of whether such parties have notice hereof.

(b) In order to carry out and effectuate the pledge and lien contained herein, the District agrees and covenants to receive all Water System Revenues in trust hereunder and the Water

System Revenues shall be deposited when and as received in a special fund designated as the “Water System Revenue Fund”. The District agrees and covenants to maintain the Water System Revenue Fund and to hold the Water System Revenue Fund separate and apart from other funds so long as the 2015 Bonds remain unpaid. Moneys in the Water System Revenue Fund shall be held in trust by the District and shall be applied, used and withdrawn by the District for the purposes set forth in this Section.

(c) The District shall, from the moneys in the Water System Revenue Fund, pay all Water System Operation and Maintenance Costs (including amounts reasonably required to be set aside in contingency reserves for Water System Operation and Maintenance Costs, the payment of which is not then immediately required) as such Water System Operation and Maintenance Costs become due and payable.

(d) All remaining moneys in the Water System Revenue Fund shall be applied by the District at the following times for the transfer to the following respective special funds in the following order of priority; and all moneys in each of such funds shall be held in trust and shall be applied, used and withdrawn only for the purposes set forth in this Section:

(i) Interest and Principal Payments. Not later than six (6) Business Days prior to each Interest Payment Date, the District shall, from the moneys in the Water System Revenue Fund, transfer to the Trustee for deposit in the Payment Fund the amount, if any, necessary for the payments of interest and principal, including mandatory sinking fund installments, if any, on the 2015 Bonds due and payable on such Interest Payment Date. The District shall also, from the moneys in the Water System Revenue Fund, transfer to the applicable trustee for deposit in the respective payment fund, without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, any other Debt Service in accordance with the provisions of any Bond or Contract.

(ii) Reserve Funds. Not later than six (6) Business Days prior to each Interest Payment Date, the District shall, from the remaining moneys in the Water System Revenue Fund, thereafter, without preference or priority and in the event of any insufficiency of such moneys ratably without any discrimination or preference, transfer to the applicable trustee for such other reserve funds and/or accounts, if any, as may have been established in connection with Bonds or Contracts, that sum, if any, necessary to restore such funds or accounts to an amount equal to the reserve requirement with respect thereto.

(iii) Policy Costs and Insurer Reimbursement Amounts. The District shall, from the remaining moneys in the Water System Revenue Fund, pay Policy Costs or Insurer Reimbursement Amounts to the Insurer (as such terms are defined herein), to the extent such amounts are due and payable.

(iv) Surplus. Moneys on deposit in the Water System Revenue Fund on any date when the District reasonably expects such moneys will not be needed for the payment of Water System Operation and Maintenance Costs, or for any of the purposes described in clauses (e)(i), (e)(ii) or (e)(iii) may be expended by the District on payments of principal of and interest on notes, bonds, contracts or other obligations payable from Water System Net Revenues subordinate to the payments described in clauses (e)(i), (e)(ii) and (e)(iii) above or for any other purpose permitted by law, including, but not limited to the deposit of amounts in the Rate Stabilization Fund in accordance with Section 5.06.

(e) All moneys held by the District in the Water System Revenue Fund shall be invested in Permitted Investments and the investment earnings thereon shall remain on deposit therein.

Section 5.02. Application of Payment Fund. There is hereby established with the Trustee the Payment Fund, which the Trustee covenants to maintain and hold in trust separate and apart from other funds held by it so long as any principal of and interest on the 2015 Bonds remain unpaid. Except as directed herein, all payments of interest and principal on the 2015 Bonds transferred by the District from the Water System Revenue Fund to the Payment Fund pursuant to Section 5.01(b) shall be promptly deposited by the Trustee upon receipt thereof into the Payment Fund; except that all moneys received by the Trustee and required hereunder to be deposited in the Redemption Fund shall be promptly deposited therein. All payments of interest and principal on the 2015 Bonds deposited with the Trustee shall be held, disbursed, allocated and applied by the Trustee only as provided in the Indenture. The Trustee shall also establish and hold an Interest Account and a Principal Account within the Payment Fund.

The Trustee shall transfer from the Payment Fund and deposit into the following respective accounts the following amounts in the following order of priority and at the following times, the requirements of each such account (including the making up of any deficiencies in any such account resulting from lack of Water System Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account subsequent in priority:

(a) Not later than the Business Day preceding each Interest Payment Date, the Trustee shall deposit in the Interest Account that sum, if any, required to cause the aggregate amount on deposit in the Interest Account to be at least equal to the amount of interest becoming due and payable on such Interest Payment Date on all 2015 Bonds then Outstanding. No deposit need be made into the Interest Account so long as there shall be in such fund moneys sufficient to pay the interest becoming due and payable on such Interest Payment Date on all 2015 Bonds then Outstanding.

(b) Not later than the Business Day preceding each date on which the principal of the 2015 Bonds shall become due and payable hereunder, the Trustee shall deposit in the Principal Account that sum, if any, required to cause the aggregate amount on deposit in the Principal Account to equal the principal amount of the 2015 Bonds coming due and payable on such date or subject to mandatory sinking fund redemption on such date. No deposit need be made into the Principal Account so long as there shall be in such fund moneys sufficient to pay the principal becoming due and payable on such date on all 2015 Bonds then Outstanding.

Section 5.03. Application of Interest Account. All amounts in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying interest on the 2015 Bonds as it shall become due and payable (including accrued interest on any 2015 Bonds purchased or accelerated prior to maturity pursuant to the Indenture).

Section 5.04. Application of Principal Account. All amounts in the Principal Account shall be used and withdrawn by the Trustee solely to pay the principal amount of the 2015 Bonds at maturity, mandatory sinking fund redemption, purchase or acceleration; provided, however, that at any time prior to selection for redemption of any such 2015 Bonds, upon written direction of the District, the Trustee shall apply such amounts to the purchase of 2015 Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued

interest, which is payable from the Interest Account) as shall be directed pursuant to a Written Request of the District, except that the purchase price (exclusive of accrued interest) may not exceed the Redemption Price then applicable to the 2015 Bonds.

Section 5.05. Application of Redemption Fund. There is hereby established with the Trustee a special fund designated as the "Redemption Fund." All amounts in the Redemption Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the Redemption Price of the 2015 Bonds to be redeemed on any Redemption Date pursuant to Section 4.01; provided, however, that at any time prior to selection for redemption of any such 2015 Bonds, upon written direction of the District, the Trustee shall apply such amounts to the purchase of 2015 Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as shall be directed pursuant to a Written Request of the District, except that the purchase price (exclusive of accrued interest) may not exceed the Redemption Price then applicable to the 2015 Bonds.

Section 5.06. Rate Stabilization Fund. There is hereby continued a special fund designated as the "Rate Stabilization Fund" to be held by the District in trust hereunder, which fund the District agrees and covenants to maintain and to hold separate and apart from other funds so long as any 2015 Bonds remain unpaid. On the date of execution of the Indenture, the District has on deposit \$[500,209.14] in the Rate Stabilization Fund. Money transferred by the District from the Water System Revenue Fund to the Rate Stabilization Fund in accordance with Section 5.01(e)(iv) shall be held in the Rate Stabilization Fund and applied in accordance with the Indenture.

The District may withdraw all or any portion of the amounts on deposit in the Rate Stabilization Fund and transfer such amounts to the Water System Revenue Fund for application in accordance with Section 5.01 hereof or, in the event that all or a portion of the 2015 Bonds are discharged in accordance with Article X hereof, transfer all or any portion of such amounts for application in accordance with said Article X. Amounts transferred from the Rate Stabilization Fund to the Water System Revenue Fund pursuant to this Section 5.06 during or within 270 days after a Fiscal Year, may be taken into account as Water System Revenues for purposes of the calculations in Sections 5.11 and 6.12(a) in such Fiscal Year.

Section 5.07. [RESERVED]

Section 5.08. Investments. All moneys in any of the funds or accounts established with the District or the Trustee pursuant to the Indenture shall be invested by the District or the Trustee, as the case may be, solely in Permitted Investments, which will, as nearly as practicable, mature on or before the dates when such moneys are anticipated to be needed for disbursement. Any investments by the Trustee shall be directed by the District pursuant to a Written Request of the District filed with the Trustee at least two (2) Business Days in advance of the making of such investments (which directions shall be promptly confirmed to the Trustee in writing). In the absence of any such directions from the District, the Trustee shall invest any such moneys in Permitted Investments described in clause (d) of the definition thereof; provided, however, that any such investment shall be made by the Trustee only if, prior to the date on which such investment is to be made, the Trustee shall have received a written direction from the District specifying a specific money market fund and, if no such written direction from the District is so received, the Trustee shall hold such moneys uninvested. Obligations purchased as an investment of moneys in any fund shall be deemed to be part of such fund or account.



All interest or gain derived from the investment of amounts in any of the funds or accounts established hereunder shall be deposited in the Interest Account unless otherwise provided in the Indenture, except that the investment earnings on the Rate Stabilization Fund shall be transferred to the Water System Revenue Fund upon receipt thereof as directed by the District. For purposes of acquiring any investments hereunder, the Trustee may commingle funds (other than the Rebate Fund) held by it hereunder. The Trustee may act as principal or agent in the acquisition or disposition of any investment and may impose its customary charges therefor. The Trustee shall incur no liability for losses arising from any investments made pursuant to this Section 5.08.

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

The Trustee may make any investments hereunder through its own bond or investment department or trust investment department, or those of its parent or an affiliate. The Trustee or any of its affiliates may act as sponsor, advisor or manager in connection with any investments made by the Trustee hereunder. The Trustee or any of its affiliates may act as sponsor, advisor or manager in connection with any investments made by the Trustee under the Indenture.

The District shall invest, or cause to be invested, all moneys in any fund or accounts established with the Trustee as provided in the Tax Certificate.

For investment purposes, the Trustee may commingle the funds and accounts established hereunder, but shall account for each separately. In making any valuations of investments hereunder, the Trustee may utilize and rely on computerized securities pricing services that may be available to the Trustee, including those available through the Trustee accounting system.

Section 5.09. Rebate Fund.

(a) Establishment. The Trustee shall establish a fund for the 2015 Bonds designated the "Rebate Fund." Except as may otherwise be approved by an opinion of Bond Counsel that the exclusion from gross income for federal income tax purposes of interest on the 2015 Bonds will not be adversely affected, the District shall cause to be deposited in the Rebate Fund such amounts as are required to be deposited therein pursuant to this Section and the Tax Certificate. All money at any time deposited in the Rebate Fund shall be held by the Trustee in trust for payment to the United States Treasury. All amounts on deposit in the Rebate Fund for the 2015 Bonds shall be governed by this Section and the Tax Certificate, unless and to the extent that the District delivers to the Trustee an opinion of Bond Counsel that the exclusion from gross income for federal income tax purposes of interest on the 2015 Bonds will not be adversely affected if such requirements are not satisfied. Notwithstanding anything to the contrary contained herein or in the Tax Certificate, the Trustee: (i) shall be deemed conclusively to have complied with the provisions hereof and thereof if it follows all Requests of the District; and (ii) shall have no liability or responsibility to enforce

compliance by the District with the terms of this Section and the Tax Certificate; and (iii) may rely conclusively on the District's calculations and determinations and certifications relating to rebate matters; and (iv) shall have no responsibility to independently make any calculations or determinations or to review the District's calculations or determinations thereunder.

(i) Annual Computation. Within 55 days of the end of each Bond Year (as such term is defined in the Tax Certificate), the District shall calculate or cause to be calculated the amount of rebatable arbitrage, in accordance with Section 148(f)(2) of the Code and Section 1.148-3 of the Treasury Regulations (taking into account any applicable exceptions with respect to the computation of the rebatable arbitrage, described, if applicable, in this Section or the Tax Certificate (e.g., the temporary investments exceptions of Section 148(f)(4)(B) and the construction expenditures exception of Section 148(f)(4)(C) of the Code), and taking into account whether the election pursuant to Section 148(f)(4)(C)(vii) of the Code (the "1½% Penalty") has been made), for this purpose treating the last day of the applicable Bond Year as a computation date, within the meaning of Section 1.148-1(b) of the Treasury Regulations (the "Rebatable Arbitrage"). The District shall obtain expert advice as to the amount of the Rebatable Arbitrage to comply with this Section.

(ii) Annual Transfer. Within 55 days of the end of each Bond Year, upon the Written Request of the District an amount shall be deposited to the Rebate Fund by the Trustee from any Net Water System Revenues legally available for such purpose (as specified by the District in the aforesaid Written Request), if and to the extent required so that the balance in the Rebate Fund shall equal the amount of Rebatable Arbitrage so calculated in accordance with clause (i) of this subsection (a). In the event that immediately following the transfer required by the previous sentence, the amount then on deposit to the credit of the Rebate Fund exceeds the amount required to be on deposit therein, upon Written Request of the District the Trustee shall withdraw the excess from the Rebate Fund and then credit the excess to the Payment Fund.

(iii) Payment to the Treasury. The Trustee shall pay, as directed by Written Request of the District, to the United States Treasury, out of amounts in the Rebate Fund:

(A) Not later than 60 days after the end of: (X) the fifth Bond Year; and (Y) each applicable fifth Bond Year thereafter, an amount equal to at least 90% of the Rebatable Arbitrage calculated as of the end of such Bond Year; and

(B) Not later than 60 days after the payment of all the 2015 Bonds, an amount equal to 100% of the Rebatable Arbitrage calculated as of the end of such applicable Bond Year, and any income attributable to the Rebatable Arbitrage, computed in accordance with Section 148(f) of the Code and Section 1.148-3 of the Treasury Regulations.

In the event that, prior to the time of any payment required to be made from the Rebate Fund, the amount in the Rebate Fund is not sufficient to make such payment when such payment is due, the District shall calculate or cause to be calculated the amount of such deficiency and deposit an amount received from any legally available source equal to such deficiency prior to the time such payment is due. Each payment required to be made pursuant to this subsection (a) shall be made to the Internal Revenue Service Center, Ogden, Utah 84201 on or before the date on which such payment is due, and shall be accompanied by Internal Revenue Service Form 8038-T (prepared by the District), or shall be made in such other manner as provided under the Code.

(b) Disposition of Unexpended Funds. Any funds remaining in the Rebate Fund after redemption and payment of the 2015 Bonds and the payments described in subsection (a) above being made may be withdrawn by the District and utilized in any manner by the District.

(c) Survival of Defeasance. Notwithstanding anything in this Section to the contrary, the obligation to comply with the requirements of this Section shall survive the defeasance or payment in full of the 2015 Bonds.

Section 5.10. Application of Funds and Accounts When No 2015 Bonds are Outstanding. On the date on which all 2015 Bonds shall be retired hereunder or provision made therefor pursuant to Article X and after payment of all amounts due the Trustee hereunder, all moneys then on deposit in any of the funds or accounts (other than the Rebate Fund) established with the Trustee pursuant to the Indenture shall be withdrawn by the Trustee and paid to the District for use by the District at any time for any purpose permitted by law.

Section 5.11. Additional Contracts and Bonds. The District may at any time execute any Contract or issue any Bonds, as the case may be, in accordance herewith; provided:

(a) The Net Revenues for the most recent audited Fiscal Year preceding the date of adoption by the Board of Directors of the District of the resolution authorizing the issuance of such Bonds or the date of the execution of such Contract, as the case may be, as evidenced by both a calculation prepared by the District and a special report prepared by an Independent Certified Public Accountant or an Independent Financial Consultant on such calculation on file with the District, shall have produced a sum equal to at least one hundred ten percent (110%) of the Debt Service for such Fiscal Year; and

(b) The Net Revenues for the most recent audited Fiscal Year preceding the date of the execution of such Contract or the date of adoption by the Board of Directors of the District of the resolution authorizing the issuance of such Bonds, as the case may be, including adjustments to give effect as of the first day of such Fiscal Year (i) to increases or decreases in rates and charges for the Water Service approved and in effect as of the date of calculation, as evidenced by a calculation prepared by the District and (ii) to each new connection to the Water System that, during all or any part of such Fiscal Year, was not in existence and that would have been derived from such connection if it had been made prior to the beginning of such Fiscal Year, shall have produced a sum equal to at least one hundred ten percent (110%) of the Debt Service for such Fiscal Year plus the Debt Service which would have accrued on any Contracts executed or Bonds issued since the end of such Fiscal Year assuming such Contracts had been executed or Bonds had been issued at the beginning of such Fiscal Year, plus the Debt Service which would have accrued had such Contract been executed or Bonds been issued at the beginning of such Fiscal Year; and

(c) The estimated Net Revenues for the then current Fiscal Year and for each Fiscal Year thereafter to and including the first complete Fiscal Year after the latest date of operation of any uncompleted Parity Project, as evidenced by a certificate of the General Manager of the District on file with the District, including (after giving effect to the completion of all such uncompleted Parity Projects) an allowance for estimated Net Revenues for each of such Fiscal Years arising from any increase in the income, rents, fees, rates and charges estimated to be fixed, prescribed or received for the Water Service and which are economically feasible and reasonably considered necessary based on projected operations for such period, as evidenced by a certificate of the General Manager on file with the District, shall produce a sum equal to at least one hundred ten

percent (110%) of the estimated Debt Service for each of such Fiscal Years, after giving effect to the execution of all Contracts and the issuance of all Bonds estimated to be required to be executed or issued to pay the costs of completing all uncompleted Parity Projects within such Fiscal Years, assuming that all such Contracts and Bonds have maturities, interest rates and proportionate principal repayment provisions similar to the Contract last executed or then being executed or the Bonds last issued or then being issued for the purpose of acquiring and constructing any of such uncompleted Parity Projects; and

Notwithstanding the foregoing, Bonds or Contracts may be issued or incurred to refund outstanding Bonds or Contracts if, after giving effect to the application of the proceeds thereof, total Debt Service will not be increased in any Fiscal Year in which Bonds or Contracts (outstanding on the date of issuance or incurrence of such refunding Bonds or Contracts, but excluding such refunding Bonds or Contracts) not being refunded are outstanding in an amount in excess of 10%.

Notwithstanding satisfaction of the other conditions to the execution of any Contract or the issuance of Bonds set forth in this Section 5.11, no such execution or issuance may occur if an Event of Default (or any event which, once all notice or grace periods have passed, would constitute an Event of Default) exists unless such Event of Default shall be cured upon such execution or issuance.

Nothing in this Section 5.11 shall prohibit the District from issuing or entering into notes, bonds, contracts or other obligations payable from Net Water System Revenues subordinate to Bonds or Contracts.

For purposes of this Section 5.11, any Policy Costs due and owing shall be treated as Operations and Maintenance Costs of the Water System.

Section 5.12. Claims Upon the Insurance Policy and Payments by and to the Insurer. [TO COME FROM INSURER]

Section 5.13. Payments by the Insurer as a Result of Nonpayment. The Insurer shall be entitled to pay principal or interest on the 2015 Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the District (as such terms are defined in the Insurance Policy) and any amounts due on the 2015 Bonds as a result of acceleration of the maturity thereof in accordance with this Indenture, whether or not the Insurer has received a Notice of Nonpayment (as such terms are defined in the Insurance Policy) or a claim upon the Insurance Policy.

## ARTICLE VI

### PARTICULAR COVENANTS

Section 6.01. Compliance with Indenture. The Trustee will not authenticate or deliver any 2015 Bond in any manner other than in accordance with the provisions of this Indenture, and the District will not suffer or permit any default by it to occur under this Indenture, but will faithfully observe and perform all the covenants, conditions and requirements hereof.

Section 6.02. Budgets. On or prior to the fifteenth day of each Fiscal Year, the District shall certify to the Trustee that the amounts budgeted for payment of principal and interest on the 2015 Bonds are fully adequate for the payment of all principal and interest on the 2015 Bonds for such Fiscal Year. If the amounts so budgeted are not adequate for the payment of all principal and

interest on the 2015 Bonds, the District will take such action as may be necessary to cause such annual budget to be amended, corrected or augmented so as to include therein the amounts required to be raised by the District in the then ensuing Fiscal Year for the payment of all principal and interest on the 2015 Bonds and will notify the Trustee of the proceedings then taken or proposed to be taken by the District.

Section 6.03. 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 Water System Revenues when the same shall become due. The District will duly observe and comply 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 6.04. Observance of Laws and Regulations. To the extent necessary to assure its performance hereunder, the District will well and truly keep, observe and perform all valid and lawful obligations or regulations now or hereafter imposed on it by contract, or prescribed by any law of the United States of America, or of the State, or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of any and every right, privilege or franchise now owned or hereafter acquired by the District, including its right to exist and carry on its business, to the end that such contracts, rights and franchises shall be maintained and preserved, and shall not become abandoned, forfeited or in any manner impaired.

Section 6.05. 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 Trustee a certificate showing (i) the estimated loss of annual Net Water System 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 Water System Revenues to be derived from such additions, betterments, extensions or improvements, and (2) the District, on the basis of such certificate filed with the Trustee, determines that the estimated additional annual Net Water System Revenues will sufficiently offset the estimated loss of annual Net Water System 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 deposited in the Water System Revenue Fund as directed by the District.

(b) If the foregoing conditions are not met, then such Net Proceeds shall be applied by the District in part to the redemption of the 2015 Bonds as provided in Article IV 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 principal and Interest due on the 2015 Bonds then bears to the aggregate unpaid principal amount of such Bonds and Contracts.

Section 6.06. Against Sale or Other Disposition of Property. The District will not enter into any agreement or lease which impairs the operation of the Water System or any part thereof necessary to secure adequate Water System Revenues for the payment of the principal and interest due on the 2015 Bonds, or which would otherwise impair 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 impair the ability of the District to pay the principal and interest on the 2015 Bonds when due and if the proceeds of such sale are deposited in the Water System Revenue Fund as directed by the District.

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 6.07. Against Competitive Facilities. To the extent permitted by law, the District covenants that it will not 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 however, that for purposes of this covenant, the Recycled Water System shall not be considered to be competitive with the Water System.

Section 6.08. 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.

Section 6.09. 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 Water System Revenues or the funds or accounts created hereunder or on any funds in the hands of the District pledged to pay the principal and interest on the 2015 Bonds or to the Owners prior or superior to the lien of the 2015 Bonds or which might impair the security of the principal and interest due on the 2015 Bonds.

Section 6.10. Compliance with Contracts. The District will neither take nor omit to take any action under any contract if the effect of such act or failure to act would in any manner impair or adversely affect the ability of the District to pay the principal and interest on the 2015 Bonds when due; and 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 other contracts affecting or involving the Water System, to the extent that the District is a party thereto. Notwithstanding the foregoing, nothing in this Section 6.10 shall require the District to comply with, keep, observe or perform any such agreement, condition, covenant or term, express or implied, contained in any such contracts if the District is contesting in good faith the interpretation, validity or enforceability of such agreement, condition, covenant or term, express or implied, unless required by the terms of a final order of a court of competent jurisdiction from which no opportunity for further appeal exists.

Section 6.11. 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 damage to or destruction of the Water System) as are usually covered in connection with electric systems 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 shall be applied in part to the prepayment of principal and interest on the 2015 Bonds as provided in Article X 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 the 2015 Bonds 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 principal and interest on the 2015 Bonds 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 principal and interest on the 2015 Bonds as provided in Article X and to the retirement of such Bonds and Contracts.

(b) The District will procure and maintain such other insurance as it shall deem advisable or necessary to protect its interests, which insurance shall afford protection in such amounts and against such risks as are usually covered in connection with electric 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 electric systems similar to the Water System and is, in the opinion of an accredited actuary, actuarially sound.

Section 6.12. Amount of Rates and Charges.

(a) To the fullest extent permitted by law, the District shall fix and prescribe, at the commencement of each Fiscal Year, rates and charges for the Water Service provided by the Water System which are reasonably expected to be at least sufficient to yield during each Fiscal Year Net Water System Revenues equal to one hundred ten percent (110%) of Debt Service payable

in such Fiscal Year; provided, however, that for purposes of this Section 6.12, Water System Revenues in such Fiscal Year shall not include any amount transferred from the Rate Stabilization Fund to the Water System Revenue Fund in excess of ten percent (10%) of Debt Service payable in such Fiscal Year.

(b) The District may make adjustments from time to time in such rates and charges and may make such classification thereof as it deems necessary, but shall not reduce the rates and charges then in effect unless the Net Water System Revenues, from such reduced rates and charges are reasonably expected to be sufficient to meet the requirements of this section.

(c) So long as the District has complied with its obligations set forth in clause (a) and (b) above, the failure of Net Water System Revenues to equal one hundred ten percent (110%) of Debt Service at the end of a Fiscal Year shall not constitute a default or an Event of Default hereunder.

(d) For purposes of this Section 6.12, any Policy Costs due and owing shall be treated as Operations and Maintenance Costs of the Water System.

Section 6.13. Collection of Rates and Charges. The District will have in effect at all times by-laws, rules and regulations requiring each customer to pay the rates and charges applicable to the Water Service and providing for the billing thereof and for a due date and a delinquency date for each bill.

Section 6.14. Enforcement of Contracts. 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 if such rescission or amendment would in any manner impair or adversely affect the ability of the District to pay principal and interest on the 2015 Bonds.

Section 6.15. Continuing Disclosure. The District hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of this Indenture, failure of the District to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default; however, any Owner or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Section. For purposes of this Section, "Beneficial Owner" means any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any 2015 Bond (including persons holding 2015 Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any 2015 Bond for federal income tax purposes.

Section 6.16. Punctual Payment. The District shall cause the Trustee to pay the principal and interest to become due in respect of all of the 2015 Bonds, in strict conformity with the terms of the 2015 Bonds and of the Indenture, according to the true intent and meaning thereof, but only out of Water System Revenues and other assets pledged for such payment as provided in the Indenture.

Section 6.17. Extension of Payment of 2015 Bonds. The District shall not directly or indirectly extend or assent to the extension of the maturity of any of the 2015 Bonds or the time of payment of any claims for interest by the purchase of such 2015 Bonds or by any other arrangement, and in case the maturity of any of the 2015 Bonds or the time of payment of any such claims for



interest shall be extended, such 2015 Bonds or claims for interest shall not be entitled, in case of any default hereunder, to the benefits of the Indenture, except subject to the prior payment in full of the principal of all of the 2015 Bonds then Outstanding and of all claims for interest thereon which shall not have been so extended.

Section 6.18. Against Encumbrances. The District will not make any pledge of or place any lien on Water System Revenues or the moneys in the Water System Revenue Fund or the Rate Stabilization Fund except as provided herein. The District may at any time, or from time to time, execute Contracts or issue Bonds as permitted in Section 5.11 hereof and, in addition, incur notes, bonds, contracts or other obligations for any lawful purpose which are payable from Net Water System Revenues and secured by a pledge of lien on Water System Revenues or any moneys in the Water System Revenue Fund and the Rate Stabilization 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 to secure the 2015 Bonds and other Bonds and Contracts.

Section 6.19. Power to Issue 2015 Bonds and Make Pledge and Assignment. The District is duly authorized pursuant to law to issue the 2015 Bonds and to enter into the Indenture and to pledge and assign the Water System Revenues and other assets purported to be pledged and assigned under the Indenture in the manner and to the extent provided in the Indenture. The 2015 Bonds and the provisions of the Indenture are and will be the legal, valid and binding special obligations of the District in accordance with their terms, and the District and the Trustee shall at all times, subject to the provisions of Article VIII and to the extent permitted by law, defend, preserve and protect said pledge and assignment of Water System Revenues and other assets and all the rights of the 2015 Bond Owners under the Indenture against all claims and demands of all persons whomsoever.

Section 6.20. Accounting Records and Financial Statements.

(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 Trustee at reasonable hours and under reasonable conditions.

(b) The District will prepare and file with the Trustee annually within two hundred seventy (270) days after the close of each Fiscal Year (commencing with the Fiscal Year ending June 30, 2015) financial statements of the District for the preceding Fiscal Year prepared in accordance with generally accepted accounting principles, together with an Accountant's Report thereon.

Section 6.21. Tax Covenants. Notwithstanding any other provision of the Indenture, and except as may otherwise be approved by an opinion of Bond Counsel that the exclusion from gross income of the portion of interest on the 2015 Bonds will not be adversely affected for federal income tax purposes, the District covenants to comply with all applicable requirements of the Code necessary to preserve such exclusion from gross income with respect to the 2015 Bonds and specifically covenants, without limiting the generality of the foregoing, as follows:

(a) Private Activity. The District will take no action or refrain from taking any action or make any use of the proceeds of the 2015 Bonds or of any other moneys or property which would cause the 2015 Bonds to be "private activity bonds" within the meaning of Section 141 of the Code;

(b) Arbitrage. The District will make no use of the proceeds of the 2015 Bonds or of any other amounts or property, regardless of the source, or take any action or refrain from taking any action which will cause the 2015 Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code;

(c) Federal Guarantee. The District will make no use of the proceeds of the 2015 Bonds or take or omit to take any action that would cause the 2015 Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Code;

(d) Information Reporting. The District will take or cause to be taken all necessary action to comply with the informational reporting requirement of Section 149(e) of the Code necessary to preserve the exclusion of interest on the 2015 Bonds pursuant to Section 103(a) of the Code;

(e) Hedge Bonds. The District will make no use of the proceeds of the 2015 Bonds or any other amounts or property, regardless of the source, or take any action or refrain from taking any action that would cause the 2015 Bonds to be considered “hedge bonds” within the meaning of Section 149(g) of the Code unless the District takes all necessary action to assure compliance with the requirements of Section 149(g) of the Code to maintain the exclusion from gross income of interest on the 2015 Bonds for federal income tax purposes; and

(f) Miscellaneous. The District will take no action or refrain from taking any action inconsistent with its expectations stated in the Tax Certificate executed by the District in connection with the issuance of the 2015 Bonds 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 Contracts the interest with respect to which has been determined by Bond Counsel to be subject to federal income taxation.

Section 6.22. Waiver of Laws. The District shall not at any time insist upon or plead in any manner whatsoever, or claim or take the benefit or advantage of, any stay or extension law now or at any time hereafter in force that may affect the covenants and agreements contained in the Indenture or in the 2015 Bonds, and all benefit or advantage of any such law or laws is hereby expressly waived by the District to the extent permitted by law.

Section 6.23. Further Assurances. The District will make, execute and deliver any and all such further assurances, instruments and resolutions as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Indenture and for the better assuring and confirming unto the Owners of the 2015 Bonds of the rights and benefits provided in the Indenture.

Section 6.24. Prosecution and Defense of Suits. The District shall promptly, upon request of the Trustee or any 2015 Bond Owner, from time to time take such action as may be necessary or proper to remedy or cure any defect in or cloud upon the title to the Water System Revenues or any part thereof, whether now existing or hereafter developing, shall prosecute all such suits, actions and other proceedings as may be appropriate for such purpose and shall indemnify and save the Trustee (including all of its employees, officers and directors) and every 2015 Bond Owner harmless from all loss, cost, damage and expense, including attorneys’ fees, which they or any of them may incur by reason of any such defect, cloud, suit, action or proceeding.

The District shall defend against every suit, action or proceeding at any time brought against the Trustee (including all of its employees, officers and directors) or any 2015 Bond Owner upon any claim by a 2015 Bond Owner or a third party arising out of the receipt, application or disbursement of any of the payments of principal or interest on the 2015 Bonds or involving the rights of the Trustee or any 2015 Bond Owner under the Indenture; provided that the Trustee or any 2015 Bond Owner at such party's election may appear in and defend any such suit, action or proceeding. The District shall indemnify and hold harmless the Trustee and the 2015 Bond Owners against any and all liability claimed or asserted by any such person, arising out of such receipt, application or disbursement, and shall indemnify and hold harmless the 2015 Bond Owners against any attorneys' fees or other expenses which any of them may incur in connection with any litigation (including pre-litigation activities) to which any of them may become a party by reason of ownership of 2015 Bonds. The District shall promptly reimburse any 2015 Bond Owner in the full amount of any attorneys' fees or other expenses which such Owner may incur in litigation or otherwise in order to enforce such party's rights under the Indenture or the 2015 Bonds, provided that such litigation shall be concluded favorably to such party's contentions therein.

## ARTICLE VII

### EVENTS OF DEFAULT AND REMEDIES OF 2015 BONDS OWNERS

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

(a) Default by the District in the due and punctual payment of the principal of any 2015 Bonds when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by acceleration, or otherwise.

(b) Default by the District in the due and punctual payment of the interest on any 2015 Bonds when and as the same shall become due and payable.

(c) Default by the District in the observance of any of the other covenants, agreements or conditions on its part in the Indenture or in the 2015 Bonds if such default shall have continued for a period of thirty (30) days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the District by the Trustee or by the Owners of not less than a majority in aggregate principal amount of 2015 Bonds Outstanding; provided, however, that if in the reasonable opinion of the District the default stated in the notice can be corrected, but not within such thirty (30) day period and corrective action is instituted by the District, with the written approval of the Insurer (so long as the Insurer has not defaulted on any obligation under the Insurance Policy), within such thirty (30) day period and diligently pursued in good faith until the default is corrected such default shall not be an Event of Default hereunder.

(d) 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.

(e) Payment of the principal of any Bond or with respect to any Contract is accelerated in accordance with its terms.

Section 7.02. Remedies Upon Event of Default. If any Event of Default specified in Section 7.01(d) or (e) shall occur and be continuing, the Trustee shall, with the written consent of the Insurer (so long as the Insurer has not defaulted on any obligation under the Insurance Policy), which consent shall be at the sole discretion of the Insurer, and for any other Event of Default, the Trustee may, with the written consent of the Insurer (so long as the Insurer has not defaulted on any obligation under the Insurance Policy), which consent shall be at the sole discretion of the Insurer, in each case, upon notice in writing to the District, declare the principal of all of the 2015 Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in the Indenture or in the 2015 Bonds contained to the contrary notwithstanding.

Nothing contained herein shall permit or require the Trustee to accelerate payments due under the Indenture if the District is not in default of its obligation hereunder.

Any such declaration is subject to the condition that if, at any time after such declaration and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the District shall deposit with the Trustee a sum sufficient to pay all the principal of and interest on the 2015 Bonds which is overdue, with interest on such overdue principal at the rate borne by the respective 2015 Bonds to the extent permitted by law, and the reasonable charges and expenses of the Trustee, and any and all other Events of Default known to the Trustee, shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then, and in every such case the Trustee shall on behalf of the Owners of all of the 2015 Bonds, rescind and annul such declaration and its consequences and waive such Event of Default; but no such rescission and annulment shall extend to or shall affect any subsequent Event of Default, or shall impair or exhaust any right or power consequent thereon.

Section 7.03. Application of Water System Revenues and Other Funds After Default. If an Event of Default shall occur and be continuing, all Water System Revenues held or thereafter received by the Trustee, amounts on deposit in the Rate Stabilization Fund, and any other funds then held or thereafter received by the Trustee under any of the provisions of the Indenture (other than amounts held in the Rebate Fund) shall be applied in the following order:

(i) To the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the Owners of the 2015 Bonds and payment of reasonable fees and expenses of the Trustee (including reasonable fees and disbursements of its accountants and counsel) incurred in and about the performance of its powers and duties under the Indenture;

(ii) To the payment of Operation and Maintenance Costs of the Water System;

(iii) To the payment of the principal of and interest then due on the 2015 Bonds (upon presentation of the 2015 Bonds to be paid, and stamping or otherwise noting thereon of the payment if only partially paid, or surrender thereof if fully paid), in accordance with the

provisions of the Indenture, the payment of the principal and interest then due with respect to such Contract in accordance with the provisions thereof and the payment of the principal of and interest then due on such Bonds in accordance with the provisions thereof and of any indenture related thereto, in the following order of priority:

First: To the payment to the persons entitled thereto of all installments of interest then due on the 2015 Bonds, with respect to such Contract or on such Bonds, as applicable, in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the persons entitled thereto of all installments of unpaid principal of any 2015 Bond, with respect to such Contract or on such Bonds, as applicable, which shall have become due, whether at maturity or by acceleration or redemption, with interest on the overdue principal at the rate of eight percent (8%) per annum, and, if the amount available shall not be sufficient to pay in full all the 2015 Bonds together with such interest, then to the payment thereof ratably, according to the amounts of principal due on such date to the persons entitled thereto, without any discrimination or preference;

Third: To the extent Policy Costs or Insurer Reimbursement Amounts are due and payable to the Insurer, to the payment of such amounts; and

Fourth: If there shall exist any remainder after the foregoing payments, such remainder shall be paid to the District to be expended as described in Section 5.01 (d)(iv) hereof.

Section 7.04. Trustee to Represent 2015 Bond Owners. The Trustee is hereby irrevocably appointed (and the successive respective Owners of the 2015 Bonds, by taking and holding the same, shall be conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney in fact of the Owners of the 2015 Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Owners under the provisions of the 2015 Bonds or the Indenture and applicable provisions of law. Upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the Trustee to represent the 2015 Bond Owners, the Trustee in its discretion may, and upon the written request of the Owners of a majority in aggregate principal amount of the 2015 Bonds then Outstanding, and upon being indemnified to its satisfaction therefor, shall proceed to protect or enforce its rights or the rights of such Owners by such appropriate action, suit, mandamus or other proceedings as it shall deem most effectual to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained herein, or in aid of the execution of any power herein granted, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Trustee or in such Owners under the 2015 Bonds or the Indenture or any law; and upon instituting such proceeding, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver of the Water System Revenues and other assets pledged under the Indenture, pending such proceedings. All rights of action under the Indenture or the 2015 Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the 2015 Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in the name of the Trustee for the benefit and protection of all the Owners of such 2015 Bonds, subject to the provisions of the Indenture.

Section 7.05. 2015 Bond Owners' Direction of Proceedings. Anything in the Indenture to the contrary notwithstanding, the Owners of a majority in aggregate principal amount of the 2015 Bonds then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, and upon indemnification of the Trustee to its reasonable satisfaction, to direct the method of conduct in all remedial proceedings taken by the Trustee hereunder, provided that such direction shall not be otherwise than in accordance with law and the provisions of the Indenture, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to 2015 Bond Owners not parties to such direction.

Section 7.06. Suit by Owners. No Owner of any 2015 Bonds shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under the Indenture with respect to such 2015 Bonds, unless: (a) such Owners shall have given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of not less than fifty percent (50%) in aggregate principal amount of the 2015 Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such suit, action or proceeding in its own name; (c) such Owner or Owners shall have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; (d) the Trustee shall have failed to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee; and (e) no direction inconsistent with such written request shall have been given to the Trustee during such sixty (60) day period by the Owners of a majority in aggregate principal amount of the 2015 Bonds then Outstanding.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Owner of 2015 Bonds of any remedy hereunder or under law; it being understood and intended that no one or more Owners of 2015 Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Indenture or the rights of any other Owners of 2015 Bonds, or to enforce any right under the 2015 Bonds, the Indenture, or applicable law with respect to the 2015 Bonds, except in the manner herein provided, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner herein provided and for the benefit and protection of all Owners of the Outstanding 2015 Bonds, subject to the provisions of the Indenture.

Section 7.07. Absolute Obligation of the District. Nothing in this Section 7.07 or in any other provision of the Indenture or in the 2015 Bonds shall affect or impair the obligation of the District, which is absolute and unconditional, to pay the principal of and interest on the 2015 Bonds to the respective Owners of the 2015 Bonds at their respective dates of maturity, or upon call for redemption, as herein provided, but only out of the Water System Revenues, the amounts on deposit in the Rate Stabilization Fund and other assets herein pledged therefor, or affect or impair the right of such Owners, which is also absolute and unconditional, to enforce such payment by virtue of the contract embodied in the 2015 Bonds.

Section 7.08. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Trustee or to the Owners of the 2015 Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, shall be cumulative and in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or otherwise.

Section 7.09. No Waiver of Default. No delay or omission of the Trustee or of any Owner of the 2015 Bonds to exercise any right or power arising upon the occurrence of any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or an acquiescence therein.

Section 7.10. Insurer Rights. The Insurer shall be deemed to be the sole holder of the 2015 Bonds insured under the Insurance Policy for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the holders of the 2015 Bonds insured by it are entitled to take pursuant to the Indenture pertaining to (i) defaults and remedies and (ii) the duties and obligations of the Trustee. In furtherance thereof and as a term of this Indenture and each 2015 Bond, the Trustee and each Owner of the 2015 Bonds appoint the Insurer as their agent and attorney-in-fact and agree that the Insurer may at any time during the continuation of any proceeding by or against the District under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an "Insolvency Proceeding") direct all matters relating to such Insolvency Proceeding, including without limitation, (A) all matters relating to any claim or enforcement proceeding in connection with an Insolvency Proceeding (a "Claim"), (B) the direction of any appeal of any order relating to any Claim, (C) the posting of any surety, supersedeas or performance bond pending any such appeal and (D) the right to vote to accept or reject any plan or adjustment. In addition, the Trustee and each Owner of the 2015 Bonds delegate and assign to the Insurer, to the fullest extent permitted by law, the rights of the Trustee and each Owner of the 2015 Bonds in the conduct of any Insolvency Proceeding, including, without limitation, all rights of any party to an adversary proceeding or action with respect to any court order issued in connection with any such Insolvency Proceeding. Remedies granted to the Owner of the 2015 Bonds shall expressly include mandamus.

## ARTICLE VIII

### THE TRUSTEE

#### Section 8.01. Duties, Immunities and Liabilities of Trustee.

(a) The Trustee shall, prior to an Event of Default, and after the curing or waiving of all Events of Default which may have occurred, perform such duties and only such duties as are expressly and specifically set forth in the Indenture, and no implied covenants or duties shall be read into the Indenture against the Trustee. The Trustee shall, during the existence of any Event of Default (which has not been cured or waived), exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

(b) The District may remove the Trustee at any time, unless an Event of Default shall have occurred and then be continuing, and shall remove the Trustee if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Owners of not less than a majority in aggregate principal amount of the 2015 Bonds then Outstanding (or their attorneys duly authorized in writing) or if at any time the Trustee shall cease to be eligible in accordance with subsection (e) of this Section, or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property shall be appointed, or any public officer shall take control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, in each case by giving written notice of such removal to the Trustee and thereupon the District shall promptly appoint a successor Trustee by an instrument in writing.

(c) The Trustee may at any time resign by giving written notice of such resignation to the District and by giving the 2015 Bond Owners notice of such resignation by mail at the addresses shown on the Registration Books. Upon receiving such notice of resignation, the District shall promptly appoint a successor Trustee by an instrument in writing.

(d) Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee. If no successor Trustee shall have been appointed and have accepted appointment within forty five (45) days of giving notice of removal or notice of resignation as aforesaid, the resigning Trustee or any 2015 Bond Owner (on behalf of himself and all other 2015 Bond Owners) may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under the Indenture shall signify its acceptance of such appointment by executing and delivering to the District and to its predecessor Trustee a written acceptance thereof, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee herein; but, nevertheless at the Written Request of the District or the request of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it under the Indenture and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Upon request of the successor Trustee, the District shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in this subsection, the District shall mail or cause the successor trustee to mail a notice of the succession of such Trustee to the trusts hereunder to each Rating Agency which is then rating the 2015 Bonds and to the 2015 Bond Owners at the addresses shown on the Registration Books. If the District fails to mail such notice within fifteen (15) days after acceptance of appointment by the successor Trustee, the successor Trustee shall cause such notice to be mailed at the expense of the District.

(e) Any Trustee appointed under the provisions of this Section in succession to the Trustee shall be a trust company, banking association or bank having the powers of a trust company, having a combined capital and surplus of at least Seventy-Five Million Dollars (\$75,000,000), and subject to supervision or examination for federal or state authority. If such bank, banking association or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this subsection the combined capital and surplus of such trust company, banking association or bank shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this subsection (e), the Trustee shall resign immediately in the manner and with the effect specified in this Section.

Section 8.02. Merger or Consolidation. Any trust company, banking association or bank into which the Trustee may be merged or converted or with which it may be consolidated or any trust company, banking association or bank resulting from any merger, conversion or consolidation to which it shall be a party or any trust company, banking association or bank to which the Trustee may



sell or transfer all or substantially all of its corporate trust business, provided such trust company, banking association or bank shall be eligible under subsection (e) of Section 8.01, shall be the successor to such Trustee, without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.

Section 8.03. Liability of Trustee.

(a) The recitals of facts herein and in the 2015 Bonds shall be taken as statements of the District, and the Trustee shall not assume responsibility for the correctness of the same, or make any representations as to the validity or sufficiency of the Indenture or the 2015 Bonds, nor shall the Trustee incur any responsibility in respect thereof, other than as expressly stated herein in connection with the respective duties or obligations herein or in the 2015 Bonds assigned to or imposed upon it. The Trustee shall, however, be responsible for its representations contained in its certificate of authentication on the 2015 Bonds. The Trustee shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful misconduct. The Trustee may become the Owner of 2015 Bonds with the same rights it would have if it were not Trustee, and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of 2015 Bond Owners, whether or not such committee shall represent the Owners of a majority in principal amount of the 2015 Bonds then Outstanding.

(b) The Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer of the Trustee, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts.

(c) The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of not less than a majority (or such other percentage provided for herein) in aggregate principal amount of the 2015 Bonds at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under the Indenture.

(d) The Trustee shall not be liable for any action taken by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by the Indenture.

(e) The Trustee shall not be deemed to have knowledge of any default or Event of Default hereunder or any other event which, with the passage of time, the giving of notice, or both, would constitute an Event of Default hereunder unless and until a Responsible Officer of the Trustee shall have actual knowledge of such event or the Trustee shall have been notified in writing, in accordance with Section 11.07, of such event by the District or the Owners of not less than fifty percent (50%) of the 2015 Bonds then Outstanding. Except as otherwise expressly provided herein, the Trustee shall not be bound to ascertain or inquire as to the performance or observance by the District of any of the terms, conditions, covenants or agreements herein of any of the documents executed in connection with the 2015 Bonds, or as to the existence of an Event of Default thereunder or an event which would, with the giving of notice, the passage of time, or both, constitute an Event of Default thereunder. The Trustee shall not be responsible for the validity, effectiveness or priority of any collateral given to or held by it.

(f) No provision of the Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties hereunder, or in the exercise of any of its rights or powers.

(g) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by the Indenture at the request or direction of Owners pursuant to the Indenture, unless such Owners shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction. No permissive power, right or remedy conferred upon the Trustee hereunder shall be construed to impose a duty to exercise such power, right or remedy and the Trustee shall not be answerable for other than its negligence or willful misconduct.

(h) Whether or not herein expressly so provided, every provision of the Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Article VIII.

(i) The Trustee shall have no responsibility with respect to any information, statement, or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the 2015 Bonds.

(j) The immunities extended to the Trustee also extend to its directors, officers, employees and agents.

(k) The Trustee may execute any of the trusts or powers of the Indenture and perform any of its duties through attorneys, agents and receivers and shall not be answerable for the conduct of the same if appointed by it with reasonable care.

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

(m) The Trustee shall hold the financial statements in compliance with Section 6.20(b) solely as an accommodation to the Bond Owners and shall have no duty or obligation to review such financial statements.

(n) The Trustee shall have the right to accept and act upon instructions, including funds transfer instructions (“Instructions”) given pursuant to this Indenture and delivered using Electronic Means (“Electronic Means” shall mean the following communications methods: S.W.I.F.T., e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Trustee, or another method

or system specified by the Trustee as available for use in connection with its services hereunder); provided, however, that the District shall provide to the Trustee an incumbency certificate listing officers with the authority to provide such Instructions (“Authorized Officers”) and containing specimen signatures of such Authorized Officers, which incumbency certificate shall be amended by the District whenever a person is to be added or deleted from the listing. If the District elects to give the Trustee Instructions using Electronic Means and the Trustee in its discretion elects to act upon such Instructions, the Trustee’s understanding of such Instructions shall be deemed controlling. The District understands and agrees that the Trustee cannot determine the identity of the actual sender of such Instructions and that the Trustee shall conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Trustee have been sent by such Authorized Officer. The District shall be responsible for ensuring that only Authorized Officers transmit such Instructions to the Trustee and that the District and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the District. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee’s reliance upon and compliance with such Instructions notwithstanding such directions conflict or are inconsistent with a subsequent written instruction. The District agrees: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Trustee and that there may be more secure methods of transmitting Instructions than the method(s) selected by the District; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Trustee immediately upon learning of any compromise or unauthorized use of the security procedures.

(o) The Trustee shall not be concerned with or accountable to anyone for the subsequent use or application of any moneys which shall be released or withdrawn in accordance with the provisions hereof.

Section 8.04. Right to Rely on Documents. The Trustee shall be protected in acting upon any notice, resolution, requisition, request, consent, order, certificate, report, opinion, notes, direction, facsimile transmission, electronic mail or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee may consult with counsel, who may be counsel of or to the District, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith.

The Trustee may treat the Owners of the 2015 Bonds appearing in the Trustee’s Registration Books as the absolute owners of the 2015 Bonds for all purposes and the Trustee shall not be affected by any notice to the contrary.

Whenever in the administration of the trusts imposed upon it by the Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a Certificate, Request or Requisition of the District and such Certificate, Request or Requisition shall be full warrant to the Trustee for any action taken or suffered in good faith under the provisions of the Indenture in reliance

upon such Certificate, Request or Requisition, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as it may deem reasonable.

Section 8.05. Preservation and Inspection of Documents. All documents received by the Trustee under the provisions of the Indenture shall be retained in its respective possession and shall be subject at all reasonable times to the inspection of the District, and any 2015 Bond Owner, and their agents and representatives duly authorized in writing, at reasonable hours and under reasonable conditions.

Section 8.06. Compensation and Indemnification. The District shall pay to the Trustee from time to time all reasonable compensation for all services rendered under the Indenture, and also all reasonable expenses, charges, legal and consulting fees and other disbursements and those of their attorneys, agents and employees, incurred in and about the performance of their powers and duties under the Indenture.

The District shall indemnify, defend and hold harmless the Trustee, its officers, employees, directors and agents from and against any loss, costs, claims, liability or expense (including fees and expenses of its attorneys and advisors) without negligence or bad faith on its part, arising out of or in connection with the execution of the Indenture, acceptance or administration of this trust, including costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers hereunder. The rights of the Trustee and the indemnification obligations of the District shall survive removal or resignation of the Trustee hereunder or the discharge of the 2015 Bonds and the Indenture.

Section 8.07. Notice to Insurer by Trustee. The Trustee shall notify the Insurer of any failure of the District to provide notices, certificates and other information under the transaction documents of which the Trustee has actual or deemed knowledge pursuant to Section 8.03(e) hereof.

## ARTICLE IX

### MODIFICATION OR AMENDMENT OF THE INDENTURE

#### Section 9.01. Amendments Permitted.

(a) The Indenture and the rights and obligations of the District, the Owners of the 2015 Bonds, and the Trustee may be modified or amended from time to time and at any time by an indenture or indentures supplemental thereto, which the District and the Trustee may enter into when the written consent of the Insurer, so long as the Insurer has not defaulted on any obligation under the Insurance Policy, shall have been filed with the Trustee. No such modification or amendment shall: (1) extend the fixed maturity of any 2015 Bonds, or reduce the amount of principal thereof or premium (if any) thereon, or extend the time of payment, or change the rate of interest or the method of computing the rate of interest thereon, or extend the time of payment of interest thereon, without the consent of the Owner of each 2015 Bond so affected; or (2) eliminate the aforesaid consent of the Insurer required to affect any such modification or amendment, or permit the creation of any lien on the Water System Revenues and other assets pledged under the Indenture prior to or on a parity with the lien created by the Indenture except as permitted herein, or deprive the Owners of the 2015 Bonds of the lien created by the Indenture on such Water System Revenues and other assets except as

permitted herein, without the consent of the Insurer. It shall not be necessary for the consent of the Insurer to approve the particular form of any Supplemental Indenture, but it shall be sufficient if such consent shall approve the substance thereof. Promptly after the execution by the District and the Trustee of any Supplemental Indenture pursuant to this subsection (a), the Trustee shall mail a notice, setting forth in general terms the substance of such Supplemental Indenture, to each Rating Agency and the Owners of the 2015 Bonds at the respective addresses shown on the Registration Books. Any failure to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such Supplemental Indenture.

(b) The Indenture and the rights and obligations of the District, the Trustee and the Owners of the 2015 Bonds may also be modified or amended from time to time and at any time by a Supplemental Indenture, which the District and the Trustee may enter into without the consent of any 2015 Bond Owners, but with the written consent of the Insurer so long as the Insurer has not defaulted on any obligation under the Insurance Policy, if the Trustee shall receive an opinion of Bond Counsel to the effect that the provisions of such Supplemental Indenture shall not materially adversely affect the interests of the Owners of the Outstanding 2015 Bonds, including, without limitation, for any one or more of the following purposes:

(1) to add to the covenants and agreements of the District contained in the Indenture other covenants and agreements thereafter to be observed, to pledge or assign additional security for the 2015 Bonds (or any portion thereof), or to surrender any right or power herein reserved to or conferred upon the District;

(2) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in the Indenture, or in regard to matters or questions arising under the Indenture, as the District may deem necessary or desirable;

(3) to modify, amend or supplement the Indenture in such manner as to permit the qualification hereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereunder in effect, and to add such other terms conditions and provisions as may be permitted by said act or similar federal statute; and

(4) to modify, amend or supplement the Indenture in such manner as to cause interest on the 2015 Bonds to remain excludable from gross income under the Code.

(c) The Trustee may in its discretion, but shall not be obligated to, enter into any such Supplemental Indenture authorized by subsections (a) or (b) of this Section which materially adversely affects the Trustee's own rights, duties or immunities under the Indenture or otherwise.

(d) Prior to the Trustee entering into any Supplemental Indenture hereunder, there shall be delivered to the Trustee an opinion of Bond Counsel stating, in substance, that such Supplemental Indenture has been adopted in compliance with the requirements of the Indenture and that the adoption of such Supplemental Indenture will not, in and of itself, adversely affect the exclusion of interest on the 2015 Bonds from federal income taxation and from state income taxation.

Section 9.02. Effect of Supplemental Indenture. Upon the execution of any Supplemental Indenture pursuant to this Article, the Indenture shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under the Indenture of the

District, the Trustee, the Insurer and all Owners of 2015 Bonds Outstanding shall thereafter be determined, exercised and enforced thereunder subject in all respects to such modification and amendment, and all the terms and conditions of any such Supplemental Indenture shall be deemed to be part of the terms and conditions of the Indenture for any and all purposes.

Section 9.03. Endorsement of 2015 Bonds; Preparation of New 2015 Bonds. 2015 Bonds delivered after the execution of any Supplemental Indenture pursuant to this Article may, and if the Trustee so determines shall, bear a notation by endorsement or otherwise in form approved by the District and the Trustee as to any modification or amendment provided for in such Supplemental Indenture, and, in that case, upon demand on the Owner of any 2015 Bonds Outstanding at the time of such execution and presentation of his or her 2015 Bonds for such purpose at the Office of the Trustee or at such additional offices as the Trustee may select and designate for such purpose, a suitable notation shall be made on such 2015 Bonds. If the Supplemental Indenture shall so provide, new 2015 Bonds so modified as to conform, in the opinion of the District and the Trustee, to any modification or amendment contained in such Supplemental Indenture, shall be prepared and executed by the District and authenticated by the Trustee, and upon demand on the Owners of any 2015 Bonds then Outstanding shall be exchanged at the Office of the Trustee, without cost to any 2015 Bond Owner, for 2015 Bonds then Outstanding, upon surrender for cancellation of such 2015 Bonds, in equal aggregate principal amount of the same maturity.

Section 9.04. Amendment of Particular 2015 Bonds. The provisions of this Article shall not prevent any 2015 Bond Owner from accepting any amendment as to the particular 2015 Bonds held by such 2015 Bond Owner.

Section 9.05. Effect of Insurance Policy. In determining whether any amendment, consent, waiver or other action to be taken, or any failure to take action, under the Indenture would adversely affect the security for the 2015 Bonds or the rights of the Owners, the Trustee shall consider the effect of any such amendment, consent, waiver, action or inaction as if there were no Insurance Policy.

## ARTICLE X

### DEFEASANCE

Section 10.01. Discharge of Indenture. The 2015 Bonds may be paid by the District in any of the following ways, provided that the District also pays or causes to be paid any other sums payable hereunder by the District:

- (a) by paying or causing to be paid the principal of and interest and redemption premiums (if any) on such 2015 Bonds, as and when the same become due and payable;
- (b) by the deposit with the Trustee, in trust, at or before maturity, money or securities in the necessary amount (as provided in Section 10.03) to pay or redeem all 2015 Bonds then Outstanding; or
- (c) by delivering to the Trustee, for cancellation by it, all of the 2015 Bonds then Outstanding.

If the District shall also pay or cause to be paid all other sums payable hereunder by the District, then and in that case, at the election of the District (as evidenced by a Certificate of the District filed with the Trustee, signifying the intention of the District to discharge all such indebtedness and the Indenture), and notwithstanding that any such 2015 Bonds shall not have been surrendered for payment, the Indenture and the pledge of Water System Revenues and other assets made under the Indenture, and all covenants, agreements and other obligations of the District under the Indenture shall cease, terminate, become void and be completely discharged and satisfied. In such event, upon the Written Request of the District, the Trustee shall execute and deliver to the District all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over, transfer, assign or deliver all moneys or securities or other property held by it pursuant to the Indenture which are not required for the payment or redemption of such 2015 Bonds not theretofore surrendered for such payment or redemption to the District.

This Indenture shall not be discharged until all amounts due or to become due to the Insurer shall have been paid in full in accordance with Section 11.20. The District's obligation to pay such amounts shall expressly survive payment in full of the payments of principal of and interest on the 2015 Bonds.

Section 10.02. Discharge of Liability on 2015 Bonds. Upon the deposit with the Trustee, in trust, at or before maturity, of money or securities in the necessary amount (as provided in Section 10.03) to pay or redeem any Outstanding 2015 Bonds (whether upon or prior to the maturity or the Redemption Date of such 2015 Bonds), provided that, if such Outstanding 2015 Bonds are to be redeemed prior to maturity, notice of such redemption shall have been given as provided in Article IV or provisions satisfactory to the Trustee shall have been made for the giving of such notice, then all liability of the District in respect of such 2015 Bonds shall cease, terminate and be completely discharged, and the Owners thereof shall thereafter be entitled only to payment out of such money or securities deposited with the Trustee as aforesaid for their payment, subject however, to the provisions of Section 10.04.

The District may at any time surrender to the Trustee for cancellation by it any 2015 Bonds previously issued and delivered, which the District may have acquired in any manner whatsoever, and such 2015 Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired.

Section 10.03. Deposit of Money or Securities with Trustee. Whenever in the Indenture it is provided or permitted that there be deposited with or held in trust by the Trustee money or securities in the necessary amount to pay or redeem any 2015 Bonds, the money or securities so to be deposited or held shall be invested in Defeasance Securities and shall be held by the Trustee in the funds and accounts established pursuant to the Indenture. Defeasance may be accomplished by depositing with the Trustee:

(a) lawful money of the United States of America in an amount equal to the principal amount of such 2015 Bonds and all unpaid interest thereon to maturity, except that, in the case of 2015 Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption shall have been given as provided in Article IV or provisions satisfactory to the Trustee shall have been made for the giving of such notice, the amount to be deposited or held shall be the principal amount of such 2015 Bonds and all unpaid interest and premium, if any, thereon to the Redemption Date; or

(b) Defeasance Securities the principal of and interest on which when due will, in the written opinion of an Independent Certified Public Accountant or Independent Financial Consultant filed with the District and the Trustee, provide money sufficient to pay the principal of and all unpaid interest to maturity, or to the Redemption Date (with premium, if any), as the case may be, on the 2015 Bonds to be paid or redeemed as directed by the District as such principal, interest and premium, if any, become due, provided that in the case of 2015 Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as provided in Article IV or provision satisfactory to the Trustee shall have been made for the giving of such notice;

provided, in each case, that: (i) the Trustee shall have been irrevocably instructed (by the terms of the Indenture or by Written Request of the District) to apply such money to the payment of such principal, interest and premium, if any, with respect to such 2015 Bonds as directed by the District; (ii) the District shall have delivered to the Trustee an opinion of Bond Counsel addressed to the District and the Trustee to the effect that such 2015 Bonds have been discharged in accordance with the Indenture (which opinion may rely upon and assume the accuracy of the Independent Certified Public Accountant's or Independent Financial Consultant's opinion referred to above); (iii) the District shall have delivered an escrow agreement (which shall be acceptable in form and substance to the Insurer, so long as the Insurer has not defaulted on any obligation under the Insurance Policy); and (iv) the District shall have delivered a certificate of discharge of the Trustee with respect to the 2015 Bonds. The opinion of Bond Counsel and Independent Certified Public Accountant's or Independent Financial Consultant's opinion referred to above shall be acceptable in form and substance, and addressed, to the District, Trustee and Insurer (so long as the Insurer has not defaulted on any obligation under the Insurance Policy). The Insurer shall be provided with final drafts of the above-referenced documentation not less than five Business Days prior to the funding of the escrow.

The 2015 Bonds shall be deemed Outstanding under this Indenture unless and until they are in fact paid and retired or the above criteria are met.

Section 10.04. Payment of 2015 Bonds After Discharge of Indenture. Notwithstanding any provisions of the Indenture, any moneys held by the Trustee in trust for the payment of the principal of, or interest on, any 2015 Bonds and remaining unclaimed for two (2) years after the principal of all of the 2015 Bonds has become due and payable (whether at maturity or upon call for redemption or by acceleration as provided in the Indenture), if such moneys were so held at such date, or two (2) years after the date of deposit of such moneys if deposited after said date when all of the 2015 Bonds became due and payable, shall be repaid to the District free from the trusts created by the Indenture upon receipt of an indemnification agreement acceptable to the District and the Trustee indemnifying the Trustee with respect to claims of Owners of 2015 Bonds which have not yet been paid, and all liability of the Trustee with respect to such moneys shall thereupon cease; provided, however, that before the repayment of such moneys to the District as aforesaid, the Trustee shall at the written direction of the District (at the cost of the District), first mail to the Owners of 2015 Bonds which have not yet been paid, at the addresses shown on the Registration Books, a notice, in such form as may be deemed appropriate by the Trustee with respect to the 2015 Bonds so payable and not presented and with respect to the provisions relating to the repayment to the District of the moneys held for the payment thereof.



## ARTICLE XI

## MISCELLANEOUS

Section 11.01. Liability Limited. Notwithstanding anything in the Indenture or the 2015 Bonds, but subject to the priority of payment with respect to Operation and Maintenance Costs, the District shall not be required to advance any moneys derived from any source other than the Water System Revenues, the Water System Revenue Fund, the Rate Stabilization Fund and other moneys pledged under the Indenture for any of the purposes mentioned in the Indenture, whether for the payment of the principal of or interest on the 2015 Bonds or for any other purpose of the Indenture. Nevertheless, the District may, but shall not be required to, advance for any of the purposes hereof any funds of the District which may be made available to it for such purposes.

Section 11.02. Successor Is Deemed Included in All References to Predecessor. Whenever in the Indenture either the District or the Trustee is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in the Indenture contained by or on behalf of the District or the Trustee shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Section 11.03. Limitation of Rights to Parties and 2015 Bond Owners. Nothing expressed or implied in the Indenture or in the 2015 Bonds is intended or shall be construed to give to any person other than the District, the Trustee and the Owners of the 2015 Bonds, any legal or equitable right, remedy or claim under or in respect of the Indenture or any covenant, condition or provision therein or herein contained; and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the District, the Trustee and the Owners of the 2015 Bonds.

Section 11.04. Waiver of Notice; Requirement of Mailed Notice. Whenever in the Indenture the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the person entitled to receive such notice and in any such case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver. Whenever in the Indenture any notice shall be required to be given by mail, such requirement shall be satisfied by the deposit of such notice in the United States mail, postage prepaid, by first class mail.

Section 11.05. Destruction of 2015 Bonds. Whenever in the Indenture provision is made for the cancellation by the Trustee and the delivery to the District of any 2015 Bonds, the Trustee shall destroy such 2015 Bonds as may be allowed by law, and deliver a certificate of such destruction to the District.

Section 11.06. Severability of Invalid Provisions. If any one or more of the provisions contained in the Indenture or in the 2015 Bonds shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in the Indenture and such invalidity, illegality or unenforceability shall not affect any other provision of the Indenture, and the Indenture shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The District hereby declares that it would have entered into the Indenture and each and every other Section, paragraph, sentence, clause or phrase hereof and authorized the issuance of the 2015 Bonds pursuant thereto irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses or phrases of the Indenture may be held illegal, invalid or unenforceable.

Section 11.07. Notices. Any notice to or demand upon the District, the Trustee or the Insurer shall be deemed to have been sufficiently given or served for all purposes by being sent by facsimile or email or by being deposited, first class mail, postage prepaid, in a post office letter box, addressed, as the case may be, to the District at Yucaipa Valley Water District, 12770 Second Street, Yucaipa, California 92399-0730, Attention: General Manager (or such other address as may have been filed in writing by the District with the Trustee), to the Trustee at Wells Fargo Bank, National Association, \_\_\_\_\_, Los Angeles, California 90071, Attention: \_\_\_\_\_, Reference: Yucaipa Valley Water District, Series 2015A; Facsimile: \_\_\_\_\_, or to the Insurer at \_\_\_\_\_, Attention: \_\_\_\_\_, Re: Policy No. \_\_\_\_\_; Telephone: (\_\_\_\_) \_\_\_\_\_; Facsimile: (\_\_\_\_) \_\_\_\_\_. In each case in which a notice or other communication to the Insurer refers to an Event of Default, then a copy of such notice or other communication shall also be sent to the attention of the Insurer's General Counsel and shall be marked to indicate "URGENT MATERIAL ENCLOSED." Notwithstanding the foregoing provisions of this Section 11.07, the Trustee shall not be deemed to have received, and shall not be liable for failing to act upon the contents of, any notice unless and until the Trustee actually receives such notice.

Section 11.08. Evidence of Rights of 2015 Bond Owners. Any request, consent or other instrument required or permitted by the Indenture to be signed and executed by 2015 Bond Owners may be in any number of concurrent instruments of substantially similar tenor and shall be signed or executed by such 2015 Bond Owners in person or by an agent or agents duly appointed in writing. Proof of the execution of any such request, consent or other instrument or of a writing appointing any such agent, or of the holding by any person of 2015 Bonds transferable by delivery, shall be sufficient for any purpose of the Indenture and shall be conclusive in favor of the Trustee and the District if made in the manner provided in this Section.

The fact and date of the execution by any person of any such request, consent or other instrument or writing may be proved by the certificate of any notary public or other officer of any jurisdiction, authorized by the laws thereof to take acknowledgments of deeds, certifying that the person signing such request, consent or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer.

The Ownership of 2015 Bonds shall be proved by the Registration Books.

Any request, consent, or other instrument or writing of the Owner of any 2015 Bond shall bind every future Owner of the same 2015 Bond and the Owner of every 2015 Bond issued in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or the District in accordance therewith or reliance thereon.

Section 11.09. Disqualified 2015 Bonds. In determining whether the Owners of the requisite aggregate principal amount of 2015 Bonds have concurred in any demand, request, direction, consent or waiver under the Indenture, 2015 Bonds which are known by the Trustee to be owned or held by or for the account of the District, or by any other obligor on the 2015 Bonds, or by any person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the District or any other obligor on the 2015 Bonds, shall be disregarded and deemed not to be Outstanding for the purpose of any such determination. 2015 Bonds so owned which have been pledged in good faith may be regarded as Outstanding for the purposes of this Section if the pledgee shall establish to the satisfaction of the Trustee the pledgee's right to vote such 2015 Bonds and that the pledgee is not a person directly or indirectly controlling or controlled by, or under direct or

indirect common control with, the District or any other obligor on the 2015 Bonds. In case of a dispute as to such right, any decision by the Trustee taken upon the advice of counsel shall be full protection to the Trustee. Upon request, the District shall certify to the Trustee those 2015 Bonds that are disqualified pursuant to this Section 11.09 and the Trustee may conclusively rely on such certificate.

Section 11.10. Money Held for Particular 2015 Bonds. The money held by the Trustee for the payment of the interest, principal or premium due on any date with respect to particular 2015 Bonds (or portions of 2015 Bonds in the case of registered 2015 Bonds redeemed in part only) shall, on and after such date and pending such payment, be set aside on its books and held in trust by it for the Owners of the 2015 Bonds entitled thereto, subject, however, to the provisions of Section 10.04 hereof but without any liability for interest thereon.

Section 11.11. Funds and Accounts. Any fund or account required by the Indenture to be established and maintained by the Trustee may be established and maintained in the accounting records of the Trustee, either as a fund or an account, and may, for the purposes of such records, any audits thereof and any reports or statements with respect thereto, be treated either as a fund or as an account; but all such records with respect to all such funds and accounts shall at all times be maintained in accordance with corporate trust industry standards to the extent practicable, and with due regard for the requirements of Section 6.21(a) and for the protection of the security of the 2015 Bonds and the rights of every Owner thereof.

Section 11.12. Waiver of Personal Liability. No member, officer, agent, employee, consultant or attorney of the District shall be individually or personally liable for the payment of the principal of or premium or interest on the 2015 Bonds or be subject to any personal liability or accountability by reason of the issuance thereof; but nothing herein contained shall relieve any such member, officer, agent, employee, consultant or attorney from the performance of any official duty provided by law or by the Indenture.

Section 11.13. Execution in Several Counterparts. The Indenture may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts, or as many of them as the District and the Trustee shall preserve undestroyed, shall together constitute but one and the same instrument.

Section 11.14. CUSIP Numbers. Neither the Trustee nor the District shall be liable for any defect or inaccuracy in the CUSIP number that appears on any 2015 Bond or in any redemption notice. The Trustee may, in its discretion, include in any redemption notice a statement to the effect that the CUSIP numbers on the 2015 Bonds have been assigned by an independent service and are included in such notice solely for the convenience of the 2015 Bondholders and that neither the District nor the Trustee shall be liable for any inaccuracies in such numbers.

Section 11.15. Choice of Law. THE INDENTURE SHALL BE GOVERNED BY THE LAWS OF THE STATE OF CALIFORNIA.

Section 11.16. Insurer as Third Party Beneficiary. The Insurer is intended as a third party beneficiary to this Indenture.

Section 11.17. Impairment of Insurer's Rights. No contract shall be entered into or any action taken by which the rights of the Insurer or security for or sources of payment of the 2015

Bonds may be impaired or prejudiced in any material respect except upon obtaining the prior written consent of the Insurer.

Section 11.18. Interest Rate Exchange Agreement. Any interest rate exchange agreement (“Swap Agreement”) entered into by the District shall meet the following conditions: (i) the Swap Agreement must be entered into to manage interest costs related to, or a hedge against (a) assets then held, or (b) debt then outstanding, or (iii) debt reasonably expected to be issued within the next twelve (12) months, and (ii) the Swap Agreement shall not contain any leverage element or multiplier component greater than 1.0x unless there is a matching hedge arrangement which effectively off-sets the exposure from any such element or component. Unless otherwise consented to in writing by the Insurer (so long as the Insurer has not defaulted on any obligation under the Insurance Policy), any uninsured net settlement, breakage or other termination amount then in effect shall be subordinate to the payment of principal of and interest on the 2015 Bonds and on any debt on parity with Contracts or Bonds. The District shall not terminate a Swap Agreement unless it demonstrates to the satisfaction of the Insurer prior to the payment of any such termination amount that such payment will not cause the District to be in default under this Indenture or any supplement thereto or amendment thereof, including but not limited to, any monetary obligations thereunder. All counterparties or guarantors to any Swap Agreement must have a rating of at least “A-” and “A3” by S&P and Moody’s. If the counterparty or guarantor’s rating falls below “A-” or “A3” by either S&P or Moody’s, the counterparty or guarantor shall execute a credit support annex to the Swap Agreement, which credit support annex shall be acceptable to the Insurer. If the counterparty or the guarantor’s long term unsecured rating falls below “Baa1” or “BBB+” by either Moody’s or S&P, a replacement counterparty or guarantor, acceptable to the Insurer (so long as the Insurer has not defaulted on any obligation under the Insurance Policy), shall be required.

Section 11.19. Insurer Consideration. The rights granted to the Insurer under this Indenture or any supplement thereto or amendment thereof to request, consent to or direct any action are rights granted to the Insurer in consideration of its issuance of the Insurance Policy. Any exercise by the Insurer of such rights is merely an exercise of the Insurer’s contractual rights and shall not be construed or deemed to be taken for the benefit, or on behalf, of the Owners and such action does not evidence any position of the Insurer, affirmative or negative, as to whether the consent of the Owners or any other person is required in addition to the consent of the Insurer.

Section 11.20. Amounts Paid by Insurer. Amounts paid by the Insurer under the Insurance Policy shall not be deemed paid for purposes of this Indenture and the 2015 Bonds relating to such payments shall remain Outstanding and continue to be due and owing until paid by the District in accordance with this Indenture. This Indenture shall not be discharged unless all amounts due or to become due to the Insurer have been paid in full or duly provided for.

Section 11.21. Covenant to Preserve Priority. Each of the District and Trustee covenant and agree to take such action (including, as applicable, filing of Uniform Commercial Code financing statements and continuations thereof) as is necessary from time to time to preserve the priority of the pledge of the Water System Revenues set forth in Section 5.01 under applicable law.

Section 11.22. Subrogation and Survival of Obligations. The Insurer shall, to the extent it makes any payment of principal of or interest on the 2015 Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Insurance Policy. Each obligation of the District to the Insurer under this Indenture or any supplement thereto or amendment thereof

shall survive discharge or termination of this Indenture or any supplement thereto or amendment thereof.

Section 11.23. Reimbursement of Fees. The District shall pay or reimburse the Insurer any and all charges, fees, costs and expenses that the Insurer may reasonably pay or incur in connection with (a) the administration, enforcement, defense or preservation of any rights or security in this Indenture or any supplement thereto or amendment thereof, (b) the pursuit of any remedies under this Indenture or any supplement thereto or amendment thereof or otherwise afforded by law or equity, (c) any amendment, waiver or other action with respect to, or related to, this Indenture or any supplement thereto or amendment thereof whether or not executed or completed, or (d) any litigation or other dispute in connection with this Indenture or any supplement thereto or amendment thereof or the transactions contemplated thereby, other than costs resulting from the failure of the Insurer to honor its obligations under the Insurance Policy. The Insurer reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect of this Indenture or any supplement thereto or amendment thereof.

Section 11.24. Provision of Information. So long as the Insurer has not defaulted on any obligation under the Insurance Policy, the Insurer shall be provided with the following information by the District or Trustee, as the case may be:

- (a) Annual audited financial statements within 270 days after the end of the District's Fiscal Year (together with a certification of the District that it is not aware of any default or Event of Default under this Indenture), and the District's annual budget within 30 days after the approval thereof together with such other information, data or reports as the Insurer shall reasonably request from time to time;
- (b) Notice of any default known to the Trustee or District within five Business Days after knowledge thereof;
- (c) Prior notice of the advance refunding or redemption of any of the 2015 Bonds, including the principal amount, maturities and CUSIP numbers thereof;
- (d) Notice of the resignation or removal of the Trustee and the appointment of, and acceptance of duties by, any successor thereto;
- (e) Notice of the commencement of any proceeding by or against the District commenced under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an "Insolvency Proceeding");
- (f) Notice of the making of any claim in connection with any Insolvency Proceeding seeking the avoidance as a preferential transfer of any payment of principal of, or interest on, the 2015 Bonds;
- (g) A full original transcript of all proceedings relating to the execution of any amendment, supplement, or waiver to this Indenture or any supplement thereto or amendment thereof; and
- (h) All reports, notices and correspondence to be delivered to Owners under the terms of this Indenture and any supplement thereto or amendment thereof.

In addition, to the extent that the District has executed into a Continuing Disclosure Certificate, covenant or undertaking with respect to the 2015 Bonds, all information furnished pursuant to such agreements shall also be provided to the Insurer, simultaneously with the furnishing of such information.

Section 11.25. Additional Information. The Insurer shall have the right to receive such additional information as it may reasonably request.

Section 11.26. Discussion of and Access to Information. The District will permit the Insurer to discuss the affairs, finances and accounts of the District or any information the Insurer may reasonably request regarding the security for the 2015 Bonds with appropriate officers of the District and will use commercially reasonable efforts to enable the Insurer to have access to the facilities, books and records of the District on any Business Day upon reasonable prior notice.

IN WITNESS WHEREOF, the District has caused the Indenture to be signed in its name by its President, and the Trustee, in token of its acceptance of the trusts created hereunder, has caused the Indenture to be signed in its corporate name by its officers thereunto duly authorized, all as of the day and year first above written.

YUCAIPA VALLEY WATER DISTRICT

By: \_\_\_\_\_  
Its: President of the Board of Directors

Attest:

\_\_\_\_\_  
Secretary of the Board of Directors

WELLS FARGO BANK, NATIONAL  
ASSOCIATION, as Trustee

By: \_\_\_\_\_  
Its: Authorized Officer

**EXHIBIT A**

**FORM OF 2015 BOND**

*UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY (AS DEFINED IN THE INDENTURE) TO THE TRUSTEE FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.*

No. \_\_\_\_\_ \$ \_\_\_\_\_

UNITED STATES OF AMERICA  
STATE OF CALIFORNIA

YUCAIPA VALLEY WATER DISTRICT  
WATER SYSTEM REFUNDING REVENUE BOND,  
SERIES 2015A

INTEREST RATE	MATURITY DATE	ORIGINAL ISSUE DATE	CUSIP
____%	September 1, 20__	_____, 2015	____

REGISTERED OWNER      CEDE & CO.

PRINCIPAL AMOUNT: \_\_\_\_\_ DOLLARS

The YUCAIPA VALLEY WATER DISTRICT, a county water district duly organized and existing under the laws of the State of California (the "District"), for value received, hereby promises to pay to the Registered Owner specified above or registered assigns (the "Registered Owner"), on the Maturity Date specified above (subject to any right of prior redemption hereinafter provided for), the Principal Amount specified above, in lawful money of the United States of America, and to pay interest thereon in like lawful money from the interest payment date next preceding the date of authentication of this Bond (unless: (i) this Bond is authenticated after the fifteenth day of the calendar month preceding an interest payment date, whether or not such day is a business day, and on or before the following interest payment date, in which event it shall bear interest from such interest payment date; or (ii) this Bond is authenticated on or before August 15, 2015, in which event it shall bear interest from the Original Issue Date identified above; provided, however, that if as of the date of authentication of this Bond, interest is in default on this Bond, this Bond shall bear interest from the interest payment date to which interest has previously been paid or made available for payment on this Bond), at the Interest Rate per annum specified above, payable semiannually on September 1, 2015 and on each March 1 and September 1 thereafter. Interest on this Bond shall be calculated on the basis of a 360 day year composed of twelve 30 day months. Principal hereof and premium, if



any, upon early redemption hereof are payable by check of the Trustee upon presentation and surrender hereof at the Office of the Trustee (as defined in the hereinafter described Wells Fargo Bank, National Association, as trustee (the "Trustee"). Interest hereon is payable by check of the Trustee sent by first class mail on the applicable interest payment date to the Registered Owner hereof at the Registered Owner's address as it appears on the registration books of the Trustee as of the close of business on the fifteenth day of the month preceding each interest payment date (except that in the case of a registered owner of one million dollars (\$1,000,000) or more in principal amount, such payment may, at such registered owner's option, be made by wire transfer of immediately available funds to an account in the United States in accordance with written instructions provided to the Trustee by such registered owner prior to the fifteenth (15th) day of the month preceding such interest payment date).

This Bond is not a debt of the State of California, or any of its political subdivisions (other than the District), and neither the State, nor any of its political subdivisions (other than the District), is liable hereon, nor in any event shall this Bond be payable out of any funds or properties of the District other than the Net Water System Revenues (as such term is defined in the Indenture of Trust, dated as of January 1, 2015 (the "Indenture"), by and between the District and the Trustee) and other moneys pledged therefor under the Indenture. The obligation of the District to make payments in accordance with the Indenture is a limited obligation of the District as set forth in the Indenture and the District shall have no liability or obligation in connection herewith except with respect to such payments to be made pursuant to the Indenture. The Bonds do not constitute an indebtedness of the District in contravention of any constitutional or statutory debt limitation or restriction.

This Bond is one of a duly authorized issue of bonds of the District designated as the "Yucaipa Valley Water District Water System Refunding Revenue Bonds, Series 2015A (the "Bonds"), of an aggregate principal amount of \_\_\_\_\_ Million \_\_\_\_\_ Thousand Dollars (\$ \_\_\_\_\_), all of like tenor and date (except for such variation, if any, as may be required to designate varying series, numbers or interest rates) and all issued pursuant to the provisions of Article 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California, including but not limited to Section 53583, and pursuant to the Indenture and the resolution authorizing the issuance of the Bonds. Reference is hereby made to the Indenture (copies of which are on file at the office of the District) and all supplements thereto for a description of the terms on which the Bonds are issued, the provisions with regard to the nature and extent of the Water System Revenues, and the rights thereunder of the Owners of the Bonds and the rights, duties and immunities of the Trustee and the rights and obligations of the District hereunder, to all of the provisions of which the Registered Owner of this Bond, by acceptance hereof, assents and agrees. The Bonds have been issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple thereof.

The Bonds have been issued by the District to refund certain obligations of the District, as more fully described in the Indenture.

This Bond and the interest, premium, if any, hereon and all other Bonds and the interest and premium, if any, thereon (to the extent set forth in the Indenture) are special obligations of the District, secured by a pledge and lien on and payable from the Water System Revenues and any other amounts on deposit in certain funds and accounts created under the Indenture. As and to the extent set forth in the Indenture, all of the Water System Revenues are exclusively and irrevocably pledged in accordance with the terms hereof and the provisions of the Indenture, to the payment of the principal of and interest and premium (if any) on the Bonds.

The Indenture and the rights and obligations of the District and of the Owners of the Bonds and of the Trustee may be modified or amended from time to time and at any time by an indenture or indentures supplemental thereto, which the District and the Trustee may enter into when the written consent of \_\_\_\_\_ (the "Insurer"), so long as the Insurer has not defaulted on any obligation under the Insurance Policy (as such term is defined in the Indenture), shall have been filed with the Trustee. No such modification or amendment shall: (i) extend the fixed maturity of any Bonds, or reduce the amount of principal thereof or premium (if any) thereon, or extend the time of payment, or change the rate of interest or the method of computing the rate of interest thereon, or extend the time of payment of interest thereon, without the consent of the Owner of each Bond so affected; or (ii) eliminate the aforesaid consent of the Insurer required to affect any such modification or amendment, or permit the creation of any lien on the Water System Revenues and other assets pledged under the Indenture prior to or on a parity with the lien created by the Indenture except as permitted herein, or deprive the Owners of the Bonds of the lien created by the Indenture on such Water System Revenues and other assets except as permitted herein, without the consent of the Insurer.

The Indenture and the rights and obligations of the District, the Trustee and the Owners of the Bonds may also be modified or amended from time to time and at any time by a supplemental indenture, which the District and the Trustee may enter into without the consent of any Bond Owners, but with the written consent of the Insurer so long as the Insurer has not defaulted on any obligation under the Insurance Policy, if the Trustee shall receive an opinion of Bond Counsel to the effect that the provisions of such supplemental indenture shall not materially adversely affect the interests of the Owners of the Outstanding Bonds.

The Bonds are subject to extraordinary redemption prior to their respective stated maturities, as a whole or in part on any date in the order of maturity and within maturities as directed by the District in a Written Request provided to the Trustee at least 60 days (or such lesser number of days acceptable to the Trustee in the sole discretion of the Trustee, such notice for the convenience of the Trustee) prior to such date and by lot within each maturity in integral multiples of \$5,000 from Net Proceeds, upon the terms and conditions of, and as provided for in, the Indenture at a redemption price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption, without premium.

The 2015 Bonds with stated maturities on or after September 1, 20\_\_ are subject to redemption prior to their respective stated maturities, as a whole or in part on any date as in the order of maturity as directed by the District in a Written Request provided to the Trustee at least 60 days (or such lesser number of days acceptable to the Trustee in the sole discretion of the Trustee, such notice for the convenience of the Trustee) prior to such date and by lot within each maturity in integral multiples of \$5,000, on or after September 1, 20\_\_, at a redemption price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption, without premium.

The 2015 Bonds with stated maturities on September 1, 20\_\_ are subject to mandatory sinking fund redemption in part (by lot), on each September 1 on and after September 1, 20\_\_ in integral multiples of \$5,000 at a redemption price of the principal amount thereof plus accrued interest evidenced thereby to the date fixed for redemption, without premium, in accordance with the following schedule:

<i>Redemption Date</i> <i>(September 1)</i>	<i>Principal</i> <i>Amount</i>
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\* Final Maturity.

As provided in the Indenture, notice of redemption (other than mandatory sinking fund redemption) shall be mailed by the Trustee by first class mail at least 20 days but not more than 60 days prior to the Redemption Date to the respective Owners of any Bonds designated for redemption at their addresses appearing on the registration books of the Trustee, but neither the failure to receive such notice nor any defect in the notice or the mailing thereof shall affect the validity of the proceedings for redemption or the cessation of accrual of interest thereon from and after the date fixed for redemption.

If this Bond is called for redemption and payment is duly provided therefor as specified in the Indenture, interest shall cease to accrue hereon from and after the date fixed for redemption.

If an Event of Default, as defined in the Indenture, shall occur, the principal of all of the Bonds and the interest accrued thereon may be declared due and payable upon the conditions, in the manner and with the effect provided in the Indenture, but such declaration and its consequences may be rescinded and annulled as further provided in the Indenture.

This Bond is transferable by the Registered Owner hereof, in person or by his or her duly authorized attorney in writing, at said Office of the Trustee but only in the manner subject to the limitations and upon payment of the taxes and charges provided in the Indenture and upon surrender and cancellation of this Bond. Upon registration of such transfer, a new Bond or Bonds of the same series, of authorized denomination or denominations, for the same aggregate principal amount of the same maturity will be issued to the transferee in exchange therefor.

Bonds may be exchanged at said Office of the Trustee for a like aggregate principal amount of Bonds of other authorized denominations of the same series and same maturity, but only in the manner, subject to the limitations and upon payment of the taxes and charges provided in the Indenture.

The Trustee shall not be required to register the transfer or exchange of any Bond during the period in which the Trustee is selecting Bonds for redemption or any Bond that has been selected for redemption.

The District and the Trustee may treat the Registered Owner hereof as the absolute owner hereof for all purposes, and the District and the Trustee shall not be affected by any notice to the contrary.

It is hereby certified that all of the things, conditions and acts required to exist, to have happened or to have been performed precedent to and in the issuance of this Bond do exist, have happened or have been performed in due and regular time, form and manner as required by the Indenture and the laws of the State of California and that the amount of this Bond, together with all

other indebtedness of the District, does not exceed any limit under any laws of the State of California, and is not in excess of the amount of Bonds permitted to be issued under the Indenture.

This Bond shall not be entitled to any benefit under the Indenture or become valid or obligatory for any purpose until the certificate of authentication hereon endorsed shall have been manually signed by the Trustee.

IN WITNESS WHEREOF, the District has caused this Bond to be executed in its name and on its behalf with the manual or facsimile signature of its President as of this [ ] day of \_\_\_\_\_, 2015.

YUCAIPA VALLEY WATER DISTRICT

By: \_\_\_\_\_  
Its: President of the Board of Directors

[FORM OF TRUSTEE’S CERTIFICATE OF AUTHENTICATION  
TO APPEAR ON BONDS]

This is one of the Bonds described in the within-mentioned Indenture.

Dated: \_\_\_\_\_ [ ], 2015

WELLS FARGO BANK, NATIONAL  
ASSOCIATION, as Trustee

By: \_\_\_\_\_  
Its: Authorized Signatory

**STATEMENT OF INSURANCE**

[TO COME FROM INSURER]

A-7

[FORM OF ASSIGNMENT]

For value received the undersigned hereby sells, assigns and transfers unto

\_\_\_\_\_  
\_\_\_\_\_

(Name, Address and Tax Identification or  
Social Security Number of Assignee)

the within registered Bond and hereby irrevocably constitute(s) and appoint(s) \_\_\_\_\_  
\_\_\_\_\_ attorney, to transfer the same on the registration books of the Trustee  
with full power of substitution in the premises.

Dated: \_\_\_\_\_

\_\_\_\_\_  
Note: The signature(s) on this Assignment must  
correspond with the name(s) as written on the  
face of the within Bond in every particular  
without alteration or enlargement or any  
change whatsoever.

Signature Guaranteed:

\_\_\_\_\_  
Note: Signature guarantee shall be made by  
a guarantor institution participating in the  
Securities Transfer Agents Medallion Program  
or in such other guarantee program acceptable  
to the Trustee.



**Date: January 13, 2015**

**Subject: Overview of the 2015 Upper Santa Ana Watershed Integrated Regional Watershed Management Plan**

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Development of an Integrated Regional Watershed Management Plan (IRWMP) is a requirement set forth by the California Legislature. The Integrated Regional Water Management Planning Act was passed in 2002 and authorized local public agencies to form Regional Water Management Groups in order to identify and implement water management solutions on a regional scale that increase regional self-reliance, reduce conflict, and manage water to concurrently achieve social, environmental, and economic objectives.

The 2015 Upper Santa Ana Watershed Integrated Regional Watershed Management Plan was prepared by agencies in the Upper Santa Ana River watershed that share a common concern for the region's surface and groundwater resources. The preparation and completion of the 2015 IRWMP comes at a critical time when regional approaches among agencies are more imperative than ever to provide a reliable and sustainable water supply for the region.

Specifically, the IRWMP promotes the following:

- Identification of regional projects that benefit the upper portion of the Santa Ana Watershed;
- Connectivity of infrastructure projects that ensure long-term sustainability for the region;
- Establishment of common goals and benefits that provide the ability to cost-share projects; and
- Project collaboration that provides leverage during competitive grant applications.

An overview of the 2015 Upper Santa Ana Watershed Integrated Regional Watershed Management Plan will be provided at the board workshop.

At the Regular Board meeting on February 4, 2015, the District will be conducting a public hearing for the adoption of the 2015 Upper Santa Ana Watershed Integrated Regional Watershed Management Plan.



## PUBLIC NOTICE

### NOTICE OF INTENTION TO ADOPT THE 2015 UPPER SANTA ANA RIVER WATERSHED INTEGRATED REGIONAL WATER MANAGEMENT PLAN

Notice is hereby given that the Yucaipa Valley Water District and the City of Yucaipa will consider adoption of the 2015 Upper Santa Ana River Watershed Integrated Regional Water Management Plan (IRWMP).

The Yucaipa City Council will conduct a public hearing on the IRWMP on January 26, 2015 at or after 6:00 p.m. at 34272 Yucaipa Boulevard, California.

Yucaipa Valley Water District Board of Directors will conduct a public hearing on the IRWMP on February 4, 2015 at or after 6:00 p.m. at 12770 Second Street, Yucaipa, California.

The 2015 IRWMP has been prepared to comply with new state integrated planning requirements. Preparation of the 2015 IRWMP included a series of workshops to refine the IRWMP goals, objectives, and priorities in light of the changes that have occurred since the original plan was adopted in 2007.

The 2015 IRWMP provides an updated approach for: 1) coordinating, refining and integrating existing planning efforts within a comprehensive, regional context; 2) identifying specific regional and watershed-based priorities for implementation of projects; and 3) providing a funding plan to implement the IRWMP.

The Final 2015 Upper Santa Ana River Watershed Integrated Regional Water Management Plan can be viewed at: [Integrated Plan Link](#).

For more information or to be added to the Stakeholder Contact List, contact Jennifer Ares, Water Resource Manager, Yucaipa Valley Water District (909) 790-3301.

## Executive Summary

### *Integrated Regional Water Management in the Upper Santa Ana River Watershed Region*

The Upper Santa Ana River Watershed (USARW) has a long-standing history of collaboration by water resource management agencies to manage the watershed's unique water supply, water quality, flood, and habitat challenges. In 2005, this collaboration allowed the agencies to successfully form the USARW Integrated Regional Water Management Region (IRWM Region or Region) and develop an integrated plan for managing water resources in the Region. The USARW Integrated Regional Water Management Plan (IRWM Plan) is the result of this effort. The 2014 IRWM Plan serves as an update to the IRWM Plan developed in 2007, and incorporates new information describing the Region, updates goals and objectives, re-evaluates strategies, and develops a process for future implementation of the IRWM Plan.

Stemming from this effort, the agencies in the Region created the Basin Technical Advisory Committee (BTAC) to facilitate implementation of the IRWM Plan. Development of the BTAC has strengthened dialogue and cooperation between agencies and has improved regional planning. The BTAC, which serves as the Regional Water Management Group, is open to all agencies and stakeholders who desire to participate in the IRWM Region's planning and management efforts.

### *Water Resources Management Challenges*

The USARW IRWM Region, which begins just upstream of Prado Dam and extends into the San Bernardino Mountains, covers over 850 square miles of urban area, agricultural land, and open space that provide a multitude of water resource-related benefits and challenges.

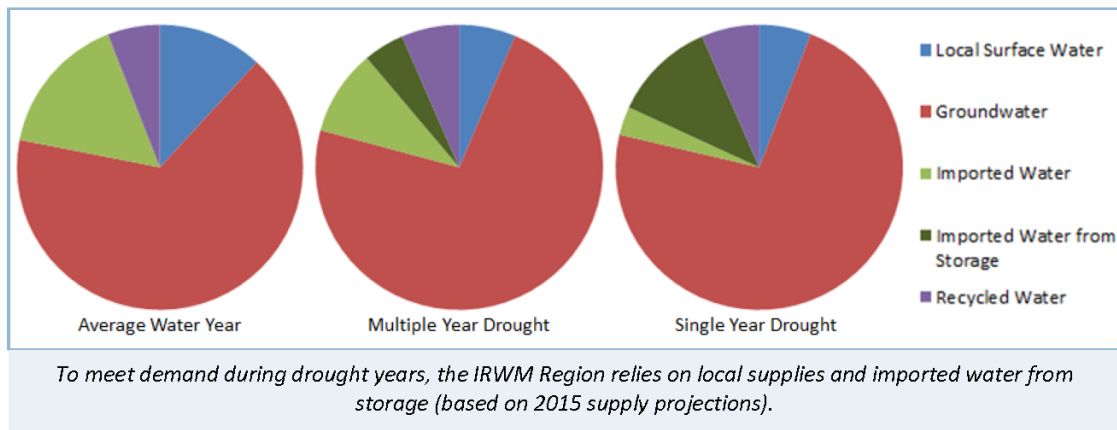
Water supply management in the Region dates back to the 1800s when predecessors of today's water agencies were constructing ditches to deliver water. Management now consists of dozens of water supply agencies that deliver water to this rapidly growing Region. These water suppliers also face institutional complexities (particularly those related to groundwater management) and must account for the hydrological variation that occurs in both local and imported water supplies. The IRWM Region's water suppliers plan to meet demand through a combination of imported water, groundwater, local surface water, recycled water, and water use efficiency programs. By 2035, demand in the Region is projected to increase by over 100,000 AFY, and will require the continued development of a diverse water supply portfolio to overcome various challenges and uncertainties.

#### **Agencies Developing the IRWM Plan Update**

1. Big Bear Lake Department of Water and Power
2. Big Bear City Community Services District
3. City of Loma Linda
4. City of Redlands Municipal Utilities and Engineering Department
5. City of Rialto
6. City of Riverside Public Utilities Department
7. East Valley Water District
8. Fontana Union Water Company
9. San Bernardino County Flood Control District
10. San Bernardino Municipal Water Department
11. San Bernardino Valley Municipal Water District
12. San Bernardino Valley Water Conservation District
13. San Geronio Pass Water Agency
14. West Valley Water District

Upper Santa Ana River Watershed | Integrated Regional Water Management Plan

As shown below, the IRWM Region is highly dependent on its local water supplies, particularly precipitation stored as groundwater, which provides approximately 67% of supplies during average years and over 70% of supplies during drought years. The Region plans to store as much water as possible in groundwater basins during wet years and then to pump this water from groundwater storage during drought years (i.e. conjunctive use).



Water suppliers must also manage for other uncertainties such as variability in supplies, particularly imported water, caused by drought and other reliability concerns such as catastrophic events (e.g. earthquakes), environmental protection goals and mandates in the Sacramento-San Joaquin Bay Delta (Delta), climate change, water quality, and imported water costs.

The IRWM Region’s groundwater managers must balance conjunctive use with other constraints such as the risk of liquefaction. Careful monitoring and ongoing coordination among members of the BTAC is critical to achieve this balance.

Meeting the Region’s water demand also requires management of local water quality. While groundwater quality is generally good in the Region, past industrial and military activities have required groundwater remediation of volatile organic compound (VOC) contamination plumes. Water quality treatment is also necessary in some areas to treat for other contaminants caused by agricultural activities and urban pollutants (e.g. nitrate, perchlorate, pesticides and inorganic materials). In addition, as water recycling increases in the future, the Region will need to monitor salt accumulation consistent with the Santa Ana Regional Water Quality Control Board’s Basin Plan goals.

Another issue of concern in the Region is stormwater and flood management. Stormwater management has been an ongoing challenge in the USARW Region. In the past, flood events have caused loss of life and damage to property.



*The San Bernardino County Flood Control District was created in response to historical flooding that caused loss of life and damage to property.*

## Integrated Regional Water Management Plan | Upper Santa Ana River Watershed



*The San Bernardino National Forest is home to extraordinary natural resources.*

Flood control facilities, such as detention basins, have provided much needed control of these flows. The IRWM Region's groundwater managers are working with flood control agencies to optimize the use of these flood control facilities to increase the recharge of stormwater into the groundwater basin. They hope to strike a balance between flood control and recharge that will ensure protection from flooding, while providing additional supplies to meet growing future demands and to supplement these supplies during drought years.

The USARW Region contains extraordinary natural resources, including the San Bernardino National Forest, which serves as the headwaters for the Santa Ana River. Downstream, the Santa Ana River and its tributaries provide habitat to

riparian and aquatic species, and provide connectivity to upland habitats. The scrub, woodland, and riparian habitats in the Region support innumerable species, including species of concern such as the San Bernardino kangaroo rat, Santa Ana River woolly star, and Slender-Horned spine flower. The importance of the Region's habitats is underscored by the multiple environmental and ecological management plans currently in place, including the Western Riverside County Multi-Species Habitat Conservation Plan, Upper Santa Ana Wash Land Management and Habitat Conservation Plan, and Upper Santa Ana River Habitat Conservation Plan. In addition to serving as habitat, these areas provide valuable open space and recreational areas for the residents of and visitors to the Region. Though large areas of habitat and open space have been conserved, the IRWM Region recognizes the importance of further restoring or improving habitat that has been lost to urbanization, and preserving habitat that is in danger due to invasive species. Maintaining and improving the Region's habitats also serves to support surface water quality. In particular, ongoing forest thinning projects in the San Bernardino National Forest serve to maintain forest habitat, as well as reduce the danger of wildfires and their associated water quality impacts downstream from sedimentation.

The BTAC evaluated the vulnerability of the IRWM Region's resources to climate change impacts. Within the Region, climate change may exaggerate existing uncertainties by causing decreases in precipitation, less frequent but more intense storms, and higher temperatures. The BTAC identified several vulnerabilities associated with these impacts, including additional imported water supply uncertainty, additional potential challenges to capturing stormwater during more intense storms, water quality impacts due to more frequent and intense wildfires, degraded water quality and aquatic habitat impacts due to higher temperatures, flood system impacts due to more intense storms, and increased irrigation demand due to higher temperatures.

These issues and challenges to water supply, water quality, flood management, and habitat and open space must be carefully managed to maintain the IRWM Region's water resources for future generations.

## Upper Santa Ana River Watershed | Integrated Regional Water Management Plan

**Goals, Objectives and Strategies**

The BTAC developed a series of goals to help the USARW IRWM Region overcome the variety of issues and challenges. In addition, BTAC established measureable objectives, or targets, they hope to achieve over the next 5-year planning cycle. These goals and objectives are listed below.

**USARW IRWM Region Water Management Goals and Objectives**

<b>Goal #1: Improve Water Supply Reliability</b>	1a: Reduce demand 20% by 2020
	1b: Increase utilization of local supplies by 23,000 AFY <ul style="list-style-type: none"> <li>• Stormwater: 20,000 AFY</li> <li>• Recycled Water: 3,000 AFY</li> </ul>
	1c: Increase storage by 10,000 AF
	1d: Prepare for disasters by implementing 2 new interties between water agencies
	1e: Monitor and adaptively manage climate change impacts by implementing 3 projects that reduce energy demands
	1f: Ensure equivalent water supply services for DACs
<b>Goal #2: Balance Flood Management and Increase Stormwater Recharge</b>	2a: Utilize 500 acres of flood control retention/detention basins that are not currently used for recharge
	2b: Reduce FEMA reported flood area
	2c: Ensure equivalent implementation of flood projects in DAC areas and implement at least 1 flood control project in a DAC area
<b>Goal #3: Improve Water Quality</b>	3a: Ensure no violations of drinking water quality standards
	3b: Improve surface and groundwater quality by treating 3,000 AFY of water supply
	3c: Manage total dissolved solids and nitrogen in groundwater
	3d: Ensure equivalent water quality services for DACs
<b>Goal #4: Improve Habitat and Open Space</b>	4a: Improve habitat and open space by 1,200 acres
	4b: Identify “multi-use” opportunities to increase recreation and public access and identify at least 1 multi-use project

Integrated Regional Water Management Plan | Upper Santa Ana River Watershed

Keeping the Region's unique issues and challenges in mind, the BTAC developed a number of water management strategies to help them reach their goals and objectives. These strategies, listed below, intentionally align with the resource management strategies (RMS) listed in the *California Water Plan* and reflect the unique aspects of the Region's water resources.

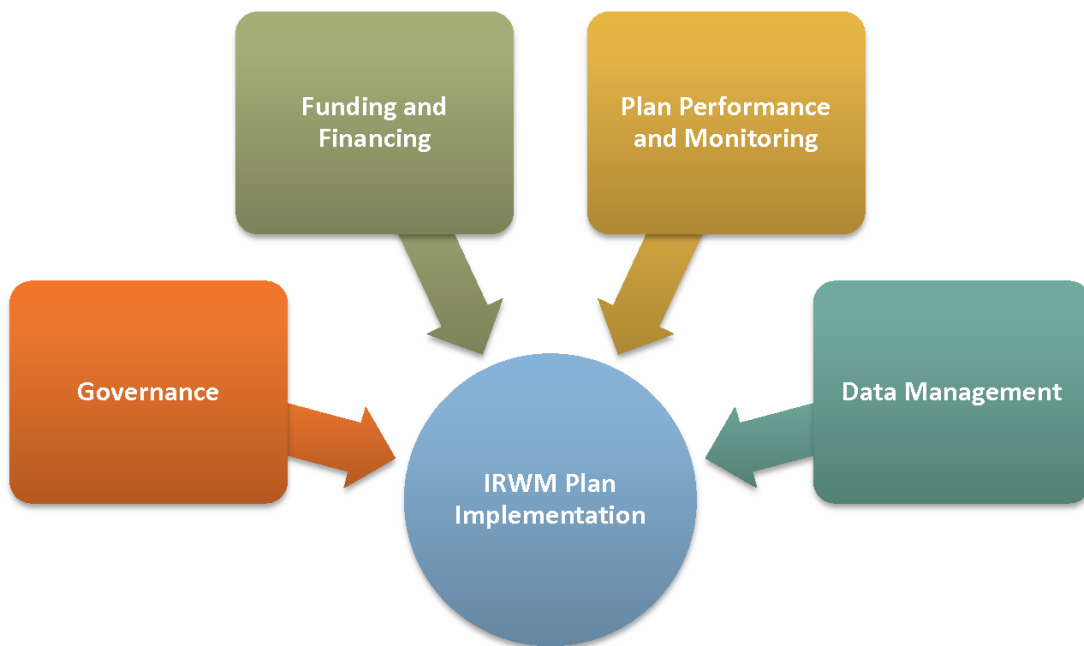
### Water Resource Management Strategies

- |   |   |
|---|---|
| 1. Continue Basin Management in the San Bernardino Basin Area   | 20. Incorporate Environmental Opportunities and Constraints into the Design Process for Facilities                              |
| 2. Continue Forest Management   | 21. Incorporate Opportunities to Improve Habitat and Increase Recreation and Public Access During the Facilities Design Process |
| 3. Continue Hazardous Fuels Reduction in the Forest   | 22. Increase Recycled Water Use   |
| 4. Coordinate Land Use Planning and Management with Water Resources Management                          | 23. Increase Stormwater Capture   |
| 5. Develop Basin Management in Yucaipa Basin  | 24. Maintain and Improve Water-Dependent Recreation   |
| 6. Develop Desalination   | 25. Manage High Groundwater Potential   |
| 7. Develop Watershed Management Projects and Programs   | 26. Manage Urban Runoff   |
| 8. Improve Drinking Water Treatment and Distribution  | 27. Match Water Quality to Use  |
| 9. Identify Corridors for Species   | 28. Monitor Consumer Confidence Reports   |
| 10. Identify Projects that Increase Recharge  | 29. Operate Existing Facilities to Increase Recharge  |
| 11. Identify Projects that Increase Surface Water and Groundwater Storage Inside and Outside the Region | 30. Optimize Wet Year Storage and Dry Year Pumping (Conjunctive Management & Groundwater)                                       |
| 12. Identify Water Transfer Opportunities   | 31. Participate in the SAWPA Basin Management Task Force  |
| 13. Implement Agricultural Lands Stewardship  | 32. Protect Recharge Areas  |
| 14. Implement Agricultural Water Use Efficiency   | 33. Provide Economic Incentives   |
| 15. Implement Pollution Prevention Measures   | 34. Remediate Groundwater Contamination Plumes  |
| 16. Implement System Reoperation  | 35. Restore Ecosystems  |
| 17. Implement Urban Water Use Efficiency  | 36. Review DACs Every 5 Years   |
| 18. Improve Supply Conveyance – Delta   | 37. Support the Bay Delta Conservation Plan   |
| 19. Improve Supply Conveyance – Regional/Local  |   |

Upper Santa Ana River Watershed | Integrated Regional Water Management Plan

### Implementation of the IRWM Plan

To date, the agencies located within the USARW IRWM Region have successfully implemented numerous water management strategies and projects, and continuously monitor progress toward achieving their goals and objectives. The responsibility for implementation of the IRWM Plan will continue to be guided by the BTAC agencies, all of whom participated in the planning process and prepared the 2007 IRWM Plan and this 2014 IRWM Plan. The success of the IRWM Plan's implementation will be ensured through ongoing plan performance and monitoring, data management, and the Region's funding and financing plan. These ongoing activities in combination with the integrated goals, objectives, and strategies developed through this IRWM Plan will ensure that the Region's water resources are sustainably managed into the future.





Date: January 13, 2015

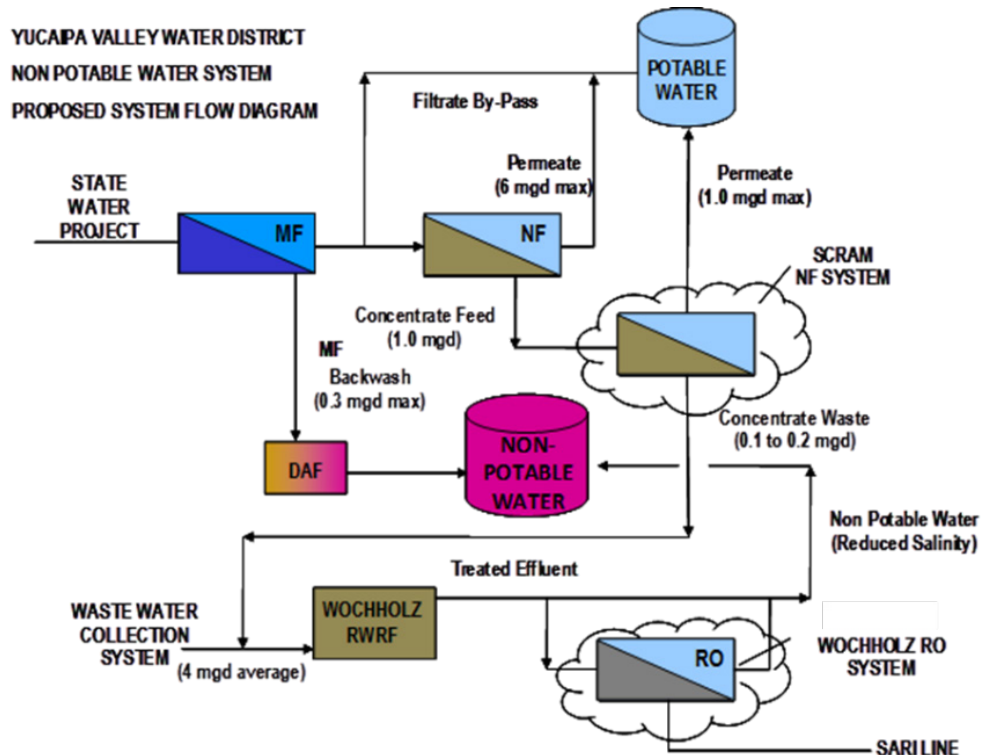
Subject: Overview of the Drinking Water Filtration System Production Enhancement Project

The Yucaipa Valley Water District operates the Yucaipa Valley Regional Water Filtration Facility (YVRWFF) for production of drinking water. The drinking water filtration facility is designed for an ultimate capacity of 36 million gallons per day (mgd) using the latest membrane barrier technology for the removal of macro, micro and molecular constituents that are commonly found in surface water streams and lakes.

Today the filtration system consists of 13.6 mgd of microfiltration (MF) and 6.0 mgd of nanofiltration (NF) processes. The 6.0 mgd NF system capacity allows the District to provide up to 8.0 mgd of drinking water at a blend ratio of 75:25 NF:MF, which is needed to minimize formation of regulated disinfection by products. To increase the production capacity of the facility, an additional NF process should be installed.

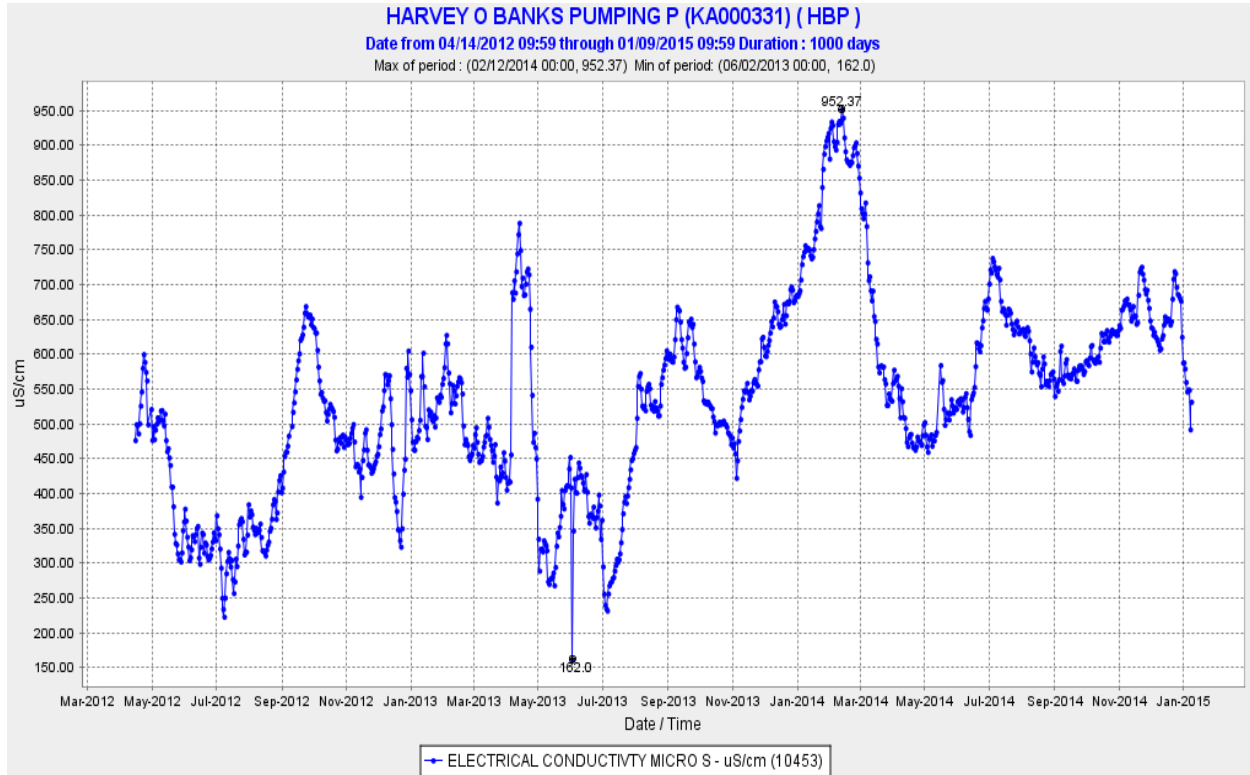
The District staff is analyzing the benefit of increasing the nanofiltration capacity by 3 mgd with a concentrate recycle process to increase the productivity and efficiency of the system while reducing the volume of the backwash water produced at the facility. This system enhancement will increase the overall drinking water capacity of the facility from 8 mgd to 12 mgd while eliminating about 1.0 mgd of flow to the recycled water system.

The benefit of this project would be to: (1) increase the efficiency of drinking water produced from the filtration facility from 85% to 95%; (2) decrease the amount of recycled water produced from the drinking water facility; (3) enhance the protection of the drinking water supply from





increased salinity excursions and an upward overall salinity trend from source water originating from the State Water Project (a recent salinity peak in early 2014 is shown below); and (4) maintain compliance with the Regional Water Quality Control Board Basin Plan objectives for the Yucaipa and Beaumont Management Zones.



The purpose of this agenda item is to provide an overview of the proposed drinking water filtration system production enhancement project.

# Operational Updates



Yucaipa Valley Water District



**Date:** January 13, 2015

**Subject:** Overview of Biosolids Handling and Disposal at the Wochholz Regional Water Recycling Facility

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At the regular board meeting on December 17, 2014, the Board of Directors requested information about the District's biosolids contract with One Stop (attached). The latest contract with One Stop was approved on June 7, 2006 for a price of \$50.00 per ton [Director Memorandum No. 06-068].

At the time, this contract was consistent with what other agencies were being charged and reflected the Air Quality Management District (AQMD) Rule 1133 related to emission reduction from composting facilities. The AQMD determined that the process of composting via the bacterial breakdown of substrates produces various organic and inorganic gases that can contribute to several different air pollution problems. Specifically, source testing conducted by the AQMD indicated that outdoor composting represents a significant source of uncontrolled emissions of ammonia and volatile organic compounds (VOCs). Ammonia reacts with atmospheric nitric and sulfuric acid to form particulate nitrate and sulfates, respectively. Particulate nitrates are estimated to be responsible for 40 percent of the visibility reduction in the eastern part of the South Coast Air Basin.

This regulation together with other regulatory requirements placed upon composters led several municipalities to incur additional costs to haul their biosolids outside of the jurisdiction of the area. The District staff recognizes the close proximity, availability and cost for hauling our biosolids to One Stop is advantageous to the District and our customers as the price is generally less than the price paid by other municipalities. The close proximity reduces the need for a fuel surcharge and provides our customers with the beneficial use of the composted material sold by One Stop.

Based on the request by the Board of Directors, the District staff conducted a survey of local agencies regarding the cost of biosolids disposal. The following is a list of local agencies and their cost of biosolid disposal arrangement:

- The Inland Empire Utility Agency composts their own biosolids at a facility owned and operated by IEUA therefore no cost was obtained.
- The City of San Bernardino uses Chris Seeney Nursery Products in Hinkley, California at a cost of \$55.00 per ton.
- The City of Rialto / Veolia uses Synagro and hauls to Arizona at a cost of \$53.06 per ton.
- The City of Riverside uses Synagro and hauls to Arizona at a cost of \$53.06 per ton.
- The Elsinore Valley Municipal Water District uses Synagro and hauls to Kern County at a cost of \$82.00 per ton.

This District staff has attached a copy of the 2014 Southern California Alliance of Publicly Owned Treatment Works 2014 Biosolids Trends Survey for your review (see page 19 of 42).

### Amendment No. 3

#### Agreement for the Disposal of Biosolids Between Yucaipa Valley Water District & L. Curtl Truck & Equipment (One Stop)

This Amendment No. 3 is made, entered into and effective on the 8<sup>th</sup> day of June 2006, by and between the YUCAIPA VALLEY WATER DISTRICT, a public agency ("DISTRICT") and L. CURTI TRUCK & EQUIPMENT, a California corporation ("CONTRACTOR"). The DISTRICT and CONTRACTOR are sometimes collectively referred to herein as the "PARTIES" and individually as the "PARTY".

#### RECITALS

THIS AGREEMENT is entered into on the basis of the following facts, understandings and intentions of the Parties.

A. The PARTIES have previously entered into an Agreement having an Effective Date of March 7, 2001, and attached hereto as Exhibit A (the "Agreement").

B. The PARTIES have previously entered into Amendment Nos. 1 and 2 to the Agreement, attached hereto as Exhibit B and Exhibit C, respectively.

C. The DISTRICT owns and operates the Henry N. Wochholz Regional Water Recycling Facility located at 880 West County Line Road, Yucaipa, California, and desires to dispose of all biosolids generated by this facility. The DISTRICT also intends to own and operate the Oak Valley Regional Water Recycling Facility by 2008 and desires to dispose of all biosolids generated by this facility. Each is sometimes referred to herein as a "Facility" and jointly as the "Facilities"; and

D. As provided in the Agreement, CONTRACTOR desires to take, accept delivery of, own, control and reuse such biosolids which are produced by the Facilities and has represented and hereby warrants to the DISTRICT that CONTRACTOR possesses the necessary skills, experience, qualifications, permits, licenses, personnel and equipment to take and safely use or otherwise dispose of such biosolids; and

E. The purpose of this Amendment is to set forth the terms and conditions by which CONTRACTOR will take and reuse or dispose of biosolids produced by each Facility.

#### AGREEMENT

NOW, THEREFORE, based upon the above Recitals, and the covenants, terms and conditions hereinafter, the Parties have entered into this Amendment for the purpose of amending and revising the Agreement and superseding previous contract Amendments as specifically set forth hereinbelow, and except as specifically provided herein, the Agreement and Amendments shall remain in full force and effect as originally stated.

1. Purchase and Sale: Quantity.

CONTRACTOR agrees to take delivery of, any and all biosolids produced by each Facility, and to dispose of it in accordance with all applicable state and federal laws, rules and regulations including, without limitation, 40 Code Federal Regulations 503 et seq. The DISTRICT estimates, but does not intend to be bound by such estimate, that the total production from the Facilities shall be as follows:

Quantity of Biosolids (tons)	2006	2007	2008	2009	2010	2010
Wochholz WWTP	4,135	4,150	4,075	4,155	4,240	4,335
Oak Valley WWTP	--	150	400	500	600	700
<b>Total Biosolids Production</b>	<b>4,135</b>	<b>4,300</b>	<b>4,475</b>	<b>4,655</b>	<b>4,840</b>	<b>5,035</b>

Notwithstanding such estimate, CONTRACTOR hereby guarantees that it shall, at any and all times during the term of this Amendment, be capable of taking up to 150% of the actual biosolids produced by the Facilities. CONTRACTOR shall also keep written records of how and in what manner the biosolids taken from the DISTRICT are disposed of and where such biosolids are disposed of, and shall provide the DISTRICT with copies of such records at no additional cost when requested by the DISTRICT.

2. Purchase Price, Billing and Payment.

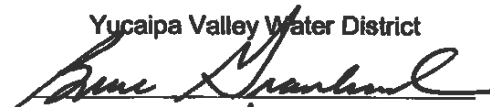
Effective July 1, 2006, the DISTRICT shall pay to CONTRACTOR a rate of \$50.00 (fifty dollars and zero cents) per ton of biosolids. The total cost per ton shall be renegotiated each year during the term of the contract thirty days prior to the implementation of the rate change. A negotiated change to the purchase price must be approved by the DISTRICT's Board of Directors prior to being implemented and will be provided as an amendment to the Agreement. CONTRACTOR shall provide to DISTRICT accurate and itemized monthly billings for biosolids taken by CONTRACTOR in the preceding month, each such billing to include a certified weight certificate issued by a State of California certified weigh station for each truckload taken in the preceding month. The DISTRICT shall pay each correct, complete and documented billing issued to it in compliance with this Agreement within thirty (30) days of acceptance of the billing by DISTRICT.

3. Term and Termination of Agreement and this Amendment No: 2

The term of the Agreement and this Amendment shall be six (6) years from the effective date above; provided, however, that this Amendment and the Agreement may be earlier terminated as follows:

- a. By either PARTY upon thirty (30) days prior written notice and without further liability to the other, if, as a result of a change in the laws, rules or regulations governing the sale, delivery, use and/or disposal of biosolids hereunder, DISTRICT is unable to deliver biosolids to CONTRACTOR or CONTRACTOR is unable to take delivery; or
- b. By the non-defaulting PARTY in the event the defaulting PARTY fails to cure a material breach of this Agreement within thirty (30) days of receipt of written notice thereof; or
- c. By DISTRICT, upon thirty (30) days prior written notice to CONTRACTOR, in the event DISTRICT has determined in its sole discretion that the services of CONTRACTOR are no longer required, feasible, necessary, or advantageous.

IN WITNESS WHEREOF, this Amendment No. 3 has been executed as of the date first above written.

Yucaipa Valley Water District  
 By:   
 Dated: 6/14/2006  
 Name: Bruce Granlund, President

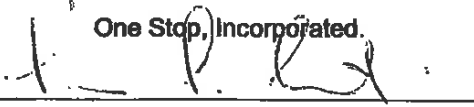
One Stop, Incorporated.  
 By:   
 Dated: 6-12-06  
 Name: Louis A. Cherti

Exhibit "A"

March 7, 2001

**Yucaipa Valley Water District  
Agreement for the Disposal of Biosolids (Sludge)**

THIS AGREEMENT is made, entered into and effective this 7<sup>th</sup> day of March 2001, by and between the YUCAIPA VALLEY WATER DISTRICT, a public agency ("YVWD") and L. CURTI TRUCK & EQUIPMENT, a California corporation ("CONTRACTOR"). YVWD and CONTRACTOR are sometimes collectively referred to herein as the "PARTIES".

**RECITALS**

THIS AGREEMENT is entered into on the basis of the following facts, understandings and intentions of the PARTIES.

A. YVWD owns and operates a regional wastewater treatment facility located at 880 West County Line Road, Yucaipa, California ("the Facility"), and desires to dispose of all biosolids, commonly known as "sludge", that is generated by the Facility; and

B. CONTRACTOR desires to take, accept delivery of, own, control and reuse such biosolids which are produced by the Facility, and has represented and hereby warrants to YVWD that CONTRACTOR possesses the necessary skills, experience, qualifications, permits, licenses, personnel and equipment to take and safely use or otherwise dispose of such biosolids; and

C. The purpose of this Agreement is to set forth the terms and conditions by which CONTRACTOR will take and reuse or dispose of biosolids produced by the Facility.

D. This Agreement shall supercede the previous Agreement dated October 21, 1998.

**AGREEMENT**

NOW, THEREFORE, in consideration of the foregoing Recitals and the mutual covenants contained herein, YVWD and CONTRACTOR agree as follows:

1. **Purchase and Sale: Quantity.**

CONTRACTOR agrees to take delivery of, any and all biosolids produced by the Facility, and to dispose of it in accordance with all applicable state and federal laws, rules and regulations including, without limitation, 40 Code Federal Regulations 503 ~~et seq.~~. The PARTIES estimate, but do not intend to be bound by such estimate, that the Facility will produce approximately 3,600 tons of biosolids per year. Notwithstanding such

Exhibit "A"

March 7, 2001

estimate, CONTRACTOR hereby guarantees that it shall, at any and all times during the term of this Agreement, be capable of taking up to 150% of the biosolids produced by the Facility.

2. Purchase Price, Billing and Payment.

Throughout the initial term of this Agreement and any extension thereof, YVWD shall pay to CONTRACTOR the sum of \$25.00 (twenty-five dollars and zero cents) per wet ton of biosolids. The total cost per wet ton shall be renegotiated prior to March 1<sup>st</sup> of each year during the term of the contract. A negotiated change to the purchase price must be approved by the Board of Directors prior to being implemented and will be provided as an amendment to this contract. CONTRACTOR shall provide to YVWD accurate and itemized monthly billings for biosolids taken by CONTRACTOR in the preceding quarter, each such billing to include a certified weight certificate issued by a State of California certified weigh station for each truckload taken in the preceding quarter. YVWD shall pay each correct, complete and documented billing issued to it in compliance with this Agreement within thirty (30) days of acceptance of the billing by YVWD.

3. Term and Termination of Agreement.

The initial term of this Agreement shall be three (3) years from the effective date of this Agreement; provided, however, that this Agreement may be earlier terminated as follows:

a. By either PARTY without further liability to the other, if, as a result of a change in the laws, rules or regulations governing the sale, delivery, use and/or disposal of biosolids hereunder, YVWD is unable to deliver biosolids to CONTRACTOR or CONTRACTOR is unable to take delivery; or

b. By the non-defaulting PARTY in the event the defaulting PARTY fails to cure a material breach of this Agreement within thirty (30) days of receipt of written notice thereof; or

c. By YVWD, upon thirty (30) days prior written notice to CONTRACTOR, in the event YVWD has determined in its sole discretion that the services of CONTRACTOR are no longer required or necessary.

4. Option to Extend Term.

YVWD shall have the option, in its sole discretion, to extend the term of this Agreement for two additional terms of one year each. Each such extension shall be subject to the same terms and conditions set forth in this Agreement, except as the PARTIES may otherwise mutually agree, in writing signed by both of them.

Exhibit "A"

March 7, 2001

**5. Delivery Point: Trailer.**

CONTRACTOR shall take delivery of the biosolids at the Facility. In order to facilitate delivery, CONTRACTOR agrees, at its sole cost and expense, to provide a trailer specifically utilized for hauling biosolids to be parked at the Facility at a location designated by YVWD. CONTRACTOR shall be responsible for monitoring the biosolids loading process; YVWD agrees, at its sole cost and expense, to load the biosolids onto the trailer.

CONTRACTOR shall promptly retrieve and remove any trailer that has been fully loaded by YVWD and, concurrently with such removal, replace each such loaded trailer with an empty trailer specifically utilized for hauling biosolids so as not to interfere with YVWD's delivery of biosolids to CONTRACTOR. Each trailer shall be in very good condition, covered and leak proof. Should a trailer leak at the Facility, the CONTRACTOR shall, at no cost of YVWD, clean up each such spill to YVWD's satisfaction and remove and replace such trailer immediately after notice of the leak.

All trailers shall be capable of accommodating YVWD's existing loading facilities.

**6. Quality of Biosolids.**

The quality of biosolids delivered hereunder shall meet the requirements applicable to "Class B" biosolids in accordance with 40 Code of Federal Regulations 503 et seq.

**7. Title to Biosolids: Liability.**

Once loaded onto CONTRACTOR's trailer, the biosolids shall become the property of the CONTRACTOR to use, dispose of and/or recycle in CONTRACTOR's sole discretion. As the legal owner, CONTRACTOR shall be solely responsible for safe removal, transport, use and disposal of the biosolids.

**8. Compliance With Law.**

CONTRACTOR covenants and agrees that it shall comply with all local, state and federal laws, rules and regulations that govern or otherwise apply to the transport, use and disposal of biosolids delivered hereunder. CONTRACTOR shall be solely responsible, at its cost and expense, for obtaining all applicable permits and to satisfy all conditions and requirements of any and all regulatory agencies. YVWD agrees to cooperate and assist CONTRACTOR by providing such information as may be reasonably necessary to such regulatory agencies.



Exhibit "A"

March 7, 2001

9. Books and Records.

CONTRACTOR shall keep proper books, records and accounts in which complete and correct entries shall be made of all deliveries of biosolids to CONTRACTOR. YVWD reserves the right to review such books at any time during the term or extended term of this Agreement and up to twelve (12) months after final payment has been made to CONTRACTOR.

10. Insurance.

CONTRACTOR agrees to provide insurance in accordance with the requirements set forth here. If CONTRACTOR uses existing coverage to comply with these requirements and that coverage does not meet the requirements set forth herein, CONTRACTOR agrees to amend, supplement or endorse the existing coverage to do so. The following coverage shall be provided by CONTRACTOR and maintained on behalf of YVWD in accordance with the requirements set forth herein.

a. Commercial General Liability/Umbrella Insurance: Primary insurance shall be provided on ISO-CGL Form No. CG 00 01 11 85 or 88. Total limits shall be no less than \$5,000,000 per occurrence for all coverages and \$5,000,000 general aggregate. YVWD and its employees and agents shall be added as additional insureds using ISO Additional Insured Endorsement Form CG 20 10 11 85 (in no event will YVWD accept an endorsement form with edition date later than 1990). Umbrella liability insurance (over primary) shall apply to bodily injury/property damage, personal injury/advertising injury, at a minimum, and shall include a "drop down" provision providing primary coverage above a maximum \$25,000 self-insured retention for liability not covered by primary policies but covered by the umbrella policy. Coverage shall be following form to any underlying coverage. Coverage shall be provided on a "pay on behalf" basis, with defense costs payable in addition to policy limits. There shall be no cross-liability exclusion. The policy shall have concurrent starting and ending dates.

b. Business Auto Coverage/Umbrella Liability Insurance: Primary coverage shall be written on ISO Business Auto Coverage Form CA 00 01 06 92 including symbol 1 (Any Auto). Limits shall be no less than \$1,000,000 per accident. Starting and ending dates shall be concurrent.

c. Workers' Compensation/Employer's Liability: Shall be written on a policy form providing workers' compensation statutory benefits as required by law. Employer's liability limits shall be no less than \$1,000,000 per accident or disease. Employer's liability coverage shall be scheduled under any umbrella policy described above. Unless otherwise agreed, this policy shall be endorsed to waive any right of subrogation as respects YVWD, its employees or agents.

Exhibit "A"

March 7, 2001

**CONTRACTOR and the YVWD further agree as follows:**

- a. This Paragraph suppresses all other paragraphs and provisions of this Agreement to the extent that any other paragraph or provision conflicts with or impairs the provisions of this Paragraph.
- b. Nothing contained in this Paragraph is to be construed as affecting or altering the legal status of the PARTIES. The insurance requirements are intended to be separate and distinct from any other provision in this Agreement and shall be interpreted as such.
- c. All insurance coverage and limits provided shall apply to the full extent of the policies involved, available or applicable. Nothing contained in this Agreement or any other agreement relating to YVWD or its operations limits the applications of such insurance coverage.
- d. Requirements of specific coverage features or limits contained in this Paragraph are not intended as a limitation on coverage, limits or other requirements, or a waiver of any coverage normally provided by any insurance. Specific reference to a given coverage feature is for purposes of clarification only and is not intended to be all-inclusive, or to the exclusion of other coverage or a waiver of any type.
- e. For purposes of insurance coverage only, this Agreement will be deemed to have been executed immediately upon either PARTY taking any steps that can be deemed to be in furtherance of or towards, performance of this Agreement.
- f. All general or auto liability insurance coverage provided pursuant to this Agreement shall not prohibit the CONTRACTOR, and CONTRACTOR's employees or agents, from waiving the right of subrogation prior to a loss. CONTRACTOR hereby waives all rights of subrogation against the YVWD.
- g. Unless otherwise approved by the YVWD, CONTRACTOR's insurance shall be written by insurers authorized to do business, and doing business, in the State of California and with a minimum "Best's" Insurance Guide rating of "A:VII". Self-insurance will not be considered to comply with these insurance specifications.
- h. In the event any policy of insurance required under this Agreement does not comply with these requirements or is cancelled and not replaced, YVWD has the right but not the duty to obtain the insurance it deems necessary and any premiums paid by YVWD will be promptly reimbursed by CONTRACTOR.
- i. CONTRACTOR agrees to provide evidence of the insurance required herein, satisfactory to YVWD, consisting of certificate(s) of insurance

Exhibit "A"

March 7, 2001

evidencing all of the coverages required and an additional insured endorsement to the CONTRACTOR's general liability and umbrella liability policies (if any) using ISO Form CG 20 10 11 85. Certificate(s) are to reflect that the insurer will provide thirty (30) days notice of any cancellation of coverage. CONTRACTOR agrees to require its insurer to modify such certificate(s) to delete any exculpatory wording stating that failure of the insurer to mail written notice of cancellation imposes no obligation, and to delete the work "endeavor" with regard to any notice provisions. CONTRACTOR agrees to provide complete copies of policies to YVWD upon request.

j. CONTRACTOR shall provide proof that policies of insurance required hereunder expiring during the term of this Agreement have been renewed or replaced with other policies providing at least the same coverage. Such proof will be furnished at least two (2) weeks prior to the expiration of the coverages. Any actual or alleged failure on the part of YVWD under these requirements to obtain proof of insurance required under this Agreement in no way waives any right or remedy of YVWD in this or any other regard.

k. CONTRACTOR agrees to require general liability insurance naming the PARTIES as additional insureds. CONTRACTOR agrees to obtain certificates evidencing such coverage and make reasonable efforts to ensure that such coverage is provided as required here. CONTRACTOR agrees to require that no contract used by any subcontractor or contracts CONTRACTOR enters into on behalf of YVWD, will reserve the right to charge back to YVWD the cost of insurance required by this Agreement. CONTRACTOR agrees that upon request, all agreements with subcontractors with whom CONTRACTOR contracts with or on behalf of YVWD, will be submitted to YVWD for review. Failure of YVWD to request copies of such agreements will not impose any liability on YVWD or its employees.

l. If CONTRACTOR is a Limited Liability Company, general liability coverage must be amended so that the Limited Liability Company and its Managers, Affiliates, employees, agents and other persons necessary or incidental to its operation are insureds.

m. CONTRACTOR agrees to provide immediate notice to YVWD of any claim or loss against CONTRACTOR that includes YVWD as a defendant. YVWD assumes no obligation or liability by such notice, but has the right (but not the duty) to monitor the handling of any such claim or claims if they are likely to involve YVWD.

#### 11. Indemnity.

CONTRACTOR and YVWD agree that YVWD, its employees, agents and officials should, to the extent permitted by law, be fully protected from any loss, injury, damage, claim, lawsuit, cost, expense, fines, penalties, charges, attorneys' fees,

## Exhibit "A"

March 7, 2001

litigation costs, defense costs, court costs or any other cost arising out of or in any way related to the performance of this Agreement. Accordingly, the provisions of this indemnity provision are intended by the PARTIES to be interpreted and construed to provide the fullest protection possible under the law to YVWD. CONTRACTOR acknowledges that YVWD would not enter into this Agreement in the absence of the commitment of CONTRACTOR to indemnify and protect YVWD as set forth here.

a. To the full extent permitted by law, CONTRACTOR shall defend, indemnify and hold harmless YVWD, its employees, agents and officials, from any liability, claims, suits, actions, arbitration proceedings, administrative proceedings, regulatory proceedings, losses, expenses or costs of any kind, fines, penalties and/or charges, whether actual, alleged or threatened, actual attorneys' fees incurred by YVWD, court costs, interest, defense costs including expert witness fees and any other costs or expenses of any kind whatsoever without restriction or limitation incurred in relation to, as a consequence of or arising out of or in any way attributable actually, allegedly or impliedly, in whole or in part, to the performance of this Agreement. All obligations under this provision are to be paid by CONTRACTOR as incurred by YVWD.

b. Without affecting the rights of YVWD under any provision of this Agreement or this Paragraph, CONTRACTOR shall not be required to indemnify and hold harmless YVWD as set forth above for liability attributable to the sole fault of YVWD, provided such sole fault is determined by agreement between the PARTIES or findings of a court of competent jurisdiction. This exception will apply only in instances where YVWD is shown to have been solely at fault and not in instances where CONTRACTOR is solely or partially at fault or in instances where YVWD's fault accounts for only a percentage of the liability involved. In those instances, the obligation of CONTRACTOR will be all-inclusive and YVWD will be indemnified for all liability incurred, even through a percentage of liability is attributable to conduct of YVWD.

c. CONTRACTOR acknowledges that its obligation pursuant to this Paragraph extends to liability attributable to YVWD, if that liability is less than the sole fault of YVWD. CONTRACTOR has no obligation under this Agreement for liability proven in a court of competent jurisdiction or by written agreement between the PARTIES to be the sole fault of YVWD.

d. The obligations of CONTRACTOR under this Paragraph will not be limited by the provisions of any Workers' Compensation Act or similar act. CONTRACTOR expressly waives its statutory immunity under such statutes or laws as to YVWD, its employees, agents and officials.

e. CONTRACTOR agrees to obtain executed indemnity agreements with provisions identical to those set forth herein in this Paragraph from each and every subcontractor, or any other person or entity involved by, for, with or on behalf of CONTRACTOR in the performance of this Agreement. In the event

Exhibit "A"

March 7, 2001

CONTRACTOR fails to obtain such indemnity obligations from others as required here, CONTRACTOR agrees to be fully responsible according to the terms of this section.

f. Failure of YVWD to monitor compliance with these requirements imposes no additional obligations on YVWD and will in no way act as a waiver of any rights hereunder. This obligation to indemnify and defend YVWD as set forth herein is binding upon the successors and assigns of CONTRACTOR and shall survive the termination of this Agreement.

12. Assignment.

CONTRACTOR shall not assign this Agreement nor any of its rights, duties or obligations hereunder without obtaining the prior written consent of YVWD and of any regulatory agencies having jurisdiction.

13. Arbitration.

Any dispute that may arise between the PARTIES shall be submitted to binding arbitration. Arbitration shall be conducted by the Judicial Arbitration and Mediation Services, Inc./Endispute, or its successor, in accordance with the laws of the State of California, and all other applicable laws. The arbitrator's decision and award are subject to judicial review by a Superior Court of competent venue and jurisdiction only for material errors of fact and law in accordance with Section 1296 of the Code of Civil Procedure. Limited discovery may be permitted upon a showing of good cause and if approved by the assigned arbitrator. Unless the PARTIES stipulate to the contrary, prior to the appointment of the arbitrator, all disputes shall first be submitted to non-binding mediation, conducted by the Judicial Arbitration and Mediation Service, Inc./Endispute, or its successor, in accordance with their rules and procedures for such mediation.

14. Attorney's Fees.

The prevailing PARTY in any arbitration, action or proceeding to enforce any term or provisions of this Agreement shall be entitled to recover, in addition to any other relief and recovery ordered by the arbitrator or by the court, shall be entitled to recover its attorney's fees and court costs.

15. Integration and Amendment.

This Agreement supersedes any and all previous agreements, either oral or written, between the PARTIES, and contains all of the covenants and agreements between the PARTIES. Any modification of this Agreement will be effective only if it is in writing signed by the PARTIES.

## Exhibit "A"

March 7, 2001

**16. Notices.**

Except for emergencies and the notice required by Paragraph 4 of this Agreement, all other notices shall be in writing and delivered in person or transmitted by certified mail, return receipt requested, postage prepaid. Notices required to be given to YVWD shall be addressed as follows:

General Manager  
Yucaipa Valley Water District  
Post Office Box 730  
Yucaipa, California 92399-0730  
Telephone: 909/797-5119

Notices required to be given to CONTRACTOR shall be addressed as follows:

Name: Jannette Curti  
Address: P.O. Box 2030  
Redlands, California 92373  
Telephone: (909)335-3411

Or such other designated representative and addresses as may be given by written notice by either PARTY to the other, acknowledged by the other.

**17. Designation of Liaison Representatives.**

Each PARTY shall designate an individual to act as a liaison between YVWD and CONTRACTOR. CONTRACTOR'S liaison shall have authority to act for CONTRACTOR in emergencies. The PARTIES each reserve the right to change the designated liaison provided that each such change is promptly communicated to the other PARTY.

**18. Authority to Sign Agreement.**

The undersigned individuals hereby warrant and represent that they each have full legal authority to sign this Agreement and to bind the PARTIES hereto.

**19. Notice to Proceed.**

No service shall be performed or furnished under this Agreement until this Agreement has been properly executed by the PARTIES and Notice to Proceed has been issued to CONTRACTOR.

Exhibit "A"

March 7, 2001

IN WITNESS WHEREOF, this Agreement has been executed as of the date first above written.

YUCAIPA VALLEY WATER DISTRICT

By: Conrad B. Nelson  
President, Board of Directors

CONTRACTOR:

By: Juanette Conti  
Title PRESIDENT

Exhibit "B"

Agreement No. 01-2003

**Amendment No. 1****Agreement for the Disposal of Biosolids Between  
Yucaipa Valley Water District and L. Curti Truck & Equipment (One Stop)**

THIS AGREEMENT is made, entered into and effective on the 1<sup>st</sup> day of July 2003, by and between the YUCAIPA VALLEY WATER DISTRICT, a public agency ("DISTRICT") and L. CURTI TRUCK & EQUIPMENT, a California corporation ("CONTRACTOR"). The DISTRICT and CONTRACTOR are sometimes collectively referred to herein as the "PARTIES".

**RECITALS**

THIS AGREEMENT is entered into on the basis of the following facts, understandings and intentions of the Parties.

A. The PARTIES have previously entered into the Agreement having an Effective Date of March 7, 2001 attached hereto as Exhibit A.

B. The DISTRICT owns and operates a regional wastewater treatment facility located at 880 West County Line Road, Yucaipa, California ("the Facility"), and desires to dispose of all biosolids generated by the Facility; and

C. CONTRACTOR desires to take, accept delivery of, own, control and reuse such biosolids which are produced by the Facility, and has represented and hereby warrants to the DISTRICT that CONTRACTOR possesses the necessary skills, experience, qualifications, permits, licenses, personnel and equipment to take and safely use or otherwise dispose of such biosolids; and

D. The purpose of this Agreement is to set forth the terms and conditions by which CONTRACTOR will take and reuse or dispose of biosolids produced by the Facility.

**AGREEMENT**

NOW, THEREFORE, based upon the above Recitals, and the covenants, terms and conditions hereinafter, the Parties have entered into this Amendment No. 1 for the purpose of amending and revising the Agreement as specifically set forth hereinbelow, and except as specifically provided herein, the Agreement shall remain in full force and effect as originally stated.

**1. Purchase and Sale: Quantity.**

CONTRACTOR agrees to take delivery of, any and all biosolids produced by the Facility, and to dispose of it in accordance with all applicable state and federal laws, rules and regulations including, without limitation, 40 Code Federal Regulations 503 et seq. The PARTIES estimate, but do not intend to be bound by such estimate, that the Facility will produce approximately 3,750 tons of biosolids per year. Notwithstanding such estimate, CONTRACTOR hereby guarantees that it shall, at any and all times during the term of this Agreement, be capable of taking up to 150% of the biosolids produced by the Facility.



## Exhibit "B"

Agreement No. 01-2003

**2. Purchase Price, Billing and Payment.**

Effective July 1, 2003, the DISTRICT shall pay to CONTRACTOR a rate of \$30.00 (thirty dollars and zero cents) per wet ton of biosolids. The total cost per wet ton shall be renegotiated prior to March 1<sup>st</sup> of each year during the term of the contract. A negotiated change to the purchase price must be approved by the Board of Directors prior to being implemented and will be provided as an amendment to this Agreement. CONTRACTOR shall provide to DISTRICT accurate and itemized monthly billings for biosolids taken by CONTRACTOR in the preceding quarter, each such billing to include a certified weight certificate issued by a State of California certified weigh station for each truckload taken in the preceding quarter. The DISTRICT shall pay each correct, complete and documented billing issued to it in compliance with this Agreement within thirty (30) days of acceptance of the billing by DISTRICT.

**3. Term and Termination of Agreement.**

The initial term of this Agreement shall be three (3) years from the effective date of this Agreement; provided, however, that this Agreement may be earlier terminated as follows:

a. By either PARTY without further liability to the other, if, as a result of a change in the laws, rules or regulations governing the sale, delivery, use and/or disposal of biosolids hereunder, DISTRICT is unable to deliver biosolids to CONTRACTOR or CONTRACTOR is unable to take delivery; or

b. By the non-defaulting PARTY in the event the defaulting PARTY fails to cure a material breach of this Agreement within thirty (30) days of receipt of written notice thereof; or

c. By DISTRICT, upon thirty (30) days prior written notice to CONTRACTOR, in the event DISTRICT has determined in its sole discretion that the services of CONTRACTOR are no longer required or necessary.

**4. Notices.**

Notices required to be given to CONTRACTOR shall be addressed as follows:

Name: Mr. Larry Curti  
Address: 13024 San Timoteo Canyon Road  
Redlands, California 92373  
Telephone: (909) 943-7372

IN WITNESS WHEREOF, this Agreement has been executed as of the date first above written.

YUCAIPA VALLEY WATER DISTRICT

By:   
Board President

Exhibit "B"

Agreement No. 01-2003

CONTRACTOR:

By: *Jannette Curtis*  
Title PRESIDENT

Exhibit "C"

**Amendment No. 2**

**Agreement for the Disposal of Biosolids Between  
Yucaipa Valley Water District & L. Curti Truck & Equipment (One Stop)**

This Amendment No. 2 is made, entered into and effective on the 1<sup>st</sup> day of March 2005, by and between the YUCAIPA VALLEY WATER DISTRICT, a public agency ("DISTRICT") and L. CURTI TRUCK & EQUIPMENT, a California corporation ("CONTRACTOR"). The DISTRICT and CONTRACTOR are sometimes collectively referred to herein as the "PARTIES" and individually as the "PARTY".

RECITALS

THIS AGREEMENT is entered into on the basis of the following facts, understandings and intentions of the Parties.

A. The PARTIES have previously entered into an Agreement having an Effective Date of March 7, 2001, and attached hereto as Exhibit A (the "Agreement").

B. The PARTIES have previously entered into the Amendment No. 1 to the Agreement having an Effective Date of July 1, 2003, attached hereto as Exhibit B.

C. The DISTRICT owns and operates the Henry N. Wochholz Wastewater Treatment Facility located at 880 West County Line Road, Yucaipa, California, and desires to dispose of all biosolids generated by this facility. The DISTRICT also intends to own and operate the Oak Valley Wastewater Treatment Facility by 2008 and desires to dispose of all biosolids generated by this facility. Each is sometimes referred to herein as a "Facility" and jointly as the "Facilities"; and

D. As provided in the Agreement, CONTRACTOR desires to take, accept delivery of, own, control and reuse such biosolids which are produced by the Facilities and has represented and hereby warrants to the DISTRICT that CONTRACTOR possesses the necessary skills, experience, qualifications, permits, licenses, personnel and equipment to take and safely use or otherwise dispose of such biosolids; and

E. The purpose of this Amendment No. 2 is to set forth the terms and conditions by which CONTRACTOR will take and reuse or dispose of biosolids produced by each Facility.

AGREEMENT

NOW, THEREFORE, based upon the above Recitals, and the covenants, terms and conditions hereinafter, the Parties have entered into this Amendment No. 2 for the purpose of amending and revising the Agreement and superseding Amendment No. 1 as specifically set forth hereinbelow, and except as specifically provided herein, the Agreement shall remain in full force and effect as originally stated.

1. Purchase and Sale: Quantity.

CONTRACTOR agrees to take delivery of, any and all biosolids produced by each Facility, and to dispose of it in accordance with all applicable state and federal laws, rules and regulations including, without limitation, 40 Code Federal Regulations 503 et seq. The DISTRICT estimates, but does not intend to be bound by such estimate, that the total production from the Facilities shall be as follows:

Quantity of Biosolids (tons)	2005	2006	2007	2008	2009	2010
Wochholz WWTP	3,900	4,075	4,225	4,400	4,600	4,750
Oak Valley WWTP	--	--	175	225	300	400
Total Biosolids Production	3,900	4,075	4,400	4,625	4,900	5,150

Exhibit "C"

Notwithstanding such estimate, CONTRACTOR hereby guarantees that it shall, at any and all times during the term of this Amendment No. 2, be capable of taking up to 150% of the actual biosolids produced by the Facilities. CONTRACTOR shall also keep written records of how and in what manner the biosolids taken from the DISTRICT are disposed of and where such biosolids are disposed of, and shall provide the DISTRICT with copies of such records at no additional cost when requested by the DISTRICT.

2. Purchase Price, Billing and Payment.

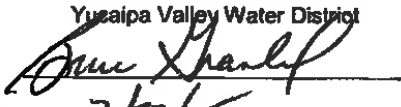
Effective March 1, 2005, the DISTRICT shall pay to CONTRACTOR a rate of \$40.00 (forty dollars and zero cents) per ton of biosolids. The total cost per ton shall be renegotiated prior to March 1<sup>st</sup> of each year during the term of the contract. A negotiated change to the purchase price must be approved by the DISTRICT's Board of Directors prior to being implemented and will be provided as an amendment to this Agreement. CONTRACTOR shall provide to DISTRICT accurate and itemized monthly billings for biosolids taken by CONTRACTOR in the preceding month, each such billing to include a certified weight certificate issued by a State of California certified weigh station for each truckload taken in the preceding month. The DISTRICT shall pay each correct, complete and documented billing issued to it in compliance with this Agreement within thirty (30) days of acceptance of the billing by DISTRICT.


3. Term and Termination of Agreement and this Amendment No. 2

The term of the Agreement and this Amendment No. 2 shall be six (6) years from the effective date of this Amendment; provided, however, that this Amendment and the Agreement may be earlier terminated as follows:

- a. By either PARTY upon thirty (30) days prior written notice and without further liability to the other, if, as a result of a change in the laws, rules or regulations governing the sale, delivery, use and/or disposal of biosolids hereunder, DISTRICT is unable to deliver biosolids to CONTRACTOR or CONTRACTOR is unable to take delivery; or
- b. By the non-defaulting PARTY in the event the defaulting PARTY fails to cure a material breach of this Agreement within thirty (30) days of receipt of written notice thereof; or
- c. By DISTRICT, upon thirty (30) days prior written notice to CONTRACTOR, in the event DISTRICT has determined in its sole discretion that the services of CONTRACTOR are no longer required, feasible, necessary, or advantageous.

IN WITNESS WHEREOF, this Amendment No. 2 has been executed as of the date first above written.

Yuzaipa Valley Water District  
 By:   
 Dated: 3/23/05  
 Name: Bruce Granlund, President

One Stop, Incorporated.  
 By:   
 Dated: MARCH 21, 2005  
 Name: LOUIS CURTI, PRESIDENT

# 2014 SCAP Biosolids Trends Survey



**Southern California Alliance of Publicly Owned  
Treatment Works**

**PO Box 231565  
Encinitas, California  
92024-1565  
760-479-4121**

**January 2015**

## SCAP 2014 Biosolids Trends Survey

### Executive Summary

SCAP wishes to thank all of our agencies that took the time and effort to assist with the production of this survey. The response has been exceptional, as can be seen by the number of agencies contributing. It is our sincere hope that the information provided will be useful to our SCAP members for future planning and will provide the basis for a comprehensive statewide report.

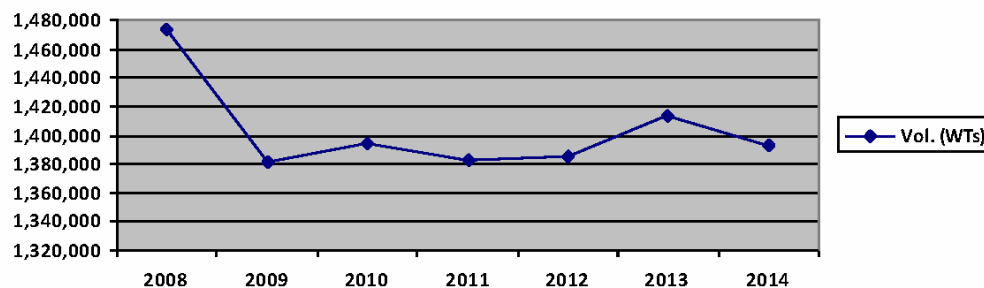
The intent of this survey was to update the previous 2012 survey information obtained from SCAP members in order to identify current industry trends for the following issues:

- *Biosolids Production*
- *Dewatering Technologies*
- *Biosolids Management Technologies and Destinations*
- *Biosolids Management Costs and Transportation Rates*
- *Agency Challenges*
- *Co-digestion Data*
- *Agencies Future Biosolids Management Plans*
- *Marketing and Media Practices*

### Annual Biosolids Production

**Figure 1** compares the total volume of wet tons produced in the 6-year period from 2008 through 2014. The annual biosolids production appears to have remained somewhat steady from 2009 until 2012. Then as the economy picked up, the amount of biosolids increased in 2013. The 2014 trend should be discounted, as it merely represents an estimated volume at this time.

**Figure 1**



One reason for the significant decline in biosolids production between 2008 and 2009 could partially be attributed to the sudden downturn in the economy at that time. To a lesser degree, on-going water conservation efforts may also have been a contributing factor, as evidenced by reported reduction in wastewater flows for many agencies. The

## SCAP 2014 Biosolids Trends Survey

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relatively constant annual biosolids production since 2009 may reflect the slow and steady recovery of the economy over this period, as well as the fact that water conservation efforts may have reached their full effectiveness resulting in a stabilization of treatment plant flows for most agencies.

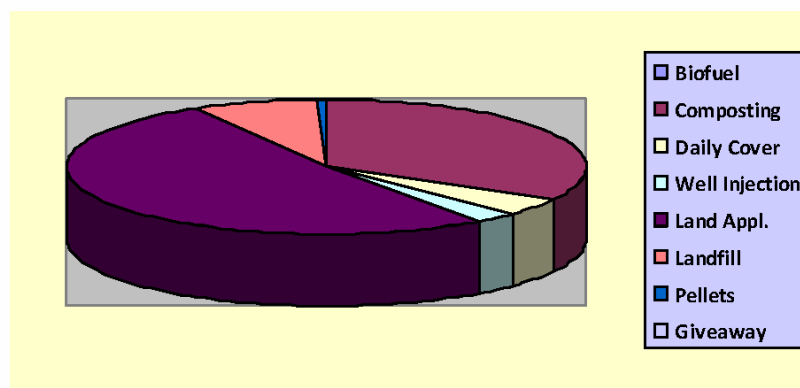
### Management Options, Management Costs and Dewatering Statistics

#### Biosolids Management Options

Results of the survey pertaining to the types of technologies and disposal methods employed by agencies for biosolids management are reported in **Table 2** and further summarized in **Table 3**. The various types of technologies and disposal methods reported included: bio-fuel production, composting, daily landfill cover, deep well injection, land application, landfilling, pelletized dryers, and community giveaway programs. As shown in **Figure 2**, the most prevalent technology or disposal method employed by SCAP agencies in 2014 was composting (47%), with land application (16%), daily landfill cover (16%), landfilling (14%) and the production of pellets/fertilizer (5%) being the next most widely reported methods. Use of these methods and technologies did not change significantly from that reported in 2012, with the exception of land application and daily land fill cover, which both experienced significant increases in popularity.

<u>Biosolids Management Options (by usage)</u>	<u>2014</u>	<u>2012</u>	<u>2010</u>
Composting	47%	39%	40%
Land Application	16%	8%	24%
Landfill	14%	14%	16%
Daily Landfill Cover	16%	7%	7%
Biofuel	0%	9%	9%
Pellets/Fertilizer	5%	4%	0%

**Figure 2**



**2014 Biosolids Technology by Usage**

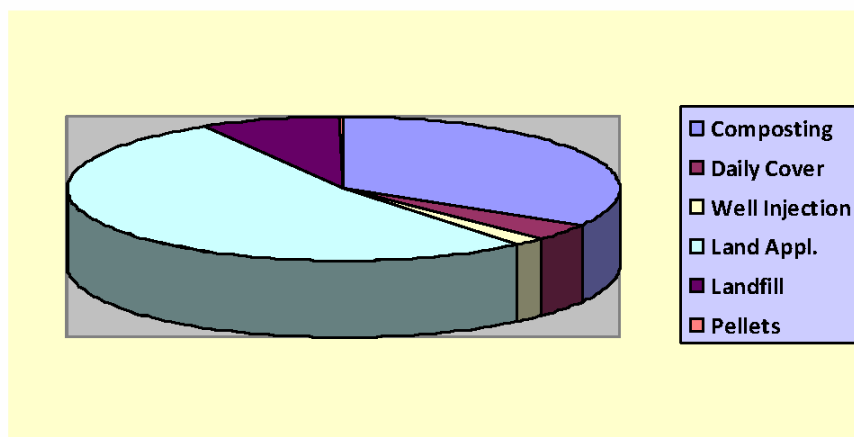
## SCAP 2014 Biosolids Trends Survey

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Ranking of these same biosolids management methods by estimated volume in wet tons for 2014, as shown below and in **Figure 3**, confirms that composting, land application, and daily landfill cover remain the three most popular methods for disposal, as shown in the following comparisons. Land application of biosolids, while only utilized by 16% of the responding agencies, appears to represent the largest volume of biosolids disposal methods in 2013 and 2014. Landfilling remains the generally accepted method for the smaller agencies that have fewer options to consider.

<b><u>Biosolids Management Options (by volume)</u></b>	<b><u>2014</u></b>	<b><u>2012</u></b>	<b><u>2010</u></b>
Composting	33%	44%	39%
Land Application	52%	41%	28%
Daily Landfill Cover	4%	9%	7%
Deep Well Injection	2%	3%	2%
Landfill	8%	2%	15%
Pellets	>1%	>1%	0%

**Figure 3**



**2014 Biosolids Technology by Volume**

### **Management Costs**

A breakdown of biosolids management costs is more difficult to interpret, as the so called “rate at the gate” includes many different factors for each agency. Similarly, the transportation costs reported vary widely due to the inclusion/exclusion of fuel charges and tipping fees, as well as travel distance. Details of the reported costs are shown in **Table 2**, otherwise only a total cost is shown that reflects both the gate fee and the transportation cost. The 2014 average of the total rate/ton reported was calculated to be \$53.94/ton, which is an increase of \$1.65/ton from the 2012 average rate. Interestingly, the average one-way transportation mileage decreased from 150 miles per trip in 2012 to 129 miles per trip in 2014.



## SCAP 2014 Biosolids Trends Survey

### Dewatering Statistics

The on-site methods employed by agencies to dewater their biosolids prior to final use included: drying beds, centrifuges, belt filter presses and dryers. The percent solids for each technology are shown in **Table 5** and reported to be in the following ranges:

Drying Beds	20% – 90%	Centrifuges	10%– 90%
Belt Presses	11% – 20%	Dryers	90% - 99.9%

Dewatering equipment employed is listed in **Table 4**.



***Heat Dryers at the Toland Sanitary Landfill-Ventura County***



***Harvest Time at Green Acres Farms-Kern County***

Averaging of the submitted data for percent drying results in an overall statistical average of 38.8% solids and a 30.6% weighted average of solids, for the estimated biosolids produced in 2014. Furthermore, based on the total 2014 wet ton projections and the average solids reduction reported for each facility, the total estimated dry tons projection for 2014 is calculated to be 965,577 tons, compared with 345,050 dry tons reported for 2012 (*a larger number of agencies reported in 2014*).

## SCAP 2014 Biosolids Trends Survey

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*Heat Dryers at Encina Wastewater Authority-San Diego County*

### **Challenges, Future Planning, Digestion Enhancement and Public Outreach**

#### **Challenges**

The question was “what challenges did each agency face with regards to biosolids recycling?” Responses were limited to 7 different categories of challenges with a total of 100 responses received from the agencies. The most frequently reported challenge was identified as “securing long term disposal options: This was followed closely by rising costs and finding low cost local disposal options. A comparison of answers received in 2010 and 2012 with the 2014 responses are shown in **Table 6**.

#### **Future Plans**

The second survey question dealt with what each agency was planning to do with their biosolids both in 2015 and 5 years from now. Most agencies answered that they planned to continue their current method of biosolids management, while a few others mentioned plans to construct new digesters and evaluate new technologies. For the longer term, eleven different technologies or methods of disposal were reported which included: composting, heat drying/pelletizing, gasification/energy production, evaluation of Class A certification, development of new undetermined alternatives, daily landfill cover, deep well injection, land application, bio-fuel production, landfilling, investigating new dewatering alternatives and expanding markets for the use of dried pellets. As in 2012, a majority (30%) of the responses indicated that most agencies plan to continue composting their biosolids for the next 5 years, while others indicated that they would also continue to, or consider to, land apply or landfill their biosolids. The results of this question are summarized in **Table 7 and Table 8**.

#### **Digestion Enhancement**

The third question asked for information from those agencies that co-digest high strength feedstock with solids to enhance their methane gas production. Four agencies responded that they currently perform co-digestion to enhance their methane gas

## SCAP 2014 Biosolids Trends Survey

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production. One agency indicated that they were currently in the initial testing phase of co-digestion and another agency indicated they would be adding co-digestion beginning in 2015.

### Marketing

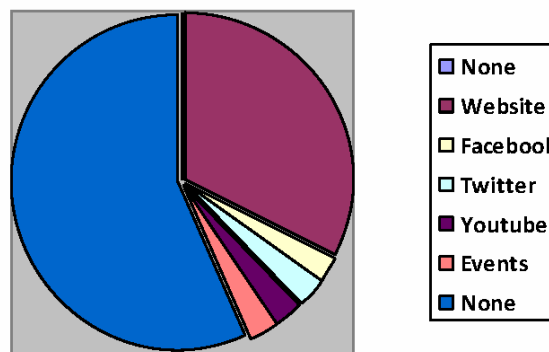
The fourth survey question asked if agencies directly marketed their biosolids products. Currently, only 7 of the 24 responders indicated that they actively market their biosolids products or participate in a community giveaway of their product. Two agencies give their composted biosolids away to the public or their customers as a public service. Two agencies sell their composted product as a soil amendment for turf and landscape projects. Two agencies sell their dried pellets as a fertilizer directly to customers and one agency sells their dried pellets directly to a cement company.

### Social Media

The fifth and final survey question asked if any agencies used social media outlets such as website, Facebook, Twitter or Youtube for public outreach or educational purposes to promote their biosolids program. Half of the responders answered that they did not use social media for disseminating biosolids related information.

Of the responders indicating they used social media to promote their biosolids programs, all 12 utilized their websites, 3 used Facebook, 1 used Twitter, 1 used Youtube and 1 used annual community outreach events.

**Figure 4**



**2014 Biosolids Multi Media**

## SCAP 2014 Biosolids Trends Survey

### Summary of Survey Responses

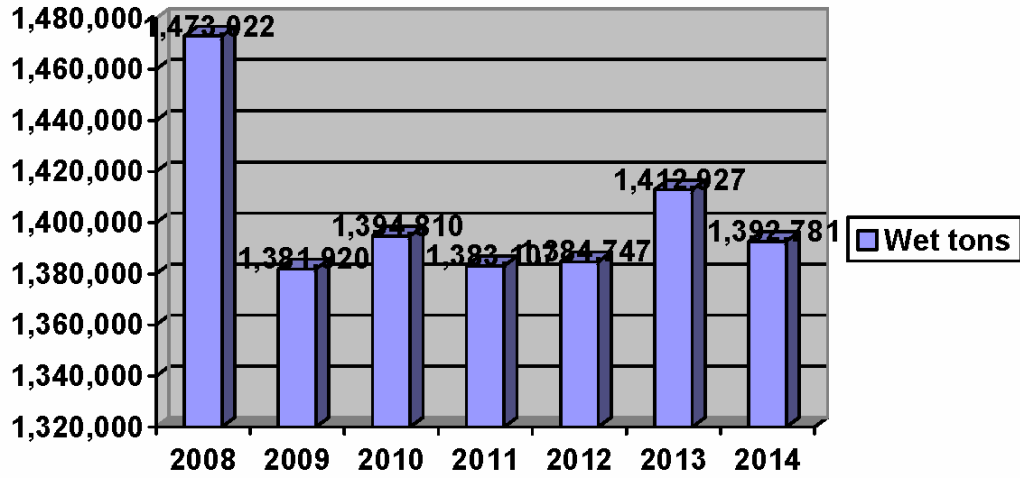
#### Total Wet Tons of Biosolids Produced by Agency with Class Type

**Table 1**

Agency Name	2012 Wet Tons Reported	2013 Wet Tons Reported	2014 Wet Tons Projected
Carpinteria Sanitary District	1,484 subB	1,351 subB	1,890 subB
City of Corona DWP	5,243 A,A-EQ,B	9,820 A,A-EQ,B	4,320 A,A-EQ,B
City of Los Angeles	225,656 A-EQ	233,169 A-EQ	237,000 A-EQ
City of Redlands	5,077 B	4,293 B	4,500 B
City of Riverside	34,676 B	33,928 B	41,132 B/Other
City of San Diego	111,173 subB	117,642 subB	116,280 subB
City of San Bernardino MWD	37,715 subB	43,185 subB	25,596 subB
City of Santa Barbara	11,290 B	10,874 B	11,203 B
City of Santa Maria	2,450 subB	2,281 subB	2,300 subB
City of Thousand Oaks	9,738 A, subB	8,702 A,subB	8,500 A,subB
City of Ventura	12,426 B	13,367 B	14,000
Crestline Sanitation District	637 B	614 B	593 B
Eastern MWD	50,516 B,subB	53,475 B,subB	56,960 B,subB
Elsinore Valley MWD	13,014 subB	14,953 subB	16,000 subB
Encina Wastewater Authority	6,000 A-EQ	6,000 A-EQ	4,500 A-EQ
Fairbanks Ranch CSD	165 subB	190 subB	220 subB
Fallbrook PUD	350 A-EQ,B	337 A-EQ,B	360 A-EQ,B
Goleta Sanitary District	2,589 B	2,369 B	2,500 B
Inland Empire Utilities Agency	74,668 B	62,410 B	58,000 B
Julian Sanitation District	161 subB	159	200
Las Virgenes MWD	35 B	36 B	33 B
Los Angeles CSD	472,437 B	468,504 B	475,000 B
Orange County San. District	273,400 B	274,353 B	276,000 B
Ojai Valley Sanitary District	4,548 B	5,123 B	4,836 B
Rancho California WD	4,404 subB	4,239 subB	4,300 subB
Rancho Santa Fe CSD	432 subB	402 subB	424 subB
San Elijo JPA	3,385 B	3,352 B	3,360 B
Santa Margarita WD	7,502 subB	6,852 subB	7,294 subB
South Orange County WA (SOCWA)	24,212 subB	23,673 subB	23,500 subB
Valley Center MWD	301 B	355 B	240 B
Valley Sanitary District	791 subB	684 subB	1,000 subB
Victor Valley WRA	6,165 A	5,887 A	6,000 A
Whispering Palms CSD	227 subB	348 subB	350 subB
<b>Total Volume (Wet Tons)</b>	<b>1,384,747</b>	<b>1,412,927</b>	<b>1,392,781</b>

## SCAP 2014 Biosolids Trends Survey

Figure 5



Las Virgenes MWD's indoor composting facility

## SCAP 2014 Biosolids Trends Survey

### Management of Biosolids in 2013 with Cost Data by Agency/Facility

**Table 2**

Agency/ Destination/ Volume (wt)	Technology Employed	Rate at Gate \$/Ton	Trip Miles	Transportation Cost \$/Ton	Total Cost \$/Ton
Carpinteria Sanitary District—1,350WT	Composting Engel & Gray	Included in total	70	Included in total	\$72.00
City of Corona DWP— 14,517 WTs Terra Renewal AZ and 547 WTs Nursery Products	Composting	Included in total	248	Included in total	\$50.98
	Composting	Included in total	75	Included in total	\$49.80
City of LA—174,876 WTs Merced, Yuma, Kern	Land Application- RBM, Terra Renewal,	Included in total	110-300	Included in total	\$42 to \$57
City of LA— 27,980 WTs	Composting TR, LA city, South Kern, NP & Griff. Park	Included in total	20-110	Included in total	\$62 to \$75
City of LA— 30,325 WTs	Deep Well Injection	Included in total	23	Included in total	\$89.50
City of Redlands 4,293 WTs	Composting One Stop Landfill/City of Redlands		10	Included in total	\$65.00
			1		
City of Riverside 26,769 WT Class B	Land Application Terra Renewal, AZ	Included in total	223	Included in total	\$44.78
City of Riverside 14,528 WT Class B	Composting Terra Renewal, CA	Included in total	66	Included in total	\$44.78
City of Riverside 14,528 WTs subB	Composting Terra Renewal, CA	Included in total	66	Included in total	\$55.00
City of San Diego— 99,079 WTs	Landfill Daily Cover Terra Renewal	Included in total	23	Included in total	\$46.41
City of San Diego— 18,562WT	Land Application Terra Renewal, AZ	Included in total	200	Included in total	\$46.41
City of Santa Barbara— 8,527WTs	Land Application Western Express Holloway Landfill	Included in total		Included in total	\$43.06
City of Santa Barbara— 1,961 WTs	Composting Engel & Gray	Included in total		Included in total	\$46.77
City of Santa Maria— 3,653 WTs	Composting Engle and gray	NA	zero	NA	\$29.41
City of Santa Maria— 1,978 WTs	Landfill Final Cover	NA	8	NA	\$8.63
City of Santa Maria— 2,511 WT	Landfill Daily Cover	Included in total	6.5	Included in total	\$5.40
City of Thousand Oaks— Toland Landfill—7,999 WT	Landfill Burial	Included in total	30	Included in total	\$61.76

## SCAP 2014 Biosolids Trends Survey

City of Thousand Oaks— Ventura RWA Dryer @Toland Landfill—703 WTs	Daily Cover	Included in total	30	Included in total	\$61.76
City of Ventura— Dryers	Landfill Daily Cover		22		
City of San Bern. MWD 58,116Wt	Composting Nursery Products, CA	Included in total	89	Included in total	\$42.00
Crestline SD 614 WTs	Composting One Stop, CA		35	\$55.00	\$65.00
Eastern Municipal Water District—142,081 WTs	Land Application Tule Ranch, AZ	Included in total	220	Included in total	\$46.00
Eastern Municipal Water District—7,626 WTs	Landfill Tule Ranch, AZ	Included in total	220	Included in total	\$46.00
Eastern Municipal Water District- 11,304 WTs	Composting Synagro, AZ	Included in total	235	Included in total	\$46.00
Encina WA—Pellets	Heat Dryer/Fertilizer	NA	NA	NA	NA
Elsinore Valley MWD	Composting Synagro, CA	Included in total	200	Included in total	\$80.00
Fairbanks Ranch CSD— Otay Landfill	Landfill Direct Burial	\$45.41	30	\$269/tripl	---
Fallbrook PUD San Diego County	Fertilizer	NA	varies	NA	NA
Goleta Sanitary District— Holloway Landfill & Liberty Composting	Land Application Composting	NA \$30.00	154 157	Included in total \$25.00	\$39.00 \$55.00
Inland Empire Utilities Agency—60,186 WTs	Composting IERC	NA	12	\$6.00	\$53.00
Inland Empire Utilities Agency—2,274 WTs	Composting Nursery Products, CA	NA	100	Included in total	\$38.94
Julian Sanitation District	Landfill Otay Landfill	NA	34	Included in total	\$52.50
Las Virgenes Municipal Water District—Rancho Las Virgenes Composting Facility—50%	Onsite composting disposal via community giveaway program & commercial vendor contract	NA	NA	NA	\$620.00 (cost)
Los Angeles County San. Dist. - 44,520 WTs	Land Application Terra Renewal, AZ	Included in total	280	Included in total	\$50.57
Los Angeles County San. Dist. - 2,646 WTs	Land Application Terra Renewal, CA	Included in total	290	Included in total	\$49.99
Los Angeles County Sanitation Districts – 19,127 WTs	Composting Nursery Products, CA	Included in total	145	Included in total	\$50.03
Los Angeles County Sanitation Districts- Puente Hills Landfill- 136,414 WTs	Landfill Direct Burial	NA	30	\$38.41	\$6.96

## SCAP 2014 Biosolids Trends Survey

Los Angeles County Sanitation Districts- Holloway Landfill-25,316 WTs	Landfill Direct Burial	NA	168	Included in total	\$46.36
Los Angeles County Sanitation Districts – 69,772 WTs	Composting Liberty Composting CA	Included in total	170	Included in total	\$53.34
Los Angeles County Sanitation Districts – 51,525 WTs	Composting Synagro, CA	Included in total	128	Included in total	\$72.78
Los Angeles County Sanitation Districts – 82,897 WTs	Composting IERCF	Included in total	60	Included in total	\$52.00
Los Angeles County Sanitation Districts – 25,564 WTs	Composting Liberty Composting, CA	Included in total	120	Included in total	\$43.82
Los Angeles County Sanitation Districts – 3,196 WTs	Land Application Terra Renewal, CA	Included in total	245	Included in total	\$44.37
Los Angeles County Sanitation Districts – 655 WTs	Land Application Terra Renewal, AZ	Included in total	300	Included in total	\$44.35
Los Angeles County Sanitation Districts – 4,572 WTs	Land Application Terra Renewal, CA	Included in total	260	Included in total	\$46.47
Orange County Sanitation District— Yuma-140,138 WTs	Land Application Tule Ranch, AZ	Included in total	290	included in total	\$54.50
Orange County Sanitation Dist.— South Kern Co., CA – 91,705 WTs	Composting	\$68.24	153	included in total	\$75.13
Orange County Sanitation Dist.— La Paz Co., AZ – 39,527 WTs	Composting	\$44.48	263	included in total	\$62.90
Orange County Sanitation Dist.— Orange County, CA 2,683 WT	Landfill	\$40.26	260	\$6.00 to \$12.80	NA
Ojai Valley San. District— Lib. Cmpt (WW months- 1,691 WTs) onsite comp. ( DW months 3,432WTs)	Composting on-site in summer & offsite during wet weather & a Community giveaway program	Included in total	129	Included in total	\$47.75



## SCAP 2014 Biosolids Trends Survey

Rancho California Water District	Composting	Included in total	60	Included in total	\$50.00
Rancho Santa Fe CSD—Otay Landfill	Landfill Direct Burial	\$45.41	30	\$296/trip	---
San Elijo JPA — 3,362 WTs	Land Application Terra Renewal, AZ/Ag Tech, AZ	Included in total	200	Included in total	\$42.50
Santa Margarita Water District—5,782/3,609 WTs	Composting Synagro, CA	Included in total	188	Included in total	\$84.00
Santa Margarita Water District—1,161/1,227 WTs	Composting Nursery Products, CA	Included in total	121	Included in total	\$62.00
Santa Margarita Water District—1,720/2,106 WTs	Landfill/Composting Prima Desceca	Included in total	7	Included in total	\$37.36
South Orange County WA-(SOCWA) 8,762 WTs	Composting Synagro, AZ	Included in total	425	Included in total	\$62.00
South Orange County WA-(SOCWA) 11,066 WTs	Composting Synagro, CA	Included in total	150	Included in total	\$75.36
SOCWA Synagro- Arizona Soils 9,156 WT	Landfill Nursery Products, CA	\$38.00	150	\$552/trip	---
Valley Center MWD	Otay Landfill Direct Burial	\$45.00	30	\$305/trip	---
Valley Sanitary District 1,684 WTs	Land Application Terra Renewal, AZ	Included in total		Included in total	\$48.00
Victor Valley Wastewater Reclamation Authority—5,614 WTs	Land Application American organics	Lucerne Valley, san Bernardino, CA	35	Land applied alfalfa fields	\$0
Whispering Palms CSD	Otay Landfill Direct Burial	\$45.41	30	\$269/trip	---
<b>Averages</b>					<b>\$53.94</b>
<b>Ranges</b>					<b>\$5.40 To \$89.50</b>

## SCAP 2014 Biosolids Trends Survey

### Biosolids Management Technology and Cost Summary

**Table 3**

Management Technology	Agencies Reporting	2013&14 Volume (Wet Tons)	Total Mgmt Cost/Ton Range	Avg.Total Mgmt Cost/Ton	2013&14 Percent of Total	2012 Percent of Total
Bio-fuel	0	NA	NA	NA	NA	9%
Composting	20	782,805	\$29.41 to \$84.00	\$56.75	47%	39%
Daily Landfill Cover	7	101,770	\$5.40 to \$61.76	\$31.72	16%	7%
Deep Well Injection	1	61,126	\$89.50	\$89.50	2%	2%
Incineration	0	0	NA	NA	NA	2%
Land Application	7	1,226,672	\$39.00 To \$57.00	\$47.13	16%	18%
Landfill Direct Burial	6	187,419	\$45.00 To \$52.50	\$50.41	14%	14%
Heat Drying/ Pellets/Fertilizer	2	11,477	NA	NA	5%	4%
Community Giveaway Program	3* *Included above	NA	\$47.75 To \$620.00	\$240.91	7%* *Included above	5%

## SCAP 2014 Biosolids Trends Survey

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### Dewatering Equipment Utilized

**Table 4**

Filter Press	Dryer	Centrifuge
Envirex	Siemens	Centrisys
Huber	Andritz	Sharples
Andritz	Fenton	Alfa Laval
Ashbrook-Simon-Hartley		Flotweg
Bellmer Winkler		Andritz Bird
Rittershaus & Belcher		Humboldt Decanter



***Anaerobic Digesters at Victor Valley WRA's WRP-San Bernardino County***

## SCAP 2014 Biosolids Trends Survey

### Percent Solids Data for Agency's Biosolids

**Table 5**

Agency	% Solids	Est. 2014 Wet Tons	Est. 2014 Dry Tons
Camarillo Sanitary District			
Carpinteria Sanitary District	10%-20%	1,890	1,606
City of Corona DWP	Filter Press 11%-20% Dryer 91%-99%	4,320	216
City of Los Angeles	Centrifuge 31%-40%	237,000	152,865
City of Redlands	Centrifuge 20% to 30%	4,500	3,375
City of Riverside	Centrifuge 40%-90%	41,132	14,396
City of San Bernardino	Centrifuge 10%-20% Filter Press 20%-30%	25,596	20,477
City of San Diego	20-30% Centrifuge	116,280	87,210
City of Santa Barbara	10%-20% Filter Press	1,638	1,392
City of Santa Maria	Drying Beds 20%-30%	2,300	1,725
City of Thousand Oaks	Filter Press 11%-20% Drying Beds 41%-90%	2,000	690
City of Ventura	Filter Press 10%-20%	14,000	11,900
Crestline Sanitation District	20% - 30% Filter Press	593	445
Eastern Municipal Water District	Centrifuge & Filter Press 10%-20%	56,960	48,416
Encina Wastewater Authority	Direct Dryer 90%-99.9%	4,500	225
Elsinore Valley MWD	Belt Press 10%-20%	16,000	13,600
Fairbanks Ranch CSD	Centrifuge 11%-20%	220	186
Goleta Sanitary District	10% -20% Screw Press, Drying Beds	2,500	2,125
Fallbrook PUD	Centrifuge & Indirect Dryer 90%-99.9%	360	18
Inland Empire Utilities Agency	Centrifuge 41%-90% Filter Press 31%-40%	58,000	26,390
Julian Sanitation District County of San Diego DPW	Drying Beds 40%-90%	25	38
Las Virgenes Municipal Water District	Centrifuge 20%-30%	33	25

## SCAP 2014 Biosolids Trends Survey

Los Angeles County Sanitation Districts	JWPCP – 29% (centrifuge) Valencia – 19% (filter press) Lancaster – 36% (DB & centr) Palmdale – 20% (centrifuge)	475,000	315,875
Ojai Valley Sanitary District	Filter Press/Composting 91%-99%	4,836	242
Orange County Sanitation District	Filter Press 11%-20%	276,000	233,220
Rancho California Water District	Filter Press 91%-99%	4,300	215
Rancho Santa Fe CSD	Centrifuge 21%-30%)	424	316
San Elijo Joint Powers Authority	Filter Press 11%-20%	3,360	2,839
Santa Margarita Water District	Filter Press 10%-20%%	7,924	6,735
South Orange County Wastewater Authority	Centrifuge 20%-30%	23,500	17,625
Valley Center MWD	Centrifuge 20%-30%	240	180
Valley Sanitary District	40%-90% Filter Press/Drying Bed	1,000	450
Victor Valley Wastewater Reclamation Authority	90%-99.9% Drying Bed	6,000	300
Whispering Palms CSD	Centrifuge 21%-30%	350	260
<b>Total Volume (Wet Tons)</b>	<b>% Dry – 38.8% (statistical avg.)</b>	<b>1,392,781</b>	
<b>Total Volume (Dry Tons)</b>	<b>% Dry – 30.6% (weighted avg.)</b>		<b>965,577</b>

## **SCAP 2014 Biosolids Trends Survey**

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### **Main Challenges Agencies Face with Biosolids Recycling**

**Table 6**

<b>Challenges</b>	<b>Reported in 2010</b>	<b>Reported in 2012</b>	<b>Reported in 2014</b>
<b>Rising Costs</b>	13	10	17
<b>Public Perception/Relations</b>	3	5	12
<b>Finding Low Cost Local Disposal Options</b>	3	4	16
<b>Space for Drying Operations</b>	3	1	12
<b>Regulatory Restrictions</b>	3	3	14
<b>Securing Long Term Disposal Options</b>	3	8	19
<b>Wet Weather Drying Operations</b>	3	3	12

### **Additional Comments**

**City of Corona DWP** – Seeking low cost, long term storage solutions.

**City of Thousand Oaks** – Contractors technology for drying biosolids to class A is unreliable, only 5-10% of eligible biosolids are being dried to class A for landfill cover.

**Encina Wastewater Authority** – a high quality fertilizer increases the market value.

## SCAP 2014 Biosolids Trends Survey

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### Agencies Plans for Biosolids in 2015

**Table 7**

Management Option	Number Reporting
Composting	16
Heat Drying/Pelletizing	3
Gasification/Energy Production	1
Evaluation of Class A or B Certification	2
New Undetermined Alternatives	1
Landfill	11
Deep Well Injection	1
Incineration	0
Land Application	11
Bio-fuel Production	1
Investigate Dewatering Options	3
Expand Market for Use of Pellets	2

## SCAP 2014 Biosolids Trends Survey

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### Agencies Plans for Biosolids in Next 5 Years

**Table 8**

Management Option	Reported in 2014	Reported in 2012
Composting	17	14
Heat Drying/Pelletizing	3	3
Gasification/Energy Production	1	1
Evaluation of Class A or B Certification	2	0
New Undetermined Alternatives	1	4
Landfill	12	12
Deep Well Injection	1	1
Incineration	0	1
Land Application	12	6
Bio-fuel Production	1	2
Investigate Dewatering Options	3	2
Expand Market for Use of Pellets	2	1

### **Additional Comments**

**Carpinteria Sanitary District** – We plan to construct new aerobic digesters.

**City of Corona DWP** –The City plans to find outlets for soil blenders taking dry biosolids pellets.



## SCAP 2014 Biosolids Trends Survey

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**City of Los Angeles** – The City of Los Angeles will continue with its present strategy.

**City of Redlands** - To continue current practice.

**City of Riverside** – To continue current practice.

**City of San Bernardino** – To continue current practice.

**City of San Diego** – The city is currently looking into other methods of disposal.

**City of Santa Barbara** – The city is currently conducting a Solids Handling assessment to rehabilitate and upgrade the treatment plant's solids handling facilities from solids removal in the liquid treatment train, through thickening, digestion, dewatering and dewatered Biosolids handling and storage.

**City of Santa Maria** – To continue current practice.

**City of Thousand Oaks** – The city is currently evaluating new dewatering technology and is in the design phase for a new screw press. Additionally evaluating transformational biosolids to dramatically reduce the amount of biosolids leaving facility and potentially extract energy or other useful byproducts.

**City of Ventura** – Continue same operation with landfill disposal.

**Crestline Sanitation District** – To continue current practice.

**Eastern Municipal Water District**- continue with land disposal in Arizona. We are exploring options for producing class A biosolids at a reasonable cost. Most alternatives reviewed to-date would more than double our costs without accounting for capital recovery.

**Elsinore Valley Municipal Water District** – Planning for a plant expansion with the possibility of anaerobic digestion to get to Class B biosolids.

**Encina Wastewater Authority** – In 2015, we plan to produce and market biochar, as well as PureGreen fertilizer. Long term we will strive to establish long term partnerships with private companies and share in the profits.

**Fairbanks Ranch CSD** – To continue current practice.

**Fallbrook Public Utility District** – To continue current practice and hope to find more stable local users.

## SCAP 2014 Biosolids Trends Survey

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**Goleta Sanitary District** – Continue with current practice unless there is a need for change.

**Inland Empire Utilities Agency** – Investigate reducing wet tons through improved dewatering and composting of the biosolids.

**Julian Sanitation District** – Continue with current practice as the produced volume is too small to consider marketing.

**Las Virgenes MWD** – To continue current practice.

**Los Angeles County Sanitation Districts** – LACSD plans to continue to develop and foster a diversified, cost-effective biosolids program. We will continue to monitor regulatory, technological and public opinion trends when evaluating future biosolids management options. LACSD will continue to compost, landfill, and land apply biosolids. In addition, we will look at increasing our indirect dryer capacity and utilizing a process to convert biosolids into transportation fuel.

**Ojai Valley Sanitary District** – No change. Continue onsite windrow composting as long as possible.

**Orange County Sanitation District** – OCSD will continue with its existing plan towards Biosolids Management Diversification-land application, composting and landfill disposal.

**Rancho California Water District** – To continue current practice.

**Rancho Santa Fe CSD** – Continue with landfill disposal as long as possible.

**San Elijo JPA** – No change as current contract with AG Tech expires in 5 years. May install a screw press to replace existing belt press.

**Santa Margarita Water District** – Our agency plans to investigate Plasma Arc Gasification technology

**South Orange County Wastewater Authority** - To continue current practice.

**Valley Center Municipal Water District** – Apply locally towards agriculture land application.

**Victor Valley Wastewater Reclamation Authority** – To continue current practice.

**Whispering Palms CSD** –. To continue current practice.

## SCAP 2014 Biosolids Trends Survey

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### Agencies That Market Biosolids Products

**City of Corona** – Yes. Biofuel pellets with Cemex, Apple Valley, CA.

**Encina JPA** – Yes. Fertilizer pellets sold to golf courses/sod, wholesale nurseries and agricultural farms.

**Fallbrook Public Utility District** – Yes. Fertilizer pellets sold directly to customer.

**Inland Empire Utilities Agency** – Yes. The Agency operates a composting facility in partnership with LACSD. Products are sold locally into turf and landscape projects as a soil amendment or topdressing.

**Las Virgenes Municipal Water District** – Yes. Finished Class A-EQ Compost is given away to the community.

**Los Angeles County Sanitation Districts** – Yes. LACSD co-owns the Inland Empire Regional Composting Facility (IERCF) with IEUA, the finished compost is screened and marketed as a soil amendment.. In addition, LACSD is constructing a composting facility in Kings County (Westlake Farms Composting Facility) that will manufacture and provide biosolids compost to a contract farmer that will apply the compost on an adjacent 14,000 acres. The anticipated startup date for the Westlake Farms Composting Facility is in the summer of 2015.

**Ojai Valley Sanitary District** – Yes. We have a give-away program to the public.

### Co-Digestion with High Strength Feedstock to Enhance Gas Production

**City of Los Angeles** – Yes. 50,000 gallons of fog and food waste. Contractor is Co-West Feed Resources. Tipping cost is NA.

**City of Santa Barbara** – Yes. 2,600 wet tons of fats, oil and grease. Contractor is Marborg Industries. Tipping fee is \$12.00 per ton.

**City of Thousand Oaks** – Yes. 2012 estimated 32,300 wet tons of fats, oils and grease feed to digesters. Estimated 20,300 wet tons in 2013. Contractors—various.

**Encina WA JPA** – No, but plan to start importing FOG in spring 2015.

## SCAP 2014 Biosolids Trends Survey

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**Los Angeles County Sanitation Districts** – Yes. 84 tons per day (2 year test project). Contractor is Waste Management. Tipping fee is \$10.38per ton.

**Victor Valley Wastewater Reclamation Authority** –Yes, but the process is in its initial test phase at this time. FOG and meat slurry.

### Agencies That Utilize Social Media for Biosolids Outreach/Education

**Carinteria Sanitary District** – Yes. Facebook and website.

**City of Riverside** – yes. Website.

**City of Los Angeles** – Yes. Website.

**City of Thousand Oaks** – Yes. Website.

**City of Ventura** – Yes. Website.

**Eastern Municipal Water District** – Yes. Facebook and website.

**Elsinore Municipal Water District** – Yes. Website and community outreach open house in March.

**Inland Empire Utilities Agency** – Yes. Website.

**Las Virgenes MWD** – Yes. Website.

**Ojai Valley Sanitary District** – Yes. Website.

**Orange County Sanitation District** - Yes, OCSD uses social media. Facebook, Twitter and YouTube and website.

**South Orange County Wastewater Authority**– Yes. Website.

### Disclaimer

*The conclusions in this report are predicated on the assumption that the unreported biosolids production from the few agencies not participating in this updated survey will not constitute a significant deviation in the comparative results between the 2012 and 2014 surveys.*

# Capital Improvement Projects



Yucaipa Valley Water District



**Date:** January 13, 2015

**Subject:** 2015 Pipeline Replacement Program - Construction of an 8-Inch Potable Water Pipeline in 8th Street and Washington Drive, Yucaipa

The Yucaipa Valley Water District is in the process of completing the design and bid package for a new water pipeline to be installed in 8th Street and Washington Drive as illustrated below.



The proposed pipeline project will involve the construction of 1,565 linear feet of 8-inch ductile iron pipe in 8th Street from Avenue C to Washington Drive and in Washington Drive from 8th Street to Cypress Street. These pipes will replace an existing 6-inch steel leak-prone pipe.

This project is categorically exempt from environmental review in accordance with the California Environmental Quality Act Guidelines Section 15301(c).

Financial Considerations:

Funding for this project will be from water depreciation reserves.

# Administrative Items



Yucaipa Valley Water District



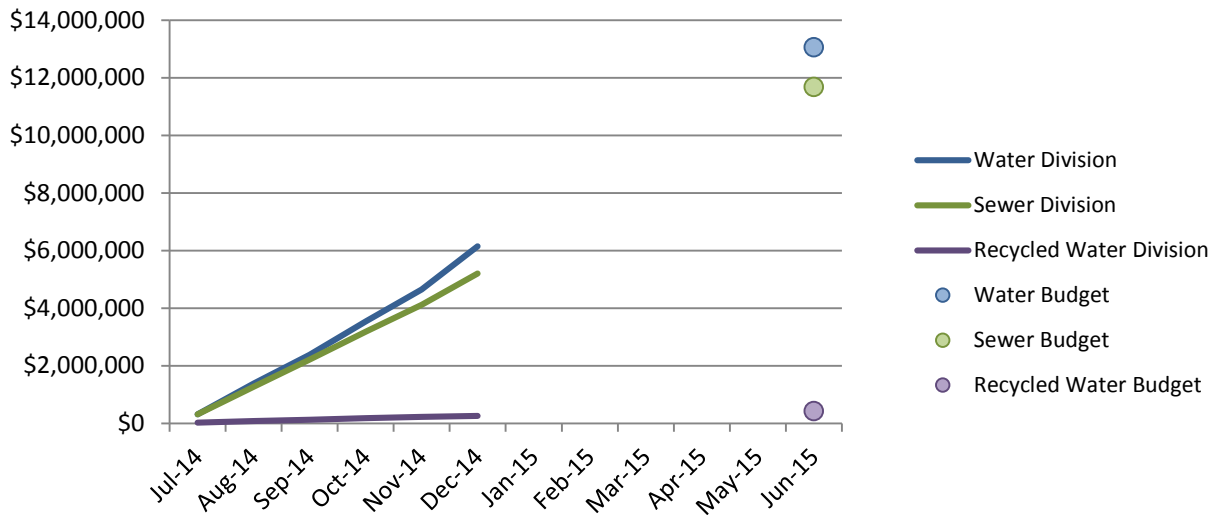


Date: January 13, 2015

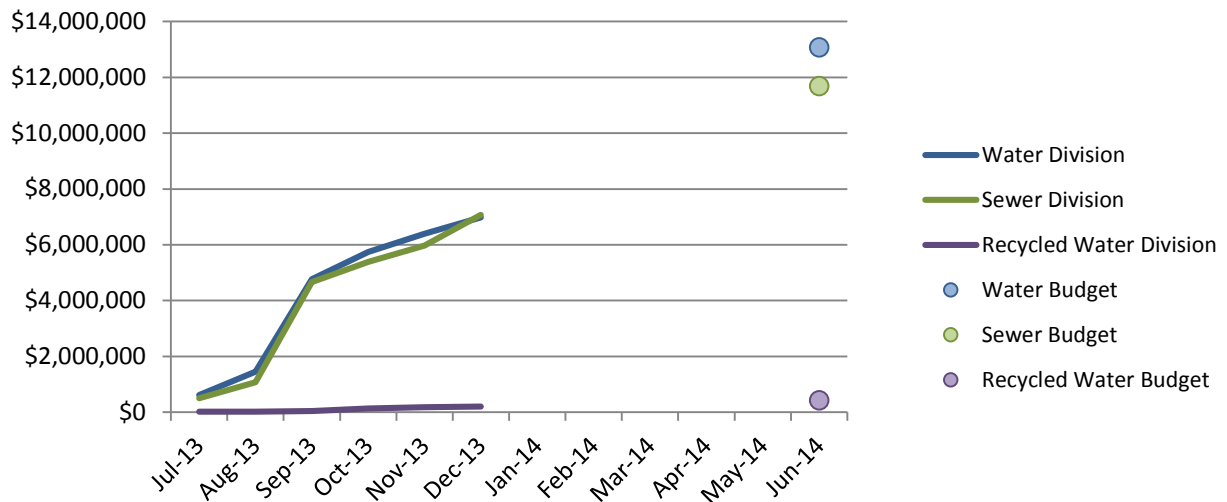
Subject: Unaudited Financial Report for the Period Ending on December 31, 2014

The District staff has prepared the attached Unaudited Financial Report for the period ending on November 30, 2014. A graphical summary of the financial information is provided below and detailed information follows as part of the monthly unaudited financial report.

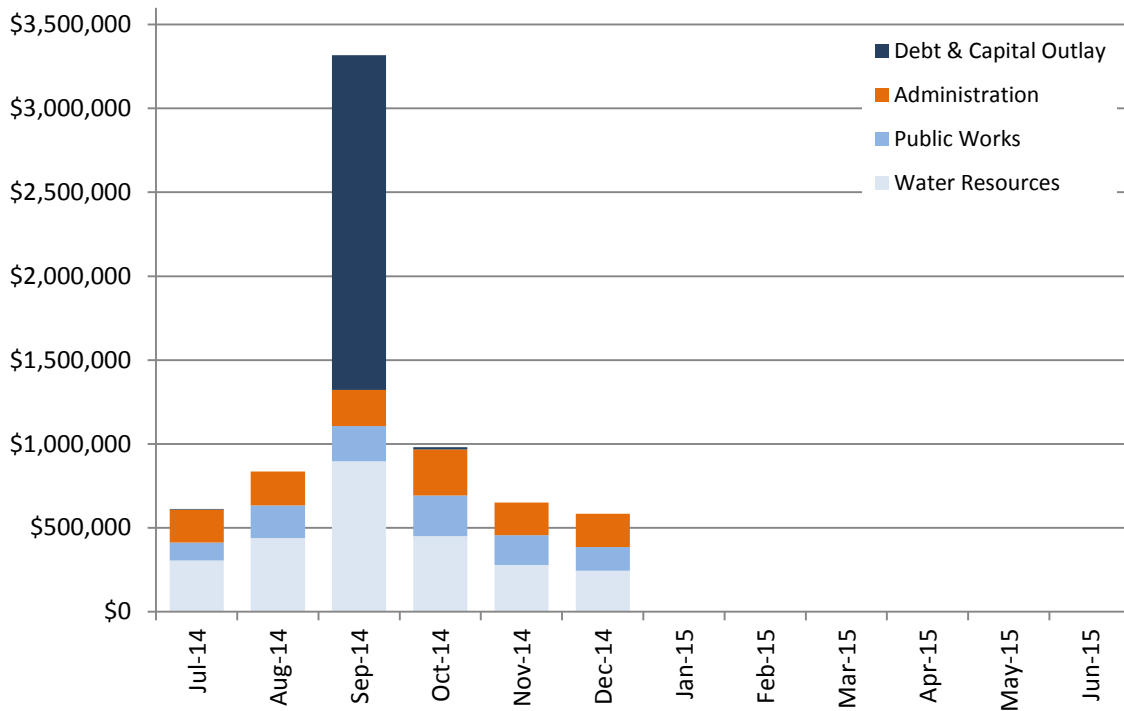
Fiscal Year 2015 YTD Revenues & Budget Targets



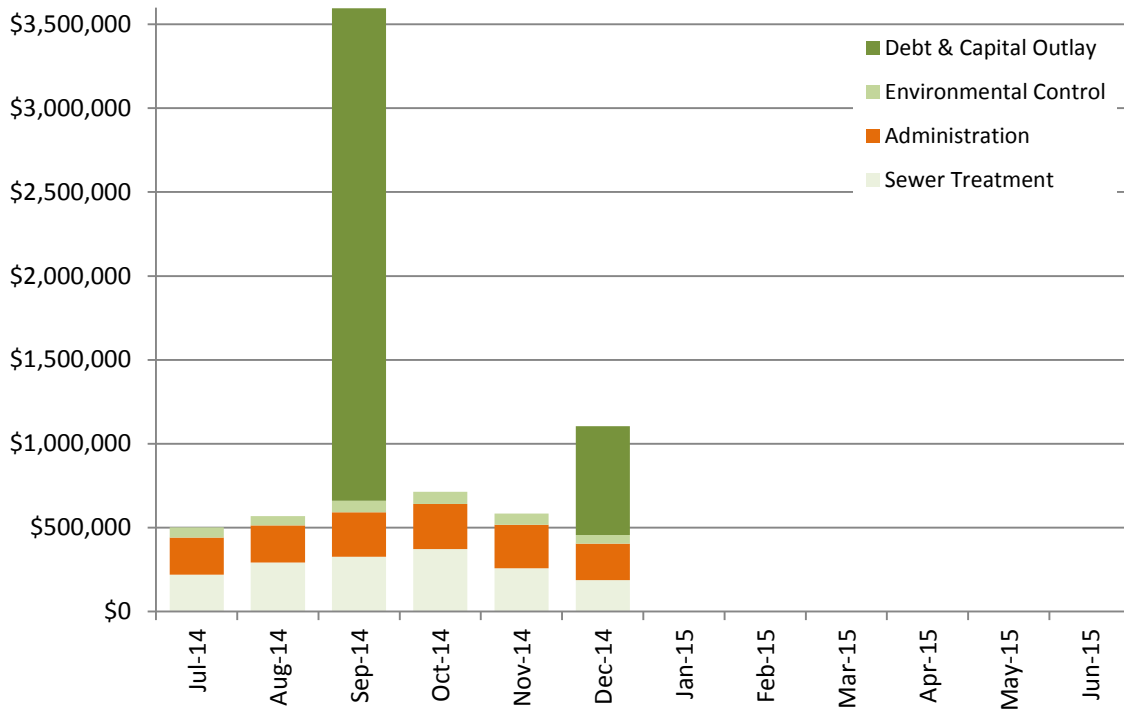
Fiscal Year 2015 YTD Expenses & Budget Targets



### Water Division Monthly Expense Summary - FY 2015



### Sewer Division Monthly Expense Summary - FY 2015





## Director Memorandum 15-0xx

**Date:** January 21, 2015

**Prepared By:** Vicky Elisalda, Controller  
Peggy Little, Administrative Supervisor

**Subject:** Unaudited Financial Report for the Period Ending on December 31, 2014

**Recommendation:** That the Board receives and files the unaudited financial report as presented.

The following unaudited financial report has been prepared by the Administrative Department for your review. The report has been divided into six sections to clearly disseminate information pertaining to the financial status of the District. Please remember that the following financial information has not been audited.

### **Cash Fund Balance Report**

[Detailed information can be found on page 5 to 6 of 28]

The Cash Fund Balance Report provides a summary of how the total amount of funds maintained by financial institutions is distributed throughout the enterprise and non-enterprise funds of the District. A summary of the report is as follows:

<b>Fund Source</b>	<b>Operating Funds</b>	<b>Restricted Funds</b>	<b>Total Funds</b>
Water Division	\$9,573,218.25	(\$1,328,131.44)	\$8,245,086.81
Sewer Division	\$11,673,315.32	(\$6,988,147.61)	\$4,685,167.71
Recycled Water Division	<u>\$3,083,338.34</u>	<u>\$507,020.32</u>	<u>\$3,590,358.66</u>
<b>Total</b>	<b>\$24,329,871.91</b>	<b>(\$7,809,258.73)</b>	<b>\$16,520,613.18</b>

Most of the funds reflected in the Cash Fund Balance Report are designated for specific purposes and are therefore restricted, either by law or by District policy.

### **Check Register**

[Detailed information can be found on pages 7 to 10 of 28]

The check register lists each check processed during the month of December 2014. The District processed 205 checks during the month of December for a total sum of \$1,414,978.30. All checks are reviewed by District staff for accuracy and completeness, and usually signed by the General Manager and one Director, but may be signed by two Directors.

The Controller will make any check, invoice or supporting documentation available for review to any board member upon request.

### **Financial Account Information**

[Detailed information can be found on pages 11 to 14 of 28]

The District currently deposits all revenue received into the Deposit Checking account. The General Checking account is used as a sole processing account for all District checks and electronic payroll. The Investment Checking account is used for the purchase and redemption of US treasury notes and bills and for the transfer of LAIF funds. The US treasury notes and bills are booked at cost.

The LAIF investment account is a pooled money account administered by the State of California. Additional information on the LAIF account is provided below in the investment summary report.

### **Investment Summary**

[Detailed information can be found on pages 15 to 16 of 28]

The investment summary report illustrates the District's investments in US treasury notes and bills in addition to the investments held by the Local Agency Investment Fund or LAIF. The yields for the treasury notes and bills are provided for each individual transaction. The historical annual yield for funds invested with LAIF is also provided.

Separate pooled money investment reports prepared by the State of California are maintained by the District and available for review.

### **Monthly Revenue Allocation**

[Detailed information can be found on pages 17 to 18 of 28]

During the month of December 2014 the District received a sum total of \$3,262,157.39 in revenues from the following categories:

- A total of \$1,904,503.07 was received from 15,489 customers for utility bill payments. This is the total amount of utility bill payments received from water, sewer and recycled services.
- A total of \$6,150.75 was received for construction meter deposits, customer deposits and internet fee payments.
- A total of \$1,224,892.57 was received from miscellaneous water related activities (other than utility bill charges). This includes \$1,011,552.73 property taxes received.
- A total of \$126,611.00 was received from miscellaneous sewer related activities (other than utility bill charges).
- A total of \$0.00 was received from miscellaneous recycled related activities (other than utility bill charges).

### **Fiscal Year 2015 Budget Status**

[Detailed information can be found on pages 19 to 28 of 28]

The revenue and expense budget status for the 2015 Fiscal Year is provided for your review.

**Summary of Revenue Budget  
As of December 31, 2014 (46% of Budget Cycle)**

<u>Division</u>	<u>Budget Amount</u>	<u>Current Month</u>	<u>Year-To-Date</u>	<u>Percentage</u>
Water	13,072,750	1,493,532	6,145,860	47.01%
Sewer	11,689,000	1,081,192	5,200,413	44.49%
Recycled Water	433,500	40,055	260,249	60.03%
<b>District Revenue</b>	<b>25,195,250</b>	<b>2,614,779</b>	<b>11,606,522</b>	<b>46.07%</b>

**Summary of Water Budget  
As of December 31, 2014 (46% of Budget Cycle)**

<u>Department</u>	<u>Budget Amount</u>	<u>Current Month</u>	<u>Year-To-Date</u>	<u>Percentage</u>
Water Resources	4,883,119	244,938	2,618,943	53.63%
Public works	2,347,764	141,159	1,069,881	45.57%
Administration	2,910,442	198,689	1,284,910	44.15%
Long Term Debt	2,931,425	0	1,993,563	68.01%
Asset Acquisition	0	0	16,895	0.00%
<b>TOTAL</b>	<b>13,072,750</b>	<b>584,786</b>	<b>6,984,192</b>	<b>53.43%</b>

**Summary of Sewer Budget  
As of December 31, 2014 (46% of Budget Cycle)**

<u>Department</u>	<u>Budget Amount</u>	<u>Current Month</u>	<u>Year-To-Date</u>	<u>Percentage</u>
Treatment	3,702,084	187,112	1,657,427	44.77%
Administration	3,198,649	218,225	1,453,755	45.45%
Environmental Control	957,833	50,986	379,461	39.62%
Long Term Debt	3,830,434	649,274	3,572,942	93.28%
Asset Acquisition-Palmer	0	0	10,260	0.00%
<b>TOTAL</b>	<b>11,689,000</b>	<b>1,105,597</b>	<b>7,073,845</b>	<b>60.52%</b>

**Summary of Recycled Water Budget  
As of December 31, 2014 (46% of Budget Cycle)**

<u>Department</u>	<u>Budget Amount</u>	<u>Current Month</u>	<u>Year-To-Date</u>	<u>Percentage</u>
Administration	433,500	20,212	199,755	46.08%
<b>TOTAL</b>	<b>433,500</b>	<b>20,212</b>	<b>199,755</b>	<b>46.08%</b>
<b>District Expenses</b>	<b>25,195,250</b>	<b>1,710,595</b>	<b>14,257,792</b>	<b>56.59%</b>

### **Investment Policy Disclosure**

The District is currently compliant with the portfolio of its Investment Policy and State Law.

The District is using Sandy Gage with Merrill Lynch Wealth Management (Bank of America Corporation) for Treasury investments. The District expects to meet its expenditure requirements for the next six months.

### **Questions or Comments**

If you have any questions about a particular budget account, please do not hesitate to contact the Controller directly. If you need additional information, the members of the Administrative Department would be happy to provide you with any detailed information you may desire.

## Cash Fund Balance Report - December 2014

Water Division	GL#	Balance
*Project Fund - Encumbered	02-10215	\$ -
*ID 1 Construction Funds	02-10216	\$ 293,145.85
*ID 2 Construction Funds	02-10217	\$ 80,409.31
*FCC - Debt Service YVRWFF Phase I	02-10401	\$ (978,283.54)
*FCC - Future YVRWFF Phase II & III	02-10403	\$ 203,882.70
*FCC - Recycled System	02-10410	\$ (1,198,035.82)
*FCC - Booster Pumping Plants	02-10411	\$ 331,148.29
*FCC - Pipeline Facilities	02-10412	\$ (1,248,666.48)
*FCC - Water Storage Reservoirs	02-10413	\$ 1,188,268.25
Depreciation Reserves	02-10310	\$ 3,857,746.83
Infrastructure Reserves	02-10311	\$ 1,447,939.00
Sustainability Fund	02-10313	\$ 413,113.56
Rate Stabilization Fund	02-10314	\$ 500,209.14
Imported Water Fund - MUNI	02-10315	\$ 12,612.99
Imported Water Fund - SGPWA	02-10316	\$ 758,769.24
Operating Funds:		\$ 2,582,827.49
<b>Total Water Division</b>		<b>\$ 8,245,086.81</b>

Sewer Division	GL#	Balance
*Project Fund - Encumbered	03-10215	\$ 109,500.00
*SRF Reserve Fund - Brineline	03-10218	\$ 637,449.00
*SRF Reserve Fund - WISE	03-10219	\$ 184,928.00
*SRF Reserve Fund - R 10.3	03-10220	\$ 51,531.00
*SRF Reserve Fund - Crow St	03-10221	\$ -
*FCC - Debt Service WWTP Expansion & Upgrade	03-10405	\$ 504,752.84
*FCC - Future WWTP Expansion	03-10407	\$ 596,779.08
*FCC - Sewer Interceptors	03-10415	\$ (1,207,457.59)
*FCC - Lift Stations	03-10416	\$ 147,041.71
*FCC - Effluent Disposal Facilities	03-10417	\$ (1,866,635.92)
*FCC - Salt Mitigation Facilities	03-10418	\$ (6,146,035.73)
Depreciation Reserves	03-10310	\$ 5,460,080.31
Infrastructure Reserves	03-10311	\$ 2,786,280.00
Rate Stabilization Fund	03-10314	\$ 1,464,394.90
Operating Funds:		\$ 1,962,560.11
<b>Total Wastewater Division</b>		<b>\$ 4,685,167.71</b>

Recycled Water Division	GL#	Balance
*Project Fund - Encumbered	04-10215	\$ 200,000.00
*FCC - Recycled System	04-10410	\$ 30,553.20
*FCC - Booster Pumping Plants	04-10411	\$ 32,541.94
*FCC - Pipeline Facilities	04-10412	\$ 163,606.51
*FCC - Water Storage Reservoirs	04-10413	\$ 80,318.67
Depreciation Reserves	04-10310	\$ 503,928.00
Infrastructure Reserves	04-10311	\$ 215,410.00
Operating Funds:		\$ 2,364,000.34
<b>Total Recycled Water Division</b>		<b>\$ 3,590,358.66</b>

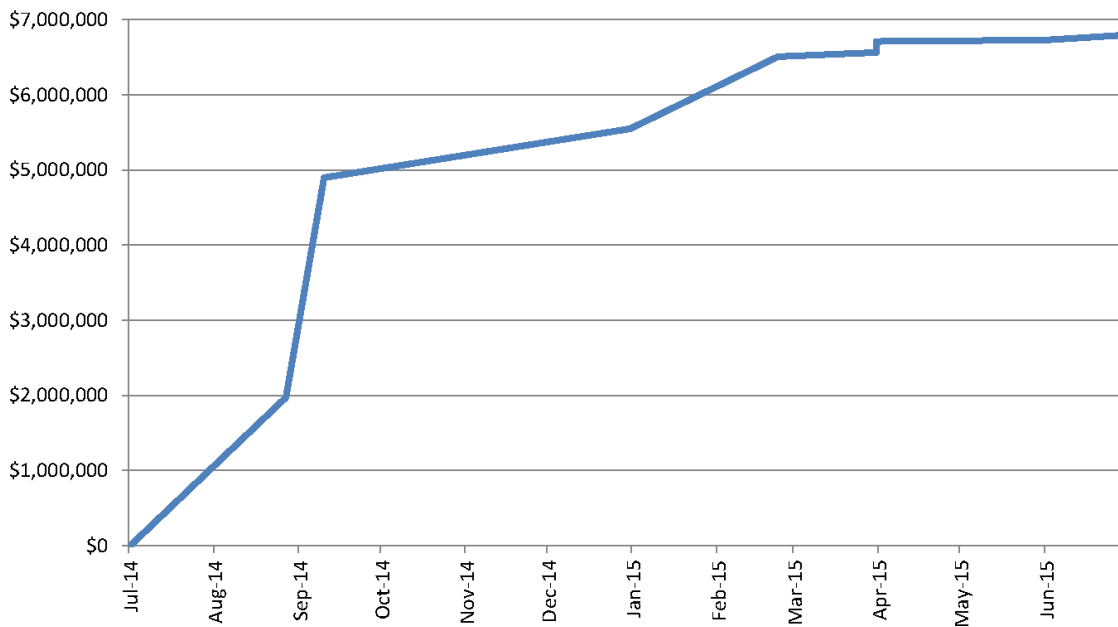
**DISTRICT TOTAL \$ 16,520,613.18**

\*=Restricted Funds

## Cash Fund Balance Report - December 2014

Pending Financial Obligations for Fiscal Year 2014/15				
Due Date	Fund	Description	Term of Obligation	Amount
08/27/2014	Water	2004A Bond Payment - YVRWFF	2005-2034	\$ 1,973,462.50
09/10/2014	Sewer	SRF Payment - WRWRF	2009-2028	\$ 2,923,688.75
12/31/2014	Sewer	SRF Payment - Yucaipa Regional Brineline	2013-2032	\$ 652,249.39
02/23/2015	Water	2004A Bond Payment - YVRWFF	2005-2034	\$ 958,562.50
03/31/2015	Sewer	SRF Payment - Recycled Reservoir R-10.3	2014-2033	\$ 54,243.02
03/31/2015	Sewer	SRF Payment - Desalinization at WRWRF	2014-2033	\$ 148,282.00
06/01/2015	Sewer	SBVMWD - Inland Empire Brineline Payment	2013-2016	\$ 20,000.00
06/30/2015	Sewer	SRF Payment - Crow Street/Recycled Booster B-12.1	Estimated	\$ 65,000.00
<b>Total</b>				<b>\$ 6,795,488.16</b>

**Payment Schedule and Cash Flow Requirements  
for Fiscal Year 2014-2015**





## Check Register - December 2014

<u>Check Date</u>	<u>Check Number</u>	<u>Name</u>	<u>Check Amount</u>
12/01/2014	22144	AMERICAN INTEGRATED	1,459.66
12/01/2014	22145	OROZCO, DIANE& RUDY	30.02
12/01/2014	22146	American Water Works Assoc.	3,981.00
12/01/2014	22147	State Water Resources Control	165.00
12/01/2014	22148	CWEA-TCP (OAKPORT ST.)	885.00
12/01/2014	22149	Water Environment Federation	272.00
12/01/2014	22150	Ameripride Uniform Services	470.71
12/01/2014	22151	BofA Credit Card	4,189.72
12/01/2014	22152	Dudek & Associates, Inc	3,431.87
12/01/2014	22153	Fedex	125.08
12/01/2014	22154	Leroy's Landscape Services	5,700.00
12/01/2014	22155	Lowe's Companies, Inc.	301.96
12/01/2014	22156	NetComp Technologies, Inc.	1,710.00
12/01/2014	22157	RMC Water and Environment	4,679.40
12/01/2014	22158	U.S. Telepacific Corp	3,817.10
12/01/2014	22159	The Gas Company	48.10
12/01/2014	22160	George F. Siddle	80.50
12/01/2014	22161	Verizon	153.43
12/01/2014	22162	Yucaipa Disposal, Inc.	1,366.84
12/01/2014	22163	William Abbott	2,600.00
12/01/2014	22164	Air & Hose Source, Inc.	190.08
12/01/2014	22165	Aqua-Metric Sales Company	1,623.72
12/01/2014	22166	Cemex Inc. USA	1,910.11
12/01/2014	22167	Eurofins Eaton Analytical, Inc	32,275.00
12/01/2014	22168	Evoqua Water Technologies LLC	1,121.10
12/01/2014	22169	Hasa, Inc.	3,975.97
12/01/2014	22170	JR Freeman Co. Inc.	445.89
12/01/2014	22171	Nagem, Inc.	337.50
12/01/2014	22172	Praxair Inc.	588.36
12/01/2014	22173	Steven Enterprises, Inc	13,316.60
12/01/2014	22174	Boot Barn #4	173.19
12/01/2014	22175	Standard Insurance Company	2,633.28
12/01/2014	22176	US Healthworks Medical Group,	281.58
12/01/2014	22177	Western Dental Services, Inc.	288.11
12/01/2014	22178	Anthem Blue Cross L and H	356.90
12/01/2014	22179	Standard Insurance Company	2,974.49
12/01/2014	22180	Aetna Health of California	42,376.00
12/01/2014	22181	Standard Insurance Vision Plan	578.16
12/01/2014	22182	MetLife Small Business Center	413.08
12/01/2014	22183	WageWorks, Inc.	207.50
12/08/2014	22184	AWWA CA-NV (Rancho Cucamonga)	75.00
12/08/2014	22185	American Water Works Assoc.	1,200.00
12/08/2014	22186	ADS, LLC	2,634.00
12/08/2014	22187	Ameripride Uniform Services	513.95
12/08/2014	22188	Crown Ace Hardware - Yucaipa	597.19
12/08/2014	22189	First American Data Tree, LLC	50.00
12/08/2014	22190	CA-EPA Dept Of Toxic Substance	322.50
12/08/2014	22191	Konica Minolta Business Soluti	723.73
12/08/2014	22192	SCCI, Inc.	350.00
12/08/2014	22193	SB CNTY-Fire Hazard Abatement	200.00
12/08/2014	22194	Sims Welding & Supply Co., Inc	197.90
12/08/2014	22195	South Coast A.Q.M.D.	1,354.71
12/08/2014	22196	Association of San Bernardino	252.00
12/08/2014	22197	The Gas Company	109.74
12/08/2014	22198	Underground Service Alert Of S	141.00

## Check Register - December 2014

<u>Check Date</u>	<u>Check Number</u>	<u>Name</u>	<u>Check Amount</u>
12/08/2014	22199	USDA Forest Service	120.62
12/08/2014	22200	Auto Care Clinic	2,343.38
12/08/2014	22201	Edward S Babcock & Sons, Inc.	180.00
12/08/2014	22202	Jan Brinkman Jr.	484.92
12/08/2014	22203	DC Frost Associates, Inc.	507.49
12/08/2014	22204	David Sunden	591.88
12/08/2014	22205	Fisher Scientific Co.	152.02
12/08/2014	22206	Grainger	436.00
12/08/2014	22207	Inland Water Works Supply Co.	16,014.00
12/08/2014	22208	Larry Jacinto Farming, Inc.	500.00
12/08/2014	22209	JR Freeman Co. Inc.	520.20
12/08/2014	22210	Nuckles Oil Company, Inc.	3,200.32
12/08/2014	22211	Microflex Corp #774353	1,241.25
12/08/2014	22212	Most Dependable Fountains, Inc	939.80
12/08/2014	22213	Nagem, Inc.	459.05
12/08/2014	22214	Patton Sales Corporation	216.27
12/08/2014	22215	Polydyne Inc.	5,713.20
12/08/2014	22216	Pro-Pipe & Supply, Inc.	274.72
12/08/2014	22217	SB CNTY-Fire Protection Distri	189.36
12/08/2014	22218	Smart & Final Stores, LLC	333.79
12/08/2014	22219	Sterling Water Technologies LL	17,691.48
12/08/2014	22220	Steven Enterprises, Inc	1,296.33
12/08/2014	22221	Robert Austin	7,113.70
12/12/2014	22222	PAYROLL CHECK	1,931.51
12/12/2014	22223	PAYROLL CHECK	283.69
12/12/2014	22224	CA-PERS Supplemental Income 45	19,304.72
12/12/2014	22225	WageWorks, Inc.	1,595.80
12/12/2014	22226	Public Employees' Retirement S	33,282.29
12/12/2014	22227	Hong Nelson	125.00
12/12/2014	22228	IBEW Local 1436	270.00
12/12/2014	22229	Franchise Tax Board	100.00
12/12/2014	22230	United State Treasury	413.87
12/12/2014	22231	Cobb's Printing, LLC	250.56
12/12/2014	22232	Rodd Greene	404.00
12/12/2014	22233	Gregory N. Godwin	200.00
12/12/2014	22234	Workboot Warehouse	393.77
12/12/2014	22235	Cypress Insurance Company	15,377.92
12/12/2014	22236	Robert Hines	404.00
12/15/2014	22237	Aklufi & Wysocki	5,096.25
12/15/2014	22238	Delta Partners, LLC	7,500.00
12/15/2014	22239	Geoscience Support Services, I	17,936.20
12/15/2014	22240	Krieger & Stewart	995.55
12/15/2014	22241	One Stop Landscape Supply Inc	19,864.00
12/15/2014	22242	Platinum Advisors, LLC	5,000.00
12/15/2014	22243	RMC Water and Environment	1,500.00
12/15/2014	22244	T.B.U., Inc.	5,712.50
12/15/2014	22245	VTD, Vavrinek, Trine, Day & CO	3,120.00
12/15/2014	22246	Addiction Medicine Consultants	2,610.00
12/15/2014	22247	Ralph C. Casas	79.75
12/15/2014	22248	Ameripride Uniform Services	444.91
12/15/2014	22249	Ana Sanchez	150.00
12/15/2014	22250	Central Communications	341.25
12/15/2014	22251	Corelogic, Inc.	330.00
12/15/2014	22252	Coverall North America, Inc.	1,021.00
12/15/2014	22253	Jason Gokei	81.00

## Check Register - December 2014

<u>Check Date</u>	<u>Check Number</u>	<u>Name</u>	<u>Check Amount</u>
12/15/2014	22254	Incode Division-Tyler Technolo	350.00
12/15/2014	22255	InfoSend, Inc.	5,097.34
12/15/2014	22256	Konica Minolta Business Soluti	87.84
12/15/2014	22257	Management Action Programs Inc	3,100.00
12/15/2014	22258	RMC Water and Environment	1,459.00
12/15/2014	22259	San Bdno. Valley Muni. Water D	60.00
12/15/2014	22260	Separation Processes, Inc.	597.50
12/15/2014	22261	Southern CA Emergency Medicine	275.00
12/15/2014	22262	South Coast A.Q.M.D.	903.14
12/15/2014	22263	State Water Resources Control	649,273.50
12/15/2014	22264	Tattletale Portable Alarm Syst	1,974.00
12/15/2014	22265	The Counseling Team Internatio	360.00
12/15/2014	22266	Verizon	11.32
12/15/2014	22267	Aqua-Metric Sales Company	2,448.49
12/15/2014	22268	Auto Care Clinic	82.90
12/15/2014	22269	Brenntag Pacific, Inc	11,336.82
12/15/2014	22270	Calolympic Glove & Safety Co.,	953.55
12/15/2014	22271	Victor James Valenti	3,884.88
12/15/2014	22272	Jan Brinkman Jr.	70.00
12/15/2014	22273	Evoqua Water Technologies LLC	918.60
12/15/2014	22274	Grainger	618.02
12/15/2014	22275	Graybar Electric Co., Inc.	173.10
12/15/2014	22276	Hach Company	482.33
12/15/2014	22277	House Of Quality, Parts Plus	5,817.64
12/15/2014	22278	VOID CHECK	0.00
12/15/2014	22279	Innerline Engineering	8,700.00
12/15/2014	22280	J.L. Wingert Co.	346.69
12/15/2014	22281	James John Brothers	9,773.00
12/15/2014	22282	JR Freeman Co. Inc.	748.93
12/15/2014	22283	Nuckles Oil Company, Inc.	3,414.31
12/15/2014	22284	NCL Of Wisconsin Inc	774.23
12/15/2014	22285	SB CNTY-Fire Protection Distri	915.44
12/15/2014	22286	Smart & Final Stores, LLC	91.92
12/15/2014	22287	Sunshine Growers Nursery	152.82
12/15/2014	22288	UPS Store#1504/ Mail Boxes Etc	13.83
12/15/2014	22289	HD Supply Facilities Maintenan	472.40
12/22/2014	22290	Atkinson, Andelson, Loya, Ruud	5,243.29
12/22/2014	22291	Christopher R. Crosby	168.00
12/22/2014	22292	Ameripride Uniform Services	438.46
12/22/2014	22293	AT&T Mobility	1,078.09
12/22/2014	22294	BofA Credit Card	5,211.24
12/22/2014	22295	NetComp Technologies, Inc.	2,725.12
12/22/2014	22296	Air & Hose Source, Inc.	71.28
12/22/2014	22297	Brenntag Pacific, Inc	4,331.34
12/22/2014	22298	Grainger	928.51
12/22/2014	22299	Hach Company	637.16
12/22/2014	22300	Innerline Engineering	1,450.00
12/22/2014	22301	Donald Kent Stone	500.00
12/22/2014	22302	VOID CHECK	0.00
12/22/2014	22303	Safety Kleen Systems, Inc.	265.46
12/22/2014	22304	Paxxo, Inc.	2,776.00
12/22/2014	22305	SOLIS, SYLVIA	41.70
12/22/2014	22306	BEIGHTLER, SHELBY	38.43
12/22/2014	22307	CABRERA, GILBERT	35.44
12/24/2014	22308	PAYROLL CHECK	1,937.31

## Check Register - December 2014

<u>Check Date</u>	<u>Check Number</u>	<u>Name</u>	<u>Check Amount</u>
12/24/2014	22309	CA-PERS Supplemental Income 45	16,362.25
12/24/2014	22310	WageWorks, Inc.	1,534.26
12/24/2014	22311	Public Employees' Retirement S	32,543.25
12/24/2014	22312	Hong Nelson	125.00
12/24/2014	22313	Franchise Tax Board	100.00
12/29/2014	22314	Ameripride Uniform Services	448.91
12/29/2014	22315	Redlands Employment Services	762.76
12/29/2014	22316	Bay Alarm Company	4,581.96
12/29/2014	22317	Fedex	84.16
12/29/2014	22318	Leroy's Landscape Services	2,955.00
12/29/2014	22319	Mike McCuiston	2,220.40
12/29/2014	22320	NetComp Technologies, Inc.	145.00
12/29/2014	22321	SCE Rosemead	191,973.41
12/29/2014	22322	Southern California Water Comm	850.00
12/29/2014	22323	U.S. Telepacific Corp	3,808.44
12/29/2014	22324	Verizon	153.43
12/29/2014	22325	Aqua-Metric Sales Company	12,765.60
12/29/2014	22326	BofA Credit Card	1,245.93
12/29/2014	22327	Center Electric	1,595.00
12/29/2014	22328	Clinical Laboratory of San Ber	4,130.50
12/29/2014	22329	Evoqua Water Technologies LLC	955.33
12/29/2014	22330	Fisher Scientific Co.	170.48
12/29/2014	22331	G&G Environmental Compliance, I	2,394.53
12/29/2014	22332	Grainger	2,044.50
12/29/2014	22333	Inland Water Works Supply Co.	1,503.16
12/29/2014	22334	Innerline Engineering	1,450.00
12/29/2014	22335	JR Freeman Co. Inc.	390.35
12/29/2014	22336	Lowe's Companies, Inc.	52.90
12/29/2014	22337	MBC Applied Environmental Scie	1,300.00
12/29/2014	22338	Nuckles Oil Company, Inc.	2,025.84
12/29/2014	22339	Nagem, Inc.	1,200.00
12/29/2014	22340	Praxair Inc.	19.22
12/29/2014	22341	Q Versa, LLC	8,301.24
12/29/2014	22342	Red Alert Special Couriers	454.26
12/29/2014	22343	Redlands-Yucaipa Rentals Inc.	8.00
12/29/2014	22344	Riverside Winnelson Company	237.60
12/29/2014	22345	VOID CHECK	0.00
12/29/2014	22346	American Family Life Assurance	3,393.67
12/29/2014	22347	WageWorks, Inc.	207.50
12/31/2014	22348	ROW Traffic Safety, Inc.	9,974.04
<b>December 2014 Check Register Total</b>			<b>1,414,978.30</b>

## Financial Account Information - December 2014

DATE	DESCRIPTION	Deposit Checking	General Checking	Investment Checking	Treasuries at cost	LAIF Invest. Fund	TOTAL ACTIVITY
11/30/2014	bal forward	1,762,532.88	30,000.00	17,693.93	501,464.19	12,698,833.33	15,010,524.33
11/30	rev retained in MM				(691.49)		(691.49)
	Deposit Corr (11/26)	(38.39)					(38.39)
12/01/2014	Deposit	119,110.98					119,110.98
	Credit Card-11/26	2,164.77					2,164.77
	Credit Card-12/1	8,263.94					8,263.94
	Electronic	20,640.98					20,640.98
	Website-12/1	6,603.74					6,603.74
	Website-12/2	503.30					503.30
	Website-12/2	578.42					578.42
12/02/2014	Deposit	58,624.68					58,624.68
	Credit Card-12/2	2,126.28					2,126.28
	Credit Card-12/3	3,278.90					3,278.90
	Electronic	35,700.67					35,700.67
	Website-12/2	3,739.15					3,739.15
	Website-12/3	84.10					84.10
	Website-12/3	2,431.78					2,431.78
	ETS Fees	(1,555.46)					(1,555.46)
	ETS Fees	(1,135.22)					(1,135.22)
12/03/2014	Deposit	54,654.23					54,654.23
	Credit Card-12/2	2,647.67					2,647.67
	Credit Card-12/3	5,709.50					5,709.50
	Electronic	22,264.46					22,264.46
	Website-12/3	4,871.12					4,871.12
	Website-12/4	136.51					136.51
	Website-12/4	167.91					167.91
	ACH pmts	44,392.43					44,392.43
	Ck#22144-22183		(141,534.01)				(141,534.01)
	TRF#1313-AP	(141,534.01)	141,534.01				0.00
12/04/2014	Deposit	26,990.13					26,990.13
	Credit Card -12/3	2,750.27					2,750.27
	Credit Card -12/4	1,932.97					1,932.97
	Electronic	15,206.87					15,206.87
	Website-12/4	2,700.37					2,700.37
	Website-12/5	69.38					69.38
	Website-12/5	386.38					386.38
12/05/2014	Deposit	52,911.02					52,911.02
	Credit Card-12/4	468.79					468.79
	Credit Card-12/5	2,938.71					2,938.71
	Electronic	18,025.15					18,025.15
	Website-12/5	3,007.78					3,007.78
	Website-12/6	201.07					201.07
	Website-12/6	1,507.32					1,507.32
	Website-12/7	1,163.03					1,163.03
	Website-12/8	933.85					933.85
12/08/2014	Deposit	70,832.46					70,832.46
	MC - Deposit	1,829.12					1,829.12
	Credit Card-12/5	611.96					611.96
	Credit Card-12/8	2,961.66					2,961.66
	Electronic	13,969.08					13,969.08
	Website-12/8	4,392.19					4,392.19
	Website-12/9	637.70					637.70
	Website-12/9	407.03					407.03

## Financial Account Information - December 2014

DATE	DESCRIPTION	Deposit	General	Investment	Treasuries	LAIF	TOTAL
		Checking	Checking	Checking	at cost	Invest. Fund	ACTIVITY
11/30/2014	bal forward	1,762,532.88	30,000.00	17,693.93	501,464.19	12,698,833.33	15,010,524.33
12/09/2014	Deposit	76,783.27					76,783.27
	Deposit-SB taxes	95,906.91					95,906.91
	Credit Card-12/8	943.24					943.24
	Credit Card-12/9	1,996.35					1,996.35
	Electronic	28,987.45					28,987.45
	Website-12/9	5,963.54					5,963.54
	Website-12/10	82.63					82.63
	Website-12/10	1,079.12					1,079.12
12/10/2014	Deposit	70,607.63					70,607.63
	Credit Card-12/9	1,929.32					1,929.32
	Credit Card-12/10	4,479.58					4,479.58
	Electronic	13,219.01					13,219.01
	Website-12/10	2,510.12					2,510.12
	Website-12/11	178.75					178.75
	Website-12/11	1,237.59					1,237.59
	ACH pmts	59,435.39					59,435.39
12/12/14-PR	Federal Taxes		(45,490.23)				(45,490.23)
12/12/14-PR	State Taxes		(7,654.01)				(7,654.01)
12/12/14-PR	PR Direct Deposit		(110,909.11)				(110,909.11)
12/12/14-PR	VOYA 457		(9,382.08)				(9,382.08)
	Cks. #22184-22236		(143,578.63)				(143,578.63)
	TRF#1314- AP & PR	(317,014.06)	317,014.06				0.00
12/11/2014	Deposit	34,753.59					34,753.59
	Deposit-DR Horton	337,246.00					337,246.00
	Deposit-SB taxes	4,215.33					4,215.33
	Credit Card-12/10	1,403.21					1,403.21
	Credit Card-12/11	2,459.35					2,459.35
	Electronic	12,185.36					12,185.36
	Website-12/11	1,661.48					1,661.48
	Website-12/12	138.38					138.38
	Website-12/12	1,097.40					1,097.40
12/12/2014	Deposit	43,469.01					43,469.01
	Credit Card-12/11	730.22					730.22
	Credit Card-12/12	2,556.53					2,556.53
	Electronic	14,436.74					14,436.74
	Website-12/12	2,478.40					2,478.40
	Website-12/13	277.10					277.10
	Website-12/13	2,770.52					2,770.52
	Website-12/14	2,124.31					2,124.31
	Website-12/15	182.82					182.82
	Website-12/15	796.01					796.01
12/15/2014	Deposit	82,740.11					82,740.11
	Credit Card-12/12	692.52					692.52
	Credit Card-12/15	3,637.58					3,637.58
	Electronic	15,780.28					15,780.28
	Website-12/15	4,489.85					4,489.85
	Website-12/16	517.16					517.16
	Website-12/16	375.98					375.98
	ACH pmts	50,396.55					50,396.55
	ACH pmts	81.92					81.92

## Financial Account Information - December 2014

DATE	DESCRIPTION	Deposit	General	Investment	Treasuries	LAIF	TOTAL
		Checking	Checking	Checking	at cost	Invest. Fund	ACTIVITY
11/30/2014	bal forward	1,762,532.88	30,000.00	17,693.93	501,464.19	12,698,833.33	15,010,524.33
12/16/2014	Deposit	14,793.59					14,793.59
	Deposit-Riv taxes	46,642.45					46,642.45
	Credit Card-12/15	1,172.54					1,172.54
	Credit Card-12/16	4,283.06					4,283.06
	Electronic	21,409.50					21,409.50
	Website-12/16	2,774.91					2,774.91
	Website-12/17	122.00					122.00
	Website-12/17	750.65					750.65
	Ck#22237-22289		(787,520.95)				(787,520.95)
	<b>TRF#1315-AP</b>	<b>(787,520.95)</b>	<b>787,520.95</b>				<b>0.00</b>
12/17/2014	Deposit	41,396.92					41,396.92
	Credit Card-12/16	3,004.27					3,004.27
	Credit Card-12/17	8,243.28					8,243.28
	Electronic	12,738.04					12,738.04
	Website-12/17	1,823.07					1,823.07
	Website-12/18	89.10					89.10
	Website-12/18	543.05					543.05
12/18/2014	Deposit	33,184.71					33,184.71
	Deposit-Riv taxes	316.86					316.86
	Credit Card-12/17	522.90					522.90
	Credit Card-12/18	3,452.49					3,452.49
	Electronic	11,212.04					11,212.04
	Website-12/18	991.58					991.58
	Website-12/19	213.30					213.30
	<b>TRF #1316-Dep Ck to Inv Ck</b>	<b>(1,900,000.00)</b>		<b>1,900,000.00</b>			<b>0.00</b>
	<b>TRF #1317-Inv Ck to LAIF</b>			<b>(1,900,000.00)</b>		<b>1,900,000.00</b>	<b>0.00</b>
12/19/2014	Deposit	55,730.80					55,730.80
	Credit Card-12/18	348.07					348.07
	Credit Card-12/19	1,888.79					1,888.79
	Electronic	16,328.84					16,328.84
	Website-12/19	2,774.64					2,774.64
	Website-12/20	3,035.08					3,035.08
	Website-12/21	1,515.29					1,515.29
	Website-12/22	585.31					585.31
12/22/2014	Deposit	63,429.02					63,429.02
	Deposit-SB taxes	877,425.37					877,425.37
	Credit Card-12/19	767.58					767.58
	Credit Card-12/22	3,176.95					3,176.95
	Electronic	16,883.94					16,883.94
	Website-12/22	1,252.78					1,252.78
	Website-12/23	43.67					43.67
	ACH pmts	24,021.78					24,021.78
12/23/2014	Deposit	31,090.71					31,090.71
	Credit Card-12/22	1,276.83					1,276.83
	Credit Card-12/23	1,494.13					1,494.13
	Electronic	17,251.05					17,251.05
	Website-12/23	2,302.28					2,302.28
	Website-12/24	177.65					177.65

## Financial Account Information - December 2014

DATE	DESCRIPTION	Deposit Checking	General Checking	Investment Checking	Treasuries at cost	LAIF Invest. Fund	TOTAL ACTIVITY
11/30/2014	bal forward	1,762,532.88	30,000.00	17,693.93	501,464.19	12,698,833.33	15,010,524.33
12/24/14-PR	Federal Taxes		(40,476.00)				(40,476.00)
12/24/14-PR	State Taxes		(6,707.46)				(6,707.46)
12/24/14-PR	PR Direct Deposit		(106,682.72)				(106,682.72)
12/24/14-PR	VOYA 457		(7,924.59)				(7,924.59)
	Cks. #22290-22313		(87,816.33)				(87,816.33)
12/23	Void ck# 22096, 11/17		865.02				865.02
	<b>TRF#1318- AP &amp; PR</b>	<b>(248,742.08)</b>	<b>248,742.08</b>				<b>0.00</b>
12/24/2014	Deposit	19,845.34					19,845.34
	Deposit-M/C	875.72					875.72
	Credit Card-12/23	380.04					380.04
	Credit Card-12/24	1,449.06					1,449.06
	Electronic	8,848.46					8,848.46
	Website-12/24	1,288.06					1,288.06
	Website-12/25	842.33					842.33
	Website-12/26	872.43					872.43
12/26/2014	Electronic	7,825.08					7,825.08
	Website-12/26	2,486.15					2,486.15
	Website-12/27	2,364.77					2,364.77
	Website-12/28	223.47					223.47
	Website-12/28	1,985.25					1,985.25
	Website-12/29	159.41					159.41
	Website-12/29	88.08					88.08
	ACH pmts	63,064.54					63,064.54
	ACH pmts	875.11					875.11
12/29/2014	Deposit	69,547.78					69,547.78
	Credit Card-12/24	59.88					59.88
	Credit Card-12/29	2,538.25					2,538.25
	Electronic	6,402.77					6,402.77
	Website-12/29	1,987.79					1,987.79
	Website-12/30	176.15					176.15
	Website-12/30	506.51					506.51
12/30/2014	Deposit	45,530.77					45,530.77
	Credit Card-12/29	721.96					721.96
	Credit Card-12/30	1,896.99					1,896.99
	Electronic	18,443.60					18,443.60
	Website-12/30	2,900.41					2,900.41
	Website-12/31	833.76					833.76
	Cks. #22314-22348		(254,528.38)				(254,528.38)
	<b>TRF#1319- AP</b>	<b>(254,528.38)</b>	<b>254,528.38</b>				<b>0.00</b>
12/31/2014	Deposit	23,556.36					23,556.36
	Credit Card-12/30	1,532.37					1,532.37
	Credit Card-12/31	5,219.45					5,219.45
	Electronic	13,304.93					13,304.93
	Website-12/31	3,644.81					3,644.81
	Website-1/1	2,343.85					2,343.85
	Website-1/2	1,546.08					1,546.08
	December '14 NSF's	(1,054.67)					(1,054.67)
12/31	<i>retained in MM</i>				691.50		691.50
							16,520,613.18
	<b>TOTALS</b>	<b>1,372,621.72</b>	<b>30,000.00</b>	<b>17,693.93</b>	<b>501,464.20</b>	<b>14,598,833.33</b>	<b>16,520,613.18</b>



## Investment Summary - December 2015

### U.S. TREASURIES

Quantity	Description	Cusip	Maturity Date	Yield	Cost of Purchase	Market Value
501,000	US Treasury Bill	912796EC9	May 28, 2015	0.045%	500,772.70	500,869.74
<b>501,000</b>	<b>Total Values</b>				<b>500,772.70</b>	<b>500,869.74</b>

<b>Money Market Account Activity-Beginning Balance</b>	691.49
12/31/14 - Dividend/Interest	0.01
<b>Income</b>	<b>0.01</b>
Intra-Bank Transfers to/from Investment Checking	0.00
<b>Fund Transfers</b>	<b>0.00</b>
Cusip Maturity	0.00
<b>Redemptions</b>	<b>0.00</b>
Cusip Purchase	0.00
<b>Purchases</b>	<b>0.00</b>
 <b>Ending Balance - Money Market</b>	 <b>691.50</b>
 <b>US Treasury Securities Investment Principal</b>	 <b>500,772.70</b>
 <b>Total Assets</b>	 <b>501,464.20</b>

### Investment Summary - December 2014

#### LOCAL AGENCY INVESTMENT FUND

PERIOD	TOTAL WITHDRAWAL AMOUNT	TOTAL DEPOSIT AMOUNT	ACCRUED INTEREST (QUARTERLY)	ENDING BALANCE
July 31, 2014	\$0.00	\$1,000,000.00	\$6,741.26	\$14,290,591.46
August 31, 2014	\$0.00	\$0.00	\$0.00	\$14,290,591.46
September 30, 2014	(\$2,500,000.00)	\$900,000.00	\$0.00	\$12,690,591.46
October 31, 2014	\$0.00	\$0.00	\$8,241.87	\$12,698,833.33
November 30, 2014	\$0.00	\$0.00	\$0.00	\$12,698,833.33
December 31, 2014	\$0.00	\$1,900,000.00	\$0.00	\$14,598,833.33
January 31, 2015	\$0.00	\$0.00	\$0.00	\$14,598,833.33
February 28, 2015	\$0.00	\$0.00	\$0.00	\$14,598,833.33
March 31, 2015	\$0.00	\$0.00	\$0.00	\$14,598,833.33
April 30, 2015	\$0.00	\$0.00	\$0.00	\$14,598,833.33
May 31, 2015	\$0.00	\$0.00	\$0.00	\$14,598,833.33
June 30, 2015	\$0.00	\$0.00	\$0.00	\$14,598,833.33

**L.A.I.F. INCOME SUMMARY**

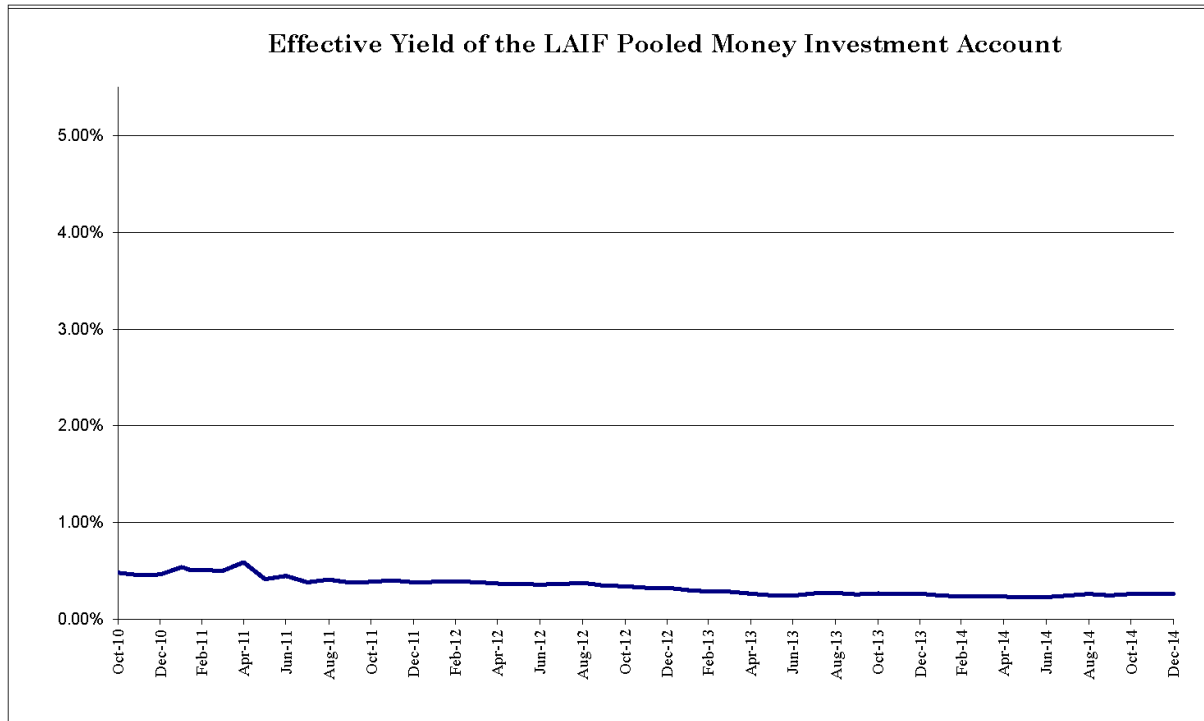
**CURRENT QUARTER**

**FY YEAR-TO-DATE**

INCOME RECEIVED

\$8,241.87

\$14,983.13



Monthly Revenue Allocation - December 2014

DATE	Description	Qty	DEPOSIT CHECKING DEPOSITS	AR Mail & Counter	AR Payment Centers	AR Credit Card	AR Electronic Rapid Pay	AR Web Site	AR ACH Auto Pay	AR TOTAL	AR Water Fees & Deposits	Water Allocation	Sewer Allocation	Recycled Allocation	RECAP TOTAL
12/01/2014	Mail & Counter	647	119,110.98	119,110.98						119,110.98					119,110.98
	Credit Cards	66	10,428.71			10,428.71				10,428.71					10,428.71
	Electronic	218	20,640.98				20,640.98			20,640.98					20,640.98
	Website-71 fees	76	7,685.46					7,561.21		7,561.21	124.25				7,685.46
12/02/2014	Mail & Counter	509	58,624.68	58,624.68						58,624.68					58,624.68
	Credit Cards	44	5,405.18			5,405.18				5,405.18					5,405.18
	Electronic	407	35,700.67				35,700.67			35,700.67					35,700.67
	Website-49 fees	50	6,255.03					6,169.28		6,169.28	85.75				6,255.03
12/03/2014	Mail & Counter	369	54,594.23	54,594.23						54,594.23	60.00				54,594.23
	Credit Cards	57	8,357.17			8,357.17				8,357.17					8,357.17
	Electronic	263	22,264.46				22,264.46			22,264.46					22,264.46
	Website	46	5,175.54					5,095.04		5,095.04	80.50				5,175.54
	ACH payment	454	44,392.43						44,392.43	44,392.43					44,392.43
12/04/2014	Mail & Counter	256	26,990.13	26,990.13						26,990.13					26,990.13
	Credit Cards	21	4,683.24			4,683.24				4,683.24					4,683.24
	Electronic	181	15,206.87				15,206.87			15,206.87					15,206.87
	Website - 28 fees	29	3,156.13					3,107.13		3,107.13	49.00				3,156.13
12/05/2014	Mail & Counter	274	52,911.02	51,411.02						51,411.02	1,500.00				52,911.02
	Credit Cards	18	3,407.50			3,407.50				3,407.50					3,407.50
	Electronic	204	18,025.15				18,025.15			18,025.15					18,025.15
	Website	62	6,813.05					6,704.55		6,704.55	108.50				6,813.05
12/08/2014	Mail & Counter	365	70,832.46	70,832.46						70,832.46					70,832.46
	MC - Deposit		1,829.12							0.00		1,829.12			1,829.12
	Credit Cards	30	3,573.62			3,573.62				3,573.62					3,573.62
	Electronic	155	13,969.08				13,969.08			13,969.08					13,969.08
	Website-38 fees	42	5,436.92					5,370.42		5,370.42	66.50				5,436.92
12/09/2014	Mail & Counter	542	76,783.27	76,783.27						76,783.27					76,783.27
	Deposit- SB Taxes		95,906.91	509.16						509.16					95,906.91
	Credit Cards	25	2,939.59			2,939.59				2,939.59					2,939.59
	Electronic	326	28,987.45				28,987.45			28,987.45					28,987.45
	Website	32	7,125.29					7,069.29		7,069.29	56.00				7,125.29
12/10/2014	Mail & Counter	303	70,607.63	69,107.63						69,107.63	1,500.00				70,607.63
	Credit Cards	45	6,408.90			6,408.90				6,408.90					6,408.90
	Electronic	151	13,219.01				13,219.01			13,219.01					13,219.01
	Website	32	3,926.46					3,870.46		3,870.46	56.00				3,926.46
	ACH payment	538	59,435.39						59,435.39	59,435.39					59,435.39
12/11/2014	Mail & Counter	244	34,753.59	34,753.59						34,753.59					34,753.59
	Deposit-M/C		337,246.00							0.00		210,873.00	126,373.00		337,246.00
	Deposit-SB Taxes		4,215.33							0.00		4,215.33			4,215.33
	Credit Cards	22	3,862.56			3,862.56				3,862.56					3,862.56
	Electronic	140	12,185.36				12,185.36			12,185.36					12,185.36
	Website-23 fees	24	2,897.26					2,857.01		2,857.01	40.25				2,897.26
12/12/2014	Mail & Counter	226	43,469.01	43,469.01						43,469.01					43,469.01
	Credit Cards	27	3,286.75			3,286.75				3,286.75					3,286.75
	Electronic	180	14,436.74				14,436.74			14,436.74					14,436.74
	Website	85	8,629.16					8,480.41		8,480.41	148.75				8,629.16
12/15/2014	Mail & Counter	445	82,740.11	82,740.11						82,740.11					82,740.11
	Credit Cards	40	4,330.10			4,330.10				4,330.10					4,330.10
	Electronic	196	15,780.28				15,780.28			15,780.28					15,780.28
	Website	48	5,382.99					5,298.99		5,298.99	84.00				5,382.99
	ACH payment	570	50,478.47						50,478.47	50,478.47					50,478.47

Monthly Revenue Allocation - December 2014

DATE	Description	Qty	DEPOSIT CHECKING DEPOSITS	AR Mail & Counter	AR Payment Centers	AR Credit Card	AR Electronic Rapid Pay	AR Web Site	AR ACH Auto Pay	AR TOTAL	AR Water Fees & Deposits	Water Allocation	Sewer Allocation	Recycled Allocation	RECAP TOTAL
12/16/2014	Mail & Counter	181	14,793.59	14,793.59						14,793.59					14,793.59
	Deposit-RV Taxes		46,642.45							0.00		46,642.45			46,642.45
	Credit Cards	43	5,455.60			5,455.60				5,455.60					5,455.60
	Electronic	254	21,409.50				21,409.50			21,409.50					21,409.50
	Website-33 fees	35	3,647.56					3,589.81		3,589.81	57.75				3,647.56
12/17/2014	Mail & Counter	390	41,396.92	41,396.92						41,396.92					41,396.92
	Credit Cards	65	11,247.55			11,247.55				11,247.55					11,247.55
	Electronic	142	12,738.04				12,738.04			12,738.04					12,738.04
	Website	22	2,455.22					2,416.72		2,416.72	38.50				2,455.22
12/18/2014	Mail & Counter	183	33,184.71	33,184.71						33,184.71					33,184.71
	Deposit-RV Taxes		316.86							0.00		316.86			316.86
	Credit Cards	24	3,975.39			3,975.39				3,975.39					3,975.39
	Electronic	124	11,212.04				11,212.04			11,212.04					11,212.04
	Website-10 fees	13	1,204.88					1,187.38		1,187.38	17.50				1,204.88
12/19/2014	Mail & Counter	214	55,730.80	54,230.80						54,230.80	1,500.00				55,730.80
	Credit Cards	17	2,236.86			2,236.86				2,236.86					2,236.86
	Electronic	202	16,328.84				16,328.84			16,328.84					16,328.84
	Website	73	7,910.32					7,782.57		7,782.57	127.75				7,910.32
12/22/2014	Mail & Counter	470	63,429.02	63,429.02						63,429.02					63,429.02
	Deposit-SB Taxes		877,425.37	12,445.03						12,445.03		864,980.34			877,425.37
	Credit Cards	37	3,944.53			3,944.53				3,944.53					3,944.53
	Electronic	204	16,883.94				16,883.94			16,883.94					16,883.94
	Website	15	1,296.45					1,270.20		1,270.20	26.25				1,296.45
	ACH payment	497	24,021.78						24,021.78	24,021.78					24,021.78
12/23/2014	Mail & Counter	278	31,090.71	31,090.71						31,090.71					31,090.71
	Credit Cards	23	2,770.96			2,770.96				2,770.96					2,770.96
	Electronic	219	17,251.05				17,251.05			17,251.05					17,251.05
	Website-25 fees	26	2,479.93					2,436.18		2,436.18	43.75				2,479.93
12/24/2014	Mail & Counter	149	19,845.34	19,845.34						19,845.34					19,845.34
	Deposit-M/C		875.72							0.00		637.72	238.00		875.72
	Credit Cards	15	1,829.10			1,829.10				1,829.10					1,829.10
	Electronic	109	8,848.46				8,848.46			8,848.46					8,848.46
	Website	26	3,002.82					2,957.32		2,957.32	45.50				3,002.82
12/26/2014	Electronic	89	7,825.08				7,825.08			7,825.08					7,825.08
	Website	68	7,307.13					7,188.13		7,188.13	119.00				7,307.13
	ACH payment	577	63,939.65						63,939.65	63,939.65					63,939.65
12/29/2014	Mail & Counter	338	69,547.78	69,547.78						69,547.78					69,547.78
	Credit Cards	24	2,598.13			2,598.13				2,598.13					2,598.13
	Electronic	80	6,402.77				6,402.77			6,402.77					6,402.77
	Website-25 fees	26	2,670.45					2,626.70		2,626.70	43.75				2,670.45
12/30/2014	Mail & Counter	336	45,530.77	45,530.77						45,530.77					45,530.77
	Credit Cards	24	2,618.95			2,618.95				2,618.95					2,618.95
	Electronic	242	18,443.60				18,443.60			18,443.60					18,443.60
	Website	32	3,734.17					3,678.17		3,678.17	56.00				3,734.17
12/31/2014	Mail & Counter	236	23,556.36	23,556.36						23,556.36					23,556.36
	Credit Cards	47	6,751.82			6,751.82				6,751.82					6,751.82
	Electronic	170	13,304.93				13,304.93			13,304.93					13,304.93
Dec-14	Utility Pmt Cntr-302	66	7,534.74	(23,076.21)	23,076.21					7,419.24	115.50				7,534.74
Dec '14 NSF's			(1,054.67)	(1,054.67)						(1,054.67)					(1,054.67)
<b>TOTALS</b>		<b>15,489</b>	<b>3,262,157.39</b>	<b>1,073,846.42</b>	<b>23,076.21</b>	<b>100,112.21</b>	<b>361,064.30</b>	<b>104,136.21</b>	<b>242,267.72</b>	<b>1,904,503.07</b>	<b>6,150.75</b>	<b>1,224,892.57</b>	<b>126,611.00</b>	<b>0.00</b>	<b>3,262,157.39</b>
<b>TOTAL # AR PAYMENTS</b>				<b>6,659</b>	<b>302</b>	<b>708</b>	<b>4,256</b>	<b>928</b>	<b>2,636</b>	<b>15,489</b>					
<b>PERCENT OF TOTAL RECEIVED</b>				<b>42.99%</b>	<b>1.95%</b>	<b>4.57%</b>	<b>27.48%</b>	<b>5.99%</b>	<b>17.02%</b>	<b>100%</b>					

### FY 2015 - Water Revenue

ACCOUNT#	DESCRIPTION	BUDGET	July '14	Aug '14	Sept '14	Oct '14	Nov '14	Dec '14	Year to Date	Percentage YTD
02-40010	Sales - Water	6,250,000	184,251	659,094	609,186	736,752	465,060	313,186	2,967,529	47.48%
02-40011	Sales - Construction Water	20,000	1,506	3,282	2,058	4,122	5,868	1,029	17,865	89.32%
02-40012	Sales - Imported Water (SGPWA)	250,000	26,268	21,108	20,392	25,276	14,852	10,831	118,727	47.49%
02-40013	Sales - Imported Water (MUNI)	850,000	7,324	89,659	83,302	98,085	66,051	45,752	390,173	45.90%
02-40014	Sales Disc - Multi Units Usage Chrg.	(130,000)	(3,666)	(12,231)	(11,511)	(13,477)	(9,634)	(7,687)	(58,205)	44.77%
02-40015	Water Wholesale Revenue	70,000	4,173	4,125	3,977	3,772	0	0	16,047	22.92%
02-40016	Service Establishment Fee	2,500	75	375	575	476	25	325	1,851	74.05%
02-41000	Service Demand Charges	2,750,000	61,655	250,296	250,722	250,772	250,951	250,945	1,315,340	47.83%
02-41001	Fire Service Standby Fees	22,500	693	1,818	1,649	1,957	1,857	1,707	9,681	43.03%
02-41003	Construction Service Charge	10,000	141	1,065	978	1,122	1,136	1,072	5,514	55.14%
02-41005	Sales Disc - Multi Units Service Chrg.	(120,000)	(2,923)	(11,500)	(11,500)	(11,500)	(11,500)	(11,500)	(60,421)	50.35%
02-41010	Unauthorized Use of Water Charge	750	0	0	0	0	0	0	0	0.00%
02-41110	Meter/Lateral Installation	25,000	0	4,875	8,200	6,750	375	4,875	25,075	100.30%
02-41112	Fire Flow Test Fees	3,500	300	225	300	150	150	450	1,575	45.00%
02-41113	Disconnect/Reconnect Fees	130,000	10,810	9,390	9,740	12,065	10,835	8,300	61,140	47.03%
02-41121	Penalty - Late Charges	150,000	9,555	15,143	14,606	10,576	14,644	11,512	76,036	50.69%
02-41124	Bad Debt	(20,000)	0	0	0	0	0	0	0	0.00%
02-42123	Management & Accounting Fees	153,500	12,799	12,791	12,791	12,791	12,791	12,791	76,754	50.00%
02-43010	Interest Earned	10,000	0	0	0	3,297	0	0	3,297	32.97%
02-43110	Property Tax - Unsecured	95,000	0	0	6,291	0	101,271	(10,072)	97,489	102.62%
02-43120	Property Tax - Secured	2,315,000	0	0	0	0	172,393	850,079	1,022,473	44.17%
02-43130	Tax Collection - Prior	15,000	0	0	0	3,338	9,197	(9,201)	3,334	22.23%
02-43140	Other Taxes	160,000	0	0	(16)	(9)	2,624	16,246	18,845	11.78%
02-49150	Revenue - Misc. Non-Operating	60,000	3,445	10,798	2,907	12,758	2,942	2,891	35,740	59.57%
	<b>WATER OPERATING REVENUE</b>	<b>13,072,750</b>	<b>316,407</b>	<b>1,060,314</b>	<b>1,004,646</b>	<b>1,159,075</b>	<b>1,111,887</b>	<b>1,493,532</b>	<b>6,145,860</b>	<b>47.01%</b>
	Grants	0							0	
02-89901	Facility Capacity Charges	0	26,956	118,132	292,594	242,604	13,478	175,214	868,978	
02-89902	Sustainability	0	1,761	25,152	20,254	34,608	1,761	28,119	111,656	
	<b>TOTAL WATER REVENUE</b>	<b>13,072,750</b>	<b>345,124</b>	<b>1,203,598</b>	<b>1,317,494</b>	<b>1,436,287</b>	<b>1,127,126</b>	<b>1,696,865</b>	<b>7,126,494</b>	

**FY 2015 - Sewer Revenue**

ACCOUNT#	DESCRIPTION	BUDGET	July '14	Aug '14	Sept '14	Oct '14	Nov '14	Dec '14	Year to Date	Percentage YTD
03-40016	Sales - Establish Service Fee	500	0	0	0	0	0	0	0	0.00%
03-41000	Sales - Sewer Charges	11,550,000	309,247	960,666	955,315	968,307	939,167	940,016	5,072,717	43.92%
03-41005	Sales Disc-Multi Units Service Chrg.	(200,000)	(6,068)	(18,455)	(18,455)	(18,502)	(18,425)	(18,494)	(98,399)	49.20%
03-41110	Meter/Lateral Installation	1,000	0	0	0	0	0	0	0	0.00%
03-41121	Penalty - Late Charges	150,000	9,381	11,628	12,579	10,142	12,362	13,170	69,263	46.18%
03-41124	Bad Debt	(20,000)	0	0	0	0	0	0	0	0.00%
03-42122	Revenue - Other Operating	1,000	540	180	540	540	0	0	1,800	180.00%
03-43010	Interest Earned	10,000	0	0	0	3,297	0	0	3,297	32.97%
03-43110	Property Tax - Unsecured	10,000	0	0	0	0	0	10,000	10,000	100.00%
03-43120	Property Tax - Secured	125,000	0	0	0	0	0	125,000	125,000	100.00%
03-43130	Tax Collection - Prior	10,000	0	0	0	0	0	10,000	10,000	100.00%
03-43140	Other Taxes	1,500	0	0	0	0	0	1,500	1,500	100.00%
03-49150	Misc. Non-Oper Revenue	50,000	0	0	0	5,235	0	0	5,235	10.47%
	<b>SEWER OPERATING REVENUE</b>	<b>11,689,000</b>	<b>313,101</b>	<b>954,019</b>	<b>949,979</b>	<b>969,018</b>	<b>933,104</b>	<b>1,081,192</b>	<b>5,200,413</b>	<b>44.49%</b>
	Grants	0	0	0	0	0	0	0	0	
03-89901	Facility Capacity Charges	0	24,663	110,852	189,083	143,736	8,221	126,373	602,928	
03-89903	Contrib Capital-Front Footage Fees	0	0	0	0	0	0	0	0	
03-89905	Contrib Capital-Infrastructure	0	0	0	0	24,000	0	0	24,000	
	<b>TOTAL SEWER REVENUE</b>	<b>11,689,000</b>	<b>337,764</b>	<b>1,064,871</b>	<b>1,139,062</b>	<b>1,136,754</b>	<b>941,325</b>	<b>1,207,565</b>	<b>5,827,341</b>	

### FY 2015 - Recycled Revenue

ACCOUNT#	DESCRIPTION	BUDGET	July '14	Aug '14	Sept '14	Oct '14	Nov '14	Dec '14	Year to Date	Percentage YTD
04-40010	Sales - Recycled Water	365,000	19,595	49,338	45,260	52,717	30,514	18,155	215,578	59.06%
04-40011	Sales - Construction Water	2,500	126	922	1,360	804	713	513	4,437	177.48%
04-41000	Sales - Service Demand Chrg.	35,000	1,267	3,468	3,471	3,386	3,382	3,067	18,042	51.55%
04-41003	Const. Water Minimum Chrg.	3,000	28	276	322	368	474	299	1,766	58.88%
04-41110	Meter/Lateral installation	1,500	0	0	0	0	375	0	375	25.00%
04-41121	Penalty - Late Charges	500	30	101	81	103	66	21	402	80.44%
04-41122	Revenue - Other Operating	250	0	0	0	0	0	0	0	0.00%
04-43010	Interest Earned	6,250	0	0	0	1,648	0	0	1,648	26.37%
04-43110	Property Tax - Unsecured	1,000	0	0	0	0	0	1,000	1,000	100.00%
04-43120	Property Tax - Secured	15,000	0	0	0	0	0	15,000	15,000	100.00%
04-43130	Property Tax - Prior	1,000	0	0	0	0	0	1,000	1,000	100.00%
04-43140	Property Tax - Other	1,000	0	0	0	0	0	1,000	1,000	100.00%
04-49150	Misc. Non-Operating Revenue	1,500	0	0	0	0	0	0	0	0.00%
	<b>RECYCLED OPERATING REVENUE</b>	<b>433,500</b>	<b>21,045</b>	<b>54,106</b>	<b>50,494</b>	<b>59,026</b>	<b>35,523</b>	<b>40,055</b>	<b>260,249</b>	<b>60.03%</b>
	Grants	0	0	0	0	0	0	0	0	
04-89901	Facility Capacity Charges	0	0	0	17,400	(8,846)	9,667	0	18,221	
	<b>TOTAL RECYCLED REVENUE</b>	<b>433,500</b>	<b>21,045</b>	<b>54,106</b>	<b>67,894</b>	<b>50,180</b>	<b>45,190</b>	<b>40,055</b>	<b>278,470</b>	

FY 2015 - Water Expenses

ACCOUNT#	DESCRIPTION	BUDGET	July '14	Aug '14	Sept '14	Oct '14	Nov '14	Dec '14	Year to Date	Percentage YTD
02-5-01-50010	Labor-Water Resources	789,245	42,961	55,259	55,827	84,206	59,678	58,439	356,371	45.15%
02-5-01-50011	Labor Credit	0	0	0	0	0	0	0	0	
02-5-01-50013	Benefits-Fica	60,000	3,654	4,664	4,708	7,015	4,992	4,701	29,735	49.56%
02-5-01-50014	Benefits-Life Insurance	3,300	258	258	258	251	258	265	1,549	46.94%
02-5-01-50016	Benefits-Health\Defrd Comp	145,000	10,527	11,660	11,660	12,881	11,614	11,691	70,032	48.30%
02-5-01-50017	Benefits-Disability Insurance	11,000	731	864	870	1,166	833	797	5,261	47.83%
02-5-01-50019	Benefits-Workers Compensation	42,000	2,397	2,397	2,397	3,453	0	3,995	14,639	34.86%
02-5-01-50021	Benefits-PERS	45,000	2,519	3,528	3,528	5,355	3,552	3,545	22,027	48.95%
02-5-01-50022	Benefits-PERS-Employer	90,000	5,375	7,528	7,528	11,462	7,602	7,589	47,085	52.32%
02-5-01-50023	Benefits-Uniforms	3,000	256	239	205	315	223	222	1,461	48.71%
02-5-01-50024	Benefits-Vacation & Sick Pay	7,500	643	371	371	732	316	316	2,749	36.65%
02-5-01-50025	Benefits-Boot Allowance	2,000	400	0	200	0	200	0	800	40.00%
02-5-01-51003	R&M - Structures	275,000	12,286	26,523	18,890	17,683	9,494	3,974	88,850	32.31%
02-5-01-51011	R&M - CLA Valves	10,000	0	0	3,489	6,754	0	0	10,243	102.43%
02-5-01-51140	General Supplies & Expenses	2,000	0	0	0	133	45	14	191	9.56%
02-5-01-51210	Utilities - Power Purchases	1,608,324	111,090	206,530	211,818	179,859	113,237	127,059	949,593	59.04%
02-5-01-51211	Utilities - Electricity & Fuel	4,750	233	570	431	411	393	406	2,445	51.47%
02-5-01-51316	Imported Water Purchases	1,100,000	78,136	79,841	74,933	50,833	0	0	283,743	25.79%
02-5-01-54019	Licenses & Permits	25,000	0	1,329	11,650	2,935	1,355	903	18,172	72.69%
02-5-01-54110	Laboratory Services	60,000	4,873	3,987	7,495	9,554	31,464	1,681	59,054	98.42%
02-5-01-57040	YVRWFF Operating Expense	600,000	30,597	34,181	480,279	56,262	34,284	19,341	654,943	109.16%
	<b>WATER RESOURCE TOTALS</b>	<b>4,883,119</b>	<b>306,935</b>	<b>439,729</b>	<b>896,538</b>	<b>451,262</b>	<b>279,541</b>	<b>244,938</b>	<b>2,618,943</b>	<b>53.63%</b>
02-5-03-50010	Labor-Public Works	1,009,764	59,383	84,963	82,460	122,185	87,753	81,212	517,955	51.29%
02-5-03-50011	Labor Credit	0	(5,725)	(451)	0	735	0	(232)	(5,672)	
02-5-03-50013	Benefits-Fica	92,000	4,898	7,000	6,807	9,975	7,136	6,509	42,324	46.00%
02-5-03-50014	Benefits-Life Insurance	7,000	545	542	542	530	529	541	3,228	46.12%
02-5-03-50016	Benefits-Health\Defrd Comp	250,000	20,700	24,145	22,966	25,044	22,125	22,853	137,834	55.13%
02-5-03-50017	Benefits-Disability Insurance	16,500	1,121	1,398	1,373	1,785	1,342	1,150	8,169	49.51%
02-5-03-50019	Benefits-Workers Compensation	60,000	2,397	2,397	2,397	3,453	282	3,995	14,921	24.87%
02-5-03-50021	Benefits-PERS	73,000	3,758	5,436	5,661	8,293	5,495	5,511	34,155	46.79%
02-5-03-50022	Benefits-PERS-Employer	150,000	8,019	11,599	12,080	17,635	11,726	11,760	72,817	48.54%
02-5-03-50023	Benefits-Uniforms	6,000	658	419	441	484	439	371	2,811	46.85%
02-5-03-50024	Benefits-Vacation & Sick Pay	4,000	0	0	0	0	0	0	0	0.00%
02-5-03-50025	Benefits-Boot Allowance	3,500	0	200	135	940	373	394	2,042	58.35%
02-5-03-51001	R & M - Vehicles & Equipment	190,000	12,100	15,892	28,461	10,500	9,656	4,899	81,507	42.90%
02-5-03-51011	R&M - Valves	10,000	1,442	0	0	1,829	0	0	3,271	32.71%
02-5-03-51020	R&M - Pipelines	275,000	(3,388)	24,145	13,619	17,301	13,379	223	65,279	23.74%
02-5-03-51021	R&M - Service Lines	100,000	6,560	10,801	8,922	10,901	12,769	(454)	49,500	49.50%
02-5-03-51022	R&M - Fire Hydrants	25,000	(6,031)	3,187	10,973	2,383	1,479	0	11,991	47.97%
02-5-03-51030	R&M - Water Meters	75,000	2,966	2,328	13,354	8,014	1,827	2,448	30,937	41.25%
02-5-03-51092	Equipment Credits	0	(3,141)	(62)	0	0	0	(20)	(3,223)	
02-5-03-51140	General Supplies & Expenses	1,000	36	0	0	0	0	0	36	3.66%
	<b>PUBLIC WORKS TOTALS</b>	<b>2,347,764</b>	<b>106,297</b>	<b>193,939</b>	<b>210,191</b>	<b>241,988</b>	<b>176,308</b>	<b>141,159</b>	<b>1,069,881</b>	<b>45.57%</b>



FY 2015 - Water Expenses

ACCOUNT#	DESCRIPTION	BUDGET	July '14	Aug '14	Sept '14	Oct '14	Nov '14	Dec '14	Year to Date	Percentage YTD
02-5-06-50010	Labor-Administration	687,667	30,679	42,760	42,938	62,618	44,050	42,127	285,172	38.56%
02-5-06-50011	Labor Credit	0	0	0	(75)	0	0	0	(75)	
02-5-06-50012	Director Fees	16,000	255	1,149	1,659	1,723	1,596	(165)	6,217	38.86%
02-5-06-50013	Benefits-Fica	45,000	2,699	3,384	3,425	4,916	3,299	2,506	20,229	44.95%
02-5-06-50014	Benefits-Life Insurance	3,200	238	238	238	233	239	244	1,431	44.71%
02-5-06-50016	Benefits-Health/Defrd Comp	150,000	9,911	12,265	12,329	14,052	12,257	12,563	73,377	48.92%
02-5-06-50017	Benefits-Disability Insurance	7,500	472	647	583	673	380	375	3,130	41.73%
02-5-06-50019	Benefits-Workers Compensation	17,500	1,000	1,000	1,000	2,056	0	1,000	6,066	34.61%
02-5-06-50021	Benefits-PERS	40,000	2,118	2,964	2,963	4,323	2,963	2,963	18,293	45.73%
02-5-06-50022	Benefits PERS Employer	80,000	4,520	6,323	6,321	9,332	6,321	6,321	39,141	48.93%
02-5-06-50023	Uniforms	2,000	319	91	93	112	86	86	786	39.31%
02-5-06-50024	Benefits-Vacation & Sick Pay	10,000	1,064	1,019	957	1,493	1,163	1,277	6,973	69.73%
02-5-06-50025	Benefits-Boots	1,000	0	0	0	0	0	0	0	0.00%
02-5-06-51003	R&M - Structures	20,000	2,236	3,463	2,353	5,286	5,318	466	19,122	95.61%
02-5-06-51091	Expense Credits (overhead)	0	(1,609)	(676)	0	983	0	(149)	(1,450)	
02-5-06-51120	Safety Equipment/Supplies	25,000	346	150	4,730	735	889	10,928	17,777	71.11%
02-5-06-51125	Petroleum Products	125,000	12,401	12,542	8,845	7,789	5,886	7,335	54,798	43.84%
02-5-06-51130	Office Supplies & Expenses	35,000	1,951	2,586	2,079	1,481	3,446	1,456	13,000	37.14%
02-5-06-51140	General Supplies & Expenses	25,000	311	799	927	5,114	2,416	283	9,850	39.40%
02-5-06-51199	Disaster Incidences	0	0	2,564	0	0	0	0	2,564	
02-5-06-51211	Utilities - Electricity	28,000	2,081	3,641	3,767	3,081	1,967	1,748	16,284	58.16%
02-5-06-51213	Utilities - Natural Gas	3,000	268	226	232	56	110	0	892	29.74%
02-5-06-54002	Dues & Subscriptions	13,000	574	0	312	335	774	5,765	7,760	59.69%
02-5-06-54005	Computer Expenses	130,000	3,030	3,314	1,797	13,985	2,347	15,561	40,035	30.80%
02-5-06-54010	Postage	6,000	26	21	115	402	211	84	859	14.32%
02-5-06-54011	Printing & Publications	7,500	403	259	0	0	0	125	787	10.50%
02-5-06-54012	Education & Training	15,000	175	1,104	4,120	735	890	3,386	10,409	69.40%
02-5-06-54013	Utility Billing Expenses	135,000	10,616	14,343	18,232	12,709	11,958	3,041	70,899	52.52%
02-5-06-54014	Public Relations	7,825	577	530	185	259	362	799	2,712	34.66%
02-5-06-54016	Travel Related Expenses	5,000	1,741	457	240	53	0	975	3,465	69.30%
02-5-06-54017	Certifications & Renewals	6,000	255	96	275	375	1,089	398	2,488	41.47%
02-5-06-54020	Meeting Related Expenses	6,000	325	131	263	240	291	956	2,205	36.75%
02-5-06-54024	Utilities - Waste Disposal	2,750	172	172	172	172	172	0	858	31.21%
02-5-06-54025	Utilities - Telephone	42,000	2,901	3,047	3,290	3,056	3,061	2,308	17,665	42.06%
02-5-06-54104	Contractual Services	65,000	16,888	3,319	2,255	7,551	2,914	2,733	35,660	54.86%
02-5-06-54107	Legal	45,000	2,126	2,059	2,126	4,632	5,794	0	16,738	37.19%
02-5-06-54108	Audit & Accounting	16,000	4,000	0	6,340	1,560	0	0	11,900	74.38%
02-5-06-54109	Professional Fees	150,000	12,592	8,254	8,585	10,447	6,250	2,500	48,628	32.42%
02-5-06-55500	Depreciation Reserves	200,000	16,663	16,667	16,667	16,667	16,667	16,667	99,998	50.00%
02-5-06-56001	Infrastructure Replacement	500,000	41,674	41,674	41,674	41,674	41,674	41,674	250,044	50.01%
02-5-06-57030	Insurance	105,000	8,750	8,750	8,750	8,750	8,750	8,900	52,650	50.14%
02-5-06-57090	Regulatory Compliance	57,500	2,100	1,075	5,790	958	200	1,455	11,577	20.13%
02-5-06-57096	Election Related Expenses	15,000	0	0	0	0	0	0	0	0.00%
02-5-06-57096	Beaumont Basin Watermaster	60,000	0	0	0	24,005	0	0	24,005	40.01%
02-5-06-57199	Suspense	0	0	0	0	0	0	0	0	
	<b>ADMINISTRATION TOTALS</b>	<b>2,910,442</b>	<b>196,848</b>	<b>202,407</b>	<b>216,553</b>	<b>274,623</b>	<b>195,789</b>	<b>198,689</b>	<b>1,284,910</b>	<b>44.15%</b>

FY 2015 - Water Expenses

ACCOUNT#	DESCRIPTION	BUDGET	July '14	Aug '14	Sept '14	Oct '14	Nov '14	Dec '14	Year to Date	Percentage YTD
02-5-40-57201	Debt Srv-Series 2004A Princ.(25009)	1,035,000	0	0	1,035,000	0	0	0	1,035,000	100.00%
02-5-40-57402	Interest-Long-Term Debt Bonds	1,896,425	0	0	958,563	0	0	0	958,563	50.55%
	<b>40 - Debt</b>	<b>2,931,425</b>	<b>0</b>	<b>0</b>	<b>1,993,563</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,993,563</b>	<b>68.01%</b>
02-5-40-57001	Asset Acq. - Water Resources	0	0	0	0	0	0	0	0	--
02-5-40-57003	Asset Acq. - Public works	0	3,578	0	0	0	0	0	3,578	--
02-5-40-57006	Asset Acq. - Administration	0	0	0	0	13,317	0	0	13,317	--
	<b>40 - Capital Outlay</b>	<b>0</b>	<b>3,578</b>	<b>0</b>	<b>0</b>	<b>13,317</b>	<b>0</b>	<b>0</b>	<b>16,895</b>	<b>--</b>
									6,984,192	
	<b>TOTAL WATER EXPENSES</b>	<b>13,072,750</b>	<b>613,659</b>	<b>836,074</b>	<b>3,316,844</b>	<b>981,190</b>	<b>651,638</b>	<b>584,786</b>	<b>6,984,192</b>	<b>53.43%</b>

### FY 2015 - Sewer Expenses

ACCOUNT#	DESCRIPTION	BUDGET	July '14	Aug '14	Sept '14	Oct '14	Nov '14	Dec '14	Year to Date	Percentage YTD
03-5-02-50010	Labor-S Treatment	963,424	47,006	70,729	73,892	100,786	71,849	65,733	429,995	44.63%
03-5-02-50013	Benefits-Fica	75,000	3,933	5,986	6,230	8,425	6,046	5,446	36,117	48.16%
03-5-02-50014	Benefits-Life Insurance	5,000	367	367	367	359	367	375	2,202	44.03%
03-5-02-50016	Benefits-HealthDefrd Comp	195,000	13,409	15,862	15,862	17,259	15,449	13,984	91,825	47.09%
03-5-02-50017	Benefits-Disability Insurance	15,000	882	1,145	1,177	1,463	1,147	899	6,712	44.74%
03-5-02-50019	Benefits-Workers Compensation	50,000	2,397	2,397	2,397	3,453	0	3,995	14,639	29.28%
03-5-02-50021	Benefits-PERS	58,000	3,143	4,486	4,486	6,457	4,519	4,311	27,403	47.25%
03-5-02-50022	Benefits-PERS Employer	130,000	6,991	9,788	9,932	14,106	9,893	9,423	60,132	46.26%
03-5-02-50023	Benefits-Uniforms	4,400	486	340	353	409	249	302	2,138	48.60%
03-5-02-50024	Benefits-Vacation & Sick Pay	5,000	99	99	99	297	99	99	792	15.84%
03-5-02-50025	Benefits-Boot Allowance	2,400	0	0	254	0	200	0	454	18.91%
03-5-02-51003	R&M - Structures	225,000	12,173	28,338	38,958	41,621	6,382	1,560	129,033	57.35%
03-5-02-51010	R&M - Automation Control	70,000	0	3,453	6,831	3,262	5,566	4,851	23,963	34.23%
03-5-02-51106	Chemicals	515,000	39,222	32,820	41,736	57,345	37,336	10,045	218,502	42.43%
03-5-02-51111	Propane	5,000	0	0	0	0	0	0	0	0.00%
03-5-02-51115	Laboratory Supplies	45,000	5,180	2,194	860	2,388	1,117	2,066	13,805	30.68%
03-5-02-51140	General Supplies & Expenses	1,000	0	49	0	75	0	0	123	12.31%
03-5-02-51210	Utilities - Power Purchases	802,860	50,878	86,716	88,644	76,149	58,374	58,977	419,737	52.28%
03-5-02-54110	Laboratory Services	115,000	11,644	5,068	12,835	12,251	17,552	4,403	63,753	55.44%
03-5-02-57031	Sludge Disposal	300,000	22,363	21,852	22,332	23,921	19,864	0	110,332	36.78%
03-5-02-57034	Brine Operating Expenses	120,000	38	1,021	129	1,862	2,077	643	5,770	4.81%
	<b>TREATMENT TOTALS</b>	<b>3,702,084</b>	<b>220,258</b>	<b>292,710</b>	<b>327,373</b>	<b>371,887</b>	<b>258,086</b>	<b>187,112</b>	<b>1,657,427</b>	<b>44.77%</b>

### FY 2015 Sewer Expenses

ACCOUNT#	DESCRIPTION	BUDGET	July '14	Aug '14	Sept '14	Oct '14	Nov '14	Dec '14	Year to Date	Percentage YTD
03-5-06-50010	Labor-Administration	644,309	27,344	39,425	39,603	57,616	39,881	38,792	242,661	37.66%
03-5-06-50012	Directors Fees	16,000	254	1,149	1,659	1,723	1,596	(165)	6,216	38.85%
03-5-06-50013	Benefits-Fica	43,000	2,414	3,099	3,140	4,491	2,954	2,354	18,451	42.91%
03-5-06-50014	Benefits-Life Insurance	3,600	236	236	236	233	237	242	1,422	39.49%
03-5-06-50016	Benefits-Health\Defrd Comp	140,000	9,169	11,586	11,586	13,019	11,599	11,862	68,822	49.16%
03-5-06-50017	Benefits-Disability Insurance	7,500	434	544	545	620	380	348	2,872	38.29%
03-5-06-50019	Benefits-Workers Compensation	27,500	2,397	2,397	2,397	3,453	0	1,000	11,644	42.34%
03-5-06-50021	Benefits-PERS	36,000	1,951	2,728	2,729	4,024	2,729	2,729	16,891	46.92%
03-5-06-50022	Benefits PERS Employer	75,000	4,164	5,822	5,823	8,536	5,823	5,823	35,992	47.99%
03-5-06-50023	Benefits-Uniforms	2,000	357	63	112	114	90	70	805	40.26%
03-5-06-50024	Benefits-Vacation & Sick Pay	10,000	1,064	1,019	957	1,493	1,163	1,277	6,974	69.74%
03-5-06-50025	Benefits-Boot Allowance	1,740	0	0	0	0	0	0	0	0.00%
03-5-06-51120	Safety Equipment/Supplies	10,000	10	157	4,391	0	352	0	4,910	49.10%
03-5-06-51125	Petroleum Products	22,500	1,909	1,000	1,000	4,261	1,000	1,326	10,495	46.65%
03-5-06-51130	Office Supplies	3,000	178	802	612	803	57	73	2,525	84.17%
03-5-06-51140	General Supplies & Expenses	17,500	163	187	64	3,297	1,891	238	5,840	33.37%
03-5-06-54002	Dues & Subscriptions	11,500	480	560	156	156	450	0	1,802	15.67%
03-5-06-54003	Management & Admin Services	153,500	12,799	12,791	12,791	12,791	12,791	12,791	76,754	50.00%
03-5-06-54005	Computer Expenses	95,000	3,853	2,961	3,229	14,579	1,673	15,137	41,432	43.61%
03-5-06-54011	Printing & Publications	5,000	121	0	0	0	0	125	246	4.92%
03-5-06-54012	Education & Training	12,500	275	175	715	175	469	0	1,809	14.47%
03-5-06-54014	Public Relations	10,000	0	0	313	0	0	0	313	3.13%
03-5-06-54016	Travel Related Expenses	5,000	587	172	1,040	53	0	0	1,852	37.04%
03-5-06-54017	Certifications & Renewals	5,000	159	247	125	45	815	415	1,806	36.12%
03-5-06-54019	Licenses & Permits	50,000	0	258	9,241	0	41,708	173	51,379	102.76%
03-5-06-54020	Meeting Related Expenses	5,000	110	18	205	213	215	886	1,647	32.94%
03-5-06-54024	Utilities - Waste Disposal	12,500	1,023	1,023	1,023	1,023	1,106	265	5,465	43.72%
03-5-06-54025	Utilities - Telephone	20,000	1,149	1,222	1,497	1,221	918	917	6,924	34.62%
03-5-06-54030	Drinking Water	1,000	65	116	73	102	0	80	435	43.50%
03-5-06-54104	Contractual Services	30,000	11,742	1,044	953	2,234	1,075	1,924	18,971	63.24%
03-5-06-54107	Legal	60,000	1,485	1,890	979	2,405	4,545	0	11,304	18.84%
03-5-06-54108	Audit & Accounting	16,000	4,000	0	6,340	1,560	0	0	11,900	74.38%
03-5-06-54109	Professional Fees	200,000	10,984	9,075	10,565	11,581	6,250	2,500	50,955	25.48%
03-5-06-55500	Depreciation Reserves	500,000	41,685	41,685	41,665	41,665	41,665	41,665	250,010	50.00%
03-5-06-56001	Infrastructure Replacement	800,000	66,630	66,630	66,630	66,630	66,630	66,630	399,780	49.97%
03-5-06-57030	Insurance	105,000	8,750	8,750	8,750	8,750	8,750	8,750	52,500	50.00%
03-5-06-57030	Regulatory Compliance	42,000	2,923	3,187	23,842	0	0	0	29,952	71.31%
	<b>ADMINISTRATION TOTALS</b>	<b>3,198,649</b>	<b>220,867</b>	<b>221,997</b>	<b>264,987</b>	<b>268,866</b>	<b>258,814</b>	<b>218,225</b>	<b>1,453,755</b>	<b>45.45%</b>

### FY 2015 - Sewer Expenses

ACCOUNT#	DESCRIPTION	BUDGET	July '14	Aug '14	Sept '14	Oct '14	Nov '14	Dec '14	Year to Date	Percentage YTD
03-5-07-50010	Labor-Environmental Control	288,053	17,611	23,652	26,790	38,461	29,982	25,819	162,316	60.55%
03-5-07-50011	Labor Credit	0	0	0	0	0	0	0	0	
03-5-07-50013	Benefits-Fica	17,500	1,389	1,867	2,109	3,096	2,424	2,099	12,984	74.20%
03-5-07-50014	Benefits-Life Insurance	2,000	85	84	84	80	96	100	528	26.40%
03-5-07-50016	Benefits-Health\Defrd Comp	50,000	4,370	4,904	4,904	6,188	6,542	6,943	33,831	67.66%
03-5-07-50017	Benefits-Disability Insurance	3,500	263	327	358	485	399	321	2,153	61.52%
03-5-07-50019	Benefits-Workers Compensation	30,000	2,397	2,397	2,397	3,453	0	1,197	11,841	39.47%
03-5-07-50021	Benefits-PERS	14,000	1,213	1,516	1,291	2,069	1,537	1,589	9,216	65.83%
03-5-07-50022	Benefits-PERS Employer	30,000	2,588	3,235	2,754	4,415	3,281	3,391	19,664	65.55%
03-5-07-50023	Benefits-Uniforms	2,000	247	155	116	153	110	112	893	44.63%
03-5-07-50024	Benefits-Vacation & Sick Pay	2,000	0	0	0	0	0	0	0	0.00%
03-5-07-50025	Benefits-Boot Allowance	780	140	0	0	200	0	0	340	43.54%
03-5-07-51003	R&M - Structures	325,000	13,538	7,076	8,798	12,013	11,006	5,202	57,632	17.73%
03-5-07-51140	General Supplies & Expenses	1,000	0	0	104	42	0	0	146	14.63%
03-5-07-51241	Lift Station #1	100,000	16,243	5,507	14,506	1,516	7,416	410	45,598	45.60%
03-5-07-51242	Lift Station #2	20,000	1,653	1,090	941	974	766	960	6,383	31.91%
03-5-07-51243	Lift Station #3	5,000	0	308	323	307	0	547	1,484	29.69%
03-5-07-51244	Lift Station #4	20,000	369	630	817	564	531	463	3,374	16.87%
03-5-07-51248	Lift Station #8	3,000	35	63	127	54	52	50	382	12.75%
03-5-07-54109	Professional Fees	60,000	0	2,309	2,653	0	3,950	1,784	10,695	17.83%
03-5-07-54110	Laboratory Services	4,000	0	0	0	0	0	0	0	0.00%
	<b>ENVIRONMENTAL CONTROL TOTAL</b>	<b>957,833</b>	<b>62,138</b>	<b>55,121</b>	<b>69,073</b>	<b>74,051</b>	<b>68,092</b>	<b>50,986</b>	<b>379,461</b>	<b>39.62%</b>
03-5-40-57202	Debt Service - Principal - WRWRF	2,048,466	0	0	2,048,466	0	0	0	2,048,466	100.00%
03-5-40-57203	Debt Service - Principal - Brineline	391,372	0	0	0	0	0	391,372	391,372	100.00%
03-5-40-57204	Debt Service - Principal - WISE	122,303	0	0	0	0	0	0	0	0.00%
03-5-40-57205	Debt Service - Principal - R 10.3	34,080	0	0	0	0	0	0	0	0.00%
03-5-40-57206	Debt Service - Principal - Crow & B12-1	18,357	0	0	0	0	0	0	0	0.00%
03-5-40-57403	Debt Service - Interest	1,215,856	0	0	875,202	0	0	257,902	1,133,104	93.19%
	<b>40 - Debt</b>	<b>3,830,434</b>	<b>0</b>	<b>0</b>	<b>2,923,669</b>	<b>0</b>	<b>0</b>	<b>649,274</b>	<b>3,572,942</b>	<b>93.28%</b>
03-5-40-57002	Asset Acq. - Treatment	0	0	0	0	0	0	0	0	
03-5-40-57006	Asset Acq. - Administration	0	0	0	0	0	0	0	0	
03-5-40-57007	Asset Acq. - Environmental Control	0	0	0	10,260	0	0	0	10,260	
	<b>40 - Capital Outlay</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>10,260</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>10,260</b>	
	<b>TOTAL SEWER EXPENSES</b>	<b>11,689,000</b>	<b>503,263</b>	<b>569,828</b>	<b>3,595,363</b>	<b>714,804</b>	<b>584,992</b>	<b>1,103,596</b>	<b>7,073,845</b>	<b>60.52%</b>

**FY 2015 - Recycled Expenses**

ACCOUNT#	DESCRIPTION	BUDGET	July '14	Aug '14	Sept '14	Oct '14	Nov '14	Dec '14	Year to Date	Percentage YTD
04-5-06-50010	Labor-Recycled Water	100,632	1,668	1,668	1,668	11,796	8,716	7,864	33,379	33.17%
04-5-06-50012	Director Fees	2,500	0	0	0	0	0	2,500	2,500	100.00%
04-5-06-50013	Benefits-FICA	1,500	142	142	142	864	583	384	2,258	150.56%
04-5-06-50014	Benefits-Life Insurance	250	1	1	1	(0)	(0)	(0)	2	0.67%
04-5-06-50016	Benefits-Health & Def Comp	5,000	775	775	775	1,865	1,383	1,466	7,039	140.77%
04-5-06-50017	Benefits-Disability Insurance	200	19	19	19	92	19	11	179	89.33%
04-5-06-50019	Benefits-Workers Compensation	300	50	50	50	1,106	0	197	1,453	484.42%
04-5-06-50021	Benefits-PERS Employee	1,000	83	117	117	605	117	117	1,155	115.54%
04-5-06-50022	Benefits-PERS Employer	2,000	178	249	249	1,291	249	249	2,465	123.25%
04-5-06-50023	Benefits-Uniforms	200	0	0	0	0	0	0	0	0.00%
04-5-06-50024	Benefits-Vacation & Sick Pay	500	0	0	0	109	88	88	285	56.96%
04-5-06-50025	Benefits-Boots	200	0	0	0	0	0	0	0	0.00%
04-5-06-51003	R & M-Structures	45,000	0	0	0	34,216	3,946	847	39,008	86.69%
04-5-06-51020	R & M-Pipelines	2,500	0	0	0	0	0	0	0	0.00%
04-5-06-51021	R & M-Service Lines	25,000	955	0	0	1,719	5,293	0	7,966	31.86%
04-5-06-51022	R & M-Fire Hydrants	5,000	0	0	0	0	0	0	0	0.00%
04-5-06-51030	R & M-Meters	1,500	0	0	0	0	0	0	0	0.00%
04-5-06-51140	General Supplies & Expenses	250	0	93	0	0	0	81	174	69.72%
04-5-06-51210	Utilities-Power Purchases	124,988	10	288	288	288	288	288	1,451	
04-5-06-54002	Dues & Subscriptions	4,000	0	0	0	0	0	0	0	0.00%
04-5-06-54005	Computer Expense	1,500	0	0	0	0	0	0	0	0.00%
04-5-06-54011	Printing & Publications	1,000	0	0	0	0	81	0	81	8.10%
04-5-06-54012	Education & Training	3,500	0	99	0	0	0	0	99	2.83%
04-5-06-54014	Public Relations	3,500	298	255	0	0	0	0	553	15.79%
04-5-06-54016	Travel Related Expenses	1,000	31	0	0	22	0	0	52	5.23%
04-5-06-54017	Certifications & Renewals	250	0	0	0	0	0	0	0	0.00%
04-5-06-54019	Licenses & Permits	2,500	0	0	0	2,496	0	0	2,496	99.84%
04-5-06-54020	Meeting Related Expenses	500	0	0	40	81	0	0	121	24.26%
04-5-06-54025	Telephone	750	20	20	20	20	20	0	101	13.40%
04-5-06-54010	Contractual Services	1,500	0	0	0	0	0	0	0	0.00%
04-5-06-54107	Legal	1,000	0	0	0	0	0	0	0	0.00%
04-5-06-54109	Professional Fees	25,000	6,450	2,004	10,823	22,215	19,395	0	60,886	243.55%
04-5-06-54110	Laboratory Services	1,000	0	0	0	0	0	0	0	0.00%
04-5-06-55500	Depreciation	8,000	630	670	670	670	670	670	3,980	49.75%
04-5-06-57030	Infrastructure Replacement	25,000	2,065	2,065	2,065	2,065	2,065	2,065	12,390	49.56%
04-5-06-57040	Regulatory Compliance	25,000	4,157	404	1,480	6,526	3,731	3,386	19,682	78.73%
04-5-06-57040	Environmental Compliance	10,000	0	0	0	0	0	0	0	0.00%
	<b>TOTAL RECYCLED EXPENSES</b>	<b>433,500</b>	<b>17,531</b>	<b>8,919</b>	<b>18,407</b>	<b>88,044</b>	<b>46,644</b>	<b>20,212</b>	<b>199,755</b>	<b>46.08%</b>



**Date: January 13, 2015**

**Subject: Participation in Various Organizations and Associations**

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At the board meeting on January 17, 2014, the District staff was asked about our limited involvement in the typical water and sewer organizations / associations. The District staff continuously evaluates the need to participate in various water and sewer related organizations, meetings and seminars, however, due to the cost of membership and the availability of information on the Internet, the District staff has opted not to join some of these organizations.

Additionally, the District staff limits our travel expenses to by not attending distant trade shows and annual meetings. For those meetings that have beneficial information, the District may pay more to participate in a as a non-member, but this additional cost is typically less than the annual membership cost.

During this agenda item, the District staff will provide an overview of potential organizations to join and the cost of membership to determine if the Board of Directors would like to be represented at these organizations.



**Date:** January 13, 2015

**Subject:** Change Order No. 1 for the 2014 Annual Reservoir Diving Contract with Applied Diving Services

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At the regular board meeting on November 19, 2014, the Board authorized staff to issue a purchase order to Applied Diving Services Inc. for the cleaning and inspection of fifteen of the District's potable water reservoirs and one recycled water reservoir for the sum of \$48,515. [Director Memorandum No. 14-090].

After the purchase order had been issued to Applied Diving Services for the cleaning and inspection of the reservoirs, the District scheduled a detailed inspection of the interior coating of the R-13.2 reservoir. The inspection was to take place with State Painting Company who recoated the interior of the reservoir the prior year. Due to the overlap in inspection services, there was no need for Applied Diving Services to inspect and clean the R-13.2 reservoir.

Change Order No. 1 reflects an adjusted dollar amount for not having Applied Diving Services, diving, cleaning and inspecting the R-13.2 Reservoir.

	Contract Changes	Contract Amount	Percentage Change from Original Bid Amount	Reference
Original Contract Amount		\$48,515	--	DM 14-090
Change Order No. 1	(\$2,810)	\$45,705	5.8% decrease	DM xx-xxx



C.O. NO. \_\_\_\_\_

PAGE  1  OF  2

CONTRACT CHANGE ORDER NO. \_\_\_\_\_

CONTRACT  2014 Annual Reservoir Cleaning and Inspection  DATED  January 7, 2015   
 BY AND BETWEEN  Yucaipa Valley Water District  (OWNER),  
 AND  Applied Diving Services, Inc.  (CONTRACTOR),  
 is hereby directed to make the following change(s) in Contract Work:

ITEM NO.	DESCRIPTION OF CHANGE	DECREASE \$	INCREASE \$
1	Delete R13.2 from the Contract list of Reservoirs to be Inspected	\$2810.00	

Total DECREASE in Contract Amount	(\$2810)
Total INCREASE in Contract Amount	_____
Net change in Contract Amount	(\$2810)
Contract Amount Prior to Change	\$48,515
Contract Amount Adjusted for Change	\$45,705



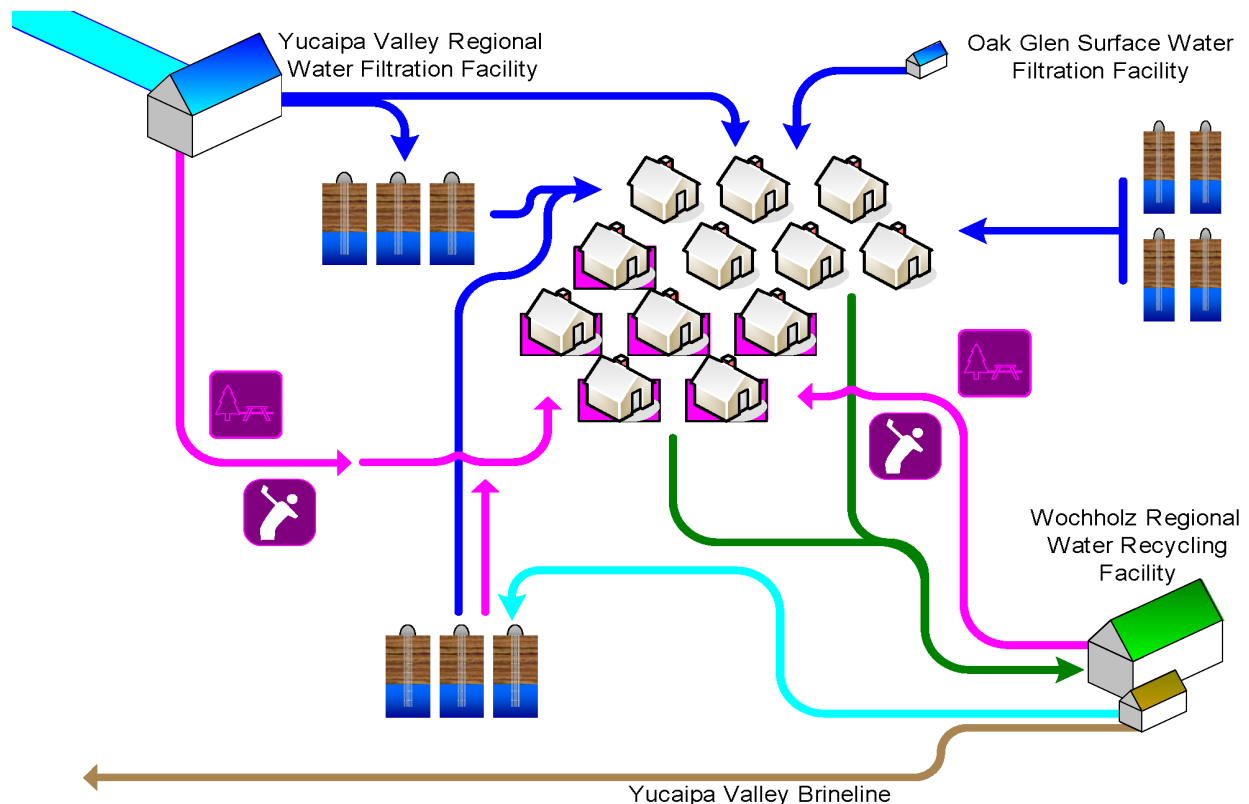
Yucaipa Valley Water District

## Workshop Memorandum 15-009

**Date:** January 13, 2015

**Subject:** Regional Recycled Water System Expansion Goals and Project Priorities for 2016

On August 20, 2008, the Board of Directors adopted Resolution No. 11-2008 establishing a strategic plan for the management, integration and preservation of water resources. This Plan embodied the concepts of water resource management and the full integration of services offered by the Yucaipa Valley Water District. One key component of the strategic plan is the reliance on recycled water being put to beneficial use throughout the sphere of influence of the Yucaipa Valley Water District.



Sewer treatment plants are required to provide a level of treatment to protect beneficial uses downstream of discharge points. These requirements dictate that a sewer treatment plant located in Yucaipa, Calimesa or Beaumont discharge extremely high quality recycled water to protect downstream uses throughout the Santa Ana Watershed.

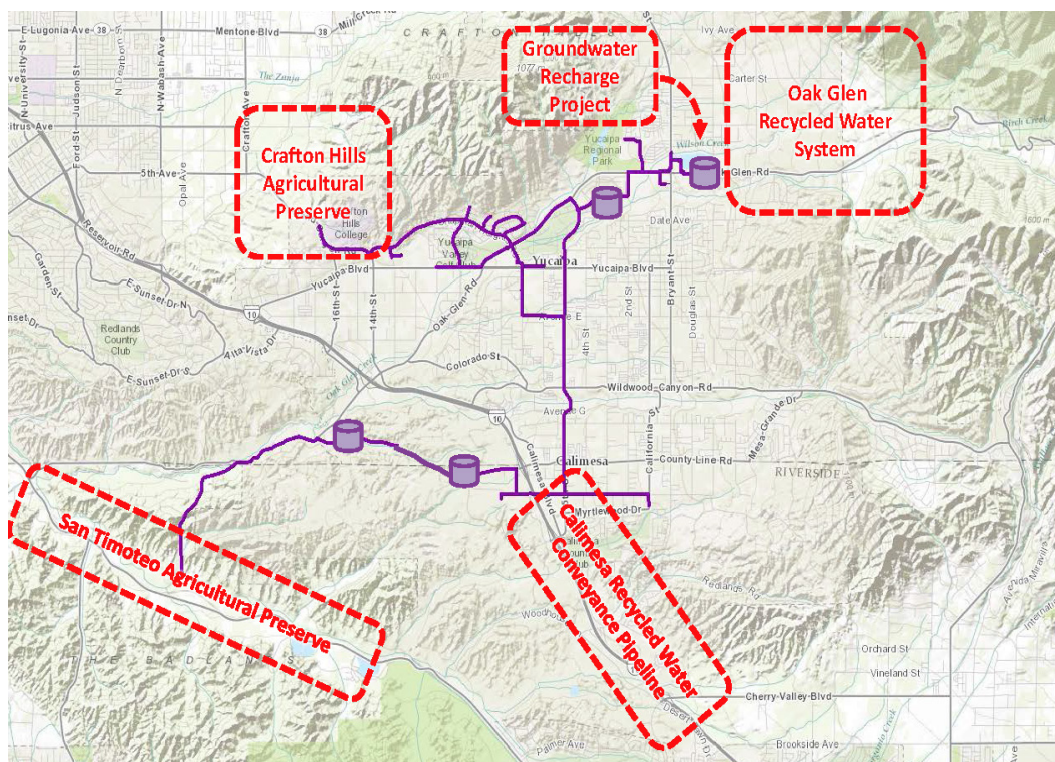
Over the past decade, the regulatory requirements have been significantly increased to require treatment processes that reduce minerals (salinity) and nitrogen. This level of treatment requires equipment and purification processes that are similar to those found in drinking water filtration

facilities. The net effect is that the Yucaipa Valley Water District has to discharge extremely high quality recycled water, comparable to drinking water, without any compensation from water retailers downstream who receive a direct benefit from the pure water resources produced from the sewer treatment plant.

Recognizing that recycled water is a highly pure and reliable source of water, the Board of Directors approved the construction of several projects designed to maximize the use of recycled water throughout the Yucaipa Valley Water District's sphere of influence. These facilities are now largely completed.

On June 11, 2013, the District staff provided an overview of our existing recycled water system and proposed recycled water pipelines to further expand the use of recycled water [Workshop Memorandum No. 13-119]. The discussion focused primarily on the following five projects:

- The Oak Glen Recycled Water System;
- The Wilson Creek Groundwater Recharge Project;
- The Crafton Hills Agricultural Preserve;
- The Calimesa Recycled Water Conveyance Pipeline; and
- The San Timoteo Agricultural Preserve.



At the regular board meeting on December 3, 2014, the Board of Directors adopted Resolution No. 2014-20 regarding the expansion of the recycled water system to indicate support of the five projects to expand the recycled water system [Director Memorandum 14-098].

Currently the District staff is nearly complete with the design documents associated with the Wilson Creek Groundwater Recharge Project and the Calimesa Recycled Water Conveyance Pipeline. These two projects will likely be under construction in the near future and operational

by 2016. Both projects will require additional permits by the Department of Public Health to become fully operational.

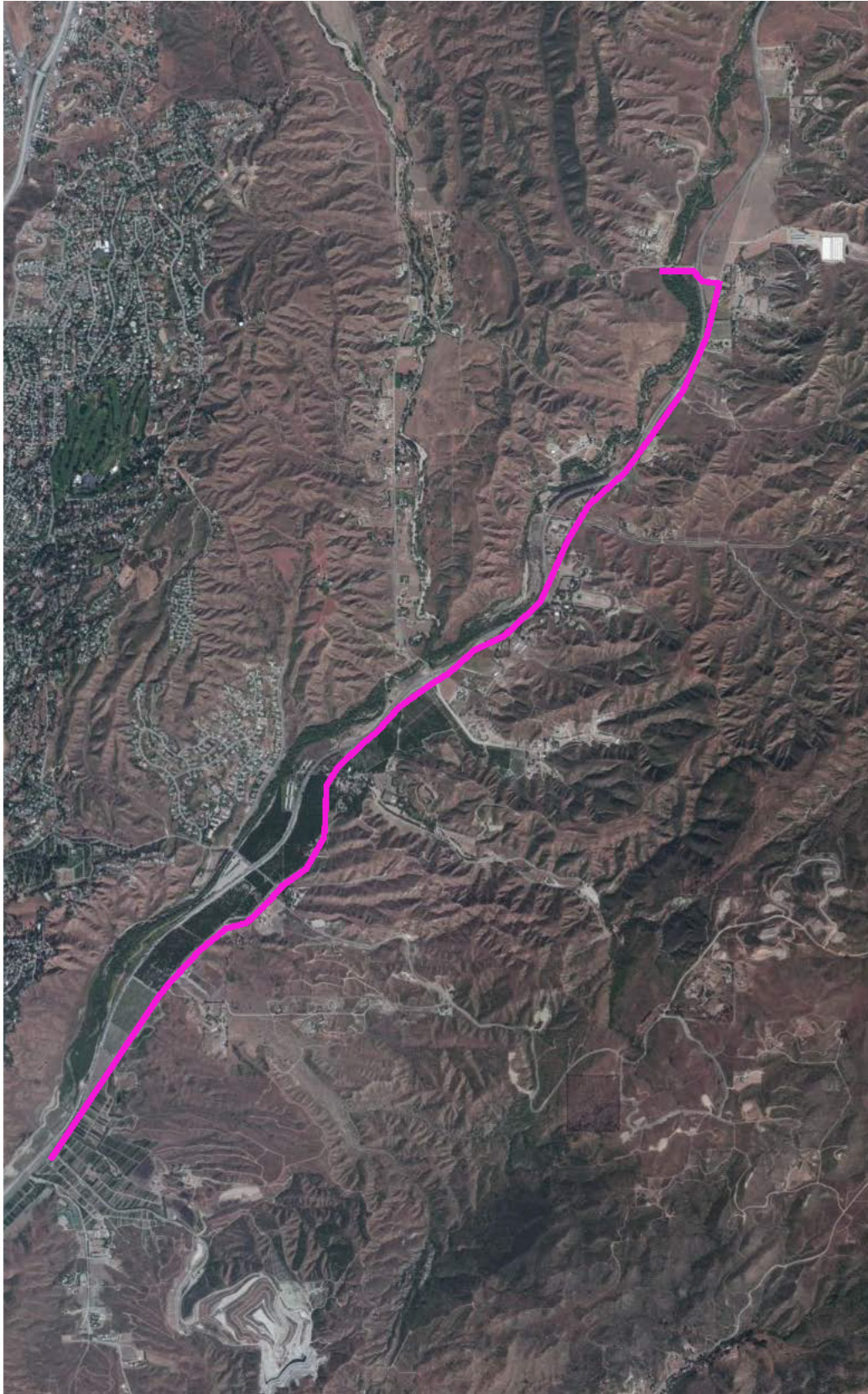
For planning purposes, the District staff recommends a refinement of Resolution No. 2014-20 to focus on recycled water pipeline projects: one in San Timoteo Canyon and the other in Mentone (see attached). The goal of these projects would be to reduce the use of groundwater for irrigation purposes by utilizing recycled water produced by the Wochholz Regional Water Recycling Facility. In both cases, the quality of the recycled water will easily meet the Basin objectives established by the Regional Water Quality Control Board.

In the Mentone area, the proposed recycled water pipeline would provide a drought-proof water supply to the farmers in the area that have solicited recycled water from the District due to the dropping groundwater levels associated with the current drought. While the proposed recycled water pipeline would not be promoted to compete with the irrigation customers served by Bear Valley Mutual Water Company (City of Redlands), it may provide a reasonable alternative water supply during a future drought. By reducing the amount of high quality drinking water extracted for agricultural use in the eastern Bunker Hill Basin, the groundwater levels should become more sustainable in the long-term for the local water retailers.

For both proposed pipeline projects, the size of the recycled water pipelines will take into consideration the needs of future customers, existing and future sources of supply, and the full integration on a regional scale. Additionally, the District staff would proceed with securing funds for these projects from various sources including the State Water Resources Control Board.

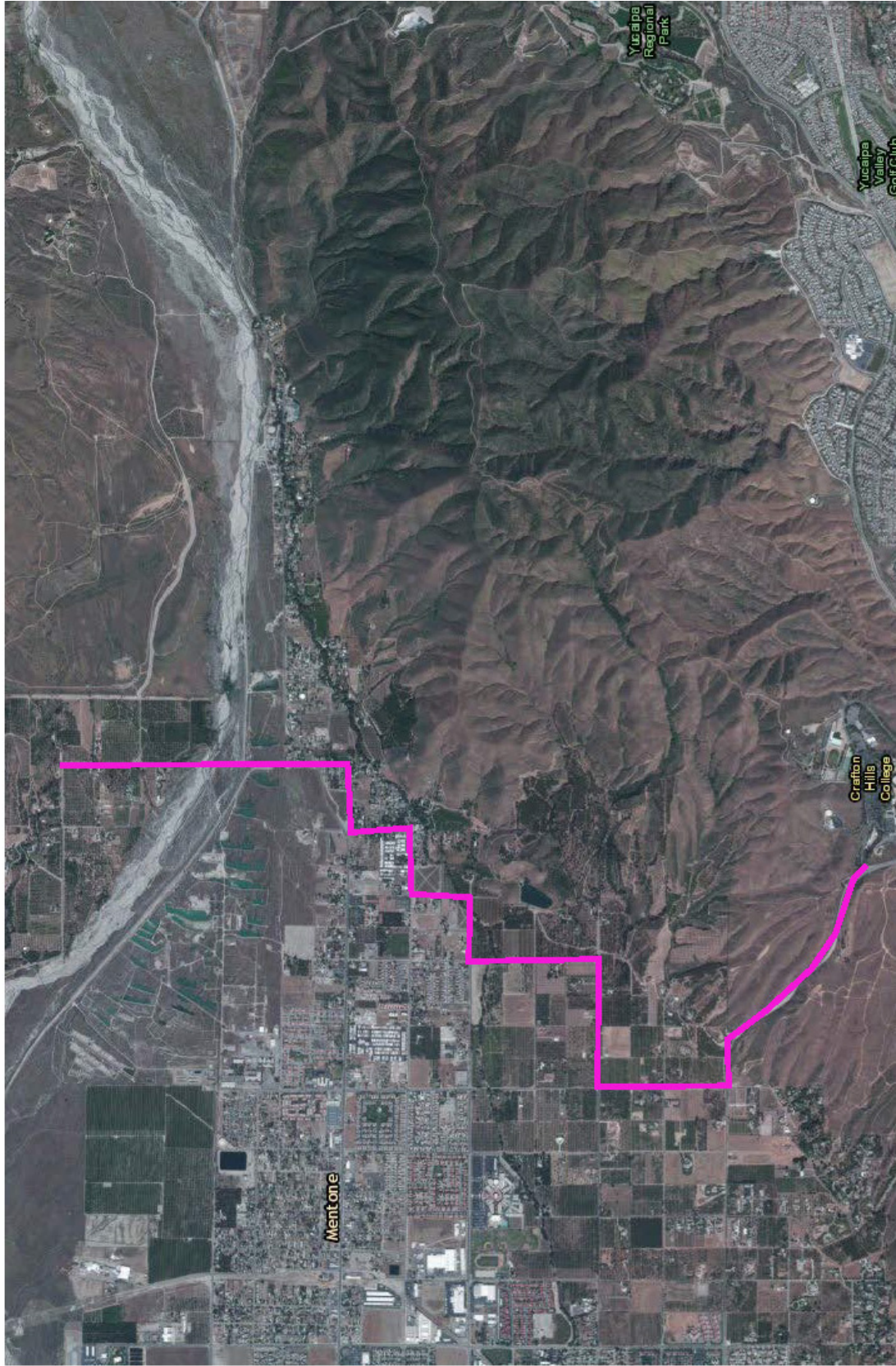


**San Timoteo Canyon Recycled Water Pipeline Project**  
**Regional Preservation and Groundwater Sustainability Project**





**Mentone Recycled Water Pipeline Project**  
**Regional Preservation and Groundwater Sustainability Project**



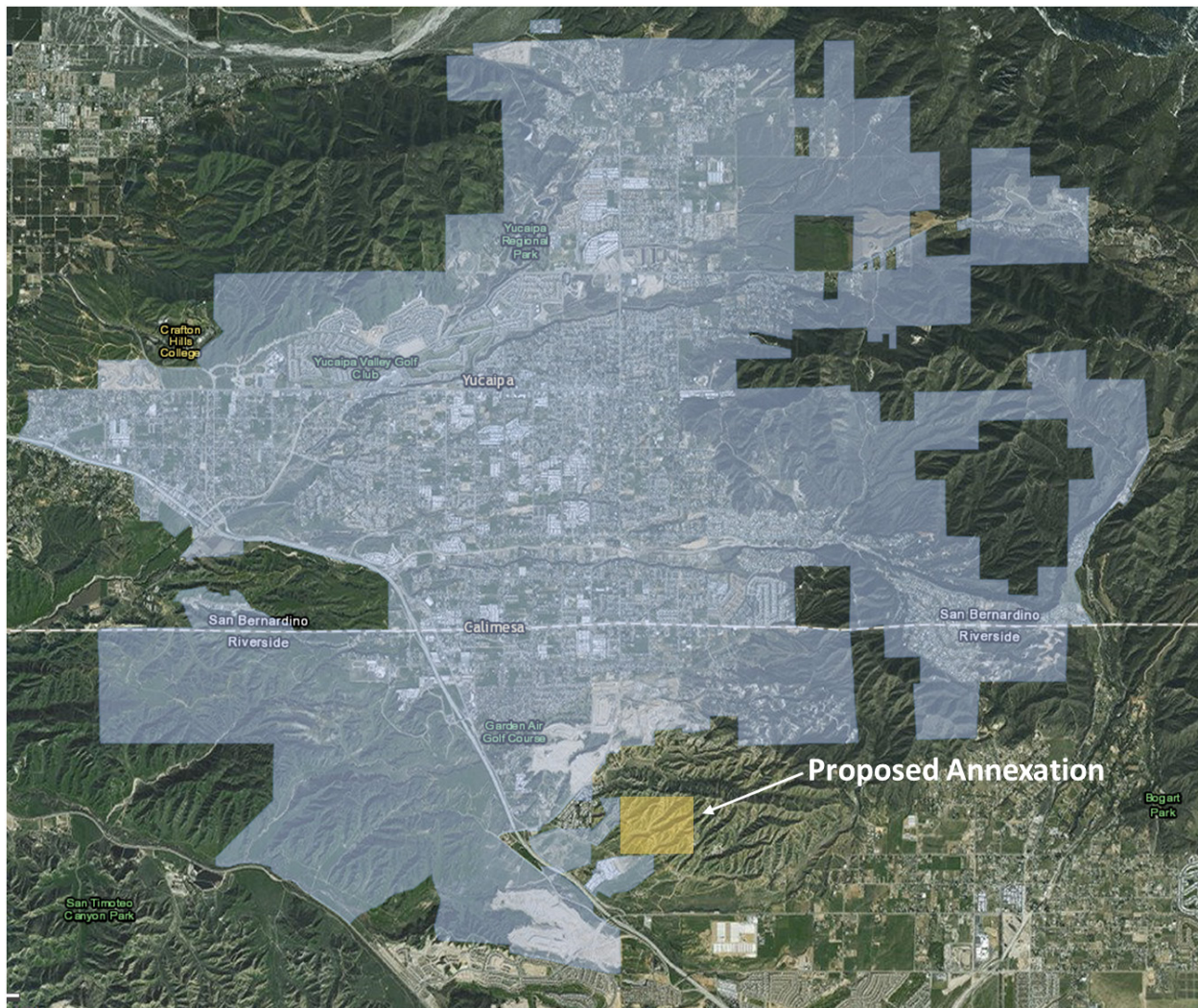


**Date:** January 13, 2015

**Subject:** Annexation of 172.28 Acres (APN 407-090-001) to the Service Area of the Yucaipa Valley Water District - Holbert

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On January 7, 2015, the District received a request from Mr. Hugh Holbert to annex approximately 172.28 acres to the service area of the Yucaipa Valley Water District. The District staff will prepare the necessary resolution for presentation at the board meeting on January 21, 2015.



**Hugh W. Holbert**

Attorney at Law  
1921 Baja Vista Way  
Camarillo, CA 93010-9275

E-Mail: [hugh@hughholbert.com](mailto:hugh@hughholbert.com)

Telephone: (805) 479-9870 Facsimile: (805) 484-8524

January 7, 2015

Mr. Joseph B. Zoba                      Sent by US Mail and E-Mail: [jzoba@yvwd.dst.ca.us](mailto:jzoba@yvwd.dst.ca.us)  
Yucaipa Valley Water District  
P.O. Box 730  
Yucaipa, CA 92399

RE:    Annexation into Yucaipa Valley Water District

Dear Mr. Zoba:

Please consider this letter as my request to have my property annexed into the Yucaipa Valley Water District (District).

I am the sole Trustee of the Hugh W. Holbert Family Trust utd 05-16-85 and this Trust is the sole owner of the property described as Assessor's Parcel Number 40709001-3.

The District is hereby authorized to include APN 40709001-3 in the proposed annexation into the District.

I look forward to working with you on the proposed annexation. Should you need any additional information, please feel free to contact me or Warren Tuttle of Tuttle Engineering at (909) 798-6785.

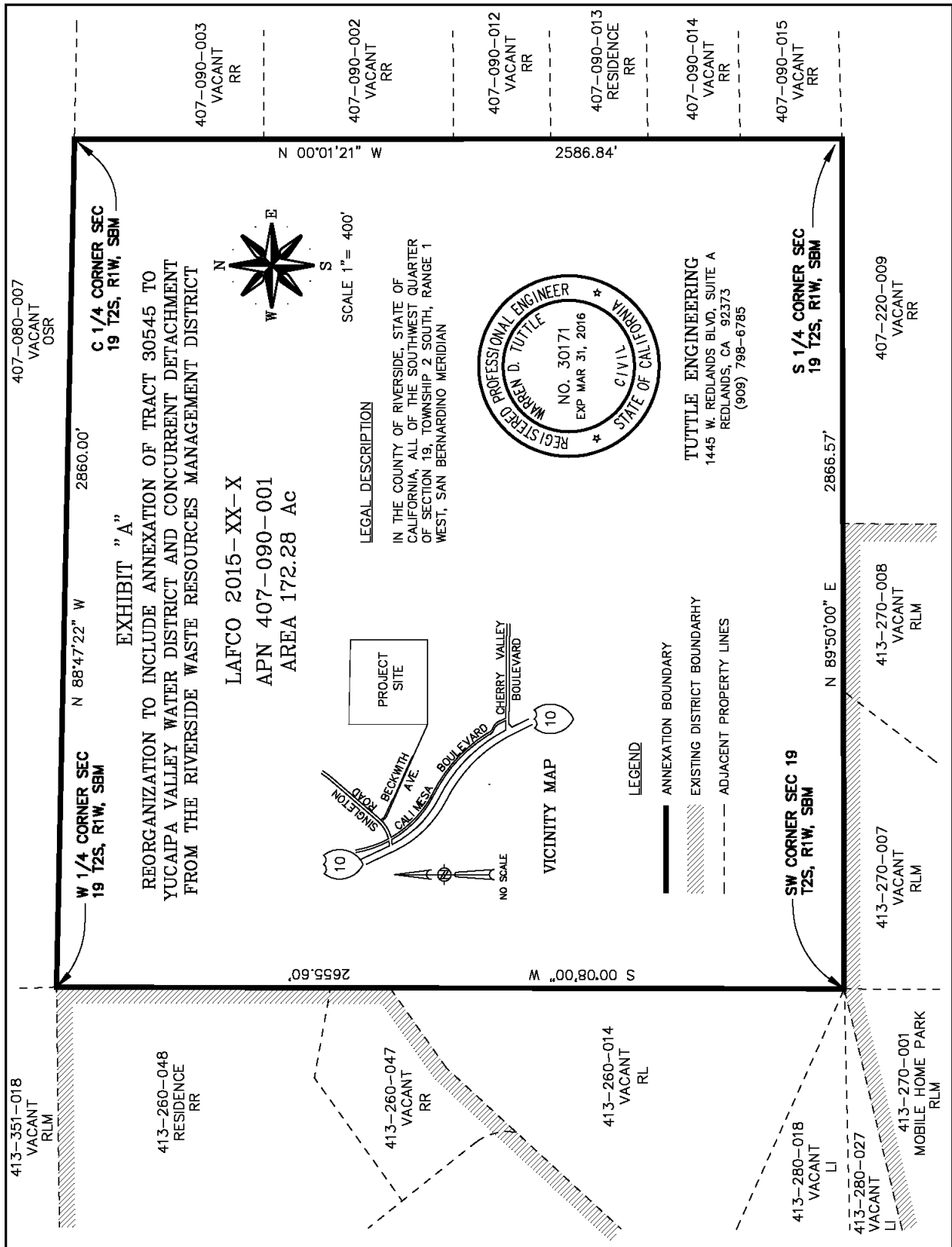
Sincerely,

*Hugh W Holbert*

HUGH W. HOLBERT,  
Trustee of the Hugh W. Holbert Family Trust utd 05-16-85

CC:    Warren Tuttle ([warren@tuttleengineering.com](mailto:warren@tuttleengineering.com))  
      File







**Date:** January 13, 2015

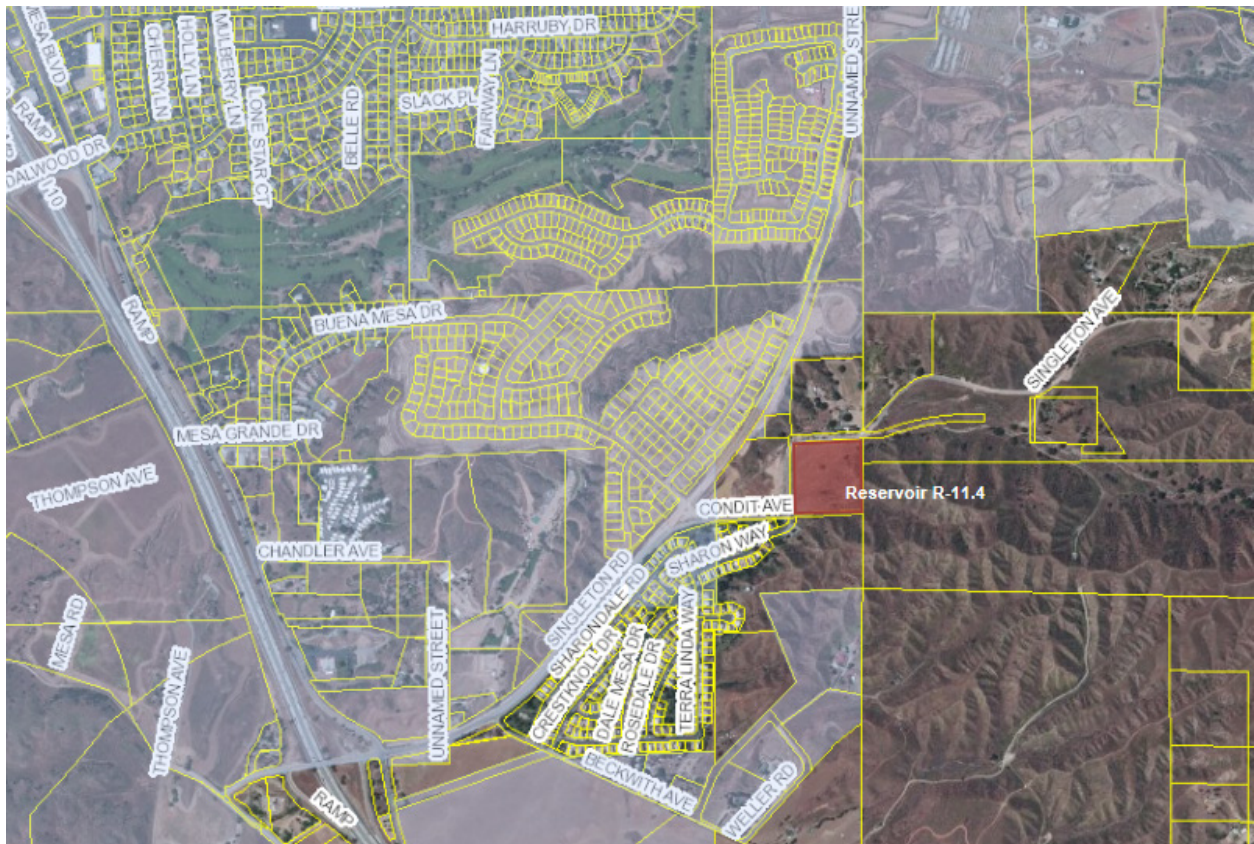
**Subject:** Annexation of Various District Owned Parcels to the Yucaipa Valley Water District

At the board workshop on April 8, 2014, the District staff presented three parcels, owned by the Yucaipa Valley Water District, that are currently located outside of the District’s service area.

Note: The District’s boundary is illustrated in the images below as a light blue transparent shaded area. A map showing the District’s boundary (shaded blue area) and sphere of influence (blue line) is provided on page 3 of 3.

**Reservoir R-11.4 Property**

The Reservoir R-11.4 site consists of 9.1 acres located in Riverside County. Since this property is located outside of our boundary, we pay property taxes on this property in the amount of \$215 this year.

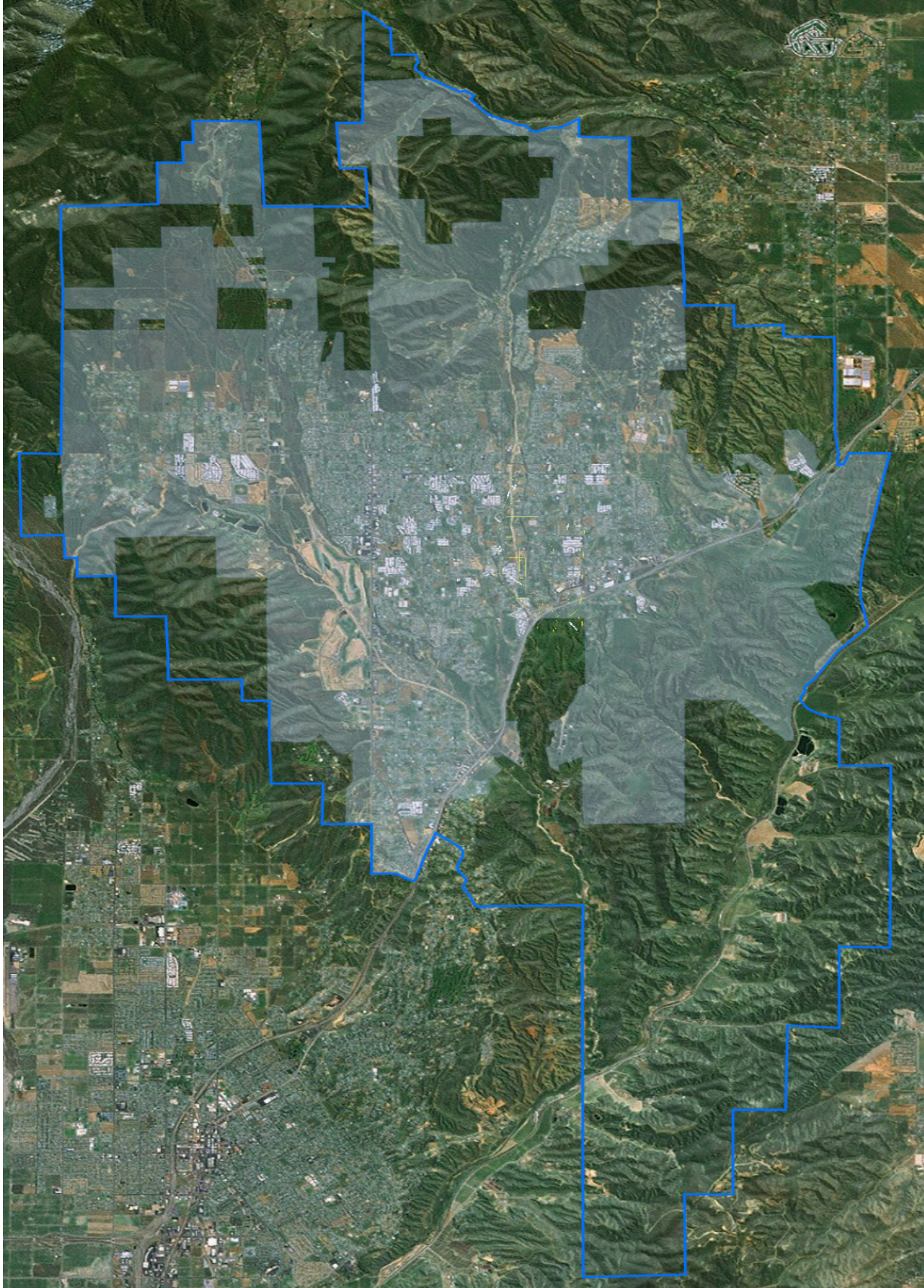


### **Lift Station No. 1 & Additional Wochholz Wastewater Treatment Plant Property**

The District owns Lift Station No. 1 which is about 1/3 of an acre located on Oak Glen Road. The District has purchased approximately 9 acres of property west of the Wochholz Regional Water Recycling Facility property. This year the District will pay approximately \$25 in property taxes for Lift Station No. 1 and we will be taxed next year for the newly acquired property unless it is included in our boundary.



The Board of Director should consider initiating annexation proceedings with the Local Agency Formation Commission for the inclusion of these three properties into the District boundary when another annexation is proposed to the District.



# Director Comments



Yucaipa Valley Water District



## FACTS ABOUT THE YUCAIPA VALLEY WATER DISTRICT

**Service Area Size:** 40 square miles (sphere of influence is 68 square miles)

**Elevation Change:** 3,140 foot elevation change (from 2,044 to 5,184 feet)

**Number of Employees:** 5 elected board members  
57 full time employees

**Operating Budget:** Water Division - \$13,072,750  
Sewer Division - \$11,689,000  
Recycled Water Division - \$433,500  
Total Annual Budget - \$25,195,250

**Number of Services:** 12,206 water connections serving 16,843 units  
13,492 sewer connections serving 20,312 units  
62 recycled water connections

**Water System:** 215 miles of drinking water pipelines  
27 reservoirs - 34 million gallons of storage capacity  
18 pressure zones  
12,000 ac-ft annual water demand (3.9 billion gallons)  
Two water filtration facilities:  
- 1 mgd at Oak Glen Surface Water Filtration Facility  
- 12 mgd at Yucaipa Valley Regional Water Filtration Facility

**Sewer System:** 8.0 million gallon treatment capacity - current flow at 4.0 mgd  
205 miles of sewer mainlines  
5 sewer lift stations  
4,500 ac-ft annual recycled water prod. (1.46 billion gallons)

**Recycled Water:** 22 miles of recycled water pipelines  
5 reservoirs - 12 million gallons of storage  
1,200 ac-ft annual recycled demand (0.4 billion gallons)

**Brine Disposal:** 2.2 million gallon desalination facility at sewer treatment plant  
1.108 million gallons of Inland Empire Brine Line capacity  
0.295 million gallons of treatment capacity in Orange County



## THE MEASUREMENT OF WATER PURITY

**One part per hundred** is generally represented by the percent (%).  
This is equivalent to about fifteen minutes out of one day.

**One part per thousand** denotes one part per 1000 parts.  
This is equivalent to about one and a half minutes out of one day.

**One part per million (ppm)** denotes one part per 1,000,000 parts.  
This is equivalent to about 32 seconds out of a year.

**One part per billion (ppb)** denotes one part per 1,000,000,000 parts.  
This is equivalent to about three seconds out of a century.

**One part per trillion (ppt)** denotes one part per 1,000,000,000,000 parts.  
This is equivalent to about three seconds out of every hundred thousand years.

**One part per quadrillion (ppq)** denotes one part per 1,000,000,000,000,000 parts.  
This is equivalent to about two and a half minutes out of the age of the Earth (4.5 billion years).





## GLOSSARY OF COMMONLY USED TERMS

Every profession has specialized terms which generally evolve to facilitate communication between individuals. The routine use of these terms tends to exclude those who are unfamiliar with the particular specialized language of the group. Sometimes jargon can create communication cause difficulties where professionals in related fields use different terms for the same phenomena.

Below are commonly used water terms and abbreviations with commonly used definitions. If there is any discrepancy in definitions, the District's Regulations Governing Water Service is the final and binding definition.

**Acre Foot of Water** - The volume of water (325,850 gallons, or 43,560 cubic feet) that would cover an area of one acre to a depth of 1 foot.

**Activated Sludge Process** – A secondary biological sewer treatment process where bacteria reproduce at a high rate with the introduction of excess air or oxygen, and consume dissolved nutrients in the wastewater.

**Annual Water Quality Report** - The document is prepared annually and provides information on water quality, constituents in the water, compliance with drinking water standards and educational material on tap water. It is also referred to as a Consumer Confidence Report (CCR).

**Aquifer** - The natural underground area with layers of porous, water-bearing materials (sand, gravel) capable of yielding a supply of water; see Groundwater basin.

**Backflow** - The reversal of water's normal direction of flow. When water passes through a water meter into a home or business it should not reverse flow back into the water mainline.

**Best Management Practices (BMPs)** - Methods or techniques found to be the most effective and practical means in achieving an objective. Often used in the context of water conservation.

**Biochemical Oxygen Demand (BOD)** – The amount of oxygen used when organic matter undergoes decomposition by microorganisms. Testing for BOD is done to assess the amount of organic matter in water.

**Biosolids** – Biosolids are nutrient rich organic and highly treated solid materials produced by the sewer treatment process. This high-quality product can be used as a soil amendment on farm land or further processed as an earth-like product for commercial and home gardens to improve and maintain fertile soil and stimulate plant growth.

**Catch Basin** – A chamber usually built at the curb line of a street, which conveys surface water for discharge into a storm sewer.

**Capital Improvement Program (CIP)** – Projects for repair, rehabilitation, and replacement of assets. Also includes treatment improvements, additional capacity, and projects for the support facilities.

**Collector Sewer** – The first element of a wastewater collection system used to collect and carry wastewater from one or more building sewer laterals to a main sewer.

**Coliform Bacteria** – A group of bacteria found in the intestines of humans and other animals, but also occasionally found elsewhere and is generally used as an indicator of sewage pollution.

**Combined Sewer Overflow** – The portion of flow from a combined sewer system, which discharges into a water body from an outfall located upstream of a wastewater treatment plant, usually during wet weather conditions.

**Combined Sewer System**– Generally older sewer systems designed to convey both sewage and storm water into one pipe to a wastewater treatment plant.



**Conjunctive Use** - The coordinated management of surface water and groundwater supplies to maximize the yield of the overall water resource. Active conjunctive use uses artificial recharge, where surface water is intentionally percolated or injected into aquifers for later use. Passive conjunctive use is to simply rely on surface water in wet years and use groundwater in dry years.

**Consumer Confidence Report (CCR)** - see Annual Water Quality Report.

**Cross-Connection** - The actual or potential connection between a potable water supply and a non-potable source, where it is possible for a contaminant to enter the drinking water supply.

**Disinfection By-Products (DBPs)** - The category of compounds formed when disinfectants in water systems react with natural organic matter present in the source water supplies. Different disinfectants produce different types or amounts of disinfection byproducts. Disinfection byproducts for which regulations have been established have been identified in drinking water, including trihalomethanes, haloacetic acids, bromate, and chlorite

**Drought** - a period of below average rainfall causing water supply shortages.

**Dry Weather Flow** – Flow in a sanitary sewer during periods of dry weather in which the sanitary sewer is under minimum influence of inflow and infiltration.

**Fire Flow** - The ability to have a sufficient quantity of water available to the distribution system to be delivered through fire hydrants or private fire sprinkler systems.

**Gallons per Capita per Day (GPCD)** - A measurement of the average number of gallons of water use by the number of people served each day in a water system. The calculation is made by dividing the total gallons of water used each day by the total number of people using the water system.

**Groundwater Basin** - An underground body of water or aquifer defined by physical boundaries.

**Groundwater Recharge** - The process of placing water in an aquifer. Can be a naturally occurring process or artificially enhanced.

**Hard Water** - Water having a high concentration of minerals, typically calcium and magnesium ions.

**Hydrologic Cycle** - The process of evaporation of water into the air and its return to earth in the form of precipitation (rain or snow). This process also includes transpiration from plants, percolation into the ground, groundwater movement, and runoff into rivers, streams and the ocean; see Water cycle.

**Infiltration** – Water other than sewage that enters a sewer system and/or building laterals from the ground through defective pipes, pipe joints, connections, or manholes. Infiltration does not include inflow. See *Inflow*.

**Inflow** - Water other than sewage that enters a sewer system and building sewer from sources such as roof vents, yard drains, area drains, foundation drains, drains from springs and swampy areas, manhole covers, cross connections between storm drains and sanitary sewers, catch basins, cooling towers, storm waters, surface runoff, street wash waters, or drainage. Inflow does not include infiltration. See *Infiltration*.

**Inflow / Infiltration (I/I)** – The total quantity of water from both inflow and infiltration.

**Mains, Distribution** - A network of pipelines that delivers water (drinking water or recycled water) from transmission mains to residential and commercial properties, usually pipe diameters of 4" to 16".

**Mains, Transmission** - A system of pipelines that deliver water (drinking water or recycled water) from a source of supply the distribution mains, usually pipe diameters of greater than 16".

**Meter** - A device capable of measuring, in either gallons or cubic feet, a quantity of water delivered by the District to a service connection.

**Overdraft** - The pumping of water from a groundwater basin or aquifer in excess of the supply flowing into the basin. This pumping results in a depletion of the groundwater in the basin which has a net effect of lowering the levels of water in the aquifer.

**Peak Flow** – The maximum flow that occurs over a specific length of time (e.g., daily, hourly, instantaneously).

**Pipeline** - Connected piping that carries water, oil or other liquids. See Mains, Distribution and Mains, Transmission.

**Point of Responsibility, Metered Service** - The connection point at the outlet side of a water meter where a landowner's responsibility for all conditions, maintenance, repairs, use and replacement of water service facilities begins, and the District's responsibility ends.

**Potable Water** - Water that is used for human consumption and regulated by the California Department of Public Health.

**Pressure Reducing Valve** - A device used to reduce the pressure in a domestic water system when the water pressure exceeds desirable levels.

**Pump Station** - A drinking water or recycled water facility where pumps are used to push water up to a higher elevation or different location.

**Reservoir** - A water storage facility where water is stored to be used at a later time for peak demands or emergencies such as fire suppression. Drinking water and recycled water systems will typically use concrete or steel reservoirs. The State Water Project system considers lakes, such as Shasta Lake and Folsom Lake to be water storage reservoirs.

**Runoff** - Water that travels downward over the earth's surface due to the force of gravity. It includes water running in streams as well as over land.

**Sanitary Sewer System** - Sewer collection system designed to carry sewage, consisting of domestic, commercial, and industrial wastewater. This type of system is not designed nor intended to carry water from rainfall, snowmelt, or groundwater sources. See *Combined Sewer System*.

**Sanitary Sewer Overflow** – Overflow from a sanitary sewer system caused when total wastewater flow exceeds the capacity of the system. See *Combined Sewer Overflow*.

**Santa Ana River Interceptor (SARI) Line** – A regional brine line designed to convey 30 million gallons per day of non-reclaimable wastewater from the upper Santa Ana River basin to the sewer treatment plant operated by Orange County Sanitation District.

**Secondary Treatment** – Biological sewer treatment, particularly the activated-sludge process, where bacteria and other microorganisms consume dissolved nutrients in wastewater.

**Supervisory Control and Data Acquisition (SCADA)** - A computerized system which provides the ability to remotely monitor and control water system facilities such as reservoirs, pumps and other elements of water delivery.

**Service Connection** - The water piping system connecting a customer's system with a District water main beginning at the outlet side of the point of responsibility, including all plumbing and equipment located on a parcel required for the District's provision of water service to that parcel.

**Sludge** – Untreated solid material created by the treatment of sewage.

**Smart Irrigation Controller** - A device that automatically adjusts the time and frequency which water is applied to landscaping based on real-time weather such as rainfall, wind, temperature and humidity.

**Special District** - A political subdivision of a state established to provide a public services, such as water supply or sanitation, within a specific geographic area.

**Surface Water** - Water found in lakes, streams, rivers, oceans or reservoirs behind dams.

**Total Suspended Solids (TSS)** – The amount of solids floating and in suspension in water or sewage.

**Transpiration** - The process by which water vapor is released into the atmosphere by living plants.

**Trickling Filter** – A biological secondary treatment process in which bacteria and other microorganisms, growing as slime on the surface of rocks or plastic media, consume nutrients in primary treated sewage as it trickles over them.

**Underground Service Alert (USA)** - A free service that notifies utilities such as water, telephone, cable and sewer companies of pending excavations within the area (dial 8-1-1 at least 2 working days before you dig).

**Urban Runoff** - Water from city streets and domestic properties that typically carries pollutants into the storm drains, rivers, lakes, and oceans.

**Valve** - A device that regulates, directs or controls the flow of water by opening, closing or partially obstructing various passageways.

**Wastewater** – Any water that enters the sanitary sewer.

**Water Banking** - The practice of actively storing or exchanging in-lieu surface water supplies in available groundwater basin storage space for later extraction and use by the storing party or for sale or exchange to a third party. Water may be banked as an independent operation or as part of a conjunctive use program.

**Water cycle** - The continuous movement water from the earth's surface to the atmosphere and back again; see Hydrologic cycle.

**Water Pressure** - Pressure created by the weight and elevation of water and/or generated by pumps that deliver water to the tap.

**Water Service Line** - The pipeline that delivers potable water to a residence or business from the District's water system. Typically the water service line is a 1" to 1½" diameter pipe for residential properties.

**Watershed** - A region or land area that contributes to the drainage or catchment area above a specific point on a stream or river.

**Water Table** - The upper surface of the zone of saturation of groundwater in an unconfined aquifer.

**Water Transfer** - A transaction, in which a holder of a water right or entitlement voluntarily sells/exchanges to a willing buyer the right to use all or a portion of the water under that water right or entitlement.

**Water Well** - A hole drilled into the ground to tap an underground water aquifer.

**Wetlands** - Lands which are fully saturated or under water at least part of the year, like seasonal vernal pools or swamps.

**Wet Weather Flow** – Dry weather flow combined with stormwater introduced into a combined sewer system, and dry weather flow combined with infiltration/inflow into a separate sewer system.





## COMMONLY USED ABBREVIATIONS

<b>AQMD</b>	Air Quality Management District
<b>BOD</b>	Biochemical Oxygen Demand
<b>CARB</b>	California Air Resources Board
<b>CCTV</b>	Closed Circuit Television
<b>CWA</b>	Clean Water Act
<b>EIR</b>	Environmental Impact Report
<b>EPA</b>	U.S. Environmental Protection Agency
<b>FOG</b>	Fats, Oils, and Grease
<b>GPD</b>	Gallons per day
<b>MGD</b>	Million gallons per day
<b>O &amp; M</b>	Operations and Maintenance
<b>OSHA</b>	Occupational Safety and Health Administration
<b>POTW</b>	Publicly Owned Treatment Works
<b>PPM</b>	Parts per million
<b>RWQCB</b>	Regional Water Quality Control Board
<b>SARI</b>	Santa Ana River Inceptor
<b>SAWPA</b>	Santa Ana Watershed Project Authority
<b>SBVMWD</b>	San Bernardino Valley Municipal Water District
<b>SCADA</b>	Supervisory Control and Data Acquisition system
<b>SSMP</b>	Sanitary Sewer Management Plan
<b>SSO</b>	Sanitary Sewer Overflow
<b>SWRCB</b>	State Water Resources Control Board
<b>TDS</b>	Total Dissolved Solids
<b>TMDL</b>	Total Maximum Daily Load
<b>TSS</b>	Total Suspended Solids
<b>WDR</b>	Waste Discharge Requirements
<b>YVWD</b>	Yucaipa Valley Water District