

NOVATO SANITARY DISTRICT

Meeting Date: July 1, 2019

The Board of Directors of Novato Sanitary District will hold a Special meeting at 5:30 p.m. Monday, July 1, 2019, at the District Offices, 500 Davidson Street, Novato.

Materials related to items on this agenda that are public records, are available for public inspection at the District Office, 500 Davidson Street, Novato, during normal business hours. They are also available on the District's website: www.novatosan.com. Note: All times and order of consideration for agenda items are for reference only. The Board of Directors may consider item(s) in a different order than set forth herein.

AGENDA

1. **PLEDGE OF ALLEGIANCE:**
2. **AGENDA APPROVAL:**
3. **PUBLIC COMMENT (PLEASE OBSERVE A THREE-MINUTE TIME LIMIT):**

This item is to allow anyone present to comment on any subject listed on the agenda. Each individual will be limited to a three-minute presentation, and comments must be spoken into the microphone set up to receive public comment.

4. **CEREMONIAL MATTERS:**
 - a. Adopt Resolution No. 3136 recognizing former Director Brant Miller.
5. **CONSENT CALENDAR:**

The General Manager-Chief Engineer has reviewed the following item(s). To his knowledge, there is no opposition to the consent action. The item(s) can be acted on in one consolidated motion as recommended or may be removed from the Consent Calendar and separately considered at the request of any person.

- a. Authorize the General Manager-Chief Engineer to approve Project Plans for the Bahia Heights Sewer Main Extension (SME).
 - b. Approve annexation of one parcel totaling 0.62 acres with a situs address of 2260 Vineyard Road, Assessor Parcel No. (APN) 132-311-61, to the Novato Sanitary District, and authorize the General Manager-Chief Engineer to execute and file the Agency Consent Form with the Marin Local Agency Formation Commission (Marin LAFCO).
6. **CLEAN WATER STATE REVOLVING FUND (CWSRF) LOAN REFINANCING:**
 - a. Receive staff report and update on refinancing process from financing team.
 - b. Adopt Resolution No. 3137 Authorizing the Sale and Issuance of Wastewater Revenue Refunding Bonds to Refinance Outstanding Wastewater System Obligations of the District in an Amount not to exceed \$60,000,000, and approving Official Statement and Related Agreements and Actions.

7. BOARD OF DIRECTORS:

- a. Consider procedures for filling the current vacancy on the Board of Directors, and provide direction.

8. ADJOURN:

Next Resolution No. 3138.

Next meeting date: A Special meeting on August 5, 2019, 5:30 p.m. at the Novato Sanitary District office, 500 Davidson Street, Novato, CA

Next regular meeting date: Monday, August 12, 2019, 5:30 p.m. at the Novato Sanitary District office, 500 Davidson Street, Novato, CA, (the July 8, 2019 regular meeting is cancelled).

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the District at (415) 892-1694 at least 24 hours prior to the meeting. Notification prior to the meeting will enable the District to make reasonable accommodation to help ensure accessibility to this meeting.

RESOLUTION OF APPRECIATION

Resolution No. 3136

A Resolution Commending Mr. Brant Miller for Distinguished Service As A Member of The Board of Directors of Novato Sanitary District

Whereas, MR. BRANT MILLER,

was elected on November 5, 2013 and reelected on November 6, 2018 as a Member of the Board of Directors of the Novato Sanitary District, serving on said Board until June 10, 2019; and

Whereas, Mr. Miller has faithfully served the District with efficiency and dedicated service, and has contributed substantially to its continued successful operation; and

Whereas, his genuine concern for Novato Sanitary District and its constituents made him a valuable asset to the Board; and

Whereas, the Members of this Board wish to give public recognition to his valuable contributions to the District;

NOW, THEREFORE, SAID DISTRICT BOARD OF DIRECTORS DOES HEREBY ORDER, as follows:

- 1. That this Board of Directors on its behalf, and on behalf of the people of this District, does hereby express appreciation and gratitude to MR. BRANT MILLER for his loyal and dedicated service as a Member of said Board.*
- 2. That the Secretary of the District transmit a copy of this Resolution to MR. BRANT MILLER with the sincere good wishes of every member of this Board of Directors.*

UNANIMOUSLY ADOPTED by the Board of Directors of the Novato Sanitary District at a meeting thereof held on July 1, 2019.

Attest: _____
Secretary

President

Member

Member

Member

Member

NOVATO SANITARY DISTRICT BOARD AGENDA ITEM SUMMARY

TITLE: Consent Calendar: Bahia Heights Sewer Main Extension (SME).	MEETING DATE: July 1, 2019 AGENDA ITEM NO.: 5.a
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RECOMMENDED ACTION: Authorize General Manager-Chief Engineer to approve Project Plans for the Bahia Heights Sewer Main Extension (SME).

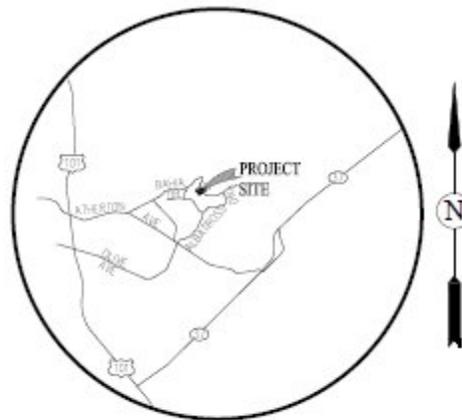
SUMMARY AND DISCUSSION:

This sewer main extension (SME) project is proposing to build a nine lot subdivision from the incomplete Bahia Unit 1 site, at the end of Misty Lane. The original subdivision was started in the early 1960s, but was never completed.

The existing six-inch VCP sewer main that was stubbed to the project parcel was constructed in 1963, as a part of the Bahia Unit 1 Subdivision. The project will dedicate a new sanitary sewer easement as shown upon the to-be-filed Record Map.

Construction elements of the proposed Sewer Main Extension (SME) are as follows:

- 6 ea. new Standard Manholes
- 441 lineal feet of new 6-inch PVC sewer main
- 206 lineal feet of lower lateral, to edge of Right of Way.
- Total asset gain of 441 lineal feet of sewer main and 6 additional manholes



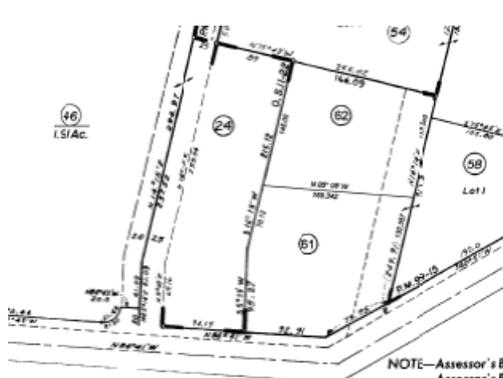
VICINITY MAP
NOT TO SCALE

BUDGET INFORMATION: This SME acceptance will increase the District's net assets by approximately \$145,000.00

STRATEGIC PLAN INFORMATION: This item addresses Goal 5 (Effective Governance and Administration) of the latest Strategic Plan Update.

DEPT. MGR.: eb	GENERAL MANAGER: SSK
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NOVATO SANITARY DISTRICT BOARD AGENDA ITEM SUMMARY

TITLE: Consent Calendar: Agency Consent Form - Annexation of property with situs address of 2260 Vineyard Road (APN 132-311-61) to the Novato Sanitary District.	MEETING DATE: July 1, 2019 AGENDA ITEM NO: 5.b.
RECOMMENDED ACTION: Approve annexation of one parcel totaling 0.62 acres with a situs address of 2260 Vineyard Road, Assessor Parcel No. (APN) 132-311-61, to the Novato Sanitary District, and authorize the General Manager-Chief Engineer to execute and file the Agency Consent Form with the Marin Local Agency Formation Commission (Marin LAFCO).	
SUMMARY AND DISCUSSION: <p>Marin LAFCO has received an application from Patrick and Erin Sheedy (“applicant”) requesting approval to annex a single-family home, on approximately 0.62 acres (25,552 square feet) to the Novato Sanitary District due to a failing septic system. The affected territory is in the City of Novato with a situs address of 2260 Vineyard Road (APN 132-311-61).</p> <p>Marin LAFCO has concluded that the affected territory currently lies within the adopted sphere of influence established by Marin LAFCO for the District, and that the affected territory merits public wastewater services and annexation therein to the District. Staff has reviewed the proposal, and the Marin LAFCO documentation and findings, and concurs.</p> <p>Accordingly, staff recommends the Board approve this item and authorize the General Manager-Chief Engineer to execute and file the attached Agency Consent Form with Marin LAFCO.</p>	
 <p style="text-align: center;">VICINITY MAP</p>	
ATTACHMENTS: 1. Marin LAFCO - Affected Agency Consent Form.	
BUDGET INFORMATION: Appropriate connection fees and annual sewer service charges will accrue to the District from the property following annexation and connection to a District sewer main.	
STRATEGIC PLAN INFORMATION: This item addresses Goal 1 (Operational Excellence) and Goal 5 (Effective Governance and Administration) of the latest Strategic Plan Update.	
DEPT. MGR.: EB	GENERAL MANAGER: SSK

MARIN LOCAL AGENCY FORMATION COMMISSION

AFFECTED AGENCY CONSENT FORM

Application Title:

Proposed Annexation of 2260 Vineyard Road (132-311-61) to Novato Sanitary District (LAFCo File #1343)

We request that you make comment on the proposal in writing no later than **Thursday, July 11, 2019**. If there are no comments on the attached proposal, please check the box below, and return this memorandum to Marin LAFCo. This form may be returned by postal mail to Marin LAFCo, 1401 Los Gamos Drive, Suite 220, San Rafael, CA 94903, or electronically to staff@marinlafco.org.

Novato Sanitary District
(Fill-in Agency Name)

has no comment regarding the application for **Proposed Annexation of 2260 Vineyard Road (132-311-61) to Novato Sanitary District (LAFCo File #1343)**.

Authorized Signature:

Print Name:
Sandeep Karkal

Title:
General Manager-Chief Engineer

Date:

NOVATO SANITARY DISTRICT BOARD AGENDA ITEM SUMMARY

<p>TITLE: Issuance of Refunding Bonds to Refinance the Balance of the District's existing Clean Water State Revolving Fund (CWSRF) loan amount.</p>	<p>MEETING DATE: July 1, 2019</p> <p>AGENDA ITEM NO.: 6.a.&b.</p>
<p>RECOMMENDED ACTIONS:</p> <ul style="list-style-type: none"> a. Receive staff report and update on refinancing process from financing team. b. Adopt Resolution No. 3137: Authorizing the Sale and Issuance of Wastewater Revenue Refunding Bonds to Refinance Outstanding Wastewater System Obligations of the District in an Amount not to exceed \$60,000,000, and approving Official Statement and Related Agreements and Actions. 	
<p>SUMMARY AND DISCUSSION:</p> <p>The District funded its Treatment Facilities Upgrade Project through an approximately \$81 million State of California Clean Water State Revolving Fund (CWSRF) loan. The repayment term of the loan is 20-years (2011-2031), at a fixed interest rate of 2.40%. The current loan balance is \$55,511,638.</p> <p>At the June 10, 2019 Board meeting, the District's Municipal Advisor, Mr. Steven Gortler informed the District Board that refinancing the loan balance over the remainder of its life (i.e. through 2031) could potentially save the District about \$270,000/year, for an overall savings of about \$3.0 million.</p> <p>Accordingly, the Board directed staff to proceed with refinancing the balance of the District's existing CWSRF loan with no extension of the repayment period. Further, the Board directed staff to schedule a special meeting for Monday, July 1, 2019 to consider and potentially adopt a Board Resolution with the required enabling provisions for such refinancing, including:</p> <ul style="list-style-type: none"> i) Authorizing the General Manager-Chief Engineer to execute engagement agreements with various financing team members including but not limited to bond counsel, disclosure counsel and municipal advisor, and ii) Authorizing the General Manager-Chief Engineer to execute various Financing Documents including but not limited to a Preliminary and Final Official Statement, Notice of Sale and Trust Indenture. <p>Consistent with the Board direction provided, attached is a staff memo and attachments, including draft Resolution No. 3137: Authorizing the Sale And Issuance of Wastewater Revenue Refunding Bonds to Refinance Outstanding Wastewater System Obligations of the District in an Amount not to exceed \$60,000,000, and approving Official Statement and Related Agreements and Actions.</p> <p>It is recommended that the Board adopt the attached Resolution No. 3137.</p>	
<p>ATTACHMENTS: 1. Staff Memo and Attachments, including draft Resolution No. 3137 – Authorizing the Sale and Issuance of Wastewater Revenue Refunding Bonds to Refinance Outstanding Wastewater System Obligations of the District in an Amount not to exceed \$60,000,000, and approving Official Statement and Related Agreements and Actions.</p>	
<p>STRATEGIC PLAN INFORMATION: This item addresses Goal 4 (Well Planned Finances with a Long Range Outlook), Goal 1 (Operational Excellence), and Goal 3 (Alignment and Communications), of the latest Strategic Plan Update.</p>	
<p>DEPT. MGR.: lcc, ssk</p>	<p>GENERAL MANAGER: SSK</p>

MEMORANDUM

To: Board of Directors, Novato Sanitary District

From: Sandeep Karkal, General Manager – Chief Engineer
Laura Creamer, Finance Officer

Board Meeting

Date: July 1, 2019

SUBJECT: Refinancing of Clean Water State Revolving Fund (SRF) Loan

RECOMMENDATION

It is recommended that the Board of Directors adopt a Resolution authorizing the issuance of Refunding Bonds for the purpose of refinancing at lower interest rates, certain outstanding debt incurred by the District in 2008, and authorizing the Board President and/or General Manager to execute all necessary and related documents.

BACKGROUND

The District previously borrowed \$81,329,083 from the California State Water Resources Control Board State Revolving Fund (SRF) loan program in January, 2008 to finance wastewater system capital improvements. The SRF Loan is secured by and payable from wastewater system net revenues. Currently, \$55,511,638 of the SRF Loan remains outstanding.

Interest rates have declined sharply during the past six months to near-historic lows, such that the District can now refinance the SRF Loan and realize significant debt service savings much the same as when homeowners refinance their mortgages.

Currently, the District can issue Refunding Bonds at an ‘all-inclusive true interest cost’ of approximately 1.55% as compared to a rate of 2.40% on the SRF Loan being refinanced.

FINANCIAL IMPACT

Refinancing the SRF Loan at today’s interest rates will save approximately \$270,000 per year from fiscal 2020/21 through fiscal 2030/31, for total savings of approximately \$3.00 million.

These savings are net of all issuance costs and assume no extension of the final maturity.

Another measure of the savings from this type of refinancing is ‘Net Present Value Savings’ or NPV Savings. NPV Savings equals total debt service savings (e.g. \$3 million) adjusted for the time value of money, costs of issuance, and any up-front contribution of funds. NPV Savings is considered a better measure of the true or real “economic benefit” of such a refinancing.

At current market interest rates, this refinancing would yield NPV Savings of approximately \$2.75 million or 4.95% of the outstanding SRF Loan being refinanced. Within the public finance industry, NPV Savings of 3%-5% is considered good. Similarly, the District's debt management policy, adopted in 2017, states that a debt refinancing shall, whenever possible and subject to any overriding non-financial policy considerations, achieve minimum NPV Savings equal to at least 3%.

Note however, that the actual amount of savings will not be determined until the sale of the Refunding Bonds occurs. Thus, if interest rates increase before the sale date, then it is possible the savings may be less than expected. Moreover, if interest rates increase significantly, it is possible the savings may be insufficient to warrant proceeding with the refinancing, in which case the refinancing may be cancelled, or delayed until a later date.

COSTS OF ISSUANCE

The cost of issuing the Refunding Bonds is expected not-to-exceed \$345,000 including fees for Bond Counsel (Jones Hall), Disclosure Counsel (Norton Rose Fulbright), Underwriter (TBD), Financial Advisor (Steven Gortler), Trustee (Bank of New York), Rating Agency (Standard & Poor's) and miscellaneous other fees and expenses. All costs of issuance are payable from proceeds of the Refunding Bonds upon closing. If for any reason the refinancing fails to close, then all fees and expenses will be waived and the District will not be billed, with one exception. A portion of the Rating Fee estimated at approximately \$15,000 is not contingent.

TIMETABLE

If the financing proceeds on schedule then the bond sale will occur during the week of July 22nd, and closing will occur on or about August 7, 2019.

METHOD OF SALE

There are three methods by which local public agencies sell bonds: competitive sales, negotiated sales and private placements. Depending on a variety of factors including the security for the bonds, the size, term, structure and creditworthiness of the bonds, and overall financial market conditions, one or another method will usually achieve the best overall result, meaning the lowest interest rate.

District staff in consultation with the financing team has determined that a competitive sale of the proposed Refunding Bonds would likely achieve the best result. A competitive sale is when an issuer such as the District offers its bonds for sale to all eligible underwriters, and awards the bonds to the underwriter who 'bids' the lowest interest rate. The District used a competitive sale in 2017 and received nine bids from competing underwriters.

Accordingly, the attached Resolution contemplates the competitive sale of the Refunding Bonds pursuant to an 'official notice of sale'. In the alternative, as a precaution the Resolution also authorizes the District to sell the Bonds via a negotiated public sale, in the unlikely event that circumstances should change such that a competitive sale is no longer advisable.

FINANCING DOCUMENTS

The attached Resolution authorizes District staff to execute various Financing Documents including an Indenture of Trust, a Preliminary and Final Official Statement, and a Continuing Disclosure Certificate. Attached to this report are drafts of each such document, which drafts may be modified prior to execution by authorized District staff, as necessary. Pursuant to the Resolution, District staff are also authorized to enter into professional services agreements with consultants, as necessary, to assist with the refinancing.

Additionally, new legislation (SB 450) that was signed into State Law in October, 2017 requires all issuers of public debt in California including the District, to disclose the following information in a meeting that is open to the public:

- A.** A good-faith estimate of the 'true interest cost' for the proposed Refunding Bonds, which in this case is approximately 1.55%.
- B.** A good-faith estimate of the total costs of issuance for the proposed Refunding Bonds, which in this case is approximately \$345,000.
- C.** A good-faith estimate of the 'net proceeds' of the proposed Refunding Bonds, which in this case is approximately \$55,537,544.
- D.** A good-faith estimate of the total debt service payments over the entire term of the proposed Refunding Bonds, which in this case is approximately \$60,790,233.

Attachments:

1. Resolution of the District (Resolution No. 3137)
2. Preliminary Debt Service Savings Analysis
3. Preliminary Official Statement
4. Continuing Disclosure Agreement
5. Indenture of Trust
6. Official Notice of Sale

Refinancing Memorandum Attachment No. 1 (3 pages)

Resolution of the District (Resolution No. 3137)

NOVATO SANITARY DISTRICT

RESOLUTION NO. 3137

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE NOVATO
SANITARY DISTRICT AUTHORIZING THE SALE AND ISSUANCE OF
WASTEWATER REVENUE REFUNDING BONDS TO REFINANCE
OUTSTANDING WASTEWATER SYSTEM OBLIGATIONS OF THE DISTRICT
IN AN AMOUNT NOT TO EXCEED \$60,000,000, APPROVING OFFICIAL
STATEMENT AND APPROVING RELATED AGREEMENTS AND ACTIONS**

WHEREAS, the Novato Sanitary District (the "District") owns and operates facilities and property for the collection, treatment and disposal of wastewater within the service area of the District (the "Wastewater System"); and

WHEREAS, to finance Wastewater System improvements, the District previously borrowed \$81,329,083 from the State Water Resources Control Board State Revolving Fund (SRF) loan program pursuant to an Interagency Sales Agreement (Agreement No. 07-824-550-0) (the "SRF Loan"), which SRF Loan is currently outstanding in the amount of \$55,511,638; and

WHEREAS, pursuant to the terms of the SRF Loan, the District may prepay the outstanding principal balance of the SRF Loan, in whole or in part, on any date, together with accrued interest thereon to the prepayment date, without premium; and

WHEREAS, at current market interest rates, the District can refinance the SRF Loan and in so doing, realize significant interest cost savings; and

WHEREAS, the Board of Directors wishes at this time to authorize the sale and issuance of the Novato Sanitary District 2019 Wastewater Revenue Refunding Bonds (the "Refunding Bonds") under the Bond Law (as herein defined) to provide funds to refinance the SRF Loan, such Refunding Bonds to be secured by a pledge of the net revenues of the Wastewater System on a parity with the District's outstanding wastewater revenue refunding bonds that were issued in 2017; and

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Novato Sanitary District as follows:

Section 1. Sale and Issuance of Refunding Bonds. The Board of Directors hereby authorizes the sale and issuance of the Refunding Bonds under the provisions of Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Section 53570 of said Code (the "Bond Law"), for the purpose of providing funds to refinance the SRF Loan, and for the purpose of paying the costs of issuing and selling the Refunding Bonds, so long as the requirements in Section 3 are achieved. Such refinancing shall be accomplished as provided in the Indenture of Trust.

Section 2. Approval of Indenture. The Refunding Bonds shall be issued pursuant to an Indenture of Trust between the District and The Bank of New York Mellon Trust Company, N.A., as trustee, which Indenture is hereby approved in substantially the form on file with the Secretary together with any changes therein or additions thereto deemed advisable by the

President of the Board of Directors or the General Manager-Chief Engineer/Secretary (each an "Authorized Officer"), and the execution thereof by an Authorized Officer shall be conclusive evidence of the approval of such changes and additions. The Board of Directors hereby authorizes and directs an Authorized Officer to execute, and the Secretary to attest, said form of the Indenture of Trust for and in the name of the District. The Board of Directors hereby authorizes the delivery and performance of the Indenture of Trust.

Section 3. Sale of Refunding Bonds via Public Offering. The Board of Directors hereby authorizes the sale of the Refunding Bonds through a public offering; provided, however, that the principal amount of the Refunding Bonds shall not exceed \$60,000,000, and the net present value savings from such refinancing shall equal not less than 3.0% of the outstanding principal amount of the SRF Loan. Such public offering may be accomplished by either competitive bidding or through negotiation with an underwriter, as determined by an Authorized Officer to be in the best interests of the District, after consultation with the District's registered municipal advisor.

If a competitive sale is chosen, the sale of the Refunding Bonds shall be undertaken pursuant to and in accordance with the notice of sale on file with the Secretary, together with any changes therein or additions thereto deemed advisable by the District's municipal advisor and approved by the District's bond counsel and by an Authorized Officer. The Board of Directors hereby delegates to each of the Authorized Officers the authority to accept an offer from the winning bidder to purchase the Refunding Bonds from the District. In the alternative, the Board of Directors hereby delegates to each of the Authorized Officers the authority to enter into a negotiated sale of the Refunding Bonds pursuant to a bond purchase agreement with an underwriter selected by an Authorized Officer.

Section 4. Official Statement; Continuing Disclosure Certificate. The Board of Directors hereby approves the Preliminary Official Statement describing the Refunding Bonds in the form on file with the Secretary, and authorizes each of the Authorized Officers to approve revisions to said Preliminary Official Statement if and to the extent necessary for distribution in connection with a public offering of the Refunding Bonds. An Authorized Officer shall execute a certificate deeming the Preliminary Official Statement, as so revised, to be nearly final within the meaning of Rule 15c2-12 of the Securities Exchange Act of 1934, as amended. Distribution of the Preliminary Official Statement by the underwriter of the Refunding Bonds to prospective purchasers of the Refunding Bonds is hereby approved. Each of the Authorized Officers is hereby authorized and directed to approve any changes in or additions to a final form of said Official Statement, and the execution thereof by an Authorized Officer shall be conclusive evidence of approval of any such changes and additions. The Board of Directors hereby authorizes the distribution of the final Official Statement by the underwriter. The final Official Statement shall be executed in the name and on behalf of the District by an Authorized Officer.

The Board of Directors hereby approves the Continuing Disclosure Certificate to be executed by the District, the form of which is attached as an exhibit to the Preliminary Official Statement. Each of the Authorized Officers is hereby authorized and directed to approve any changes in or additions to a final form of said Continuing Disclosure Certificate, and the execution thereof by an Authorized Officer shall be conclusive evidence of approval of any such changes and additions. The final Continuing Disclosure Certificate shall be executed in the name and on behalf of the District by an Authorized Officer.

Section 5. Documents in Substantially Final Form; Further Authority. The documents on file with the Secretary and herein approved are in substantially final form; that

is, they are final as to important business terms such as the rate covenant undertaken by the District as to the wastewater rates the District will enact so long as the Refunding Bonds are outstanding, and parity bond restrictions, governing limitations on future issues of bonds secured by net revenues of the Wastewater System, but do not contain the final pricing terms resulting from the sale of the Refunding Bonds, which will be inserted only after the Refunding Bonds are sold. This resolution is intended to be a "parameters resolution," in which the Board of Directors approves a refunding wastewater revenue bond issue at a not to exceed principal amount and a minimum savings threshold, payable solely from net revenues of the Wastewater System.

Section 6. Engagement of Professional Services. In connection with the sale and issuance of the Refunding Bonds, the Board of Directors hereby authorizes Steven Gortler to act as registered municipal advisor to the District, the firm of Jones Hall, A Professional Law Corporation, to act as bond counsel to the District, the firm of Norton Rose Fulbright US LLP to act as disclosure counsel to the District, and the firm of Bartle Wells Associates to act as Utility Rate Consultant to the District. Each of the Authorized Officers is hereby authorized and directed to execute an agreement with each of the foregoing firms in substantially the forms on file with the Secretary.

Section 7. Official Actions. The President of the Board and the General Manager-Chief Engineer/Secretary, or a written designee, are hereby authorized and directed, for and in the name and on behalf of the District, to do any and all things and take any and all actions, including execution and delivery of any and all assignments, certificates, requisitions, agreements, notices, consents, instruments of conveyance, warrants and other documents, which they, or any of them, may deem necessary or advisable in order to refinance the SRF Loan and consummate the transaction described in this Resolution, and the execution or taking of such action shall be conclusive evidence of such necessity or advisability.

Section 8. Effective Date. This Resolution shall take effect from and after the date of its passage and adoption.

The foregoing resolution was adopted at a special meeting of the Board of Directors of the Novato Sanitary District held on the 1st day of July, 2019, by the following vote:

AYES, and in favor thereof, Directors: _____

NOES, Directors: _____

ABSENT, Directors: _____

Carole Dillon-Knutson, President
Board of Directors, Novato Sanitary District

ATTEST:

Sandeep Karkal, Secretary
Board of Directors, Novato Sanitary District

Refinancing Memorandum Attachment No. 2 (6 pages)

Preliminary Debt Service Savings Analysis

Novato Sanitary District

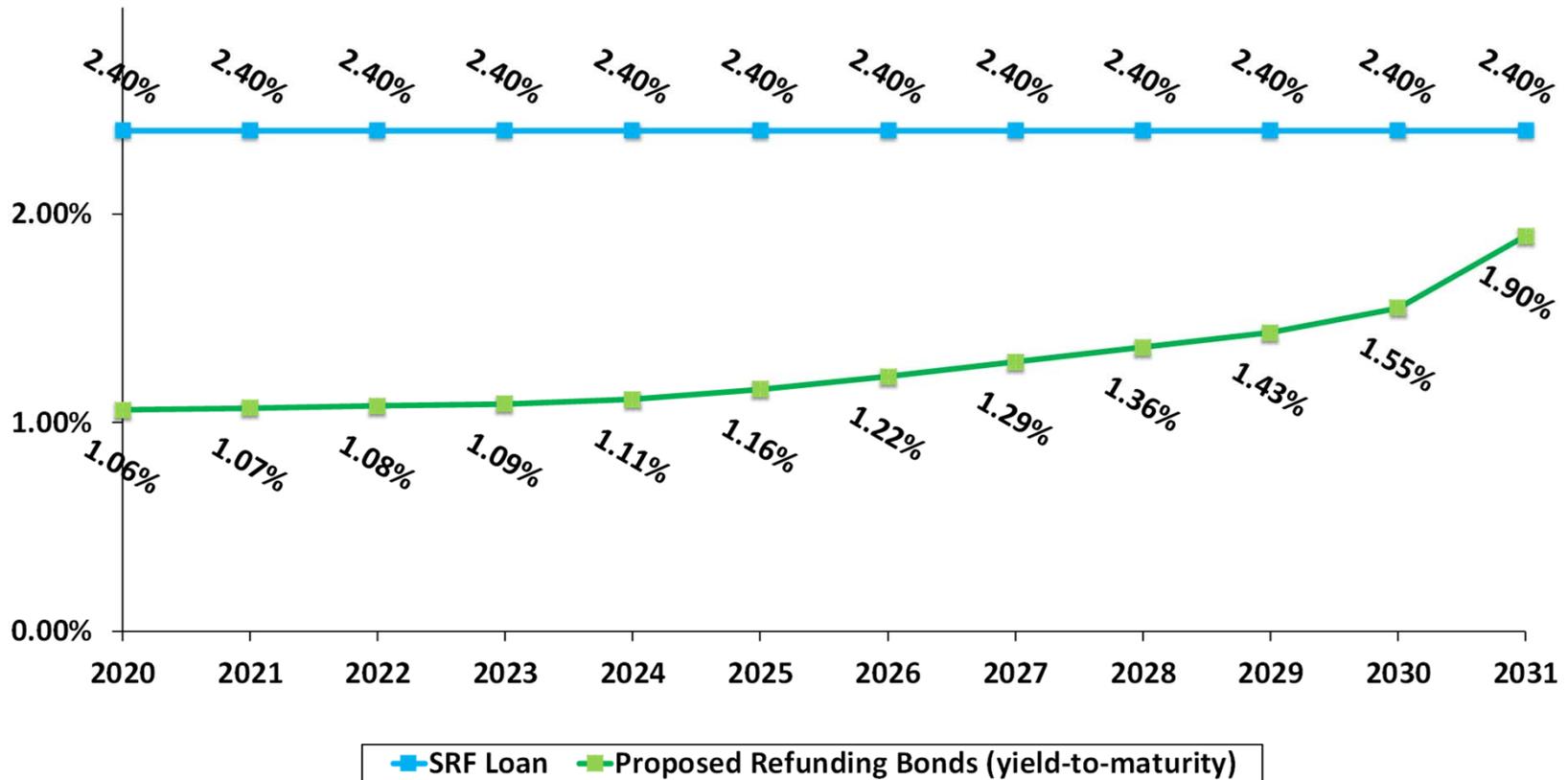
SRF Loan Refinancing

Preliminary Debt Service Savings Analysis

June 24, 2019

**Prepared by Steven Gortler
Telephone (415) 298-3319
Email: steven.gortler@att.net**

Interest Rate Comparison: SRF Loan vs. Proposed Refunding Bonds



Estimated Debt Service Savings

12-Mo. Ending Feb 1,	Outstanding SRF Loan			Proposed Refunding Bonds				Debt Service Savings	
	Principal	Interest	Total	Principal	Interest	Interest on SRF Loan	Total	Annual	Cumulative
2020	4,046,677	1,332,279	5,378,956	3,490,000	1,109,733	777,163	5,376,896	2,060	2,060
2021	4,143,797	1,235,159	5,378,956	2,985,000	2,121,500		5,106,500	272,456	274,516
2022	4,243,248	1,135,708	5,378,956	3,135,000	1,972,250		5,107,250	271,706	546,222
2023	4,345,086	1,033,870	5,378,956	3,295,000	1,815,500		5,110,500	268,456	814,679
2024	4,449,368	929,588	5,378,956	3,455,000	1,650,750		5,105,750	273,206	1,087,885
2025	4,556,153	822,803	5,378,956	3,630,000	1,478,000		5,108,000	270,956	1,358,841
2026	4,665,501	713,455	5,378,956	3,810,000	1,296,500		5,106,500	272,456	1,631,297
2027	4,777,473	601,483	5,378,956	4,000,000	1,106,000		5,106,000	272,956	1,904,253
2028	4,892,132	486,824	5,378,956	4,205,000	906,000		5,111,000	267,956	2,172,210
2029	5,009,543	369,413	5,378,956	4,415,000	695,750		5,110,750	268,206	2,440,416
2030	5,129,772	249,184	5,378,956	4,635,000	475,000		5,110,000	268,956	2,709,372
2031	5,252,887	126,069	5,378,956	4,865,000	243,250		5,108,250	270,706	2,980,078
	55,511,638	9,035,836	64,547,475	45,920,000	14,870,233	777,163	61,567,396	2,980,078	



Estimated Net Present Value (NPV) Savings

Net Present Value (NPV) Savings	2,746,394
Par Amount of Refunded Bonds	55,511,638
NPV Savings / Refunded Par Amount	4.95%



Estimated Sources & Uses of Funds

Sources of Funds:

Par Amount of Bonds	45,920,000
Original Issue Premium	9,962,086
Transfer from Prior Debt Service Fund	777,163
Total Sources	56,659,249

Uses of Funds:

Deposit to Redemption Fund	56,314,707
Estimated Costs of Issuance	344,542
Total Uses	56,659,249



Estimated Costs of Issuance

Service	Estimated Fee
Underwriter (0.30%)	137,760
Bond Counsel	60,000
Financial Advisor	50,000
Disclosure Counsel	35,000
Rating Agency	33,000
Rate Consultant	12,500
Trustee & Counsel	5,000
Financial Printer	2,500
Advertising	1,500
Ipreo Bidding Platform	1,500
Contingency	5,782
	344,542

Refinancing Memorandum Attachment No. 3 (61 pages)

Preliminary Official Statement

PRELIMINARY OFFICIAL STATEMENT DATED JULY __, 2019

NEW ISSUE-FULL BOOK-ENTRY

**RATING: S&P: “__”
(See “Rating” herein)**

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the 2019 Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See “TAX MATTERS.”

**§[Par Amount]*
NOVATO SANITARY DISTRICT
2019 WASTEWATER REVENUE REFUNDING BONDS**

Dated: Date of Delivery

Due: February 1, as shown on the inside cover

The §[Par Amount]* Novato Sanitary District 2019 Wastewater Revenue Refunding Bonds (the “2019 Bonds”) are being issued by the Novato Sanitary District (the “District”) to (i) refund an Interagency Sales Agreement with the State Water Resources Control Board (as described herein), currently outstanding in the principal amount of \$55,511,638 (the “SRF Loan”) and (ii) pay the costs of issuing the 2019 Bonds. See “ESTIMATED SOURCES AND USES OF FUNDS” and “PLAN OF REFUNDING.”

The 2019 Bonds are being issued as fully registered bonds, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York (“DTC”), and will be available to ultimate purchasers in the denomination of \$5,000 or any integral multiple thereof, under the book-entry system maintained by DTC. Ultimate purchasers of 2019 Bonds will not receive physical certificates representing their interest in the 2019 Bonds. So long as the 2019 Bonds are registered in the name of Cede & Co., as nominee of DTC, references herein to the owners shall mean Cede & Co., and shall not mean the ultimate purchasers of the 2019 Bonds. Interest on the 2019 Bonds will be payable on February 1 and August 1 of each year, commencing February 1, 2020. Payments of the principal of, premium, if any, and interest on the 2019 Bonds will be made directly to DTC, or its nominee, Cede & Co., by The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”), so long as DTC or Cede & Co. is the registered owner of the 2019 Bonds. Disbursements of such payments to DTC’s Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of DTC’s Participants and Indirect Participants, as more fully described herein. See APPENDIX D – “BOOK-ENTRY SYSTEM.”

The 2019 Bonds are subject to optional redemption and extraordinary redemption prior to maturity as described herein. See “THE 2019 BONDS – Redemption.”

The 2019 Bonds are special obligations of the District and are payable exclusively from Net Revenues (defined herein) of the Wastewater System (defined herein) and from amounts on deposit in certain funds and accounts established under the Indenture (defined herein). The 2019 Bonds are not a debt, liability or obligation of the State of California or any of its political subdivisions other than the District. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2019 BONDS.”

This cover page contains information for quick reference only. It is not intended to be a summary of all factors relating to an investment in the 2019 Bonds. Investors must read the entire Official Statement before making any investment decision.

**BIDS FOR THE PURCHASE OF THE 2019 BONDS WILL BE RECEIVED BY THE DISTRICT
UNTIL [8:00] A.M., CALIFORNIA TIME ON JULY __, 2019
UNLESS POSTPONED OR CANCELLED AS SET FORTH IN THE
OFFICIAL NOTICE OF SALE RELATING TO THE 2019 BONDS.**

The 2019 Bonds are offered when, as and if issued subject to the approval, as to their validity, by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the District by the District’s Counsel and by Norton Rose Fulbright US LLP, as Disclosure Counsel. It is expected that the 2019 Bonds will be available for delivery in book-entry form through the facilities of DTC on or about August __, 2019.

Dated: July __, 2019

* Preliminary, subject to change.
74641405.3

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstance shall this Preliminary Official Statement constitute an offer to sell or a 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.

\$ _____ *

NOVATO SANITARY DISTRICT
2019 WASTEWATER REVENUE REFUNDING BONDS

<u>Maturity Date</u> <u>(February 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP**</u> <u>(Base No. 67001A)</u>
2020					
2021					
2022					
2023					
2024					
2025					
2026					
2027					
2028					
2029					
2030					
2031					

* Preliminary, subject to change.

** CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Ratings on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. CUSIP numbers have been assigned by an independent company not affiliated with the District and are included solely for the convenience of investors. Neither the District nor the Municipal Advisor is responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the 2019 Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the 2019 Bonds as a result of various subsequent actions including, but not limited to, refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the 2019 Bonds.

No dealer, broker, salesperson or other person has been authorized by the District, the Municipal Advisor or the Underwriter to give any information or to make any representations other than those contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. This Official Statement is not to be construed as a contract with the purchasers of the 2019 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 representations of fact. This Official Statement is submitted in connection with the sale of the 2019 Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

The information set forth herein has been obtained from official sources which are believed to be reliable. The information and expressions of opinion 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. All summaries of the Indenture and other documents referred to in this Official Statement, are made subject to the provisions of such documents, respectively, and do not purport to be complete statements of any or all of such provisions.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2019 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

This Official Statement, including any supplement or amendment hereto, is intended to be deposited with the Municipal Securities Rulemaking Board (the “MSRB”) through the Electronic Municipal Marketplace Access (“EMMA”) website.

The District maintains a website. However, the information presented therein is not part of this Official Statement and should not be relied upon in making investment decisions with respect to the 2019 Bonds.

FORWARD-LOOKING STATEMENTS

This Official Statement contains certain “forward-looking statements” concerning the Wastewater System and the operations, performance and financial condition of the District, including their future economic performance, plans and objectives and the likelihood of success in developing and expanding. These statements are based upon a number of assumptions and estimates which are subject to significant uncertainties, many of which are beyond the control of the District. The words “may,” “would,” “could,” “will,” “expect,” “anticipate,” “believe,” “intend,” “plan,” “estimate” and similar expressions are meant to identify these forward-looking statements. Results may differ materially from those expressed or implied by these forward-looking statements.

NOVATO SANITARY DISTRICT BOARD OF DIRECTORS

Carole Dillon-Knutson – *President*
William C. Long – *President Pro-Tem*
Jean Mariani – *Director*
A. Gerald Peters – *Director*
(Vacant) – *Director*

DISTRICT STAFF

Sandeep Karkal, *General Manager – Chief Engineer/Secretary-Treasurer*
Laura Creamer – *Finance Officer*
Lauren Quint, Esq. – *General Counsel*

SPECIAL SERVICES

Municipal Advisor

Steven Gortler
San Francisco, California

Bond Counsel

Jones Hall, A Professional Law Corporation
San Francisco, California

Disclosure Counsel

Norton Rose Fulbright US LLP
Los Angeles, California

Trustee

The Bank of New York Mellon Trust Company, N.A.
San Francisco, California

Dissemination Agent

The Bank of New York Mellon Trust Company, N.A.
San Francisco, California

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OFFICIAL STATEMENT

§[PAR AMOUNT]* NOVATO SANITARY DISTRICT 2019 WASTEWATER REVENUE REFUNDING BONDS

INTRODUCTION

General

This Official Statement, including the cover page and appendices hereto, sets forth certain information in connection with the sale of §[Par Amount] Novato Sanitary District 2019 Wastewater Revenue Refunding Bonds (the “2019 Bonds”) that are being issued by the Novato Sanitary District (the “District”). This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents described herein.*

Authority for Issuance and Application of Proceeds

The 2019 Bonds are being issued under the provisions of Articles 10 and 11 of Part 1 of Division 2 of Title 5 of the California Government Code (the “Bond Law”) and an Indenture of Trust, dated as of August 1, 2019 (the “Indenture”), between the District and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”). The 2019 Bonds are being issued to (i) refund an Interagency Sales Agreement (Installment Sale Agreement No. C-06-4903-110; Agreement No. 07-824-550-0) between the District and the State Water Resources Control Board delivered pursuant to the State Revolving Fund program, currently outstanding in the principal amount of \$55,511,638 (the “SRF Loan”) and (ii) pay the costs of issuing the 2019 Bonds. See “ESTIMATED SOURCES AND USES OF FUNDS” and “PLAN OF REFUNDING.” All capitalized terms used and not otherwise defined herein shall have the meanings assigned to such terms in APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE” or, if not defined therein, shall have the meanings assigned to such terms in the Indenture.

The District

The District is a sanitary district created and existing under the Sanitary District Act of 1923 (California Health & Safety Code Section 6400 *et seq.*) to provide for the collection, treatment, reclamation, and disposal of sewage within its service area. The District was chartered on October 5, 1925 and is governed by a five-member Board of Directors, each of whom is currently elected at-large to a four-year term. The District serves a population of approximately 60,000 residents in a 34-square mile service area that encompasses the City of Novato, California (the “City”) and certain surrounding unincorporated areas in the County of Marin, California (the “County”). The Novato Wastewater Treatment Plant is owned by the District but maintained and

* Preliminary, subject to change.

operated by Veolia Water West Operating Services, Inc. pursuant to a management agreement with the District.

For additional information regarding the District, see “THE DISTRICT” and APPENDIX A – “GENERAL INFORMATION ABOUT THE CITY OF NOVATO AND MARIN COUNTY.”

The 2019 Bonds

The 2019 Bonds will be dated their date of issuance and delivery, will bear interest at the rates per annum set forth on the inside cover page hereof payable semiannually on February 1 and August 1, commencing February 1, 2020 (each, an “Interest Payment Date”), and will mature on the dates and in the amounts set forth on the inside cover page hereof. The 2019 Bonds will be delivered as fully registered bonds, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York (“DTC”), and will be available to ultimate purchasers (“Beneficial Owners”) in the denomination of \$5,000 or any integral multiple thereof, under the book-entry system maintained by DTC. Beneficial Owners will not be entitled to receive delivery of bonds representing their ownership interest in the 2019 Bonds. See “THE 2019 BONDS.”

The 2019 Bonds are subject to optional redemption and extraordinary redemption prior to maturity as described herein. See “THE 2019 BONDS – Redemption.”

Security for the 2019 Bonds and Parity Debt

The 2019 Bonds are secured by a first pledge of and are payable from Net Revenues (as defined herein) on a parity with the District’s \$14,355,000 2017 Wastewater Revenue Refunding Bonds, currently outstanding in the aggregate principal amount of \$12,620,000 (the “2017 Bonds”) and the SRF Loan. The 2017 Bonds and the SRF Loan constitute Parity Debt under the Indenture. The SRF Loan will be refunded in full with a portion of the proceeds of the 2019 Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2019 BONDS – Parity Debt – Existing Parity Debt” and “PLAN OF REFUNDING.”

No Reserve Fund

The District has not funded a debt service reserve fund for the 2017 Bonds and will not fund a debt service reserve fund for the 2019 Bonds.

Special Obligations

The 2019 Bonds are special obligations of the District, payable exclusively from Net Revenues (defined herein) of the Wastewater System (defined herein) of the District and from amounts on deposit in certain funds and accounts established under the Indenture. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2019 BONDS.” The 2019 Bonds are not a debt, liability or obligation of the State or any of its political subdivisions other than the District.

Further Information

The summaries and references of the Indenture and other documents, statutes, reports and other instruments referred to herein do not purport to be complete, comprehensive or definitive, and each such summary and reference is qualified in its entirety by reference to the Indenture and each document, statute, report or instrument. See APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE” for summaries of certain of such definitions.

THE 2019 BONDS

General

The 2019 Bonds will be dated their date of issuance and delivery, will bear interest at the rates per annum set forth on the inside cover page hereof payable on each Interest Payment Date and will mature on the dates and in the amounts set forth on the inside cover page hereof. The 2019 Bonds will be issued in denominations of \$5,000 or any integral multiple thereof, so long as no 2019 Bond may have more than one maturity date. The 2019 Bonds will be issued only as one fully registered 2019 Bond for each maturity, in the name of Cede & Co., as nominee for DTC, as registered owner of all 2019 Bonds. See APPENDIX D – “BOOK ENTRY SYSTEM.” Ownership may be changed only upon the registration books maintained by the Trustee as provided in the Indenture.

Interest on the 2019 Bonds is payable from the Interest Payment Date next preceding the date of authentication thereof unless:

- (a) a 2019 Bond is authenticated between an Interest Payment Date and the 15th calendar day of the month immediately preceding such Interest Payment Date (each, a “Record Date”), in which event it will bear interest from such Interest Payment Date,
- (b) a 2019 Bond is authenticated on or before the first Record Date, in which event interest thereon will be payable from the date of original delivery of the 2019 Bonds, or
- (c) interest on any 2019 Bond is in default as of the date of authentication thereof, in which event interest thereon will be payable from the date to which interest has been paid in full, payable on each Interest Payment Date.

Interest on the 2019 Bonds (including the final interest payment upon maturity or redemption) is payable when due by check or draft of the Trustee mailed to the Owner thereof at such Owner’s address as it appears on the Registration Books at the close of business on the preceding Record Date; provided, that at the written request of the Owner of at least \$1,000,000 aggregate principal amount of 2019 Bonds, which written request is on file with the Trustee as of any Record Date, interest on such 2019 Bonds will be paid on the succeeding Interest Payment Date to such account in the United States as specified in such written request.

Redemption

Extraordinary Redemption from Net Proceeds of Insurance or Condemnation. The 2019 Bonds shall be subject to extraordinary redemption prior to their respective stated maturities, as a whole or in part on any date, as determined by the District, 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 of the 2019 Bonds to be redeemed, without premium, plus accrued interest thereon to the date fixed for redemption.

Optional Redemption. The 2019 Bonds are subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of available funds, in whole or in part, on any date on or after February 1, 2030, at a redemption price equal to the principal amount to be redeemed, plus accrued interest to the date fixed for redemption, without premium.

Notice of Redemption. Unless waived by any Owner of 2019 Bonds to be redeemed, notice of any redemption of 2019 Bonds will be given, at the expense of the District, by the Trustee, by mailing a copy of a redemption notice by first class mail at least 20 days and not more than 60 days prior to the date fixed for redemption to the Owner of the 2019 Bond or 2019 Bonds to be redeemed at the address shown on the Bond Registration Books; provided, that neither the failure to receive such notice nor any immaterial defect in any notice shall affect the sufficiency of the proceedings for the redemption of the 2019 Bonds.

All notices of redemption will be dated and will state: (i) the redemption date, (ii) the redemption price of the 2019 Bonds being redeemed (the "Redemption Price"), (iii) if fewer than all Outstanding 2019 Bonds are to be redeemed, including (A) the CUSIP numbers of all 2019 Bonds being redeemed; (B) the stated interest rate with respect to each 2019 Bond being redeemed; (C) the maturity date of each 2019 Bond being redeemed; and (D) any other descriptive information needed to identify accurately the 2019 Bonds being redeemed, (iv) that on the redemption date the Redemption Price will become due and payable with respect to each such 2019 Bond or portion thereof called for redemption, and that interest with respect thereto shall cease to accrue from and after said date, and (v) the place or places where such 2019 Bonds are to be surrendered for payment of the Redemption Price, which places of payment may include the Office of the Trustee.

Rescission of Notice of Redemption. The District has the right to rescind any notice of the redemption of 2019 Bonds by written notice to the Trustee on or prior to the date fixed for redemption. Any notice of redemption will be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the 2019 Bonds then called for redemption, and such cancellation will not constitute an Event of Default under the Indenture. The District and the Trustee have no liability to the 2019 Bond Owners or any other party related to or arising from such rescission of notice of redemption. The Trustee will mail notice of such rescission of notice of redemption in the same manner as the original notice of redemption was sent.

Consequences of Notice. Notice of redemption having been given as required by the Indenture, the 2019 Bonds or portions of 2019 Bonds so to be redeemed will, on the redemption date, become due and payable at the Redemption Price, and from and after such date (unless the District defaults in the payment of the Redemption Price) such 2019 Bonds or portions of 2019 Bonds will cease to have interest accrue thereon. Upon surrender of 2019 Bonds for redemption

in accordance with a redemption notice, the 2019 Bonds will be paid by the Trustee at the Redemption Price. Installments of interest due on or prior to the redemption date will be payable as provided in the Indenture. Upon surrender for any partial redemption of any 2019 Bond, there will be prepared for the Owner a new 2019 Bond or 2019 Bonds of the same maturity in the amount of the unredeemed principal. All 2019 Bonds which have been redeemed will be cancelled and destroyed by the Trustee and will not be redelivered.

Partial Redemption of 2019 Bonds. In the event only a portion of any 2019 Bond is called for redemption, then upon surrender of such 2019 Bond redeemed in part only, the District will execute and the Trustee will authenticate and deliver to the Owner, at the expense of the District, a new 2019 Bond or 2019 Bonds, of the same series and maturity, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the 2019 Bond or 2019 Bonds.

Manner of Redemption. Whenever any 2019 Bonds are to be selected for redemption, the Trustee will determine, by lot, the numbers of the 2019 Bonds to be redeemed, and will notify the District of its determination.

DEBT SERVICE REQUIREMENTS

The amounts required to be set aside each fiscal year ending June 30 for principal of and interest on the 2017 Bonds and the 2019 Bonds. The table below assumes a full refunding of the parity SRF Loan. See “PLAN OF REFUNDING.”

Fiscal Year Ending June 30	2017 Bonds			2019 Bonds			Grand Total
	Principal	Interest	Total	Principal	Interest	Total	
2020	\$820,000	\$631,000	\$1,451,000				
2021	850,000	590,000	1,440,000				
2022	890,000	547,500	1,437,500				
2023	920,000	503,000	1,423,000				
2024	965,000	457,000	1,422,000				
2025	1,010,000	408,750	1,418,750				
2026	1,060,000	358,250	1,418,250				
2027	1,110,000	305,250	1,415,250				
2028	1,160,000	249,750	1,409,750				
2029	1,220,000	191,750	1,411,750				
2030	1,275,000	130,750	1,405,750				
2031	1,340,000	67,000	1,407,000				
Total	12,620,000	4,440,000	17,060,000				

ESTIMATED SOURCES AND USES OF FUNDS

The following sets forth the estimated sources and uses of funds related to the 2019 Bonds.

Sources of Funds:

Principal Amount	\$
[Net] Premium	
Transfer from SRF Loan Debt Service Fund	
Total Sources of Funds	\$

Uses of Funds:

Transfer to State Water Resources Control Board	\$
Costs of Issuance ⁽¹⁾	
Total Uses of Funds	\$

⁽¹⁾ Includes fees and expenses of Bond Counsel, Disclosure Counsel, the Rating Agency, the Municipal Advisor and the Trustee, Underwriter’s discount, printing costs, and other miscellaneous fees and expenses.

PLAN OF REFUNDING

The proceeds of the 2019 Bonds, together with other available amounts, will be used to (i) refund all of the SRF Loan, currently outstanding in the principal amount of \$55,511,638, and (ii) pay the costs of issuing the 2019 Bonds. The SRF Loan was made pursuant to Interagency Sales Agreement (Installment Sale Agreement No. C-06-4903-110; Agreement No. 07-824-550-0) between the District and the State Water Resources Control Board. On _____, 2019, the District intends to refund in full the SRF Loan with a portion of the proceeds of the 2019 Bonds and other available amounts. See “ESTIMATED SOURCES AND USES OF FUNDS.”

SECURITY AND SOURCES OF PAYMENT FOR THE 2019 BONDS

Pledge of Net Revenues

The 2019 Bonds, the 2017 Bonds, the SRF Loan and any Parity Debt are secured by a first pledge and lien on Net Revenues. “**Net Revenues**” means, for any Fiscal Year, an amount equal to all of the Revenues for such Fiscal Year, less the Operations and Maintenance Costs for such Fiscal Year. In addition, the 2019 Bonds are secured by a pledge of all of the moneys in the Debt Service Fund, including all amounts derived from the investment of such moneys. So long as any of the 2019 Bonds are Outstanding, the Net Revenues and such moneys may not be used for any other purpose, except that out of the Net Revenues there may be apportioned such sums, for such purposes, as are expressly permitted by the Indenture.

The District receives a portion of the County-wide one percent property tax, which is included as Revenues. See “FINANCIAL MATTERS OF THE DISTRICT - Historical Property Tax Levy and Collection and Teeter Plan.”

“Revenues” means, for each Fiscal Year, all gross income and revenue received or receivable by the District from the ownership or operation of the Wastewater System, determined in accordance with generally accepted accounting principles, including all rates, fees and charges (including connection fees and charges) as received by the District for the services of the Wastewater System, and all other income and revenue howsoever derived by the District from the ownership or operation of the Wastewater System or arising from the Wastewater System, and also including all income from the deposit or investment of any money in the Wastewater Fund or any rate stabilization fund, and any refundable deposits made to establish credit, and advances or contributions in aid of construction.

The term “Revenues” does not include (i) customers’ deposits or any other deposits subject to refund until such deposits have become the property of the District, (ii) the proceeds of any *ad valorem* property taxes levied to pay general obligation bond indebtedness of the District with respect to the Wastewater System, (iii) special assessments or special taxes levied for the purpose of paying special assessment bonds or special tax obligations of the District relating to the Wastewater System, and (iv) amounts in the Rate Stabilization Fund unless and until such amounts are deposited to the Wastewater Fund.

“Wastewater System” means all wastewater collection, transport, treatment, storage and disposal facilities, including land and easements thereof, owned by the District, and all other properties, structures or works hereafter acquired and constructed by the District and determined to be a part of the Wastewater System, together with all additions, betterments, extensions or improvements to such facilities, properties, structures or works or any part thereof hereafter acquired and constructed.

“Operation and Maintenance Costs” means the reasonable and necessary costs paid or incurred by the District for maintaining and operating the Wastewater System, determined in accordance with generally accepted accounting principles, including all reasonable expenses of management and repair and all other expenses necessary to maintain and preserve the Wastewater System in good repair and working order, and including all reasonable and necessary administrative costs of the District that are charged directly or apportioned to the operation of the Wastewater System, such as salaries and wages of employees, overhead, taxes (if any), the cost of permits, licenses and charges to operate the Wastewater System and insurance premiums; but excluding, in all cases, depreciation, replacement and obsolescence charges or reserves therefor and amortization of intangibles.

Special Obligation

The 2019 Bonds and Parity Debt are special obligations of the District and are payable exclusively from Net Revenues and from amounts on deposit in certain funds and accounts established under the Indenture. The 2019 Bonds are not a debt, liability or obligation of the State of California or any of its political subdivisions other than the District.

No Reserve Fund

The District has not funded a debt service reserve fund for the 2017 Bonds and will not fund a debt service reserve fund for the 2019 Bonds.

Wastewater Fund; Flow of Funds under Indenture

General. The District reports its activities as an enterprise fund (“Wastewater Fund”), which it will continue to hold and maintain for the purposes and uses set forth in the Indenture. The District will deposit all Revenues in the Wastewater Fund promptly upon receipt, and will apply amounts in the Wastewater Fund solely for the uses and purposes set forth in the Indenture and for the uses and purposes set forth in any agreement, indenture of trust, resolution or other instrument authorizing the issuance of Parity Debt (each a “Parity Debt Document”). In addition to transfers which are required to be made for repayment of any Parity Debt, the District will withdraw amounts on deposit in the Wastewater Fund and apply such amounts at the times and for the purposes, and in the priority, as follows:

(i) Operation and Maintenance Costs. The District will apply amounts on deposit in the Wastewater Fund to pay all Operation and Maintenance Costs when due.

(ii) Debt Service Fund. On or before the 3rd Business Day preceding each Interest Payment Date, so long as any 2019 Bonds remain outstanding, the District will withdraw from the Wastewater Fund and pay to the Trustee for deposit into the Debt Service Fund (which the Trustee will establish and hold in trust pursuant to the Indenture) an amount which, together with other available amounts then on deposit in the Debt Service Fund, is at least equal to the aggregate amount of principal of and interest coming due and payable on the 2019 Bonds on such Interest Payment Date.

The Trustee will apply amounts in the Debt Service Fund solely for the purpose of (A) paying interest on the 2019 Bonds when due and payable (including accrued interest on any 2019 Bonds purchased or redeemed under the Indenture), and (B) paying the principal of the 2019 Bonds at the maturity thereof. Upon the payment of all 2019 Bonds, the Trustee will transfer any moneys remaining in the Debt Service Fund to the District for deposit into the Wastewater Fund.

Other Uses of Wastewater Fund. The District will manage, conserve and apply moneys in the Wastewater Fund in such a manner that all deposits required to be made under the Indenture, and under any Parity Debt Document, will be made at the times and in the amounts so required.

So long as no Event of Default has occurred and is continuing under the Indenture, the District may at any time use and apply moneys in the Wastewater Fund for any one or more of the following purposes:

- (i) the payment of any subordinate obligations or any unsecured obligations;
- (ii) the acquisition and construction of extensions and improvements to the Wastewater System;
- (iii) the payment or retirement of any of the 2019 Bonds or any other obligations of the District relating to the Wastewater System; or
- (iv) any other lawful purpose of the District relating to the Wastewater System.

Rate Stabilization Fund

The District has previously established the Rate Stabilization Fund, which it will continue to hold and maintain for the purpose of stabilizing the rates and charges imposed by the District with respect to the Wastewater System. The target amount for the Rate Stabilization Fund is \$1,500,000 as of July 1, 2013, adjusted annually based on the ENR Construction Cost Index for the San Francisco Bay Area. As of June 30, 2019, the Rate Stabilization Fund had an estimated balance of \$1,738,912. Pursuant to the District's reserve policy, expenditures from the Rate Stabilization Fund must be approved by the Board of Directors except that the General Manager-Chief Engineer may authorize expenditures from the Fund in the event of an emergency that threatens public health or environmental quality, provided however that the General Manager-Chief Engineer must then convene a noticed meeting of the Board of Directors as soon as it is feasible to obtain a quorum. In the event of a drawdown, the Rate Stabilization Fund must be replenished within four years.

From time to time the District may deposit amounts in the Rate Stabilization Fund, from any source of legally available funds, including but not limited to Net Revenues which are released from the pledge and lien which secures the Bonds and any Parity Debt, as the District may determine. The District may, but is not required to, withdraw from any amounts on deposit in the Rate Stabilization Fund and deposit such amounts in the Wastewater Fund in any Fiscal Year for the purpose of paying Debt Service coming due and payable in such Fiscal Year. Amounts so transferred from the Rate Stabilization Fund to the Wastewater Fund shall constitute Revenues for such Fiscal Year (except as otherwise provided in the Indenture), and shall be applied for the purposes of the Wastewater Fund. Amounts on deposit in the Rate Stabilization Fund will not be pledged to or otherwise secure the Bonds or any Parity Debt. The District has the right at any time to withdraw any or all amounts on deposit in the Rate Stabilization Fund and apply such amounts for any lawful purposes of the District relating to the Wastewater System.

Rate Covenants; Collection of Rates and Charges

In the Indenture, the District covenants to fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Wastewater System during each Fiscal Year which are at least sufficient, after making allowances for contingencies and error in the estimates, to yield Revenues sufficient to pay the following amounts in the following order of priority:

- (a) All Operation and Maintenance Costs estimated by the District to become due and payable in such Fiscal Year;
- (b) The principal of and interest on the 2019 Bonds, the 2017 Bonds and any other Parity Debt as they become due and payable during such Fiscal Year, without preference or priority, except to the extent such interest is payable from proceeds of Parity Debt deposited for such purpose; and
- (c) All payments required to meet any other obligations of the District which are charges, liens, encumbrances upon, or which are otherwise payable from, the Revenues or the Net Revenues during such Fiscal Year.

In addition, the District is required to fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Wastewater System during each Fiscal Year which are sufficient to yield Net Revenues which are at least equal to 120% of the amount described in the preceding clause (b) for such Fiscal Year. For purposes of this covenant, the amount of Net Revenues for a Fiscal Year will be computed on the basis that (a) any transfers from the Rate Stabilization Fund into the Wastewater Fund in such Fiscal Year are included in the calculation of Net Revenues, (b) any transfers from the Wastewater Fund into the Rate Stabilization Fund in such Fiscal Year are deducted from the amount of Net Revenues to the extent such deposits are made from Revenues received by the District during that Fiscal Year and (c) Revenues will not include connection fees or interest income expected to be received in such Fiscal Year.

Insurance; Net Proceeds

The District will at all times maintain with responsible insurers all such insurance on the Wastewater System as is customarily maintained with respect to works and properties of like character against accident to, loss of or damage to the Wastewater System. All amounts collected from insurance against accident to or destruction of any portion of the Wastewater System constitute Revenues and must be used to repair or rebuild such damaged or destroyed portion of the Wastewater System, and to the extent not so applied, will be applied on a *pro rata* basis to redeem the 2019 Bonds and any Parity Debt in accordance with the Indenture and the related Parity Debt Documents. The District will also maintain, with responsible insurers, worker's compensation insurance and insurance against public liability and property damage to the extent reasonably necessary to protect the District, the Trustee and the Owners of the 2019 Bonds and outstanding Parity Debt.

No Senior Obligations

The District may not issue or incur any additional bonds or other obligations having any priority over the 2019 Bonds in the payment of principal or interest out of the Net Revenues.

Parity Debt

Existing Parity Debt. The Bonds are secured by a first pledge of and are payable from Net Revenues on a parity with the 2017 Bonds and the District's obligations under the SRF Loan. The District expects to refund in full its obligations under the SRF Loan with a portion of the proceeds of the 2019 Bonds and other available amounts. See "PLAN OF REFUNDING."

The District has no outstanding debt that is secured by a lien that is senior to the lien on Net Revenues.

Additional Parity Debt. The District may issue any bonds, notes or other obligations ("Parity Debt") payable from Net Revenues on a parity with the 2019 Bonds and the 2017 Bonds; provided, that certain conditions are satisfied, including the following:

(a) No Event of Default (or no event with respect to which notice has been given and which, once all grace periods have passed, would constitute an Event of Default) has occurred and is continuing; and

(b) The amount of Net Revenues for the most recent completed Fiscal Year for which audited financial statements of the District are available or for any more recent consecutive 12-month period selected by the District, in either case verified by an Independent Accountant or a Financial Consultant, plus, at the option of the District, any Additional Revenues (as defined below), are at least equal to 125% of the maximum amount of Debt Service coming due and payable in the current or any future Fiscal Year with respect to (i) the Bonds and all Parity Debt then outstanding and (ii) the Parity Debt then proposed to be issued.

For purposes of calculating Net Revenues to demonstrate compliance with paragraph (b) above, Revenues does not include connection fees, transfers from the Rate Stabilization Fund, or interest income on the Wastewater Fund received during the period for which calculations of Net Revenues are made.

“Additional Revenues” is defined in the Indenture to mean, with respect to the issuance of any Parity Debt, any or all of the following amounts:

(i) An allowance for Net Revenues from any additions or improvements to or extensions of the Wastewater System to be made from the proceeds of such Parity Debt in an amount equal to the estimated additional average annual Net Revenues to be derived from such additions, improvements and extensions for the first 36-month period in which each addition, improvement or extension is respectively to be in operation, all as shown by the certificate or opinion of a Financial Consultant.

(ii) An allowance for Net Revenues arising from any increase in the charges made for service from the Wastewater System which has been duly approved by the Board of Directors of the District prior to the incurring of such Parity Debt, but which, during all or any part of the most recent completed Fiscal Year for which audited financial statements of the District are available, or for any more recent consecutive 12-month period selected by the District, was not in effect, in an amount equal to the total amount by which the Net Revenues would have been increased if such increase in charges had been in effect during the whole of such Fiscal Year or 12-month period, all as shown by the certificate or opinion of a Financial Consultant.

Parity State Loans

The District may borrow money from the State and incur State Loans, in addition to the SRF Loan, to finance additional improvements to the Wastewater System. “State Loans” means loans secured by a pledge of Net Revenues of the Wastewater System and incurred by the District to finance improvements to the Wastewater System. A State Loan may be treated as a Parity Debt for purposes of the Indenture, so long as the District complies with the above-listed requirements for issuing Parity Debt.

Subordinate Obligations

Nothing in the Indenture limits or affects the ability of the District to issue or incur obligations which are either unsecured or which are secured by an interest in the Net Revenues which is junior and subordinate to the pledge of and lien upon the Net Revenues established under the Indenture.

THE DISTRICT

General

The District is a sanitary district created and existing under the Sanitary District Act of 1923 (California Health & Safety Code Section 6400 *et seq.*) to provide for the collection, treatment, reclamation, and disposal of sewage within its service area. The District was chartered on October 5, 1925. The District serves a population of about 60,000 residents in an approximately 34-square mile service area that encompasses the City of Novato and certain surrounding unincorporated areas of Marin County.

The District is also responsible for refuse disposal, recycling, and green-waste collection through its franchise collection entity, Novato Disposal Service, Inc. (“Novato Disposal”). [The District is currently considering an assignment of the franchise contract from Novato Disposal to another entity, Recology Sonoma Marin, whereupon the term of the contract will run for seven years from the date of any such assignment.] This assignment was made in December 2017, and the contract expiration date remains December 31, 2025.

The District, in conjunction with the North Marin Water District, also has a recycled water program whereby a portion of the District’s secondary effluent receives an additional high level of treatment to meet California Title 22 recycled water standards for golf course, cemetery and landscape irrigation.

The District’s service area continues to exhibit low-to-moderate growth, primarily from medium-to-high density residential and light commercial development. One project currently under construction is a 48-unit multifamily residential development. Other projects are in the planning stages, including a new hotel with over 100 service units, and possibly three multi-family residential developments, with potentially 100-150 additional service units. The District cannot predict whether any particular project will be completed.

The following map shows the service area of the District.

[insert map of service area]

Board of Directors

The District is governed by a five-member board of directors, currently elected at-large to staggered individual four-year terms. In June 2019, the District transitioned to an electoral district based election system, to comply with the California Voting Rights Act. Under the electoral district system, there are five electoral “divisions,” with each division represented by a Board member elected from that division. The next election by division will be in 2020, and Board member terms will continue to remain staggered four year terms.

The current Directors and the expiration of their respective terms are set forth in the following table.

<u>Board Members</u>	<u>Expiration of Term</u>
Carole Dillon-Knutson, <i>President</i>	2022
William C. Long, <i>President Pro-Tem</i>	2022
A. Gerald Peters, <i>Director</i>	2020
Jean Mariani, <i>Director</i>	2020
(Vacant), <i>Director</i>	2022

Carole Dillon-Knutson, President. Ms. Dillon-Knutson is a retired business manager of a geotechnical consulting firm and the former Mayor of the City of Novato. She has served on the Marin Community College District Board of Trustees, the Sonoma Marin Area Rail Transit (SMART) Executive Board, the Transportation Authority of Marin (TAM) Executive Board and the Association of Bay Area Governments (ABAG) Executive Board.

William C. Long, President Pro-Tem. Mr. Long is retired from Chevron where he worked in technical and marketing management for 32 years, and as a consultant and expert witness to industry for ten years. Mr. Long has served as Chair for the Bay Area Ridge Trail Council and the Marin Open Space Trust (MOST), and served on the Board of Directors for the North Bay Water Reuse Authority (NBWRA). He holds Bachelors and Masters degrees in Chemical Engineering from the Massachusetts Institute of Technology.

A. Gerald Peters, Director. Mr. Peters is retired from the airline industry, where he worked for 26 years as a supervisor, manager and executive. He also worked in property and facilities management for 20 years. Mr. Peters is past president and long-time board member of the Novato Chamber of Commerce. He holds a Bachelor’s degree in business and an MBA from San Francisco State University.

Jean Mariani, Director. Ms. Mariani is retired from the City and County of San Francisco, where she worked in various budget and finance positions. She also served as the Director of the Office of Management and Budget for the East Bay Municipal Utility District and as project manager for the Sonoma County Water Agency. She holds a Bachelor of Science in Economics from Santa Clara University.

Management and District Staff

Sandeep Karkal, P.E., M. ASCE, General Manager – Chief Engineer/Secretary. The General Manager-Chief Engineer is responsible for carrying out the policies and ordinances of the District Board and for overseeing the day-to-day operations of the District. Mr. Karkal joined

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the District in October 2004 as its Deputy Manager-Engineer. He has over 30 years of experience in the water/wastewater industry in both the public and private sectors. Prior to joining the District, Mr. Karkal worked for another sanitation district, where he managed its engineering and construction division and \$35 million capital improvement program. His private sector experience includes over 12 years with two large consulting environmental engineering and operations management firms. Mr. Karkal has Bachelors and Masters degrees in Civil/Environmental Engineering from the University of Bombay, India, and California State University, Sacramento, respectively. He is a registered Civil Engineer in California and Arizona and holds high-grade operator certifications in water or wastewater plant operations in both states. Mr. Karkal is also actively involved in several key industry organizations, including the California Association of Sanitation Agencies (CASA), the California Sanitation Risk Management Authority (CSRMA), and the California Water Environment Association (CWEA). He is currently a Board member as well as an Executive Board member for the CSRMA, He is a former Executive Board member and Secretary/Treasurer of the CWEA and a former President of its San Francisco Bay section.

Laura Creamer, CPA – Finance Officer. Ms. Creamer joined the District in 2006, after initially working with the District as a consultant. She has been in the accounting and finance field for more than 20 years and has substantial experience as a special district finance officer. Ms. Creamer graduated from California State University, Sacramento, in 1994 with a Bachelors degree in Business, with a concentration in Accounting. She has been a certified public accountant since 1997 and a notary since 2008. Ms. Creamer is a member of the California Society of Municipal Finance Officers (CSMFO) and the Government Finance Officers Association (GFOA).

Employees and Labor Arrangement

The District currently has 18 full-time employees, 11 of whom are members of Teamsters Local 315, that has a Memorandum of Understanding with the District that expires on June 30, 2023. The District has not experienced any work stoppages or delays by its employees within the past five years.

THE WASTEWATER SYSTEM

The District owns the public wastewater system within its service area including the wastewater collection system, the wastewater treatment plant, the reclamation facility and the recycled water treatment facility described below. The District is charged with operating the Wastewater System in compliance with the terms of its National Pollutant Discharge Elimination System (“NPDES”) Permit No. CA0037958 and with various other regulatory and statutory requirements.

In July 2017, National Association of Clean Water Agencies (“NACWA”) awarded the Novato Wastewater Treatment Plant its Platinum5 Peak Performance Award, which is given to wastewater treatment facilities that have perfect permit performance records for five consecutive years. NACWA's Peak Performance Awards program recognizes NACWA-member agency facilities for excellence in wastewater treatment as measured by their compliance with their NPDES permits. Each year about 125 to 150 treatment facilities earn this honor out of more than 16,000 publicly owned wastewater treatment plants operating in the United States. The District

has subsequently received this award in 2018 (Platinum6) and 2019 (Platinum7) in recognition of its continuing perfect permit compliance record.

Collection System

The District's wastewater collection system collects and transports wastewater flows to the Treatment Plant through a series of gravity sewers and interceptors, pump stations, and force mains. The collection system includes approximately 225 miles of public gravity sewers ranging from 4-inch to 54-inch diameter, about 25 miles of force mains, and 40 pump stations. The pump stations vary in capacity from roughly 50 gallons per minute ("gpm") to about 5 million gallons per day ("MGD"), and individual pumps range from 3 horsepower ("hp") to 90 hp. The District does not own or operate sewer laterals (the pipe connecting a residence or commercial property to the public sewer). All sewer laterals are private property, and the property owners are responsible for the proper construction, operation and maintenance of their private sewer laterals.

The District anticipates that a Collection System Master Plan will be completed in fiscal year 2019-20 to programmatically plan the repair and/or replacement of aging sewer lines and pump stations. The resulting program is intended to meet the District's needs over the next 25 to 50 years. The District has upgraded its Treatment Plant (described below) and continues to upgrade its collection system to manage high inflows of storm-water into damaged or aging public sewers or private sewer laterals. Upgraded public sewers, together with the upgraded Treatment Plant are expected to accommodate inflows until at least about 2025.

Wastewater Treatment Plant

General. The Treatment Plant provides wastewater service to sewer areas within the District. The Treatment Plant was upgraded and placed in service in October 2010 and replaced two aging treatment facilities that were originally built in the 1940s and 1950s. The upgraded plant combines the capacity to meet future needs of the District with a reduced carbon footprint and lower greenhouse gas generation through greater energy efficiency. The total cost of the Treatment Plant was approximately \$90 million for design, engineering, environmental, construction and other costs. Proceeds from the SRF Loan were used to add efficient treatment processes and backup facilities in case of equipment failure or emergencies to the Treatment Plant. The SRF Loan will be refinanced in full with a portion of the proceeds of the 2019 Bonds. See "PLAN OF REFUNDING."

Management Contract. Since 2010, Veolia Water West Operating Services, Inc. ("Veolia Water") has managed the operation and maintenance of the Treatment Plant pursuant to an agreement with the District. The parent company of Veolia Water, Veolia North America, operates and maintains over 200 treatment plants, over 5,000 miles of wastewater collection lines and 1,150 wastewater and storm-water pump stations across the country. The company's expertise covers the wastewater collection process, from planning, design and construction to long-term operations, maintenance and management of collection networks.

Under an Amended and Restated Contract Service Agreement for Operation, Maintenance and Management of Wastewater Treatment Facilities, dated February 18, 2014 (the "Veolia Agreement"), between the District and Veolia Water, the District owns the facilities, sets rates, and make all policy decisions, while Veolia Water is responsible for the day-to-day operations and maintenance of the Treatment Plant. In addition, Veolia Water is responsible for certain other aspects of the Wastewater System, such as the Ignacio Transfer Pump Station and

operation of its flow equalization basins, and the Decant pump station at the Wastewater Reclamation Facility (described below) and the biosolids storage facilities. Operation of all other pump stations are the responsibility of the District. Veolia Water prepares and submits monthly and annual operations and maintenance reports for the District and to all applicable permitting and regulatory agencies. The Veolia Agreement was further amended by Addendum No. 1, dated January 12, 2015, to include the certified environmental laboratory and the industrial pretreatment program. This contractual arrangement continues to work well operationally for the District while providing high predictability to its cost structure.

The Veolia Agreement expires on June 30, 2021, unless extended by the parties. The District may terminate the Veolia Agreement at any time in the event of certain uncontrollable circumstances or if there is a strike or slowdown, walkout or secondary boycott. The District may terminate the Veolia Agreement at the District's sole discretion without cause upon 180 days' prior written notice to Veolia Water. Subject to certain cure periods, Veolia Water may terminate the Veolia Agreement upon an event of default of the District for bankruptcy, non-payment or failure or refusal to perform under the agreement.

Process Description. Wastewater is collected throughout the service area and conveyed by gravity as well as mechanical means (pump stations) to the Treatment Plant. When wastewater arrives at the Treatment Plant it is pumped from the Influent Pump Station to the Headworks. The Headworks provides screening of coarse materials and removal of grit which consists of heavy matter such as sand, silt, and gravel.

After the Headworks screening and grit removal, primary clarifiers typically remove approximately 60 – 70% of the solids from raw wastewater. Clarifiers are large tanks that slow the flow of water and allow the force of gravity to remove solids. Heavier solids referred to as “sludge” settle to the bottom. Lighter material such as fat, oil, grease and plastic referred to as “scum” rise to the surface. Both sludge and scum are removed from the waste stream and pumped to a digester for additional treatment.

Secondary treatment of all wastewater is achieved with large rectangular tanks with baffle walls, mechanical mixers, air diffusers, and recirculation pumps that make up the aeration basins. Four aeration basins, each with a capacity of more than 850,000 gallons provides full secondary treatment under all flow conditions. The Treatment Plant is unique in that unlike most other wastewater treatment plants it has been designed to eliminate the risk of potential permit violations from wet weather blending events. The aeration basins are well mixed and as a result, a continuous stream of water and solids leaves the aeration basins. Solids are captured in the secondary clarifiers and a majority portion is returned to the head end of the aeration basins to maintain the proper biomass concentration for treatment. The water (treated effluent) is disinfected by ultra violet light which disrupts the DNA of pathogens and other life forms leaving them incapable of reproduction.

Effluent Disposal. Treated effluent is discharged to San Pablo Bay, recycled at the Recycled Water Facility (RWF – see below) at the Treatment Plant site, or transmitted to the District's Reclamation Facility (see below). Discharge to San Pablo Bay is prohibited from June 1st through August 31st. Bay Discharge is permitted (with stringent effluent discharge limits) in the months of May, September and October. Throughout the non-Bay discharge season, effluent is either recycled for a higher use such as irrigation of parks, landscaping, and golf courses, or transmitted and stored at the Reclamation Facility for pasture irrigation.

Rated Capacities. The Treatment Plant is currently permitted for an average dry weather flow of 7.0 MGD, with a maximum peak wet weather flow of 47 MGD. The following table sets forth the historical average daily wastewater flow to the Treatment Plant for the past five calendar years.

Table 1
Novato Sanitary District Wastewater System
Historical Average Daily Flow

12-Month Period Ending December 31	Total Volume Processed (million gal)	Average Dry Weather Flow (MGD)	Peak Wet Weather Flow (MGD)⁽¹⁾
2014	1,655	3.37	28.04
2015	1,397	3.25	14.22
2016	1,726	3.46	16.51
2017	2,064	3.67	28.43
2018	1,569	3.44	14.59

Source: Novato Sanitary District.

⁽¹⁾ Calendar year basis.

Reclamation Facility

The District has a Wastewater Reclamation Facility consisting of some 820 acres of pastures in three separate sites adjacent to Highway 37. This acreage is irrigated with recycled water during the summer months for grazing cattle during 5 to 6 months of the year. Another unique feature of the reclamation facility is a ten (10)-acre wildlife pond utilizing recycled water. The pond supports a variety of freshwater aquatic life and grasses, and is a preserve for birds and other forms of wildlife. A third feature of the reclamation facility is the six (6) acres of treated biosolids storage ponds (including the biosolids Decant Pump Station), and a separate fifteen (15) acre area that serves as a dedicated land disposal site (“DLD”) for processed biosolids.

Recycled Water Facility

The District completed construction of the Recycled Water Facility (“RWF”) in September 2012. The RWF is located on the site of the Treatment Plant, and the project is part of a regional recycled water program - North Bay Water Reuse Authority (“NBWRA”). Twenty-five percent of the cost was paid from a grant from the U.S. Bureau of Reclamation and five percent was paid from a grant from the California Department of Water Resources. The recycled water is distributed by North Marin Water District (“NMWD”) to irrigate a golf course, cemetery and landscaping, in NMWD’s Novato North and Novato East Service Areas. The Facility became operational in September 2012, and was expanded in fiscal year 2018-19 to serve NMWD’s Novato Central Service Area, at a cost of approximately \$3 million. The expansion project was executed smoothly with minimal permitting issues and construction change orders, and began delivering recycled water to NMWD in the 2018 irrigation season.

Anticipated Capital Improvements

Table 2 below presents the District’s anticipated capital improvements budget for the fiscal years shown. The District cannot provide any assurance that any specific improvements will be completed or completed on the anticipated schedule, or that the expenditures shown below will be made. At this time, the District does not expect to incur any additional bonded indebtedness to finance these anticipated capital improvements.

Table 2
Novato Sanitary District Wastewater System
Anticipated Capital Improvements Fiscal Years Ended June 30

Project Name	Adopted FY 2018-19	Preliminary FY 2019-20	Proposed FY 2019-20	Preliminary FY 2020-21	Preliminary FY 2021-22	Preliminary FY 2022-23	Preliminary FY 2023-24
Pump Station Rehabilitation	\$50,000	\$250,000	\$50,000	\$250,000	\$1,100,000	\$900,000	\$1,200,000
North Bay Water Reuse Authority (NBWRA)	80,000	10,000	25,000	25,000	25,000	25,000	25,000
Collection System Improvements	2,450,000	2,200,000	2,200,000	1,900,000	2,500,000	2,800,000	2,700,000
Lateral Replacement Program	80,000	100,000	60,000	60,000	70,000	70,000	80,000
Hamilton Wetlands/Outfall Integration	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Cogeneration/Alt. Energy	350,000	700,000	400,000	550,000	250,000	25,000	25,000
Annual Sewer Adj. for City Proj	25,000	25,000	25,000	30,000	30,000	30,000	30,000
Annual Collection Sys Repairs	225,000	225,000	100,000	110,000	110,000	120,000	120,000
Annual Reclamation Fac Improvements	175,000	140,000	600,000	830,000	140,000	150,000	150,000
Annual Treatment Plant Improvements	300,000	100,000	300,000	100,000	125,000	150,000	150,000
Annual Pump Station Improvements	140,000	100,000	175,000	175,000	175,000	200,000	200,000
Annual Ignacio Facility Improvements	50,000	50,000	50,000	75,000	75,000	75,000	75,000
Strategic Plan Review/Update	20,000	20,000	20,000	20,000	20,000	20,000	20,000
Novato Creek Watershed	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Admin Building Upgrade/Maint. Building	350,000	20,000	150,000	50,000	50,000	50,000	50,000
Odor Control and NTP Landscaping	100,000	50,000	50,000	52,000	52,000	55,000	55,000
RWF Expansion	2,020,000	10,000	10,000	0	0	0	0
NTP Corrosion Control	233,000	100,000	300,000	100,000	150,000	150,000	150,000
Vehicle Replacement	140,000	500,000	580,000	320,000	150,000	150,000	150,000
Subtotal before Debt Service	\$6,803,000	\$4,615,000	\$5,110,000	\$4,662,000	\$5,037,000	\$4,985,000	\$5,195,000

Source: Novato Sanitary District.

FINANCIAL MATTERS OF THE DISTRICT

Wastewater Rates and Charges

Rate Study and Recommended Rates. In April 2016, Bartle Wells Associates (“Bartle Wells”), an independent utility rate consultant, completed a wastewater rate study for the District. The rate study recommended a series of successive annual sewer rate increases over the five-year period from fiscal 2017 through fiscal 2021, to provide funding for operations and maintenance, debt service expense, pay-as-you-go capital improvements, and to align rates by customer class with the cost of providing services by customer class. The District anticipates that it will commence its next rate study in fiscal year 2020-21 to assure rate predictability and revenue visibility into the following five-year rate cycle.

Approved Multi-Year Rate Increases. On June 13, 2016, the District adopted Ordinance No. 120 increasing sewer service charges in accordance with the recommendations contained in the aforementioned rate study. As such, sewer service charges increase each year on July 1 from 2016 to 2020 by \$21 per year, absent any further action by the Board of Directors of the District, as follows.

Effective July 1,	Annual Service Charge Per EDU	Annual Dollar Increase	Annual Percent Increase
2016	\$573	\$21	3.8%
2017	594	21	3.7
2018	615	21	3.5
2019	636	21	3.4
2020	657	21	3.3

Sewer Service Charges Levied and Collected on Annual Property Tax Bill by County Tax Collector. Approximately 98% of the District’s annual wastewater service charges are levied and collected by the County on annual property tax bills. Property tax bills are mailed in October of each year and are payable in two installments due on December 10 and April 10 of each such year.

Residential Service Charges. Residential customers are charged for sewer service based on water usage during the winter months, as measured in Equivalent Dwelling Units (“EDUs”). An EDU is a standard unit of water demand equal to one single family residence. Charges are tiered based on the amount of water used:

- **High Use Charge.** 200% or more than the average water use are charged for 1.8 EDU
- **Average Use Charge.** Between 26% and 199% of the average use of all customers are charged for one unit of service (1 EDU). This covers the vast majority of all customers. Non-metered residential customers are also charged one service unit (1 EDU)

- *Low Use Charge.* 25% or less than average user are charged for 0.6 units of service (0.6 EDU)

Non-Residential Service Charges. Non-residential customers are charged for sewer service based on three factors:

1. Square Footage of the non-residential space, which reflects its capacity to generate wastewater, called the Flow Factor.
2. Winter Water Use as measured by the water bill, which in turn reflects the amount of wastewater generated.
3. Strength of the Wastewater based on the type of business, which reflects the cost to treat the wastewater. Strength varies among non-residential uses. For example the strength for a restaurant would be much greater than that for an office because of the grease and food waste generated by a restaurant. The greater the strength of wastewater, the greater the cost to treat, and thus the greater the charge. There are different strength factors for a variety of business types.

Equivalent Dwelling Units. The following table sets forth the number of EDUs by Customer Type as of June 30 of each fiscal year.

Table 3
Novato Sanitary District Wastewater System
Number of Equivalent Dwelling Units by Customer Type
As of June 30 of Each Fiscal Year

<u>Fiscal Year</u>	<u>Single-Family Residential</u>	<u>Multi-Family Residential</u>	<u>Non-Residential</u>	<u>Total</u>
2009	17,572	4,970	6,746	29,288
2010	17,569	5,017	6,812	29,397
2011	17,407	5,130	6,577	29,114
2012	17,474	5,183	6,677	29,334
2013	17,706	5,184	6,814	29,704
2014	17,717	5,220	7,102	30,039
2015	17,741	5,234	6,313	29,288
2016	17,542	5,210	7,003	29,756
2017	17,657	5,219	6,384	29,260
2018	17,657	5,219	6,824	29,700

Source: Novato Sanitary District.

Residential Service Charge. The following table sets forth the annual residential service charge per EDU and the percentage change for the fiscal years shown.

Table 4
Novato Sanitary District Wastewater System
Annual Service Charge Per Equivalent Dwelling Unit
Fiscal Years Ended June 30

<u>Fiscal Year</u>	<u>Annual Service Charge Per EDU</u>	<u>Percent Change</u>
2012	\$462	0.0%
2013	493	6.7
2014	512	3.9
2015	531	3.7
2016	552	4.0
2017	573	3.8
2018	594	3.7
2019	615	3.5
2020	636	3.4
2021	657	3.3

Source: Novato Sanitary District.

	<u>EDU Factor</u>
Single-Family Homes	1
Multi-Family Units	1 per living unit
Motor Home / Trailer Park	1 per space
Guest House w/ kitchen and bedroom	1 per living unit
Guest House w/o kitchen	0 per living unit

Non-Residential Service Charge. The following table sets forth the annual non-residential rates for the fiscal years shown.

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**Table 5
Novato Sanitary District Wastewater System
Non-Residential Rates
Fiscal Years Ended June 30**

	2014		2015		2016		2017		2018		2019		2020		2021	
	Charge per Square Foot	Charge per HCF Water Use	Charge per Square Foot	Charge per HCF Water Use	Charge per Square Foot	Charge per HCF Water Use	Charge per Square Foot	Charge per HCF Water Use	Charge per Square Foot	Charge per HCF Water Use	Charge per Square Foot	Charge per HCF Water Use	Charge per Square Foot	Charge per HCF Water Use	Charge per Square Foot	Charge per HCF Water Use
Base Charge	0.21	2.79	0.22	2.89	0.23	3.00	0.24	3.11	0.25	3.23	0.26	3.34	0.27	3.46	0.27	3.57
Auditoriums theaters	0.21	2.79	0.22	2.89	0.23	3.00	0.24	3.11	0.25	3.23	0.26	3.34	0.27	3.46	0.27	3.57
Auto service stations	0.21	2.79	0.22	2.89	0.23	3.00	0.24	3.11	0.25	3.23	0.26	3.34	0.27	3.46	0.27	3.57
Churches	0.21	2.79	0.22	2.89	0.23	3.00	0.24	3.11	0.25	3.23	0.26	3.34	0.27	3.46	0.27	3.57
Gymnasiums w/ showers	0.21	2.79	0.22	2.89	0.23	3.00	0.24	3.11	0.25	3.23	0.26	3.34	0.27	3.46	0.27	3.57
Office	0.21	2.79	0.22	2.89	0.23	3.00	0.24	3.11	0.25	3.23	0.26	3.34	0.27	3.46	0.27	3.57
Public office	0.21	2.79	0.22	2.89	0.23	3.00	0.24	3.11	0.25	3.23	0.26	3.34	0.27	3.46	0.27	3.57
Retail	0.21	2.79	0.22	2.89	0.23	3.00	0.24	3.11	0.25	3.23	0.26	3.34	0.27	3.46	0.27	3.57
School classroom/admin.	0.21	2.79	0.22	2.89	0.23	3.00	0.24	3.11	0.25	3.23	0.26	3.34	0.27	3.46	0.27	3.57
Meetings halls w/ kitchens	0.21	3.91	0.22	4.05	0.23	4.20	0.24	4.36	0.25	4.52	0.26	4.68	0.27	4.84	0.27	5.00
Mortuary	0.21	6.07	0.22	6.29	0.23	6.52	0.24	6.77	0.25	7.02	0.26	7.26	0.27	7.51	0.27	7.76
Supermarkets	0.21	6.07	0.23	6.29	0.23	6.52	0.24	6.77	0.25	7.02	0.26	7.26	0.27	7.51	0.27	7.76
Dental offices	0.28	2.79	0.23	2.89	0.23	3.00	0.31	3.00	0.32	3.00	0.33	3.00	0.35	3.00	0.36	3.00
Hospitals	0.28	2.79	0.23	2.89	0.23	3.00	0.31	3.00	0.32	3.00	0.33	3.00	0.35	3.00	0.36	3.00
Veterinary offices	0.28	2.79	0.23	2.89	0.23	3.00	0.31	3.00	0.32	3.00	0.33	3.00	0.35	3.00	0.36	3.00
Bakeries	0.42	6.07	0.44	6.29	0.45	6.52	0.47	6.77	0.48	7.02	0.50	7.26	0.52	7.51	0.54	7.76
Cafeteria/dining area	0.42	6.07	0.44	6.29	0.45	6.52	0.47	6.77	0.48	7.02	0.50	7.26	0.52	7.51	0.54	7.76
Delicatessens	0.42	6.07	0.44	6.29	0.45	6.52	0.47	6.77	0.48	7.02	0.50	7.26	0.52	7.51	0.54	7.76
Ice cream/yogurt shops	0.42	6.07	0.44	6.29	0.45	6.52	0.47	6.77	0.48	7.02	0.50	7.26	0.52	7.51	0.54	7.76
Restaurants cafes	0.42	6.07	0.44	6.29	0.45	6.52	0.47	6.77	0.48	7.02	0.50	7.26	0.52	7.51	0.54	7.76
Laundry and Laundromats	0.63	3.91	0.65	4.05	0.68	4.20	0.71	4.36	0.73	4.52	0.76	4.68	0.78	4.84	0.81	5.00

Source: Novato Sanitary District.

Top 10 Customers

The following table shows the top ten customers of the Wastewater System for the fiscal year ended June 30, 2018.

Table 6
Novato Sanitary District Wastewater System
Top 10 Customers, Fiscal Year ended June 30, 2018

<u>Customer</u>	<u>EDU's</u>	<u>Service Charges</u>	<u>Percent of Total</u>
BioMarin Pharmaceutical	416	\$247,104	1.4%
Novato Unified School District	389	231,066	1.3
Fireman's Fund	352	209,088	1.2
Vintage Oaks Shopping Center ⁽¹⁾	248	147,312	0.8
Hamilton Hangars (3-10)	170	100,760	0.6
Sutter Health	158	93,852	0.5
Nave Merchant Association	128	76,032	0.4
Buck Institute	104	61,776	0.3
Novato Fair Shopping Center	96	57,024	0.3
City of Novato	93	55,242	0.3
Total Service Charges, Top 10 Customers	2,154	1,279,256	7.2%
Total Service Charges, All Customers	29,700	17,655,740	100.0%

Source: Novato Sanitary District.

⁽¹⁾ Excludes Costco and Target, which are each billed separately.

Comparison with Neighboring Agencies

The following table sets forth the average annual service charge for neighboring agencies and the District as of fiscal year 2019-20.

Table 7
Novato Sanitary District Wastewater System
Comparison with Neighboring Agencies
Average Annual Wastewater Service Charge

<u>Agency</u>	<u>Amount</u>
Sanitary District No. 5 - Belvedere	\$1,985 ⁽¹⁾
Tamalpais Community Service District	1,771 ⁽²⁾
Sausalito-Marín City Sanitary District ⁽³⁾	1,490 ⁽²⁾
Sanitary District No. 1 - City of Larkspur	1,356 ⁽²⁾
Sanitary District No. 5 - Tiburon	1,034 ⁽¹⁾
City of Santa Rosa	1,021 ⁽²⁾
Ross Valley Sanitary District (SD#1)	961 ⁽²⁾
Las Gallinas Valley Sanitary District	927 ⁽²⁾
City of Petaluma	920 ⁽²⁾
City of Mill Valley	779 ⁽²⁾
Napa Sanitation District	710 ⁽²⁾
Vallejo Sanitation & Flood Control District	672 ⁽¹⁾
Novato Sanitary District	636⁽²⁾
Town of Corte Madera	500 ⁽¹⁾

Source: Novato Sanitary District.

⁽¹⁾ Fiscal year 2018-19 charges.

⁽²⁾ Fiscal year 2019-20 charges (adopted or proposed).

⁽³⁾ Includes SMCS D charge of \$866 and City of Sausalito charge of \$624.

Historical Property Tax Levy and Collection and Teeter Plan

In addition to wastewater service charges, the District also receives a portion of the property taxes that are levied and collected within the boundaries of the District. Property taxes for the District have been collected since the time of District formation in 1925. The property tax collected on behalf of the District is limited to a maximum total levy, which is adjusted annually based on a cost of living factor and a population factor in accordance with Article XIII B of the California State Constitution. The District requests an allocation of property tax revenues, up to the maximum, each year by resolution. Property taxes are collected by the County as a part of the County's one percent general levy.

The Board of Supervisors of Marin County has adopted the "Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds" (the "Teeter Plan"), as provided for in Section 4701 *et seq.* of the California Revenue and Taxation Code. The Teeter Plan provides for the allocation and distribution of property tax levies and collections and of tax sale proceeds. Under this method, the County pays the District 100 percent of property tax due to the District and retains any penalties or delinquencies collected to offset such gross payment. There can be no assurance that the County will not discontinue the Teeter Plan or remove the

District, or the property tax payable to the District, from the Teeter Plan in the future. The following table sets forth the historical assessed values for the fiscal years shown.

Table 8
Novato Sanitary District Wastewater System
Historical Assessed Values
Fiscal Year Ended June 30

<u>Fiscal Year</u>	<u>Secured</u>	<u>Utility</u>	<u>Unsecured</u>	<u>Total</u>	<u>Percentage Change</u>
2010	\$9,228,309,897	\$925,353	\$232,080,671	\$9,461,315,921	-2.2%
2011	9,114,069,426	925,353	255,159,280	9,370,154,059	-1.0
2012	8,989,905,897	1,420,159	242,951,967	9,234,278,023	-1.5
2013	8,867,520,980	799,300	235,901,173	9,104,221,453	-1.4
2014	9,211,068,163	799,300	227,152,020	9,439,019,483	3.7
2015	9,684,095,984	799,300	239,404,757	9,924,300,041	5.1
2016	10,326,418,363	799,300	252,692,227	10,579,909,890	6.6
2017	10,895,749,646	799,300	243,976,289	11,140,525,235	5.3
2018	11,464,405,252	799,300	249,454,456	11,714,659,008	5.2
2019	12,082,152,827	1,599,150	251,765,520	12,335,517,497	5.3

Source: California Municipal Statistics.

The following table sets forth the property tax levy and collections for the fiscal years shown.

Table 9
Novato Sanitary District Wastewater System
Historical Property Tax Levy, Collection and Delinquencies
Fiscal Year Ended June 30

<u>Fiscal Year</u>	<u>Current Tax Levy</u>	<u>Total Collections</u> ⁽¹⁾	<u>Collection Rate</u>
2009	\$1,926,506	\$1,928,207	100.09%
2010	1,724,197	1,725,949	100.10
2011	1,771,181	1,773,877	100.15
2012	1,793,101	1,795,167	100.12
2013	1,794,220	1,795,765	100.09
2014	1,939,773	1,941,094	100.07
2015	1,997,120	1,999,816	100.13
2016	2,154,133	2,155,479	100.06
2017	2,291,508	2,292,988	100.06
2018	2,357,336	2,363,323	100.25

Source: County of Marin Assessor-Recorder-Clerk's Office.

⁽¹⁾ Includes prior year collections.

Historical Property Tax Revenue and Service Charges

The following table sets forth historical service charges for the fiscal years shown.

Table 10
Novato Sanitary District Wastewater System
Historical Service Charges
Fiscal Year Ended June 30

<u>Fiscal Year Ended June 30</u>	<u>Service Charges Collected by the County</u>	<u>Service Charges Billed by the District</u>	<u>Total</u>
2010	\$12,982,050	\$480,387	\$13,462,437
2011	13,084,434	486,405	13,570,839
2012	13,194,480	476,651	13,671,131
2013	14,148,187	522,639	14,670,826
2014	14,574,871	583,032	15,157,903
2015	15,172,311	534,393	15,706,704
2016	15,635,425	587,451	16,222,876
2017	16,234,758	608,454	16,843,212
2018	16,982,951	672,789	17,655,740
2019 ⁽¹⁾	17,608,743	683,763	18,292,506

Source: Novato Sanitary District.

⁽¹⁾ Unaudited.

Wastewater System Summary Financial Information

The following table presents the financial results of the Wastewater System for the fiscal years shown.

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Table 11
Novato Sanitary District Wastewater System
Historical Revenues, Expenses and Debt Service Coverage, Fiscal Years Ended June 30

	2014 Audit	2015 Audit	2016 Audit	2017 Audit	2018 Audit
Operating Revenues:					
Sewer service charges	\$15,157,903	\$15,706,704	\$16,222,876	\$16,843,212	\$17,655,740
Other service charges	254,797	231,594	207,416	193,006	147,410
Permit, inspection and other fees	39,023	44,494	46,283	28,479	27,141
Recycled water facility	99,790	91,942	100,433	177,285	138,258
AB 939 - solid waste programs	297,586	297,586	342,621	354,134	376,426
Total	15,849,099	16,372,320	16,919,629	17,596,116	18,344,975
Operating Expenses (excluding depreciation):					
Collection system	1,188,408	1,277,022	1,116,422	1,178,118	1,103,000
Treatment plant	2,562,314	2,757,514	2,734,327	2,824,699	2,909,669
Reclamation and disposal	418,748	398,118	337,887	493,926	456,134
Laboratory and monitoring	534,959	555,215	487,623	512,003	487,971
Pump stations	668,841	686,789	641,966	731,684	735,079
AB 939 - solid waste programs	320,938	289,586	325,068	341,580	350,937
Recycled water	104,837	100,354	92,028	105,327	138,239
Administrative and engineering	2,523,606	2,173,241	2,528,449	2,485,415	2,378,028
Pension expense	0	(343,533) ⁽¹⁾	128,697 ⁽¹⁾	501,235	572,869
Total	8,322,651	7,894,306	8,392,467	9,173,987	9,131,926
Non-Operating Revenue (excluding asset dispo.):					
Property taxes	1,941,241	1,999,816	2,155,479	2,292,988	2,360,251
Franchise fees	51,019	49,768	51,059	52,485	54,358
Rental revenue	76,689	92,829	101,530	94,439	77,732
Interest income	45,673	43,117	71,592	136,595	312,886
Other	(270,260)	(135,556)	(83,683)	40,461	(211,515)
Total	1,844,362	2,049,974	2,295,977	2,616,968	2,593,712
Connection fees	343,773	291,565	223,240	227,567	234,495
NET REVENUE	9,714,583	10,819,553	11,046,379	11,266,664	12,041,256
Debt Service Expense					
SRF Loan Interest ⁽²⁾	1,869,024	1,784,785	1,698,525	1,610,195	1,519,744
SRF Loan Principal ⁽²⁾	3,509,933	3,594,171	3,680,431	3,768,762	3,859,212
2011 COP Interest ⁽³⁾	861,698	836,798	811,148	775,748	369,774
2011 COP Principal ⁽³⁾	830,000	855,000	885,000	905,000	0
2017 Bonds Interest	0	0	0	0	165,481
2017 Bonds Principal	0	0	0	0	945,000
Total	7,070,655	7,070,754	7,075,104	7,059,705	6,859,211
Debt Service Coverage	1.37	1.53	1.56	1.60	1.76
Net Cash Flow	2,643,929	3,748,799	3,971,275	4,206,959	5,182,045

Source: Novato Sanitary District.

(1) Governmental Accounting Standards Board 68 implementation.

(2) To be refinanced with a portion of the 2019 Bond proceeds. See "PLAN OF REFUNDING."

(2) Refunded upon the issuance of the 2017 Bonds on November 8, 2017.

Table 12 below presents estimated financial results of the Wastewater System for the fiscal year ended June 30, 2019 and projected financial results for the five fiscal years ending June 30, 2020-2024. In preparing the projections on the table, Bartle Wells applied several key assumptions. Projected revenue from Sewer Service Charges for the fiscal years ending June 30, 2020-2024 reflect the actual multi-year rate increases that were approved by the Board of Directors of the District on June 13, 2016. For the fiscal year ending June 30, 2022 and thereafter it is assumed that rates will increase 3%. Property Taxes escalate at the annual rate of 2%. Connection Charges assume 40 new single family homes or equivalents per year, equal to a growth rate of approximately 0.14%. Operating & Maintenance Expenses are based on the Final Budget for the Fiscal Year ended June 30, 2018 and the Adopted Budget for the Fiscal Year ending June 30, 2019. Future projections assume 4% annual cost escalation for salaries and benefits and 3% cost escalation for other operating expenses, resulting in a total increase of slightly over 3.5% per year. Capital Improvement Expenses are based on the District's updated 5-Year Capital Improvement Program. Debt service coverage is preliminary and subject to change. Actual results during the projection period may vary from those set forth in the following table. Under certain circumstances, such variances may be material.

Table 12
Novato Sanitary District Wastewater System
Projected Revenues, Expenses and Pro Forma Debt Service Coverage
Fiscal Years Ended June 30

[UPDATE TO COME]

[See table on following page.]

	Estimated <u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Beginning Fund Reserves						
Revenues						
Sewer Service Charges						
Property Taxes						
Connection Charges						
Interest Earnings						
Other Revenues						
Total Revenues						
Operating & Maintenance Expenses						
Sewer Collection/Pump Stations						
Treatment Contract Operations						
Admin/Engineering						
Laboratory/Monitoring						
Solid Waste Programs						
Reclamation/Recycled Water						
Total Operating Expenses						
Net Revenues						
Debt Service						
State Revolving Fund (SFR) Loan						
2017 Wastewater Refunding Bonds						
2019 Wastewater Refunding Bonds		<u>0</u>				
Total Debt Service						
Debt Service Coverage						
Capital Improvement Expenses						
Capital Improvements						
Less Grant Revenues						
Net Capital Expenses						
Total Expenses						
Net Change in Fund Reserves						
Ending Fund Reserves						

Source: Novato Sanitary District and Bartle Wells.

⁽¹⁾ To be refinanced in full with a portion of the proceeds of the 2019 Bonds. See "PLAN OF REFUNDING."

The following table shows the audited assets and liabilities of the Wastewater System for the fiscal years shown.

Table 13
Novato Sanitary District Wastewater System
Balance Sheet
Fiscal Years Ended June 30

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Current Assets:					
Cash & investments (unrestricted)	\$15,612,749	\$18,102,303	\$19,742,079	\$21,606,012	\$25,733,311
Accounts receivable, net	300,683	373,490	318,238	551,528	595,669
Accrued interest receivable	11,352	3,702	29,263	52,003	121,406
Prepaid expenses and other deposits	<u>55,178</u>	<u>52,296</u>	<u>55,224</u>	<u>74,191</u>	<u>87,448</u>
Total	15,979,962	18,531,791	20,144,804	22,283,734	26,537,834
Current Liabilities:					
Accounts payable & accrued expenses	1,235,959	749,097	812,354	728,831	1,795,555
Customer deposits	43,006	43,006	36,556	2,000	2,000
Special assessment payable	163,271	179,541	179,174	180,710	172,595
Accrued interest payable	1,241,058	1,187,241	1,128,325	1,068,017	992,937
Compensated absences	39,976	33,486	39,246	41,569	30,428
Current portion of long-term debt	<u>4,449,171</u>	<u>4,565,431</u>	<u>4,673,763</u>	<u>4,784,212</u>	<u>4,741,834</u>
Total	7,172,441	6,757,802	6,869,418	6,805,339	7,735,349

Source: Novato Sanitary District.

General Obligation Bond Authorization

On December 8, 1970, District voters authorized the issuance of \$5,500,000 of general obligation bonds to finance wastewater system improvements. Subsequently, the District issued \$3,225,000 of such bonds, which are no longer outstanding. Currently, the District has \$2,275,000 of authorized but unissued general obligation bonds pursuant to the 1970 authorization.

On September 23, 1986, by a margin of 82.17%, District voters authorized the issuance of \$4,500,000 of general obligation bonds to finance wastewater system improvements. Subsequently, the District issued \$3,500,000 of such bonds, which are no longer outstanding. Currently, the District has \$1,000,000 of authorized but unissued general obligation bonds pursuant to the 1986 authorization.

Investment Policy

The District Board periodically reviews and adopts or ratifies the District's Statement of Investment Policy in accordance with Section 53600 of the Government Code of the State of California. The policy was adopted in its current form as Policy 3120 – Investment of Public Funds, in December 2012, and updated in May 2019 (the "Investment Policy").

The Investment Policy sets forth the following objectives:

Safety: Safety of principal is the foremost objective of the investment program. Investments of the District shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

Liquidity: The investment portfolio will remain sufficiently liquid to enable the District to meet all operating requirements which might be reasonably anticipated.

Return on Investments: The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and the cash flow characteristics of the portfolio.

Retirement Plans

California Public Employees Retirement System. The District contributes to the California Public Employees Retirement System (“CalPERS”), a cost-sharing multi-employer defined benefit pension plans (each, a “Plan”). CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public agencies within the State of California.

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service. Members with five years of total service are eligible to retire at age 55 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law. See APPENDIX B – “COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND JUNE 30, 2017.

The Plans’ provisions and benefits in effect at June 30, 2018, are summarized as follows:

Miscellaneous Tier I

Hire date	Prior to January 1, 2012
Benefit Formula	2% @ 55
Benefit vesting schedule	5 years’ service
Benefit payments	monthly for life
Retirement age	50-67
Monthly benefits, as a % of eligible compensation	1.43% to 2.42%
Required employee contribution rates	7.0%
Required employer contribution rates	8.880%

Miscellaneous Tier II

Between January 1, 2012

Hire date	through December 31, 2012
Benefit Formula	2.0% @ 60
Benefit vesting schedule	5 years' service
Benefit payments	monthly for life
Retirement age	50-67
Monthly benefits, as a % of annual salary	1.1% to 2.42%
Required employee contribution rates	7.0%
Required employer contribution rates	7.159%

Miscellaneous Tier III

Hire date	On or after January 1, 2013
Benefit Formula	2.0% @ 62
Benefit vesting schedule	5 years' service
Benefit payments	monthly for life
Retirement age	50-67
Monthly benefits, as a % of annual salary	1.0% to 2.5%
Required employee contribution rates	6.25%
Required employer contribution rates	6.555%

Source: APPENDIX B – “COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND JUNE 30, 2017.

Contributions and Pension Liabilities. Beginning in fiscal year 2018, CalPERS collects employer contributions for the Plan as a percentage of payroll for the normal cost portion as noted in the rates above and as a dollar amount for contributions toward the unfunded liability and side fund. The dollar amounts are billed on a monthly basis. The District’s required contribution for the unfunded liability and side fund was \$171,434 in fiscal year 2018. For the year ended June 30, 2018, the employer contributions recognized as part of the pension expense for each Plan were \$327,385. As of June 30, 2018, the District reported net pension liability for its proportionate share of the net pension liability of each Plan to be \$5,544,711.

PARS Trust

The District joined the Public Agencies Post-Employment Benefits Trust during the Fiscal Year ended June 30, 2018. The trust is a multiple employer trust administered by Public Agency Retirement Services (“PARS”) for the purpose of pre-funding pension obligations. At May 31, 2019, the District had a balance of \$2,427,861 in an irrevocable trust administered by PARS, managed by an appointed board not under the control of the District’s Board. The trust is not considered a component unit by the District and is excluded from the District’s audited financial statements. Separately issued financial statements for PARS may be obtained from PARS at 4350 Von Karman Ave., Suite 200, Newport Beach, CA 92660.

Other Post-Employment Benefits

The District follows the provisions of Governmental Accounting Standards Board (“GASB”) Statement No. 45, Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions. This Statement establishes uniform financial reporting standards for employers providing postemployment benefits other than pensions (“OPEB”).

Membership in the OPEB plan consisted of the following members as of the fiscal years ended each June 30:

	<u>2018*</u>	<u>2017*</u>	<u>2016</u>
Active plan members	19	19	12
Retirees and beneficiaries receiving benefits	<u>34</u>	<u>33</u>	<u>20</u>
Total plan membership	53	52	32

Source: APPENDIX B – “COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND JUNE 30, 2017.”

* Beginning with the Fiscal Year ended June 30, 2017, OPEB membership is restated to reflect GASB 75 requirements to include all eligible members (including active employees, retirees, and beneficiaries), and not just active employees and retirees (as in prior years).

The District offers OPEB medical benefits to retired employees who satisfy the eligibility rules. Spouses, surviving spouses and eligible dependents are also eligible to receive benefits. Retirees may enroll in any plan available through the District’s CalPERS medical plan (the “OPEB Plan”). The contribution requirements of OPEB Plan members and the District were adopted by the Board of Directors in July 2008 as follows:

- The District contributes toward post-retirement benefits for employees who retire after age 50 with at least 5 years of service. For those employed prior to July 1, 2008, who retire after age 55 with at least 10 years of service, the District will pay the full monthly premiums for medical coverage for the retired employee, but not more than the Kaiser Bay Area amount. If the retiree is at least age 60 with at least 15 years of service, or age 55 with at least 25 years of service, the premium for the employee's eligible spouse is paid. Coverage is for the lives of the retired employee and spouse. Medical coverage is provided under any plans offered by CalPERS.
- For all other employees, hired on or after July 1, 2008, who retire after age 50 with at least 5 years of service, the District will pay the minimum CalPERS medical benefit. In 2016 and 2015, this minimum amount was \$125 and \$122 per month, respectively. This benefit is paid for as long as the retiree or spouse is living, provided he/she is covered under the CalPERS medical plans.
- In addition, for employees hired after July 1, 2008, the District contributes 1.5% of the employees base monthly salary toward a Medical After Retirement Account (“MARA”) while employed.

For employees hired after July 1, 2008, the District contributions to the MARA are not included in OPEB accounting, but are accrued each year as an operating expense as they are contributed. For a description of the actuarial assumptions for the OPEB Plan, see Appendix B, Note 7.

The District will pay 100% of the cost of the post-employment benefit plan for those employees employed prior to July 1, 2008 who meet the required service years. The District will pay the minimum CalPERS medical benefit for all other employees who do not meet the service requirements. The District determines the contributions annually based on the actuarial determined actuarial required contribution costs. The District contributes to the OPEB Plan on a

monthly basis. For funding information relating to the PARS Trust Fund, see Appendix B, Note 7.

On December 12, 2016, the Board of Directors of the District authorized the creation of a Post-Employment Benefits Trust with the Public Agency Retirement Services (the “PARS OPEB Trust Fund”). The PARS OPEB Trust Fund was established on November 14, 2016 to address the District’s liabilities related to GASB Statement No. 45 (“GASB 45”) for Post-Employment Benefits Other than Pensions, and GASB 68 for Net Pension Liability (“NPL”). The District’s General Manager – Chief Engineer/Secretary serves as the PARS OPEB Trust Fund’s Plan Administrator. The District initially deposited \$900,000 into the PARS OPEB Trust Fund from its unencumbered cash balance. With continuing subsequent deposits, the PARS Trust balance as of May 31, 2019 was \$2,427,861.

RISK FACTORS

Wastewater System Demand

There can be no assurance that the demand for wastewater services will occur as described in this Official Statement. Reduction in levels of demand could require an increase in rates or charges to comply with the covenants to fix rates and charges.

Wastewater System Expenses

There can be no assurance that the District’s expenses will be consistent with the descriptions in this Official Statement. Increases in expenses could require an increase in rates or charges to comply with the rate covenant.

Regulatory Requirements

The operations of the Wastewater System are subject to state and federal laws and regulations, particularly with respect to water quality discharge requirements. The adoption of more stringent laws or regulations may cause the District to incur greater expenses for the operation of the Wastewater System. No assurance can be given that the costs of complying with any such new laws or regulations will not adversely affect the District’s ability to generate sufficient Net Revenues in the amounts or on the schedule required by the Indenture.

Natural Disasters

General. From time to time, the service area of the District is subject to natural calamities that may adversely affect economic activity in the District, which could have a negative impact on Wastewater System finances. There can be no assurance that the occurrence of any natural calamity would not cause substantial damage to the Wastewater System, or that the District would have insurance or other resources available to make repairs to the Wastewater System in order to generate sufficient Net Revenues to pay debt service on the 2019 Bonds when due. The casualty and liability insurance maintained by the District may not cover damages and losses to the Wastewater System due to earthquake, fire, flood or other natural calamities.

Seismic. The District is located in a seismically active area. The San Andreas Fault is located 12-14 miles west of the City of Novato. The Hayward Fault (located approximately 8

miles east of the eastern edge of the City of Novato) and the Healdsburg-Rodgers Creek Fault located northeast of the City of Novato are both active faults. Silt and mud deposits have accumulated over 10,000 years in flat areas with elevations generally below sea level in portions of the City of Novato. Formerly much of these lands would flood during high tide. Some of these lands have been “reclaimed” through the construction of levees and drainage channels and used for urban development. During an earthquake, the sandy soils may become fluid-like, in a process known as liquefaction, greatly increasing the potential damage to buildings. Urban development on bay front areas is thus potentially exposed to a very high level of geologic risk. Potential hazards related to earthquakes include ground shaking, surface rupture along the fault zone, and related secondary ground failures. Typical seismically-induced ground failures include liquefaction, lateral spreading, ground lurching, landslides, inundation, and settlement.

Flooding. Novato Creek has a long history of flooding and is the main flood hazard in the City. Flooding along Novato Creek usually occurs in three stages; when the water levels rises above storm drains, resulting in flooded roads and lots; when Warner Creek and Arroyo Avichi rise and overflow their banks at the confluence with Novato Creek; and when Novato Creek itself rises to a level where it overflows at low points in its levees. In addition, localized flooding occurs periodically in certain locations within the City of Novato. Dam failure resulting from earthquakes is another potential source of flooding. Novato Creek Dam, an earth embankment constructed in 1951, is 71 feet high. This dam creates Stafford Lake, which has a capacity of approximately 4,500 acre-feet of water. The dam, located upstream of the City of Novato along Novato Creek at Stafford Lake, is designed to withstand an earthquake with a magnitude of 8.25 on the San Andreas Fault with a design epicenter located 10 miles from the dam. In _____, the District raised _____. [add discussion]

Fire. In recent years, portions of California have experienced wildfires that have burned thousands of acres and destroyed thousands of homes and structures, even in areas not previously thought to be prone to wildfires. Such areas affected by wildfires are more prone to flooding and mudslides that can further lead to the destruction of homes. There can be no assurances that wildfires won’t occur within the District. The District has created a clear area around its facilities and regularly cuts vegetation in surrounding areas at its own expense to mitigate the risk of fire damage.

Climate Change

Numerous scientific studies on global climate change show that, among other effects on the global ecosystem, sea levels will rise, extreme temperatures will become more common, and extreme weather events will become more frequent as a result of increasing global temperatures attributable to atmospheric pollution. For example, the Fourth National Climate Assessment, published by the U.S. Global Change Research Program, in November 2018 (NCA4) finds that more frequent and intense extreme weather and climate-related events, as well as changes in average climate conditions, are expected to continue to damage infrastructure, ecosystems and social systems over the next 25 to 100 years.

In _____, the District raised certain of its critical facilities ___ feet to mitigate against the risk of flooding. See “– Natural Disasters – *Flooding*” above.

Cybersecurity

The District, like many other public and private entities, relies on computer and other digital networks and systems to conduct its operations and finances. As a recipient and provider of personal, private or other electronic sensitive information, the District is potentially subject to multiple cyber threats including, but not limited to, hacking, viruses, malware, ransomware and other attacks on computer and other sensitive digital networks and systems. Entities or individuals may attempt to gain unauthorized access to the District's systems for the purposes of misappropriating assets or information or causing operational disruption or damage.

The District has never had a major cyber breach that resulted in a financial loss or operational disruption. The District provides training to its staff on phishing and safe browsing and how to avoid potential cyber threats. However, no assurances can be given that the security and operational control measures of the District will be successful in guarding against any and each cyber threat or breach. The District data/security breach response insurance coverage in the amount of \$2 million. Although the District maintains such insurance, should a successful breach ever occur, the cost of remedying damage or disruption caused by cyber-attacks could be substantial and in excess of such insurance coverage.

Limited Recourse on Default

If the District defaults on its obligation to make the debt service payments under the Indenture, the Trustee has the right to accelerate the total unpaid principal amount of such payments. However, in the event of a default and such acceleration there can be no assurance that the District will have sufficient funds to pay the accelerated payments.

Limitations on Remedies

The ability of the District to comply with its covenants under the Indenture and to generate Net Revenues sufficient to pay principal of and interest on the 2019 Bonds may be adversely affected by actions and events outside of the control of the District, and may be adversely affected by actions taken (or not taken) by voters, property owners, taxpayers or payers of assessments, fees and charges. See “- Constitutional Limitations on Appropriations and Fees” below. Furthermore, any remedies available to the Owners of the 2019 Bonds upon the occurrence of an Event of Default under the Indenture are in many respects dependent upon judicial actions, which are often subject to discretion and delay and could prove both expensive and time consuming to obtain.

In addition to the limitations on Bond Owner remedies contained in the Indenture, the rights and obligations under the 2019 Bonds and the Indenture may be subject to the following: the United States Bankruptcy Code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; usual equity principles which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the Federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State of California and its governmental bodies in the interest of serving a significant and legitimate public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or

state government, if initiated, could subject the Owners of the 2019 Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation or modification of their rights.

Articles XIIC and XIID

General. An initiative measure entitled the “Right to Vote on Taxes Act” (the “Initiative”) was approved by the voters of the State of California at the November 5, 1996 general election. 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 wastewater 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: (a) revenues derived from the fee or charge may not exceed the funds required to provide the property-related service; (b) such revenues may not be used for any purpose other than that for which the fee or charge was imposed; (c) the amount of a fee or charge imposed upon any parcel or person as an incident of property ownership may not exceed the proportional cost of the service attributable to the parcel; (d) 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; and (e) no fee or charge may be imposed for general governmental purposes.

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 Supreme Court stated in *Bighorn-Desert View Water Agency v. Verjil*, 39 Cal. 4th 205 (2006) (the “Bighorn Case”), however, that fees for ongoing water service

through an existing connection were property-related fees and charges. The 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 and public hearing requirements of Article XIID in establishing Wastewater System rates and charges.

Article XIIC. Article XIIC provides that the initiative power may 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 is 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. In any event, the District does not believe that Article XIIC grants to the voters within the District the power to repeal or reduce rates and charges for the wastewater service 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 2019 Bonds. Remedies available to beneficial owners of the 2019 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. So long as the 2019 Bonds are held in book-entry form, DTC (or its nominee) will be the sole registered owner of the 2019 Bonds and the rights and remedies of the Bond Owners will be exercised through the procedures of DTC.

Proposition 26

Proposition 26 was approved by the electorate at the November 2, 2010 election and amended California Constitution Articles XIII A and XIIC. The proposition imposes a two-thirds voter approval requirement for the imposition of fees and charges by the State. It also imposes a majority voter approval requirement on local governments with respect to fees and charges for general purposes, and a two-thirds voter approval requirement with respect to fees and charges for special purposes. Proposition 26, according to its supporters, is intended to prevent the circumvention of tax limitations imposed by the voters in California Constitution Articles XIII A, XIIC and XIID pursuant to Proposition 13, approved in 1978, Proposition 218, approved in 1996, and other measures through the use of non-tax fees and charges. Proposition 26 expressly excludes from its scope 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 cost to the State or local government of providing the service or product to the payor. Proposition 26 applies to charges imposed or increased by local governments after the date of its approval. The District believes its Wastewater System rates and charges are not taxes under Proposition 26. The District is unable to predict at this time how Proposition 26 will be interpreted by the courts or what its ultimate impact will be.

Constitutional Limitations on Appropriations and Fees

Under Article XIII B of the California Constitution, as amended, state and local government entities have an annual “appropriations limit” which limits their ability to spend certain moneys called “appropriations subject to limitation,” which consist of tax revenues, certain state subventions and certain other moneys, including user charges to the extent they exceed the costs reasonably borne by the entity in providing the service for which it is levying the charge. The District is of the opinion that the user charges of the Wastewater System imposed by the District do not exceed the costs the District reasonably bears in providing the Wastewater Service. In general terms, the “appropriations limit” is to be based on certain 1978/79 expenditures, and is to be adjusted annually to reflect changes in the consumer price index, population, and services provided by these entities. Among other provisions of Article XIII B, if an entity’s revenues in any year exceed the amount permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years.

Future Initiatives

Articles XIII B, XIII C and XIII D were adopted as measures that qualified for the ballot pursuant to California’s initiative process. From time to time other initiatives have been and could be proposed and adopted affecting the Wastewater System’s revenues or ability to increase revenues. Neither the nature and impact of these measures nor the likelihood of qualification for ballot or passage can be anticipated by the District.

CONTINUING DISCLOSURE

The District has covenanted for the benefit of owners of the 2019 Bonds to provide certain financial information and operating data relating to the District and the Wastewater System by not later than eight months after the end of the District’s fiscal year (presently June 30) in each year commencing with its report for the fiscal year ended June 30, 2019 (the “Annual Report”) and to provide notices of the occurrence of certain enumerated events. The District has retained The Bank of New York Mellon Trust Company, N.A. to serve as its Dissemination Agent in connection with the 2019 Bonds. The Annual Reports and notices of enumerated events will be filed with the Municipal Securities Rulemaking Board (the “MSRB”) by the Dissemination Agent on behalf of the District. These covenants have been made in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12 (the “Rule”). The specific nature of the information to be contained in the Annual Report and the enumerated events is summarized in APPENDIX F – “FORM OF CONTINUING DISCLOSURE AGREEMENT.”

As an obligated party under the Rule, the District is, or was during the past five years prior to the issuance of the 2019 Bonds, responsible for providing continuing disclosure with respect to the 2017 Bonds, the SRF Loan, and with respect to the Novato Sanitary District Assessment District No. 2000-1 (Novato Heights) Limited Obligation Improvement Bonds. [The District did not file with EMMA a notice of rating upgrade when S&P Global Ratings upgraded its long-term rating on the SRF Loan from “A+” to “AA-” on November 14, 2014. Other than the aforementioned lapse, the District has not failed to file notices of enumerated events under the Rule during the past five years.]

LEGAL OPINIONS

Legal matters incident to the authorization and issuance of the 2019 Bonds are subject to the approving opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the District by the District's Counsel and for the District by Norton Rose Fulbright US LLP, Disclosure Counsel. The compensation of Bond Counsel and Disclosure Counsel for this issue is contingent on the successful sale of the 2019 Bonds.

TAX MATTERS

Federal Tax Status. In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the 2019 Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax.

The opinions set forth in the preceding paragraph are subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Tax Code") that must be satisfied subsequent to the issuance of the 2019 Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The District has made certain representations and covenants in order to comply with each such requirement. Inaccuracy of those representations, or failure to comply with certain of those covenants, may cause the inclusion of such interest in gross income for federal income tax purposes, which may be retroactive to the date of issuance of the 2019 Bonds.

Tax Treatment of Original Issue Discount and Premium. If the initial offering price to the public at which a 2019 Bond is sold is less than the amount payable at maturity thereof, then such difference constitutes "original issue discount" for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public at which a 2019 Bond is sold is greater than the amount payable at maturity thereof, then such difference constitutes "original issue premium" for purposes of federal income taxes and State of California personal income taxes. *De minimis* original issue discount and original issue premium are disregarded.

Under the Tax Code, original issue discount is treated as interest excluded from federal gross income and exempt from State of California personal income taxes to the extent properly allocable to each owner thereof subject to the limitations described in the first paragraph of this section. The original issue discount accrues over the term to maturity of the 2019 Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). The amount of original issue discount accruing during each period is added to the adjusted basis of such 2019 Bonds to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such 2019 Bond. The Tax Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the 2019 Bonds who purchase the 2019 Bonds after the initial offering of a substantial amount of such maturity. Owners of such 2019 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of 2019 Bonds with original issue discount, including the treatment of purchasers who do not purchase in the original

offering to the public at the first price at which a substantial amount of such 2019 Bonds is sold to the public.

Under the Tax Code, original issue premium is amortized on an annual basis over the term of the 2019 Bond (said term being the shorter of the 2019 Bond's maturity date or its call date). The amount of original issue premium amortized each year reduces the adjusted basis of the owner of the 2019 Bond for purposes of determining taxable gain or loss upon disposition. The amount of original issue premium on a 2019 Bond is amortized each year over the term to maturity of the 2019 Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). Amortized 2019 Bond premium is not deductible for federal income tax purposes. Owners of premium 2019 Bonds, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to State of California personal income tax and federal income tax consequences of owning such 2019 Bonds.

California Tax Status. In the further opinion of Bond Counsel, interest on the 2019 Bonds is exempt from California personal income taxes.

Other Tax Considerations. Current and future legislative proposals, if enacted into law, clarification of the Tax Code or court decisions may cause interest on the 2019 Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals, clarification of the Tax Code or court decisions may also affect the market price for, or marketability of, the 2019 Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, such legislation would apply to bonds issued prior to enactment.

The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of such opinion, and Bond Counsel has expressed no opinion with respect to any proposed legislation or as to the tax treatment of interest on the 2019 Bonds, or as to the consequences of owning or receiving interest on the 2019 Bonds, as of any future date. Prospective purchasers of the 2019 Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

Owners of the 2019 Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the 2019 Bonds may have federal or state tax consequences other than as described above. Other than as expressly described above, Bond Counsel expresses no opinion regarding other federal or state tax consequences arising with respect to the 2019 Bonds, the ownership, sale or disposition of the 2019 Bonds, or the amount, accrual or receipt of interest on the 2019 Bonds.

The form of the proposed opinion of Bond Counsel is attached as Appendix E.

NO LITIGATION

There is no action, suit, or proceeding known by the District to be pending or threatened at the present time restraining or enjoining the delivery or in any way contesting or affecting the

validity of the 2019 Bonds, the Indenture or the proceedings of the District taken with respect to the execution or delivery thereof.

RATING

S&P Global Ratings (“S&P”) has assigned the 2019 Bonds a rating of “___.” Such rating reflects only the views of such organization and any desired explanation of the significance of such rating should be obtained from S&P, at the following address: S&P Global Ratings, 55 Water Street, New York, New York 10041. The District has furnished to S&P certain materials and information with respect to the District and the 2019 Bonds. Generally, a rating agency bases its ratings on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agency, if in the judgment of such rating agency, circumstances so warrant. The District and the Municipal Advisor undertake no responsibility to oppose any such proposed revision or withdrawal. Any such downward change in or withdrawal of any rating might have an adverse effect on the market price or marketability of the 2019 Bonds.

MUNICIPAL ADVISOR

The District has retained Steven Gortler, San Francisco, California as municipal advisor (the “Municipal Advisor”) in connection with the structuring, marketing and pricing of the 2019 Bonds. The Municipal Advisor has reviewed this Official Statement but makes no guaranty, warranty or other representation respecting the accuracy and completeness of the information contained herein.

UNDERWRITING

_____ (the “Underwriter”) has purchased the 2019 Bonds from the District at a competitive sale for a purchase price of \$_____ (representing the aggregate principal amount of the 2019 Bonds, plus a premium of \$_____, and less an underwriting discount of \$_____). The public offering prices may be changed from time to time by the Initial Purchaser. The Underwriter may offer and sell the 2019 Bonds to certain dealers and others at prices lower than the offering prices shown on the inside cover page hereof.

MISCELLANEOUS

Any statement in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the District and the purchasers or Holders of any of the 2019 Bonds.

The preparation and distribution of this Official Statement has been duly authorized by the District.

NOVATO SANITARY DISTRICT

By: _____
General Manager – Chief Engineer/Secretary-Treasurer

[insert Appendix A]

APPENDIX B

**COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE
FISCAL YEARS ENDED JUNE 30, 2018 AND JUNE 30, 2017**

[insert Appendix C]

APPENDIX D

BOOK-ENTRY SYSTEM

The information in this Appendix D concerning DTC and its book-entry system has been obtained from sources that the District believe to be reliable, but the District take no responsibility for the accuracy thereof.

General

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the 2019 Bonds. The 2019 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of the 2019 Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has S&P Global Ratings rating of “AA+.” The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.org. The information on such website is not incorporated by reference herein.

Purchases of 2019 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2019 Bonds on DTC’s records. The ownership interest of each actual purchaser of each 2019 Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements

of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2019 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in 2019 Bonds, except in the event that use of the book-entry system for the 2019 Bonds is discontinued.

To facilitate subsequent transfers, all 2019 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 2019 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 2019 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2019 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.

Redemption notices shall be sent to DTC. If less than all of the 2019 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 2019 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy 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 2019 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, premium, if any, and interest payments on the 2019 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 a 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 nor its nominee, the Trustee, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, and interest 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.

DTC may discontinue providing its services as depository with respect to the 2019 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, bond certificates are required to be printed and delivered.

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

APPENDIX E
FORM OF BOND COUNSEL OPINION

[Closing Date]

Board of Directors
Novato Sanitary District
500 Davidson Street
Novato, California 94945

OPINION: \$ _____ Novato Sanitary District
2019 Wastewater Revenue Refunding Bonds

Members of the Board of Directors:

We have acted as bond counsel to the Novato Sanitary District (the “District”) in connection with the issuance by the District of \$ _____ aggregate principal amount of bonds of the District designated the “Novato Sanitary District 2019 Wastewater Revenue Refunding Bonds” (the “Bonds”), under the provisions of Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Section 53570 of said Code (the “Bond Law”) and under an Indenture of Trust dated as of August 1, 2019 (the “Indenture”), between the District and The Bank of New York Mellon Trust Company, N.A., as trustee, approved by a resolution of the Board of Directors of the District adopted on July 1, 2019. We have examined the Bond Law, an executed copy of the Indenture and such certified proceedings and other papers as we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the District contained in the Indenture and in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

Based upon our examination we are of the opinion, under existing law, that:

1. The District is a sanitary district organized and existing under the Constitution and laws of the State of California, with power to enter into the Indenture, to perform the agreements on its part contained therein, and to issue the Bonds.
2. The Bonds have been duly authorized, executed and delivered by the District, and are legal, valid and binding obligations of the District, payable solely from the sources provided therefor in the Indenture.

3. The Indenture has been duly approved by the District, and constitutes a legal, valid and binding obligation of the District, enforceable against the District in accordance with its terms.

4. Under the Bond Law, the Indenture establishes a valid lien on and pledge of the Net Revenues of the Wastewater System (as such terms are defined in the Indenture) for the security of the Bonds and any obligations issued on a parity therewith.

5. The interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. The opinions set forth in the preceding sentence are subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986 that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The District has covenanted in the Indenture to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the ownership, sale or disposition of the Bonds, or the amount, accrual or receipt of interest on the Bonds.

6. The interest on the Bonds is exempt from personal income taxation imposed by the State of California.

The rights of the owners of the Bonds and the enforceability of the Bonds and the Indenture may be subject to bankruptcy, insolvency, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity.

Respectfully submitted,

A Professional Law Corporation

[insert Appendix F]

Refinancing Memorandum Attachment No. 4 (7 pages)

Continuing Disclosure Agreement

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this “Disclosure Certificate”) is executed and delivered by the Novato Sanitary District (the “District”) in connection with the issuance of \$ _____ Novato Sanitary District 2019 Wastewater Revenue Refunding Bonds (the “Bonds”). The Bonds are being issued under the provisions of Articles 10 and 11 of Part 1 of Division 2 of Title 5 of the California Government Code and an Indenture of Trust, dated as of August 1, 2019 (the “Indenture”), between the District and The Bank of New York Mellon Trust Company, N.A., as 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 S.E.C. Rule 15c2-12(b)(5).

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 Bank of New York Mellon Trust Company, N.A., or any successor Dissemination Agent designated by the District.

“Financial Obligation” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term “financial obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

“Fiscal Year” means the fiscal year of the District.

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

“MSRB” shall mean the Municipal Securities Rulemaking Board.

“Official Statement” shall mean the Official Statement relating to the Bonds, dated _____, 2019.

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

“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.

(a) The District shall, or shall cause the Dissemination Agent to, not later than each March 31 after the end of each Fiscal Year (presently such Fiscal Year ends June 30) or the next succeeding business day if that day is not business day, commencing with the report for the fiscal year ending June 30, 2019, provide to the MSRB 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 Fiscal Year changes, the District shall give notice of such change in the same manner as for a Listed Event under Section 5(b).

(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). If the District is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the District shall send, in a timely manner, a notice to the MSRB in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall (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 to the MSRB.

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

1. 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(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

2. An update as of the most recently ended Fiscal Year of the District for the following tables 1, 3, 6, 8, 9 and 11 in the Official Statement.

3. Any rate increases that became effective on July 1 of the preceding calendar year.

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 each of the MSRB or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB. The District shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Indenture or its obligations in relation to the Bonds:

- (1) Principal and interest payment delinquencies;
- (2) Nonpayment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (7) Modifications to the rights of Bondholders, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the Bonds, if material;
- (11) Rating changes;
- (12) bankruptcy, insolvency, receivership or similar event of the District;
- (13) 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, if material;
- (14) appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (15) Incurrence of a financial obligation of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District, any of which affect security holders, if material; and

(16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District, any of which reflect financial difficulties.

(b) If a Listed Event occurs, the District shall provide, in a timely manner and in no event in excess of ten (10) Business Days after the occurrence of such Listed Event, notice of such Listed Event with the MSRB.

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(b).

SECTION 7. Dissemination Agent. The Bank of New York Mellon Trust Company, N.A. will serve as the initial Dissemination Agent hereunder. The District may, from time to time, appoint or engage a different Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such 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. 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 Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

The District acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the District, and that under some circumstances compliance with this Disclosure Certificate, without additional disclosures or other action, may not fully discharge all duties and obligations of the District under such laws.

SECTION 9. Default. In the event of a failure of the District or the Dissemination Agent to comply with any provision of this Disclosure Certificate, the sole legal remedy of any Holder or Beneficial Owner of the Bonds or the Participating Underwriter shall be an action to compel performance. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture.

No Bondholder or Beneficial Owner may institute such action, suit or proceeding to compel performance unless they shall have first delivered to the District satisfactory written evidence of

their status as such, and a written notice of and request to cure such failure, and the District shall have refused to comply therewith within a reasonable time.

SECTION 10. 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 the extent permitted by law, to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, suit, claim, cost, damages, judgment, 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 and expenses) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. The Dissemination Agent shall be afforded the same rights, protections and immunities hereunder afforded to it as Trustee under the Indenture.

It is understood and agreed that any information that the Dissemination Agent may be instructed to file with the MSRB shall be prepared and provided to it by the District. The Dissemination Agent has undertaken no responsibility with respect to any reports, notices or disclosures provided to it under this Disclosure Certificate, and has no liability to any person, including any holder of Bonds, with respect to any such reports, notices or disclosures. The fact that the Dissemination Agent or any affiliate thereof may have any fiduciary or banking relationship with the District shall not be construed to mean that the Dissemination Agent has actual knowledge of any event or condition except as may be provided by written notice from the District.

SECTION 11. 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 same manner as for a Listed Event under Section 5(b). The District shall obtain the consent of the Dissemination Agent for any amendment of the Disclosure Certificate that affects the duties, rights, protections or obligations of the Dissemination Agent.

SECTION 12. Transmission of Notices, Documents and Information.

(a) Unless otherwise required by the MSRB, all notices, documents and information provided to the MSRB shall be provided to the MSRB's Electronic Municipal Markets Access (EMMA) system, the current Internet Web address of which is www.emma.msrb.org.

(b) All notices, documents and information provided to the MSRB shall be provided in an electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

SECTION 13. 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.

SECTION 14. Governing Law. The provisions of this Disclosure Certificate shall be governed by and construed in accordance with the laws of the State of California.

Dated: _____, 2019

NOVATO SANITARY DISTRICT

By _____
Authorized Representative

Acknowledged and Agreed:

THE BANK OF NEW YORK MELLON
TRUST COMPANY, N.A., as Dissemination Agent

By _____
Authorized Representative

EXHIBIT A

NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Obligated Party: Novato Sanitary District

Name of Bond Issue: \$_____ Novato Sanitary District 2019 Wastewater Revenue Refunding Bonds

Date of Issuance: _____, 2019

NOTICE IS HEREBY GIVEN that an Annual Report with respect to the above-named Bonds was not released by the District by the date required in the Continuing Disclosure Certificate. [The District anticipates that the Annual Report will be filed by _____.]

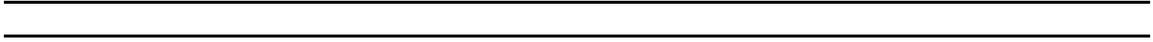
Dated: _____, 20__

Novato Sanitary District

By [form only; no signature required]

Refinancing Memorandum Attachment No. 5 (50 pages)

Indenture of Trust



INDENTURE OF TRUST

between the

NOVATO SANITARY DISTRICT

and

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,
as Trustee

Dated as of _____ 1, 2019

Relating to

\$ _____
Novato Sanitary District
2019 Wastewater Revenue Refunding Bonds



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INDENTURE OF TRUST

This INDENTURE OF TRUST, dated as of _____ 1, 2019, is between the NOVATO SANITARY DISTRICT, a sanitary district duly organized and existing under the Constitution and laws of the State of California (the "District"), and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., a national banking association organized and existing under the laws of the United States of America, with a corporate trust office in Los Angeles, California, and being qualified to accept and administer the trusts hereby created (the "Trustee").

BACKGROUND:

1. To finance improvements to the Wastewater System (defined herein), the District has previously entered into an Interagency Sales Agreement (Installment Sale Agreement No. C-06-4903-110; Agreement No. 07-824-550-0) with the State Water Resources Control Board pursuant to the State Revolving Fund program (the "SRF Loan"), which is currently outstanding in the amount of \$_____.

2. The District has the option to prepay the principal amount due under the SRF Loan, in whole or in part, on any date, together with accrued interest thereon to the prepayment date, without premium.

3. The District has decided to optionally prepay, in full, the SRF Loan in accordance with its terms, and in order to provide funds for that purpose, the Board of Directors of the District has authorized the issuance of the Novato Sanitary District 2019 Wastewater Revenue Refunding Bonds in the aggregate principal amount of \$_____ (the "Bonds") under the provisions of Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Section 53570 of said Code (the "Bond Law").

4. Previously, the District issued its 2017 Wastewater Revenue Refunding Bonds in the original principal amount of \$14,355,000 (the "2017 Bonds"). The 2017 Bonds are payable from the Net Revenues of the Wastewater System (as such terms are defined herein) pursuant to an Indenture of Trust, dated as of November 1, 2017, by and between the District and The Bank of New York Mellon Trust Company, N.A., as trustee (the "2017 Indenture").

5. Section 3.04 of the 2017 Indenture permits the issuance of Parity Debt (as defined in the 2017 Indenture) secured by a first pledge of and lien on Net Revenues on a parity basis with the 2017 Bonds provided certain conditions are met, and, in connection with the issuance of the Bonds, the District has certified that the conditions set forth in said section 3.04 have been met.

6. The Bonds will be secured by a first pledge of and lien on the Net Revenues derived by the District from the operation of its Wastewater System, on parity with the 2017 Bonds.

7. In order to provide for the authentication and delivery of the Bonds, to establish and declare the terms and conditions upon which the Bonds are to be issued and secured and to secure the payment of the principal thereof and of the interest and

premium, if any, thereon, the Board of Directors of the District has authorized the execution of this Indenture.

A G R E E M E N T :

In order to secure the payment of the principal of and the interest on all the Bonds under this Indenture according to their tenor, and to secure the performance and observance of all the covenants and conditions therein and herein set forth, and to declare the terms and conditions upon and subject to which the Bonds are to be issued and received, and in consideration of the premises and of the mutual covenants herein contained and of the purchase and acceptance of the Bonds by the Owners thereof, and for other valuable considerations, the receipt of which is hereby acknowledged, the District and the Trustee hereby covenant and agree with one another, for the benefit of the respective Owners from time to time of the Bonds, as follows:

ARTICLE I

DEFINITIONS; RULES OF CONSTRUCTION

SECTION 1.01. *Definitions.* Unless the context clearly otherwise requires or unless otherwise defined herein, the capitalized terms defined in Appendix A attached to this Indenture have the respective meanings specified in Appendix A when used in this Indenture.

SECTION 1.02. *Authorization.* Each of the parties hereby represents and warrants that it has full legal authority and is duly empowered to enter into this Indenture, and has taken all actions necessary to authorize the execution hereof by the officers and persons signing it.

SECTION 1.03. *Interpretation.*

(a) Unless the context otherwise indicates, words expressed in the singular include the plural and vice versa and the use of the neuter, masculine, or feminine gender is for convenience only and 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 do not affect the meaning, construction or effect hereof.

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

ARTICLE II

ISSUANCE OF BONDS

SECTION 2.01. *Authorization and Purpose of Bonds.* The District has reviewed all proceedings heretofore taken and has found, as a result of such review, and hereby finds and determines that all things, conditions and acts required by law to exist, happen or be performed precedent to and in connection with the issuance of the Bonds do exist, have happened and have been performed in due time, form and manner as required by law, and the District is now duly empowered, under each and every requirement of law, to issue the Bonds in the manner and form provided in this Indenture.

The District hereby authorizes the issuance of Bonds in the aggregate principal amount of \$_____ under the Bond Law for the purposes of providing funds to prepay, in full, all amounts due under the SRF Loan. The Bonds are authorized and issued under, and are subject to the terms of, this Indenture and the Bond Law. The Bonds are designated the “Novato Sanitary District 2019 Wastewater Revenue Refunding Bonds”.

SECTION 2.02. *Terms of the Bonds.* The Bonds are issuable in fully registered form without coupons in denominations of \$5,000 or any integral multiple thereof, so long as no Bond has more than one maturity date. The Bonds will be dated as of the Closing Date, and will mature on February 1 in the years and in the respective principal amounts and bear interest (calculated on the basis of a 360-day year comprised of twelve 30-day months) at the respective rates per annum, as set forth in the following table:

Maturity Date (February 1)	Principal Amount	Interest Rate
2020		
2021		
2022		
2023		
2024		
2025		
2026		
2027		
2028		
2029		
2030		
2031		

Interest on the Bonds is payable from the Interest Payment Date next preceding the date of authentication thereof unless:

- (a) a Bond is authenticated on or before an Interest Payment Date and after the close of business on the preceding Record Date, in which event it will bear interest from such Interest Payment Date,
- (b) a Bond is authenticated on or before the first Record Date, in which event interest thereon will be payable from the Closing Date, or

- (c) interest on any Bond is in default as of the date of authentication thereof, in which event interest thereon will be payable from the date to which interest has been paid in full, payable on each Interest Payment Date.

Interest is payable on each Interest Payment Date to the persons in whose names the ownership of the Bonds is registered on the Registration Books at the close of business on the immediately preceding Record Date, except as provided below. Interest on any Bond which is not punctually paid or duly provided for on any Interest Payment Date is payable to the person in whose name the ownership of such Bond is registered on the Registration Books at the close of business on a special record date for the payment of such defaulted interest to be fixed by the Trustee, notice of which is given to such Owner by first-class mail not less than 10 days prior to such special record date.

The Trustee will pay interest on the Bonds by check of the Trustee mailed by first class mail, postage prepaid, on each Interest Payment Date to the Owners of the Bonds at their respective addresses shown on the Registration Books as of the close of business on the preceding Record Date. At the written request of the Owner of Bonds in an aggregate principal amount of at least \$1,000,000, which written request is on file with the Trustee as of any Record Date, the Trustee will pay interest on such Bonds on each succeeding Interest Payment Date by wire transfer in immediately available funds to such account of a financial institution within the United States of America as specified in such written request, which written request will remain in effect until rescinded in writing by the Owner. The Trustee will pay principal of the Bonds in lawful money of the United States of America by wire or by check of the Trustee upon presentation and surrender thereof at the Office of the Trustee.

SECTION 2.03. *Redemption of Bonds.*

(a) Optional Redemption. [The Bonds are subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of available funds, in whole or in part, on any date on or after February 1, 2030, at a redemption price equal to the principal amount to be redeemed, plus accrued interest to the date fixed for redemption, without premium. The District shall give written notice of any redemption of Bonds under this subsection (a) to the Trustee at least 45 days prior to the date of redemption or such shorter time as shall be acceptable to the Trustee.]

(b) Extraordinary Redemption from Net Proceeds. The Bonds shall be subject to extraordinary redemption prior to their respective stated maturities, as a whole or in part on any date, as determined by the District, from Net Proceeds, upon the terms and conditions of, and as provided for in Sections 5.04 or 5.05, as applicable, at a Redemption Price equal to the principal amount of the Bonds to be redeemed, without premium, plus accrued interest thereon to the date fixed for redemption. The District shall give written notice of any redemption of Bonds under this subsection (c) to the Trustee at least 45 days prior to the date of redemption or such shorter time as shall be acceptable to the Trustee.

(c) Notice of Redemption. Unless waived by any Owner of Bonds to be redeemed, notice of any redemption of Bonds shall be given, at the expense of the District, by the Trustee, by mailing a copy of a redemption notice by first class mail at least 20 days and not more than 60 days prior to the date fixed for redemption to the Owner of the Bond or Bonds to be redeemed at the address shown on the Bond Registration Books and

containing the information set forth in clause (d) below; provided, that neither the failure to receive such notice nor any immaterial defect in any notice shall affect the sufficiency of the proceedings for the redemption of the Bonds. Redemption notices may be conditional.

(d) Contents of Notice. All notices of redemption shall be dated and shall state:

(i) the redemption date,

(ii) the redemption price of the Bonds being redeemed (the "Redemption Price"),

(iii) if fewer than all Outstanding Bonds are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts) of the Bonds to be redeemed, including (A) the CUSIP numbers of all Bonds being redeemed; (B) the stated interest rate with respect to each Bond being redeemed; (C) the maturity date of each Bond being redeemed; and (D) any other descriptive information needed to identify accurately the Bonds being redeemed,

(iv) that on the redemption date the Redemption Price will become due and payable with respect to each such Bond or portion thereof called for redemption, and that interest with respect thereto shall cease to accrue from and after said date, and

(v) the place or places where such Bonds are to be surrendered for payment of the Redemption Price, which places of payment may include the Office of the Trustee.

Such redemption notices may state that no representation is made as to the accuracy or correctness of the CUSIP numbers printed therein or on the Bonds.

(e) Rescission of Notice of Redemption. The District has the right to rescind any notice of the redemption of Bonds given under Section 2.03(c) by written notice to the Trustee on or prior to the date fixed for redemption. Any notice of redemption shall be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation shall not constitute an Event of Default. The District and the Trustee have no liability to the Bond Owners or any other party related to or arising from such rescission of notice of redemption. The Trustee shall mail notice of such rescission of notice of redemption in the same manner as the original notice of redemption was sent under Section 2.03.

(f) Deposit of Money. On or prior to any redemption date, the District shall deposit with the Trustee an amount of money sufficient to pay the Redemption Price of all the Bonds or portions of Bonds which are to be redeemed on that date.

(g) Consequences of Notice. Notice of redemption having been given as aforesaid, the Bonds or portions of Bonds so to be redeemed shall, on the redemption date, become due and payable at the Redemption Price therein specified, and from and

after such date (unless the District shall default in the payment of the Redemption Price) such Bonds or portions of Bonds shall cease to have interest accrue thereon. Upon surrender of such Bonds for redemption in accordance with said notice, such Bonds shall be paid by the Trustee at the Redemption Price. Installments of interest due on or prior to the redemption date shall be payable as herein provided for payment of interest. Upon surrender for any partial redemption of any Bond, there shall be prepared for the Owner a new Bond or Bonds of the same maturity in the amount of the unredeemed principal. All Bonds which have been redeemed shall be cancelled and destroyed by the Trustee and shall not be redelivered.

(h) Partial Redemption of Bonds. In the event only a portion of any Bond is called for redemption, then upon surrender of such Bond redeemed in part only, the District shall execute and the Trustee shall authenticate and deliver to the Owner, at the expense of the District, a new Bond or Bonds, of the same series and maturity, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Bond or Bonds.

(i) Manner of Redemption. Whenever any Bonds are to be selected for redemption, the Trustee shall determine, by lot, the numbers of the Bonds to be redeemed, and shall notify the District thereof.

All Bonds redeemed pursuant to this Section shall be cancelled and destroyed pursuant to Section 9.07.

SECTION 2.04. *Book Entry System.*

(a) Original Delivery. The Bonds will be initially delivered in the form of a separate single fully registered bond (which may be typewritten) for each maturity of the Bonds. Upon initial delivery, the Trustee shall register the ownership of each Bond on the Registration Books in the name of the Nominee. Except as provided in subsection (c), the ownership of all of the Outstanding Bonds shall be registered in the name of the Nominee on the Registration Books.

With respect to Bonds the ownership of which is registered in the name of the Nominee, the District and the Trustee has no responsibility or obligation to any Depository System Participant or to any person on behalf of which the Nominee holds an interest in the Bonds. Without limiting the generality of the immediately preceding sentence, the District and the Trustee has no responsibility or obligation with respect to (i) the accuracy of the records of the Depository, the Nominee or any Depository System Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any Depository System Participant or any other person, other than a Bond Owner as shown in the Registration Books, of any notice with respect to the Bonds, (iii) the selection by the Depository of the beneficial interests in the Bonds to be redeemed if the District elects to redeem the Bonds in part, (iv) the payment to any Depository System Participant or any other person, other than a Bond Owner as shown in the Registration Books, of any amount with respect to principal, interest and premium, if any, on the Bonds or (v) any consent given or other action taken by the Depository as Owner of the Bonds. The District and the Trustee may treat and consider the person in whose name each Bond is registered as the absolute owner of such Bond for the purpose of payment of principal of and the interest and premium, if any, on such Bond, for the purpose of giving notices of matters with respect to such Bond, for the purpose of registering transfers of ownership of such Bond, and for

all other purposes whatsoever. The Trustee shall pay the principal of and the interest and premium, if any, on the Bonds only to the respective Owners or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge all obligations with respect to payment of principal of and interest and premium, if any, on the Bonds to the extent of the sum or sums so paid. No person other than a Bond Owner shall receive a Bond evidencing the obligation of the District to make payments of principal, interest and premium, if any, under this Indenture. Upon delivery by the Depository to the District of written notice to the effect that the Depository has determined to substitute a new Nominee in its place, and subject to the provisions herein with respect to Record Dates, such new nominee shall become the Nominee hereunder for all purposes; and upon receipt of such a notice the District shall promptly deliver a copy of the same to the Trustee.

(b) Representation Letter. In order to qualify the Bonds for the Depository's book-entry system, the District shall execute and deliver to such Depository a letter representing such matters as shall be necessary to so qualify the Bonds. The execution and delivery of such letter shall not in any way limit the provisions of subsection (a) above or in any other way impose upon the District or the Trustee any obligation whatsoever with respect to persons having interests in the Bonds other than the Bond Owners. Upon the written acceptance by the Trustee, the Trustee shall agree to take all action reasonably necessary for all representations of the Trustee in such letter with respect to the Trustee to at all times be complied with. In addition to the execution and delivery of such letter, the District may take any other actions, not inconsistent with this Indenture, to qualify the Bonds for the Depository's book-entry program.

(c) Transfers Outside Book-Entry System. If either (i) the Depository determines not to continue to act as Depository for the Bonds, or (ii) the District determines to terminate the Depository as such, then the District shall thereupon discontinue the book-entry system with such Depository. In such event, the Depository shall cooperate with the District and the Trustee in the issuance of replacement Bonds by providing the Trustee with a list showing the interests of the Depository System Participants in the Bonds, and by surrendering the Bonds, registered in the name of the Nominee, to the Trustee on or before the date such replacement Bonds are to be issued. The Depository, by accepting delivery of the Bonds, agrees to be bound by the provisions of this subsection (c). If, prior to the termination of the Depository acting as such, the District fails to identify another Securities Depository to replace the Depository, then the Bonds shall no longer be required to be registered in the Registration Books in the name of the Nominee, but shall be registered in whatever name or names the Owners transferring or exchanging Bonds shall designate, in accordance with the provisions hereof.

If the District determines that it is in the best interests of the beneficial owners of the Bonds that they be able to obtain certificated Bonds, the District may notify the Depository System Participants of the availability of such certificated Bonds through the Depository. In such event, the Trustee will issue, transfer and exchange Bonds as required by the Depository and others in appropriate amounts; and whenever the Depository requests, the Trustee and the District shall cooperate with the Depository in taking appropriate action (i) to make available one or more separate certificates evidencing the Bonds to any Depository System Participant having Bonds credited to its account with the Depository, or (ii) to arrange for another Securities Depository to maintain custody of a single certificate evidencing such Bonds, all at the District's expense.

(d) Payments to the Nominee. Notwithstanding any other provision of this Indenture to the contrary, so long as any Bond is registered in the name of the Nominee, all payments with respect to principal of and interest and premium, if any, on such Bond and all notices with respect to such Bond shall be made and given, respectively, as provided in the letter described in subsection (b) of this Section or as otherwise instructed by the Depository.

SECTION 2.05. *Form and Execution of Bonds.* The Bonds, the form of Trustee's certificate of authentication, and the form of assignment to appear thereon, are set forth in Appendix B attached hereto and by this reference incorporated herein, with necessary or appropriate variations, omissions and insertions, as permitted or required by this Indenture.

The President of the Board of Directors of the District (or his or her designee) shall execute, and the Secretary of the District shall attest each Bond. Either or both of such signatures may be made manually or may be affixed by facsimile thereof. If any officer whose signature appears on any Bond ceases to be such officer before the Closing Date, such signature will nevertheless be as effective as if the officer had remained in office until the Closing Date. Any Bond may be signed and attested on behalf of the District by such persons as at the actual date of the execution of such Bond are the proper officers of the District, duly authorized to execute debt instruments on behalf of the District, although on the date of such Bond any such person was not an officer of the District.

Only those Bonds bearing a certificate of authentication in the form set forth in Appendix B, manually executed and dated by the Trustee, are valid or obligatory for any purpose or entitled to the benefits of this Indenture, and such certificate of the Trustee is conclusive evidence that such Bonds have been duly authenticated and delivered hereunder and are entitled to the benefits of this Indenture.

SECTION 2.06. *Transfer and Exchange of Bonds.*

(a) Transfer. Any Bond may, in accordance with its terms, be transferred, upon the Registration Books, by the person in whose name it is registered, in person or by a duly authorized attorney of such person, upon surrender of such Bond to the Trustee at its Office for cancellation, accompanied by delivery of a written instrument of transfer in a form acceptable to the Trustee, duly executed. The Trustee shall collect any tax or other governmental charge on the transfer of any Bonds under this Section 2.06. Whenever any Bond or Bonds shall be surrendered for transfer, the District shall execute and the Trustee shall authenticate and deliver to the transferee a new Bond or Bonds of like series, interest rate, maturity and aggregate principal amount. The District shall pay the cost of printing Bonds and any services rendered or expenses incurred by the Trustee in connection with any transfer of Bonds. The Trustee may refuse to transfer, under the provisions of this Section 2.06, either (a) any Bonds during the period 15 days prior to the date established by the Trustee for the selection of Bonds for redemption, or (b) any Bonds selected by the Trustee for redemption.

(b) Exchange. The Bonds may be exchanged at the Office of the Trustee for a like aggregate principal amount of Bonds of other authorized denominations and of the same series, interest rate and maturity. The Trustee shall collect any tax or other governmental charge on the exchange of any Bonds under this subsection (b). The District shall pay the cost of printing Bonds and any services rendered or expenses

incurred by the Trustee in connection with any exchange of Bonds. The Trustee may refuse to exchange, under the provisions of this Section 2.06, either (a) any Bonds during the 15 days prior to the date established by the Trustee for the selection of Bonds for redemption or (b) any Bonds selected by the Trustee for redemption.

SECTION 2.07. *Registration Books.* The Trustee will keep or cause to be kept, at its Office, sufficient records for the registration and registration of transfer of the Bonds, which must at all times during normal business hours, and upon reasonable notice, be open to inspection by the District; 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 the Registration Books, Bonds as hereinbefore provided.

SECTION 2.08. *Bonds Mutilated, Lost, Destroyed or Stolen.* If any Bond is mutilated, the District, at the expense of the Owner of such Bond, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like tenor in exchange and substitution for the Bond so mutilated, but only upon surrender to the Trustee of the Bond so mutilated. The Trustee shall cancel every mutilated Bond surrendered to it and deliver such mutilated Bond to, or upon the order of, the District. If any Bond is lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and, if such evidence is satisfactory and if indemnity satisfactory to the Trustee is given, the District, at the expense of the Owner, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like tenor in lieu of and in substitution for the Bond so lost, destroyed or stolen. The Trustee may require payment of a sum not exceeding the actual cost of preparing each new Bond issued under this Section and of the expenses which may be incurred by the Trustee in connection therewith. Any Bond issued under the provisions of this Section in lieu of any Bond alleged to be lost, destroyed or stolen will constitute an original additional contractual obligation on the part of the District whether or not the Bond so alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and shall be equally and proportionately entitled to the benefits of this Indenture with all other Bonds issued under this Indenture.

Notwithstanding any other provision of this Section 2.08, in lieu of delivering a new Bond for which principal has become due for a Bond which has been mutilated, lost, destroyed or stolen, the Trustee may make payment of such Bond in accordance with its terms upon receipt of indemnity satisfactory to the Trustee.

ARTICLE III

ISSUE OF BONDS; PARITY DEBT

SECTION 3.01. *Issuance of Bonds.* Upon the execution and delivery of this Indenture, the District shall execute and deliver Bonds in the aggregate principal amount of \$_____ to the Trustee, and the Trustee shall authenticate and deliver the Bonds to the Original Purchaser upon receipt of a Request of the District therefor.

SECTION 3.02. *Deposit and Application of Proceeds; Transfer of Funds.* On the Closing Date, the Trustee shall receive proceeds of the Bonds from the Original Purchaser in the amount of \$_____ (calculated based on the par amount of the bonds (\$_____.00), plus [net] original issue premium of \$_____, less an underwriter's discount of \$_____, less a good faith deposit of \$100,000.00 previously received from the Original Purchaser) as follows:

(a) The Trustee shall deposit the amount of \$_____ to the Costs of Issuance Fund, which shall be combined with the good faith deposit of \$100,000.00 previously received from the Original Purchaser, for a total of \$_____.

(b) The Trustee shall transfer the amount of \$_____, constituting the remainder of the Bond proceeds, to the State Water Resources Control Board for the payment, in full, of amounts due under the SRF Loan, in accordance with the instructions set forth in a Certificate of the District.

SECTION 3.03. *Costs of Issuance Fund.* There is hereby established a separate fund to be known as the "Costs of Issuance Fund", to be held by the Trustee in trust. The Trustee shall disburse moneys in the Costs of Issuance Fund from time to time to pay Costs of Issuance upon submission of a Request of the District stating (a) the person to whom payment is to be made, (b) the amounts to be paid, and (c) the purpose for which the obligation was incurred; in each case together with a statement or invoice for each amount requested thereunder. On the date that is 180 days after the Closing Date, the Trustee shall transfer any amounts remaining in the Costs of Issuance Fund to the Debt Service Fund to be applied to pay a portion of the interest next coming due and payable on the Bonds.

SECTION 3.04. *Issuance of Parity Debt.* The District may issue Parity Debt in such principal amount as it determines, subject to the following conditions precedent:

- (a) No Event of Default (or no event with respect to which notice has been given and which, once all [notice of] grace periods have passed, would constitute an Event of Default) has occurred and is continuing.
- (b) The amount of Net Revenues, [as shown by the books of the District] for the most recent completed Fiscal Year for which audited financial statements of the District are available, or for any more recent consecutive 12-month period selected by the District, in either case verified by an Independent Accountant or a Financial Consultant [or shown in the audited financial statements of the District], plus, at the option of the District any Additional Revenues, are at least equal to

125% of the maximum amount of Debt Service coming due and payable in the current or any future Fiscal Year with respect to (i) the Bonds and all Parity Debt then outstanding and (ii) the Parity Debt then proposed to be issued; and

- (c) The District shall deliver to the Trustee a Certificate of the District certifying, that the conditions precedent to the issuance of such Parity Debt set forth in the foregoing subsections of this Section 3.04 have been satisfied.

For purposes of calculating Net Revenues to demonstrate compliance with paragraph (b) above, Revenues shall not include connection fees, transfers from the Rate Stabilization Fund, or interest income on the Wastewater Fund received during the period for which calculations of Net Revenues is being made.

SECTION 3.05. *State Loans.* The District may borrow money from the State and incur State Loans to finance improvements to the Wastewater System. A State Loan may be treated as a Parity Debt for purposes of this Indenture, so long as the District complies with Section 3.04 of this Indenture before incurring said State Loan.

SECTION 3.06. *Validity of Bonds.* The recital contained in the Bonds that they are issued under the Laws of the State of California is conclusive evidence of their validity and of the regularity of their issuance.

ARTICLE IV

REVENUES; FLOW OF FUNDS

SECTION 4.01. *Pledge of Net Revenues.* The Bonds and all Parity Debt are secured by a first pledge of and lien on all of the Net Revenues. In addition, the Bonds are secured by a pledge of all of the moneys in the Debt Service Fund, including all amounts derived from the investment of such moneys. The Bonds and any Parity Debt are equally secured by a pledge, charge and lien upon the Net Revenues, without priority for series, issue, number or date, and the payment of the interest on and principal of the Bonds and Parity Debt shall be and are secured by an exclusive pledge, charge and lien upon the Net Revenues. So long as any of the Bonds and Parity Debt are Outstanding, the Net Revenues and such moneys may not be used for any other purpose; except that out of the Net Revenues there may be apportioned such sums, for such purposes, as are expressly permitted by Section 4.02.

SECTION 4.02. *Receipt, Deposit and Application of Net Revenues.*

(a) Establishment and Maintenance of Wastewater Fund. The District has previously established the Wastewater Fund, which it will continue to hold and maintain for the purposes and uses set forth herein. The District shall deposit all Revenues in the Wastewater Fund promptly upon the receipt thereof, and shall apply amounts in the Wastewater Fund solely for the uses and purposes set forth herein and for the uses and purposes set forth in any Parity Debt Documents.

(b) Application of Amounts in Wastewater Fund. In addition to transfers which are required to be made for repayment of any Parity Debt, the District shall withdraw amounts on deposit in the Wastewater Fund and apply such amounts at the times and for the purposes, and in the priority, as follows:

- (i) *Operation and Maintenance Costs.* The District shall apply amounts on deposit in the Wastewater Fund to pay all Operation and Maintenance Costs when due.
- (ii) *Debt Service Fund.* On or before the 3rd Business Day preceding each Interest Payment Date, so long as any Bonds remain Outstanding hereunder, the District shall withdraw from the Wastewater Fund and pay to the Trustee for deposit into the Debt Service Fund (which the Trustee shall establish and hold in trust hereunder) an amount which, together with other available amounts then on deposit in the Debt Service Fund, is at least equal to the aggregate amount of principal of and interest coming due and payable on the Bonds on such Interest Payment Date.

The Trustee shall apply amounts in the Debt Service Fund solely for the purpose of (A) paying the interest on the Outstanding Bonds when due and payable (including accrued interest on any Bonds purchased or redeemed hereunder), and (B) paying the principal of the Bonds at the maturity thereof. Upon the payment of all Outstanding Bonds, the Trustee shall transfer any moneys remaining in the Debt Service Fund to the District for deposit into the Wastewater Fund.

(c) Other Uses of Wastewater Fund. The District shall manage, conserve and apply moneys in the Wastewater Fund in such a manner that all deposits required to be made under this Section and under any Parity Debt Documents will be made at the times and in the amounts so required.

So long as no Event of Default has occurred and is continuing, the District may at any time use and apply moneys in the Wastewater Fund for any one or more of the following purposes:

- (i) the payment of any subordinate obligations or any unsecured obligations;
- (ii) the acquisition and construction of extensions and improvements to the Wastewater System;
- (iii) the payment or retirement of any of the Bonds or any other obligations of the District relating to the Wastewater System; or
- (iv) any other lawful purpose of the District relating to the Wastewater System.

SECTION 4.03. *Establishment of Rate Stabilization Fund.* The District has established a fund to be held by it and administered in accordance with this Section 4.03, for the purpose of stabilizing the rates and charges imposed by the District with respect to

the Wastewater System. From time to time the District may deposit amounts in the Rate Stabilization Fund, from any source of legally available funds, including but not limited to Net Revenues which are released from the pledge and lien which secures the Bonds and any Parity Debt, as the District may determine.

The District may, but is not required to, withdraw from any amounts on deposit in the Rate Stabilization Fund and deposit such amounts in the Wastewater Fund in any Fiscal Year for the purpose of paying Debt Service coming due and payable in such Fiscal Year. Amounts so transferred from the Rate Stabilization Fund to the Wastewater Fund shall constitute Revenues for such Fiscal Year (except as otherwise provided herein), and shall be applied for the purposes of the Wastewater Fund. Amounts on deposit in the Rate Stabilization Fund shall not be pledged to or otherwise secure the Bonds or any Parity Debt. The District has the right at any time to withdraw any or all amounts on deposit in the Rate Stabilization Fund and apply such amounts for any lawful purposes of the District relating to the Wastewater System.

SECTION 4.04. *Investments.*

(a) Investment of Funds Held by District. All moneys in the Wastewater Fund and the Rate Stabilization Fund shall be invested by the District from time to time in any securities in which the District may legally invest funds subject to its control.

(b) Investment of Funds Held by Trustee. The Trustee shall invest moneys in the funds and accounts held by it hereunder in Permitted Investments specified in the Request of the District delivered to the Trustee at least two Business Days in advance of the making of such investments. The Trustee may rely conclusively upon the investment direction of the District as to the suitability and legality of the directed investments. In the absence of any such direction from the District, the Trustee shall invest any such moneys solely in Permitted Investments described in clause (e) 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 Request of the District specifying a specific money market mutual fund that satisfies the requirements of said paragraph in which such investment is to be made and, if no such Request of the District is so received, the Trustee shall hold such moneys [_____]. [*Note: To be discussed with Trustee.*]

(c) General Investment Provisions. Obligations purchased as an investment of moneys in any fund or account shall be deemed to be part of such fund or account. Whenever in this Indenture the District is required to transfer any moneys to the Trustee, such transfer may be accomplished by transferring a like amount of Permitted Investments. All interest or gain derived from the investment of amounts in any of the funds or accounts held by the Trustee hereunder shall be retained in the respective fund or account from which such investment was made. For purposes of acquiring any investments hereunder, the Trustee may commingle funds held by it hereunder upon receipt by the Trustee of the Request of the District. The Trustee or an affiliate may act as principal or agent in the acquisition or disposition of any investment and may impose its customary charges therefor. The Trustee has no liability for losses arising from any investments made under this Section.

The District acknowledges that to the extent 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, at no additional cost, the District specifically waives receipt of such confirmations to the extent permitted by law. The Trustee will furnish the District periodic transaction statements which include detail for all investment transactions 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 hereunder.

SECTION 4.05. *Valuation and Disposition of Investments.*

(a) Except as otherwise provided in subsection (b) of this Section, the District covenants that all investments of amounts deposited in any fund or account created by or under this Indenture, or otherwise containing gross proceeds of the Bonds (within the meaning of Section 148 of the Tax Code) shall be acquired, disposed of and valued (as of the date that valuation is required by this Indenture or the Tax Code) at Fair Market Value as such term is defined in subsection (d) below.

(b) Investments in funds or accounts (or portions thereof) that are subject to a yield restriction under applicable provisions of the Tax Code shall be valued at cost thereof (consisting of present value thereof within the meaning of Section 148 of the Tax Code); provided that the District must inform the Trustee which funds are subject to a yield restriction, and must provide the Trustee with any necessary valuation criteria or formulae.

(c) Except as provided in the proceeding subsection (b), for the purpose of determining the amount in any fund, the Trustee shall value Permitted Investments credited to such fund at least annually at the Fair Market Value thereof, on February 1 of each year. The Trustee shall have no duty in connection with the determination of Fair Market Value other than to follow: (i) its normal practices in the purchase, sale and determining the value of Permitted Investments; and (ii) the investment directions of the District. The Trustee may utilize and rely on computerized securities pricing services that may be available to it, including those available through its regular accounting system. If and as directed by the District in writing, the Trustee shall sell or present for redemption any Permitted Investment so purchased by the Trustee whenever it is necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund to which such Permitted Investment is credited, and the Trustee has no liability or responsibility for any loss resulting therefrom. In determining the Fair Market Value of Authorized Investments, the Trustee may use and rely conclusively and without liability upon any generally recognized pricing information service (including brokers and dealers in securities) available to it.

(d) For purposes of this Section 4.05, the term "Fair Market Value" means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm's length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of Section 1273 of the Tax Code) and, otherwise, the term "Fair Market Value" means the acquisition price in a bona fide arm's length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Tax Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance

with applicable regulations under the Tax Code, or (iii) the investment is a United States Treasury Security -- State and Local Government Series which is acquired in accordance with applicable regulations of the United States Bureau of Public Debt.

ARTICLE V

FINANCIAL COVENANTS

SECTION 5.01. *Punctual Payment; Compliance With Documents.* The District shall punctually pay or cause to be paid the interest and principal to become due with respect to all of the Bonds in strict conformity with the terms of the Bonds and of this Indenture, and will faithfully observe and perform all of the conditions, covenants and requirements of this Indenture and all Supplemental Indentures.

SECTION 5.02. *Discharge of Claims.* The District covenants that in order to fully preserve and protect the priority and security of the Bonds the District shall pay from the Net Revenues and discharge all lawful claims for labor, materials and supplies furnished for or in connection with the Wastewater System which, if unpaid, may become a lien or charge upon the Net Revenues prior or superior to the lien of the Bonds and impair the security of the Bonds. The District shall also pay, from the Net Revenues, all taxes and assessments or other governmental charges lawfully levied or assessed upon or in respect of the Wastewater System or upon any part thereof or upon any of the Net Revenues therefrom.

SECTION 5.03. *Operation of Wastewater System in Efficient and Economical Manner.* The District covenants and agrees to operate the Wastewater System in an efficient and economical manner and to operate, maintain and preserve the Wastewater System in good repair and working order.

SECTION 5.04. *Sale or Eminent Domain of Wastewater System.* Except as provided herein, the District covenants that the Wastewater System will not be encumbered, sold, leased, pledged, any charge placed thereon, or otherwise disposed of, as a whole or substantially as a whole, if such encumbrance, sale, lease, pledge, charge or other disposition would materially impair the ability of the District to pay the principal of or interest on the Bonds or any Parity Debt, or would materially adversely affect its ability to comply with the terms of this Indenture or any Parity Debt Documents. The District may not enter into any agreement which impairs the operation of the Wastewater System or any part of it necessary to secure adequate Net Revenues to pay the Bonds and any Parity Debt, or which otherwise would impair the rights of the Bond Owners with respect to the Net Revenues.

The Net Proceeds received as awards as a result of the taking of all or any part of the Wastewater System by the lawful exercise of eminent domain, if and to the extent that such right can be exercised against such property of the District, shall either (a) be used for the acquisition or construction of improvements and extension of the Wastewater System, or (b) be applied on a pro rata basis to redeem the Bonds and any Parity Debt in accordance with this Indenture and the related Parity Debt Documents.

SECTION 5.05. *Insurance.* The District will at all times maintain with responsible insurers all such insurance on the Wastewater System as is customarily maintained with

respect to works and properties of like character against accident to, loss of or damage to the Wastewater System. The District shall also maintain, with responsible insurers, worker's compensation insurance and insurance against public liability and property damage to the extent reasonably necessary to protect the District, the Trustee and the Owners of the Bonds. The Trustee has no liability to determine whether the District is in compliance with the provisions of this Section 5.05.

The Net Proceeds collected by the District from insurance against accident to or destruction of any portion of the Wastewater System shall be used to repair or rebuild such damaged or destroyed portion of the Wastewater System, and to the extent not so applied, shall be applied on a pro rata basis to redeem the Bonds and any Parity Debt in accordance with this Indenture and the related Parity Debt Documents.

SECTION 5.06. *Records and Accounts.* The District will keep proper books of record and accounts of the Wastewater System, separate from all other records and accounts, in which complete and correct entries shall be made of all transactions relating to the Wastewater System. Said books shall, upon reasonable request, be subject to the inspection of the Trustee and the Owners of not less than 10% of the Outstanding Bonds or their representatives authorized in writing.

The District shall cause the books and accounts of the Wastewater System to be audited annually by an Independent Accountant and will make available for inspection by the Bond Owners at the Office of the Trustee, upon reasonable request, a copy of the report of such Independent Accountant.

SECTION 5.07. *Rates and Charges.* The District shall fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Wastewater System during each Fiscal Year, which are at least sufficient, after making allowances for contingencies and error in the estimates, to yield Revenues sufficient to pay the following amounts in the following order of priority:

- (a) All Operation and Maintenance Costs estimated by the District to become due and payable in such Fiscal Year;
- (b) The principal of and interest on the Bonds and any Parity Debt as they become due and payable during such Fiscal Year, without preference or priority, except to the extent such interest is payable from proceeds of Parity Debt deposited for such purpose;
- (c) All payments required to meet any other obligations of the District which are charges, liens, encumbrances upon, or which are otherwise payable from, the Revenues or the Net Revenues during such Fiscal Year.

In addition, the District shall fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Wastewater System during each Fiscal Year which are sufficient to yield Net Revenues which are at least equal to 120% of the amount described in the preceding clause (b) for such Fiscal Year. For purposes of this paragraph, the amount of Net Revenues for a Fiscal Year will be computed on the basis that (a) any transfers from the Rate Stabilization Fund into the Wastewater Fund in such Fiscal Year are included in the calculation of Net Revenues, as provided in Section

4.03, (b) any transfers from the Wastewater Fund into the Rate Stabilization Fund in such Fiscal Year are deducted from the amount of Net Revenues to the extent such deposits are made from Revenues received by the District during that Fiscal Year, and (c) Revenues shall not include connection fees or interest income expected to be received in such Fiscal Year.

SECTION 5.08. *Superior and Subordinate Obligations; Parity Obligations.* The District may not issue or incur any additional bonds or other obligations having any priority over the Bonds in the payment of principal or interest out of the Net Revenues. Nothing herein limits or affects the ability of the District to issue or incur obligations which are either unsecured or which are secured by an interest in the Net Revenues which is junior and subordinate to the pledge of and lien upon the Net Revenues established hereunder. Parity Debt may be issued or incurred only in accordance with Sections 3.04 and 3.05.

SECTION 5.09. *Tax Covenants Relating to Bonds.*

(a) The District shall not take any action or permit to be taken any action within its control which would cause or which, with the passage of time if not cured would cause, interest on the Bonds to become includable in gross income for federal income tax purposes.

(b) The District shall assure that the proceeds of the Bonds are not used in a manner which would cause the Bonds to become "private activity bonds" within the meaning of section 141(a) of the Tax Code or to meet the private loan financing test of Section 141(c) of the Tax Code.

(c) The District shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause the Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Tax Code.

(d) The District shall not take, or permit or suffer to be taken by the Trustee or otherwise, any action with respect to the Bond proceeds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the Closing Date, would have caused the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Tax Code.

(e) The District shall calculate or cause to be calculated all amounts of excess investment earnings with respect to the Bonds which are required to be rebated to the United States of America under Section 148(f) of the Tax Code, at the times and in the manner required under the Tax Code. The District shall pay when due an amount equal to excess investment earnings to the United States of America in such amounts, at such times and in such manner as may be required under the Tax Code, such payments to be made from any source of legally available funds of the District. The District shall keep or cause to be kept, and retain or cause to be retained for a period of six years following the retirement of the Bonds, records of the determinations made under this subsection (e).

The Trustee has no duty to monitor the compliance by the District with any of the covenants contained in this Section 5.09.

SECTION 5.10. *Continuing Disclosure.* The District will comply with and carry out all of the provisions of the Continuing Disclosure Certificate which has been executed and

delivered by the District on the Closing Date. Notwithstanding any other provision hereof, failure of the District to comply with the Continuing Disclosure Certificate does not constitute an Event of Default hereunder; *provided, however*, that any Participating Underwriter (as such term is defined in the Continuing Disclosure Certificate) or any Owner or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the District to comply with its obligations under this Section 5.10.

SECTION 5.11. *Further Assurances.* The District will adopt, make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Indenture, and for the better assuring and confirming unto the Owners of the Bonds and the Trustee the rights and benefits provided in this Indenture.

ARTICLE VI

THE TRUSTEE

SECTION 6.01. *Duties, Immunities and Liabilities of Trustee.*

(a) Performance of Duties. The Trustee shall, prior to the occurrence of 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 specifically set forth in this Indenture and no implied covenants or duties will be read into this 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 this Indenture, and use the same degree of care and skill in their exercise, as a reasonable corporate trustee would exercise or use.

(b) Removal of Trustee. The District may remove the Trustee upon 30 days' prior written notice, and shall remove the Trustee (i) 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 Bonds then Outstanding (or their attorneys duly authorized in writing) or (ii) if at any time the Trustee ceases to be eligible in accordance with subsection (e) of this Section 6.01, or becomes incapable of acting, or is adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property is appointed, or any public officer takes control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation. The District may accomplish such removal by giving 30 days' prior written notice to the Trustee, whereupon the District will appoint a successor Trustee by an instrument in writing.

(c) Resignation by Trustee. The Trustee may at any time resign by giving written notice of such resignation to the District, and by giving notice of such resignation by first class mail, postage prepaid, to the Bond Owners at their respective addresses shown on the Registration Books. Upon receiving such notice of resignation, the District will promptly appoint a successor Trustee by an instrument in writing.

(d) Appointment of Successor Trustee. Any removal or resignation of the Trustee and appointment of a successor Trustee becomes effective upon acceptance of appointment by the successor Trustee. If no successor Trustee has been appointed and

accepted appointment within 45 days following giving notice of removal or notice of resignation as aforesaid, the retiring Trustee, any Owner (on behalf of such Owner and all other Owners) may petition any federal or state court for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under this 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 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, upon the receipt by the predecessor Trustee of the 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 this 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 will 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, by first class mail postage prepaid, a notice of the succession of such Trustee to the trusts hereunder to each rating agency which then maintains a rating on the Bonds, and to the Owners at the addresses shown on the Registration Books. If the District fails to mail such notice within 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) Qualifications of Trustee. Any Trustee appointed under the provisions of this Section in succession to the Trustee must:

- (i) be a company, national banking association or bank having trust powers,
- (ii) have a corporate trust office in the State of California,
- (iii) have (or be part of a bank holding company system whose bank holding company has) a combined capital and surplus of at least \$75,000,000, and
- (iv) be subject to supervision or examination by federal or state authority.

If such bank, national banking association or company publishes a report of condition at least annually, under law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this subsection the combined capital and surplus of such bank, national banking association or company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this subsection (e), the Trustee shall resign immediately in the manner and with the effect specified in subsection (c) of this Section.

The District will maintain a Trustee which is qualified under the provisions of the foregoing provisions of this subsection (e), so long as any Bonds are Outstanding.

SECTION 6.02. *Merger or Consolidation.* Any bank, national banking association or company into which the Trustee may be merged or converted or with which either of them may be consolidated or any bank, national banking association or company resulting from any merger, conversion or consolidation to which it shall be a party or any bank, national banking association or company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such bank, national banking association or company shall be eligible under subsection (e) of Section 6.01, 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 6.03. *Rights and Liabilities of Trustee.*

(a) The recitals of facts herein and in the Bonds contained are taken as statements of the District, and the Trustee has no responsibility for the correctness of the same, nor does it have any liability whatsoever therefor, nor make any representations as to the validity or sufficiency of this Indenture or of the Bonds nor shall it incur any responsibility in respect thereof, other than as expressly stated herein. The Trustee is, however, responsible for its representations contained in its certificate of authentication on the Bonds. The Trustee is not liable in connection with the performance of its duties hereunder, except for its own negligence or willful misconduct. The Trustee is not liable for the acts of any agents of the Trustee selected by it with due care. The Trustee may become the Owner of any 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 the Owners, whether or not such committee shall represent the Owners of a majority in principal amount of the Bonds then Outstanding. The Trustee, either as principal or agent, may engage in or be entrusted in any financial or other transaction with the District.

(b) The Trustee has no liability with respect to any action taken or omitted to be taken by it in accordance with the direction of the Owners of a majority in aggregate principal amount of the 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 this Indenture.

(c) The Trustee has no liability for any action taken by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Indenture, except for actions arising from the negligence or willful misconduct of the Trustee. The permissive right of the Trustee to do things enumerated hereunder is not construed as a mandatory duty.

(d) The Trustee will not be deemed to have knowledge of any Event of Default hereunder unless and until a responsible officer of the Trustee has actual knowledge thereof, or unless and until a responsible officer of the Trustee has received written notice thereof at its Office. Except as otherwise expressly provided herein, the Trustee is not bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements herein or of any of the documents executed in

connection with the Bonds, or as to the existence of an Event of Default hereunder or thereunder. The Trustee is not responsible for the District's payment of principal and interest on the Bonds, the District's observance or performance of any other covenants, conditions or terms contained herein, or the validity or effectiveness of any collateral given to or held by it. Without limiting the generality of the foregoing, and notwithstanding anything herein to the contrary, the Trustee is not responsible for reviewing the contents of any financial statements furnished to the Trustee under Section 5.06 and may rely conclusively on a Certificate of the District (if any) to establish the District's compliance with its financial covenants hereunder, including, without limitation, its covenants regarding the deposit of Revenues into the Wastewater Fund and the investment and application of moneys on deposit in the Wastewater Fund (other than its covenants to transfer such moneys to the Trustee when due hereunder).

(e) No provision in this Indenture requires the Trustee to risk or expend its own funds or otherwise incur any financial liability hereunder. The Trustee is entitled to receive interest on any moneys advanced by it hereunder, at the maximum rate permitted by law.

(f) The Trustee may establish additional accounts or subaccounts of the funds established hereunder as the Trustee deems necessary or prudent in furtherance of its duties under this Indenture.

(g) The Trustee has no responsibility or liability whatsoever with respect to any information, statement, or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Bonds, nor shall the Trustee have any obligation to review any such material, and any such review by the Trustee will not be deemed to create any obligation, duty or liability on the part of the Trustee.

(h) At any and all reasonable times the Trustee, and its duly authorized agents, attorneys, experts, engineers, accountants and representatives, have the right (but not the duty) fully to inspect the Wastewater System, including all books, papers and records of the District pertaining to the Wastewater System and the Bonds, and to take such memoranda from and with regard thereto as may be desired but which is not privileged by statute or by law.

(i) Before taking any action under Article VIII or this Article VI, the Trustee may require indemnity satisfactory to the Trustee be furnished to it to hold the Trustee harmless from any expenses whatsoever and to protect it against any liability it may incur hereunder.

(j) The immunities extended to the Trustee also extend to its directors, officers, employees and agents.

(k) The permissive right of the Trustee to do things enumerated in this Indenture is not construed as a duty.

(l) The Trustee may execute any of the trusts or powers hereof and perform any of its duties through attorneys, agents and receivers and is not answerable for the conduct of the same if appointed by it with reasonable care.

(m) 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 in the performance

of such obligations due to unforeseeable causes beyond its control and without its fault or negligence, including, but not limited to, Acts of God or of the public enemy or terrorists, acts of a government, acts of the other party, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, earthquakes, explosion, mob violence, riot, inability to procure or general sabotage or rationing of labor, equipment, facilities, sources of energy, material or supplies in the open market, litigation or arbitration involving a party or others relating to zoning or other governmental action or inaction pertaining to the project, 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.

SECTION 6.04. *Right to Rely on Documents.* The Trustee is protected in acting upon any notice, resolution, requisition, request, consent, order, certificate, report, opinion, 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, including, without limitation, Bond Counsel or other 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 the Trustee hereunder in accordance therewith.

The Trustee is not bound to recognize any person as the Owner of a Bond unless and until such Bond is submitted for inspection, if required, and such person's title thereto is established to the satisfaction of the Trustee.

Whenever in the administration of the trusts imposed upon it by this Indenture the Trustee deems it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a Certificate of the District, which shall be full warrant to the Trustee for any action taken or suffered in good faith under the provisions of this Indenture in reliance upon such Certificate, but in its discretion the Trustee may (but has no duty to), in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may deem reasonable. The Trustee may conclusively rely on any certificate or report of any Independent Accountant appointed by the District.

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" means the following communications methods: 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.

The Trustee shall not be concerned with or accountable to anyone for the subsequent use or application of any moneys, including Bond proceeds, which shall be released or withdrawn in accordance with the provisions hereof.

SECTION 6.05. *Preservation and Inspection of Documents.* All documents received by the Trustee under the provisions of this Indenture shall be retained in its possession and shall be subject during normal business hours, and upon reasonable prior written notice, to the inspection of the District and any Owner, and their agents and representatives duly authorized in writing.

SECTION 6.06. *Compensation and Indemnification.* The District shall pay to the Trustee from time to time compensation for all services rendered under this Indenture and also all expenses, charges, legal and consulting fees and other disbursements and those of its attorneys (including any allocated costs of internal counsel), agents and employees, incurred in and about the performance of its powers and duties under this Indenture. The Trustee has a first lien on the Net Revenues and all funds and accounts held by the Trustee hereunder to secure the payment to the Trustee of all fees, costs and expenses, including compensation to its experts, attorneys and counsel incurred in declaring such Event of Default and in exercising the rights and remedies set forth in Article VIII. Any such expenses incurred by the Trustee shall be deemed to constitute a substantial contribution to the trust estate which secures the Bonds. When the Trustee incurs expenses or renders services after the occurrence of an Event of Default, such expenses and the compensation for such services are intended to constitute expenses of administration under any federal or state bankruptcy, insolvency, arrangement, moratorium, reorganization or other debtor relief law.

The District further covenants and agrees to indemnify and save the Trustee and its officers, directors, agents and employees, harmless against any loss, expense, including legal fees and expenses, and liabilities, whether or not litigated, suits, actions, and judgments, which it may incur arising out of or in the exercise and performance of its powers and duties hereunder, including the costs and expenses of defending against any claim of liability and of enforcing any remedies hereunder and under any related

documents, but excluding any and all losses, expenses and liabilities which are due to the negligence or willful misconduct of the Trustee, its officers, directors, agents or employees. The obligations of the District under this Section 6.06 shall survive resignation or removal of the Trustee under this Indenture and payment of the Bonds and discharge of this Indenture.

SECTION 6.07. *Accounting Records and Financial Statements.* The Trustee shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with corporate trust industry standards, in which complete and accurate entries shall be made of all transactions made by it relating to the proceeds of the Bonds and all funds and accounts established and held by the Trustee under this Indenture. Such books of record and account shall be available for inspection by the District at reasonable hours, during the Trustee's regular business hours, with reasonable prior notice and under reasonable circumstances. The Trustee shall furnish to the District, at least semiannually, an accounting (which may be in the form of its customary statements) of all transactions relating to the proceeds of the Bonds and all funds and accounts held by the Trustee under this Indenture.

ARTICLE VII

MODIFICATION AND AMENDMENT OF THIS INDENTURE

SECTION 7.01. *Amendments Permitted.*

(a) Amendment With Bond Owner Consent. This Indenture and the rights and obligations of the District and of the Owners of the Bonds may be modified or amended by the District and the Trustee upon Request of the District at any time by the execution of a Supplemental Indenture, but only with the written consent of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding with respect to all Bonds then Outstanding, exclusive of Bonds disqualified as provided in Section 9.05. Any such Supplemental Indenture becomes effective upon the execution and delivery thereof by the parties thereto and upon consent of the requisite Bond Owners. No such modification or amendment may:

- (i) extend the maturity of any Bond or reduce the interest rate thereon, or otherwise alter or impair the obligation of the District to pay the principal thereof, or interest thereon, at the time and place and at the rate and in the currency provided therein, without the written consent of the Owner of such Bond, or
- (ii) permit the creation by the District of any mortgage, pledge or lien upon the Revenues or Net Revenues superior to or on a parity with the pledge and lien created for the benefit of the Bonds (except as expressly permitted by this Indenture), or
- (iii) reduce the percentage of Bonds required for the affirmative vote or written consent to an amendment or modification, or
- (iv) modify any of the rights or obligations of the Trustee without its written consent.

(b) Amendment Without Bond Owner Consent. This Indenture and the rights and obligations of the District and of the Owners of the Bonds may also be modified or amended at any time by a Supplemental Indenture, without the consent of any Owners of the Bonds, for any one or more of the following purposes:

- (i) to add to the covenants and agreements of the District contained in this Indenture, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or power herein reserved to or conferred upon the District;
- (ii) to cure any ambiguity, or to cure, correct or supplement any defective provision contained in this Indenture, or in any other respect whatsoever as the District deems necessary or desirable, provided under any circumstances that such modifications or amendments do not materially adversely affect the interests of the Owners in the opinion of Bond Counsel filed with the District and the Trustee;
- (iii) to provide for the issuance of Parity Debt under Section 3.04, and to provide the terms and conditions under which such Parity Debt may be issued, including but not limited to the establishment of special funds and accounts relating thereto and any other provisions relating solely thereto, subject to and in accordance with the provisions of Section 3.04; and
- (iv) to amend any provision hereof to assure the exclusion from gross income of interest on the Bonds for federal income tax purposes under the Tax Code, in the opinion of Bond Counsel filed with the District and the Trustee.

(c) Notice of Amendments. The District shall deliver or cause to be delivered a draft of any Supplemental Indenture to Moody's and/or S&P, if and only if such rating agency is then providing a rating on the Bonds, at least 10 days prior to the effective date of such Supplemental Indenture under this Section 7.01.

SECTION 7.02. *Effect of Supplemental Indenture.* From and after the time any Supplemental Indenture becomes effective under this Article VII, this Indenture shall be deemed to be modified and amended in accordance therewith, the respective rights, duties and obligations of the parties hereto or thereto and all Owners, as the case may be, shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modification and amendment, and all the terms and conditions of any Supplemental Indenture shall be deemed to be part of the terms and conditions of this Indenture for any and all purposes.

SECTION 7.03. *Endorsement or Replacement of Bonds After Amendment.* After the effective date of any amendment or modification hereof under this Article VII, the District may determine that any or all of the Bonds shall bear a notation, by endorsement in form approved by the District, as to such amendment or modification and in that case upon demand of the District the Owners of such Bonds shall present such Bonds for that purpose at the Office of the Trustee, and thereupon a suitable notation as to such action shall be made on such Bonds. In lieu of such notation, the District may determine that

new Bonds shall be prepared and executed in exchange for any or all of the Bonds and in that case upon demand of the District the Owners of the Bonds shall present such Bonds for exchange at the Office of the Trustee without cost to such Owners.

SECTION 7.04. *Amendment by Mutual Consent.* The provisions of this Article VII shall not prevent any Owner from accepting any amendment as to the particular Bond held by such Owner.

SECTION 7.05. *Trustee's Reliance.* The Trustee may conclusively rely, and is protected in relying, upon a Certificate of the District and an opinion of counsel stating that all requirements of this Indenture relating to the amendment or modification hereof have been satisfied and that such amendments or modifications do not materially adversely affect the interests of the Owners.

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES OF BOND OWNERS

SECTION 8.01. *Events of Default and Acceleration of Maturities.* Each of the following events constitutes an Event of Default hereunder:

- (a) Failure to pay any installment of the principal of any Bonds when due, whether at maturity as therein expressed, by proceedings for acceleration, or otherwise.
- (b) Failure to pay any installment of interest on the Bonds when due.
- (c) Failure by the District to observe and perform any of the other covenants, agreements or conditions on its part contained in this Indenture or in the Bonds, if such failure has continued for a period of 30 days after written notice thereof, specifying such failure and requiring the same to be remedied, has been given to the District by the Trustee; *provided, however*, if in the reasonable opinion of the District the failure stated in the notice can be corrected, but not within such 30-day period, such failure shall not constitute an Event of Default if the District institutes corrective action within such 30-day period and thereafter diligently and in good faith cures the failure within 60 days after the written notice of default thereof.
- (d) The District commences a voluntary bankruptcy case under Title 11 of the United States Code or any substitute or successor statute.

If an Event of Default occurs and is continuing, the Trustee may, and at the written direction of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding the Trustee shall (i) for any default listed in Section 8.01(a), (b) or (d) only, declare the principal of the Bonds, together with the accrued interest thereon, to be due and payable immediately, and upon any such declaration the same will become immediately due and payable, anything in this Indenture or in the Bonds to the contrary notwithstanding, and (ii) subject to the provisions of Section 8.06, exercise any other remedies available to the Trustee and the Bond Owners in law or at equity to enforce the

rights of the Bond Owners under this Indenture, including the right, by action brought pursuant to the California Code of Civil Procedure, or as otherwise provided by law, to obtain the issuance of a writ of mandamus enforcing the duty of the District to take all steps necessary for the payment of principal of and interest on the Bonds, and other amounts due hereunder.

Immediately upon becoming aware of the occurrence of an Event of Default, but in no event later than five Business Days following becoming aware of such occurrence, the Trustee shall give notice of such Event of Default to the District by telephone confirmed in writing. Such notice shall also state whether the principal of the Bonds has been declared to be or have immediately become due and payable. With respect to any Event of Default described in clauses (a) or (b) above the Trustee shall, and with respect to any Event of Default described in clause (c) above the Trustee in its sole discretion may, also give such notice to the Owners, which shall include the statement that interest on the Bonds shall cease to accrue from and after the date, if any, on which the Trustee declares the Bonds to become due and payable under the preceding paragraph (but only to the extent that principal and any accrued, but unpaid, interest on the Bonds is actually paid on such date).

This provision, however, is subject to the condition that if, at any time after the principal of the Bonds has been so declared due and payable, and before any judgment or decree for the payment of the moneys due has been obtained or entered, the District shall deposit with the Trustee a sum sufficient to pay all principal on the Bonds matured prior to such declaration and all matured installments of interest (if any) upon all the Bonds, with interest on such overdue installments of principal and interest at an interest rate of 10% per annum, and the reasonable fees and expenses of the Trustee, including fees and expenses of its attorneys, and any and all other defaults actually known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) has been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate has been made therefor, then, and in every such case, the Owners of at least a majority in aggregate principal amount of the Bonds then Outstanding, by written notice to the District and to the Trustee, may, on behalf of the Owners of all of the Bonds, rescind and annul such declaration and its consequences. However, no such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair or exhaust any right or power consequent thereon.

SECTION 8.02. *Application of Funds Upon Event of Default or Acceleration.* All amounts received by the Trustee under any right given or action taken by the Trustee under the provisions of this Indenture shall be applied by the Trustee as follows and in the following order:

- (a) *First*, to the payment of any fees, costs and expenses incurred by the Trustee to protect the interests of the Owners of the Bonds; payment of the fees, costs and expenses of the Trustee (including fees and expenses of its counsel, including any allocated costs of internal counsel) incurred in and about the performance of its powers and duties under this Indenture and the payment of all fees, costs and expenses owing to the Trustee under Section 6.06, together with interest on all such amounts advanced by the Trustee at the maximum rate permitted by law.

- (b) *Second*, to the payment of the whole amount then owing and unpaid upon the Bonds for interest and principal, with interest on such overdue amounts at the respective rates of interest borne by those Bonds, and in case such moneys shall be insufficient to pay in full the whole amount so owing and unpaid upon the Bonds, then to the payment of such interest, principal and interest on overdue amounts without preference or priority among such interest, principal and interest on overdue amounts ratably to the aggregate of such interest, principal and interest on overdue amounts.

SECTION 8.03. *Power of Trustee to Control Proceedings.* If the Trustee, upon the happening of an Event of Default, takes any action, by judicial proceedings or otherwise, in the performance of its duties hereunder, whether upon its own discretion, upon the request of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, it has full power, in the exercise of its discretion for the best interests of the Owners of the Bonds, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action and the Trustee has been indemnified to its satisfaction. The Trustee may not, unless there no longer continues an Event of Default, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if at the time there has been filed with it a written request signed by the Owners of a majority in principal amount of the Outstanding Bonds hereunder opposing such discontinuance, withdrawal, compromise, settlement or other disposal of such litigation. Nothing herein shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Owner any plan of reorganization, arrangement, adjustment, or composition affecting the Bonds or the rights of any Owner thereof, or to authorize the Trustee to vote in respect of the claim of any Owner in any such proceeding without the approval of the Owners so affected.

SECTION 8.04. *Limitation on Owners' Right to Sue.* No Owner of any Bond has the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon this Indenture, unless:

- (a) said Owner has previously given to the Trustee written notice of the occurrence of an Event of Default;
- (b) the Owners of a majority in aggregate principal amount of all the Bonds then Outstanding have requested the Trustee in writing to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name;
- (c) said Owners have tendered to the Trustee indemnity reasonably acceptable to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request; and
- (d) the Trustee has failed to comply with such request for a period of 60 days after such written request has been received by, and said tender of indemnity has been made to, the Trustee.

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 any remedy hereunder; it being understood and intended that no one or more Owners has any

right in any manner whatever by his or their action to enforce any right under this Indenture, except in the manner herein provided, and that all proceedings at law or in equity to enforce any provision of this Indenture shall be instituted, had and maintained in the manner herein provided and for the equal benefit of all Owners of the Outstanding Bonds.

The right of any Owner of any Bond to receive payment of the principal of and the interest and premium, if any, on such Bond as herein provided, shall not be impaired or affected without the written consent of such Owner, notwithstanding the foregoing provisions of this Section or any other provision of this Indenture.

SECTION 8.05. *Non-waiver.* Nothing in this Article VIII or in any other provision of this Indenture or in the Bonds, affects or impairs the obligation of the District, which is absolute and unconditional, to pay from the Net Revenues and other amounts pledged hereunder, the principal of and interest on the Bonds to the Bond Owners when due and payable as herein provided, or affects or impairs the right of action, which is also absolute and unconditional, of the Bond Owners to institute suit to enforce such payment by virtue of the contract embodied in the Bonds.

A waiver of any default by any Owner shall not affect any subsequent default or impair any rights or remedies on the subsequent default. No delay or omission of any Owner to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein, and every power and remedy conferred upon the Owners by the Bond Law or by this Article VIII may be enforced and exercised from time to time and as often as shall be deemed expedient by the Owners.

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

SECTION 8.06. *Actions by Trustee as Attorney-in-Fact.* Any suit, action or proceeding which any Owner has the right to bring to enforce any right or remedy hereunder may be brought by the Trustee for the equal benefit and protection of all Owners similarly situated and the Trustee is hereby appointed (and the successive respective Owners by taking and holding the Bonds shall be conclusively deemed so to have appointed it) the true and lawful attorney-in-fact of the respective Owners for the purpose of bringing any such suit, action or proceeding and to do and perform any and all acts and things for and on behalf of the respective Owners as a class or classes, as may be necessary or advisable in the opinion of the Trustee as such attorney-in-fact, subject to the provisions of Article VI. Notwithstanding the foregoing provisions of this Section 8.06, the Trustee has no duty to enforce any such right or remedy unless it has been indemnified to its satisfaction for any additional fees, charges and expenses of the Trustee related thereto, including without limitation, fees and charges of its attorneys and advisors.

SECTION 8.07. *Remedies Not Exclusive.* No remedy herein conferred upon or reserved to the Owners is intended to be exclusive of any other remedy. Every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing, at law or in equity or by statute or otherwise, and may be

exercised without exhausting and without regard to any other remedy conferred by the Bond Law or any other law.

ARTICLE IX

MISCELLANEOUS

SECTION 9.01. *Limited Liability of the District.* Notwithstanding anything in this Indenture contained, the District is not required to advance any moneys derived from any source of income other than the Net Revenues for the payment of the principal of or interest on the Bonds, or for the performance of any covenants herein contained (except to the extent any such covenants are expressly payable hereunder from the Net Revenues). The District may, however, advance funds for any such purpose, provided that such funds are derived from a source legally available for such purpose and may be used by the District for such purpose without incurring indebtedness.

The Bonds are revenue bonds, payable exclusively from the Net Revenues and other funds as in this Indenture provided. The Wastewater Fund of the District is not liable, and the credit of the District is not pledged, for the payment of the interest on or principal of the Bonds. The Owners of the Bonds have no right to compel the forfeiture of any property of the District. The principal of and interest on the Bonds are not a debt of the District, or a legal or equitable pledge, charge, lien or encumbrance upon any property of the District or upon any of its income, receipts or revenues except the Net Revenues and other funds pledged to the payment thereof as provided in this Indenture.

SECTION 9.02. *Benefits of Indenture Limited to Parties.* Nothing in this Indenture, expressed or implied, gives to any person other than the District and the Owners of the Bonds, any right, remedy or claim under or by reason of this Indenture. Any covenants, stipulations, promises or agreements in this Indenture contained by and on behalf of the District shall be for the sole and exclusive benefit of the Trustee and the Owners of the Bonds.

SECTION 9.03. *Defeasance of Bonds.*

(i) If the District pays and discharges the entire indebtedness on any Bonds in any one or more of the following ways:

- (a) by paying or causing to be paid the principal of and interest on such Bonds, as and when the same become due and payable;
- (b) subject to the conditions set forth in subsection (ii) below, by irrevocably depositing with the Trustee or an escrow bank, in trust, at or before maturity, an amount of cash which, together with the available amounts then on deposit in the funds and accounts established under this Indenture, in the opinion or report of an Independent Accountant is fully sufficient to pay such Bonds, including all principal and interest;
- (c) subject to the conditions set forth in subsection (ii) below, by irrevocably depositing with the Trustee or an escrow bank, Federal

Securities in such amount as an Independent Accountant determines will, together with the interest to accrue thereon and available moneys then on deposit in any of the funds and accounts established under this Indenture, be fully sufficient to pay and discharge the indebtedness on such Bonds (including all principal and interest) at or before maturity; or

- (d) by purchasing such Bonds prior to maturity and tendering such Bonds to the Trustee for cancellation;

then, at the election of the District, and notwithstanding that any such Bonds have not been surrendered for payment, the pledge of the Net Revenues and other funds provided for in this Indenture and all other obligations of the Trustee and the District under this Indenture with respect to such Bonds shall cease and terminate, except only: the obligations of the District under Section 5.09 (Tax Covenants), the obligation of the Trustee to transfer and exchange Bonds hereunder, the obligation of the District to pay or cause to be paid to the Owners of such Bonds, from the amounts so deposited with the Trustee, all sums due thereon, and the obligations of the District to compensate and indemnify the Trustee under Section 6.06.

The District must file notice of such election with the Trustee. The Trustee shall pay any funds thereafter held by it, which are not required for said purpose, to the District or to its order.

(ii) To accomplish defeasance pursuant to paragraphs (i) (b) or (i) (c) above, the District shall cause to be delivered (a) a report of an Independent Accountant verifying the sufficiency of the escrow established to pay the Bonds in full on the maturity date ("Verification"), (b) an escrow agreement, and (c) an opinion of Bond Counsel to the effect that the Bonds are no longer "Outstanding" under this Indenture; each Verification and defeasance opinion to be acceptable in form and substance, and addressed, to the District and Trustee.

(iii) In the case of a defeasance or payment of all of the Bonds Outstanding in accordance with this Section 9.03, the Trustee shall pay all amounts held by it in any funds or accounts hereunder, which are not required for said purpose or for payment of amounts due the Trustee under Section 6.06, to the District.

(iv) 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 9.04. Execution of Documents and Proof of Ownership by Owners. Any request, consent, declaration or other instrument which this Indenture may require or permit to be executed by any Owner may be in one or more instruments of similar tenor, and shall be executed by such Owner in person or by their attorneys appointed in writing. Except as otherwise herein expressly provided, the fact and date of the execution by any Owner or his attorney of such request, consent, declaration or other instrument, or of such writing appointing such attorney, may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state in which he purports to act, that the person signing such request, declaration or other instrument or writing acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer. The

ownership of Bonds and the amount, maturity, number and date of ownership thereof are conclusively proved by the Registration Books. Any request, declaration or other instrument or writing of the Owner of any Bond binds all future Owners of such Bond in respect of anything done or suffered to be done by the District or the Trustee in good faith and in accordance therewith.

SECTION 9.05. *Disqualified Bonds.* In determining whether the Owners of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent or waiver under this Indenture, Bonds which are owned or held by or for the account of the District (but excluding Bonds held in any employees' retirement fund) must be disregarded and deemed not to be Outstanding for the purpose of any such determination, unless all Bonds are so owned or held, in which case all such Bonds shall be considered Outstanding. The Trustee will not be deemed to have knowledge that any Bond is owned or held by the District unless the District is the Registered Owner or the Trustee has received written notice to that effect.

SECTION 9.06. *Waiver of Personal Liability.* No member, officer, agent or employee of the District shall be individually or personally liable for the payment of the principal of or interest or any premium on the Bonds; but nothing herein contained shall relieve any such member, officer, agent or employee from the performance of any official duty provided by law.

SECTION 9.07. *Destruction of Canceled Bonds.* Whenever in this Indenture provision is made for the surrender to the District of any Bonds which have been paid or canceled under the provisions of this Indenture, a certificate of destruction duly executed by the Trustee, upon request, shall be deemed to be the equivalent of the surrender of such canceled Bonds and the District shall be entitled to rely upon any statement of fact contained in any certificate with respect to the destruction of any such Bonds therein referred to. The District shall pay all costs of any microfilming of Bonds to be destroyed.

SECTION 9.08. *Funds and Accounts.* Any fund or account required by this Indenture to be established and maintained by the District or the Trustee may be established and maintained in the accounting records of the District or the Trustee, as the case may be, either as a fund or an account, and may, for the purpose of such records, any audits thereof and any reports or statements with respect thereto, be treated either as a fund or as an account. All such records with respect to all such funds and accounts held by the District shall at all times be maintained in accordance with generally accepted accounting principles and all such records with respect to all such funds and accounts held by the Trustee shall be at all times maintained in accordance with corporate trust industry practices; in each case with due regard for the protection of the security of the Bonds and the rights of every Owner thereof.

SECTION 9.09. *Notices.* All written notices to be given under this Indenture shall be given by first class mail or personal delivery to the party entitled thereto at its address set forth below, or at such address as the party may provide to the other party in writing from time to time. The District or the Trustee may, by written notice to the other parties, from time to time modify the address or number to which communications are to be given hereunder.

If to the District: Novato Sanitary District
500 Davidson Street
Novato, California 94945
Attn: General Manager-Chief Engineer/Secretary-Treasurer

If to the Trustee: The Bank of New York Mellon Trust Company, N.A.
400 South Hope Street, Suite #500
Los Angeles, California 90071
Attn: Corporate Trust

SECTION 9.10. *Unclaimed Moneys.* Anything contained herein to the contrary notwithstanding, any money held by the Trustee in trust for the payment and discharge of the interest or premium (if any) on or principal of the Bonds which remains unclaimed for one year after the date when the payments of such interest, premium and principal have become payable, if such money was held by the Trustee at such date, or for one year after the date of deposit of such money if deposited with the Trustee after the date when the interest and premium (if any) on and principal of such Bonds have become payable, shall be repaid by the Trustee (without liability for interest) to the District as its absolute property free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Owners shall look only to the District for the payment of the principal of and interest on such Bonds.

SECTION 9.11. *Execution in Several Counterparts.* This Indenture may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts, or as many of them as the District and the Trustee shall preserve undestroyed, shall together constitute but one and the same instrument.

SECTION 9.12. *Governing Law.* This Indenture shall be governed by and construed in accordance with the laws of the State of California.

[Remainder of page intentionally left blank. Signatures on next page.]

IN WITNESS WHEREOF, the Novato Sanitary District has caused this Indenture to be signed in its name by the President of the Board of Directors and attested by the Secretary, and The Bank of New York Mellon Trust Company, N.A., in token of its acceptance of the trust created hereunder, has caused this Indenture to be signed in its corporate name by its officer identified below, all as of the day and year first above written.

NOVATO SANITARY DISTRICT

By _____
President, Board of Directors

Attest:

General Manager - Chief
Engineer/Secretary-Treasurer

**THE BANK OF NEW YORK MELLON
TRUST COMPANY, N.A., as Trustee**

By _____
Vice President

APPENDIX A

DEFINITIONS

“Additional Revenues” means, with respect to the issuance of any Parity Debt, any or all of the following amounts:

- (i) An allowance for Net Revenues from any additions or improvements to or extensions of the Wastewater System to be made from the proceeds of such Parity Debt in an amount equal to the estimated additional average annual Net Revenues to be derived from such additions, improvements and extensions for the first 36-month period in which each addition, improvement or extension is respectively to be in operation, all as shown by the certificate or opinion of a Financial Consultant.
- (ii) An allowance for Net Revenues arising from any increase in the charges made for service from the Wastewater System which has been duly approved by the Board of Directors of the District prior to the incurring of such Parity Debt, but which, during all or any part of the most recent completed Fiscal Year for which audited financial statements of the District are available, or for any more recent consecutive 12-month period selected by the District under Section 3.04(b), was not in effect, in an amount equal to the total amount by which the Net Revenues would have been increased if such increase in charges had been in effect during the whole of such Fiscal Year or 12-month period, all as shown by the certificate or opinion of a Financial Consultant.

“Bond Counsel” means (a) Jones Hall, A Professional Law Corporation, or (b) any other attorney or firm of attorneys appointed by or acceptable to the District of nationally-recognized experience in the issuance of obligations the interest on which is excludable from gross income for federal income tax purposes under the Tax Code.

“Bond Law” means the provisions of Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Section 53570 of said Code, as in effect on the Closing Date or as thereafter amended in accordance with its terms.

“Bonds” means the Novato Sanitary District 2019 Wastewater Revenue Refunding Bonds issued and at any time Outstanding hereunder.

“Business Day” means a day (other than a Saturday or a Sunday) on which banks are not required or authorized to remain closed in the state in which the Office of the Trustee is located, and on which the Federal Reserve Bank system is not closed.

“Certificate of the District” means a certificate in writing signed by the President of the Board of Directors of the District, the General Manager-Chief Engineer/Secretary-Treasurer of the District, or any other officer of the District duly authorized by the Board of Directors for that purpose.

“Closing Date” means _____, 2019, being the date of delivery of the Bonds to the Original Purchaser.

“Continuing Disclosure Certificate” means the Continuing Disclosure Certificate described in Section 5.10.

“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the District relating to the authorization, issuance, sale and delivery of the Bonds and the refunding of the SRF Loan, including but not limited to printing expenses, rating agency fees, filing and recording fees, initial fees, expenses and charges of the Trustee and its counsel, fees, charges and disbursements of attorneys, financial advisor, placement agent, accounting firms, consultants and other professionals, and any other cost, charge or fee in connection with the original issuance of the Bonds and the refunding of the SRF Loan.

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

“Debt Service” means, with respect to any Fiscal Year, the sum obtained by totaling the following amounts for such Fiscal Year:

- (a) the aggregate amount of principal of and interest on the Outstanding Bonds coming due and payable in such Fiscal Year;
- (b) the principal amount of all outstanding Parity Debt, if any, coming due and payable by their terms in such Fiscal Year; and
- (c) the amount of interest which would be due during such Fiscal Year on the aggregate principal amount of all outstanding Parity Debt, if any, which would be outstanding in such Fiscal Year if such Parity Debt are retired as scheduled; *provided, however*, that with respect to any Parity Debt which bears interest at an adjustable rate, such interest shall be calculated at an assumed rate equal to the average rate of interest per annum for each of the five previous whole calendar years as shown by the J. J. Kinney Index (or, if and to the extent such index is not maintained for all or any portion of such period, any similar index of variable rate interest for tax-exempt obligations selected by the District in its sole discretion).

“Debt Service Fund” means the fund by that name established and held by the Trustee under Section 4.02(b)(ii).

“Depository” means (a) initially, DTC, and (b) any other Securities Depository acting as Depository under Section 2.04.

“Depository System Participant” means any participant in the Depository's book-entry system.

“District” means the Novato Sanitary District, a sanitary district duly organized and existing under the Constitution and laws of the State of California, and any successor thereto.

“DTC” means The Depository Trust Company, New York, New York, and its successors and assigns.

“Event of Default” means any of the events described in Section 8.01.

“Federal Securities” means: (a) non-callable direct obligations (other than an obligation subject to variation in principal repayment) of the United States of America; (b) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America; (c) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America.

“Financial Consultant” means any consultant or firm of such consultants appointed by the District and who, or each of whom: (a) is judged by the District to have experience in matters relating to the financing of wastewater systems; (b) is in fact independent and not under domination of the District; (c) does not have any substantial interest, direct or indirect, with the District; and (d) is not connected with the District as an officer or employee of the District, but who may be regularly retained to make reports to the District.

“Fiscal Year” means the period commencing on July 1 of each year and terminating on the next succeeding June 30, or such other period as may be established by the District as its official fiscal year period (written notice of which shall be given by the District to the Trustee).

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

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

“Interest Payment Date” means February 1 and August 1 in each year, commencing February 1, 2020, and continuing so long as any Bonds remain Outstanding.

“Moody’s” means Moody’s Investors Services, and its successors and assigns.

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

“Net Revenues” means, for any Fiscal Year, an amount equal to all of the Revenues for such Fiscal Year, less the Operation and Maintenance Costs for such Fiscal Year.

“Nominee” means (a) initially, Cede & Co. as nominee of DTC, and (b) any other nominee of the Depository designated under Section 2.04(a).

“Office” means, with respect to the Trustee, the corporate trust office of the Trustee at the address set forth in Section 9.09, or at such other or additional offices as may be specified by the Trustee in writing to the District; except that with respect to presentation of Bonds for payment or for registration of transfer and exchange, such term means the office or agency of the Trustee at which, at any particular time, its corporate trust agency business is conducted.

“Operation and Maintenance Costs” means the reasonable and necessary costs paid or incurred by the District for maintaining and operating the Wastewater System, determined in accordance with generally accepted accounting principles, including all reasonable expenses of management and repair and all other expenses necessary to maintain and preserve the Wastewater System in good repair and working order, and including all reasonable and necessary administrative costs of the District that are charged directly or apportioned to the operation of the Wastewater System, such as salaries and wages of employees, overhead, taxes (if any), the cost of permits, licenses and charges to operate the Wastewater System and insurance premiums; but excluding, in all cases, depreciation, replacement and obsolescence charges or reserves therefor and amortization of intangibles.

“Original Purchaser” means _____, as the original purchaser of the Bonds upon their delivery by the Trustee on the Closing Date.

“Outstanding”, when used as of any particular time with reference to Bonds, means all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under this Indenture except: (a) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (b) Bonds with respect to which all liability of the District has been discharged in accordance with Section 9.03; (c) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee under this Indenture; and (d) Bonds which are required to be disregarded and not deemed Outstanding under Section 9.05.

“Owner”, when used with respect to any Bond, means the person in whose name the ownership of such Bond is registered on the Registration Books.

“Parity Debt” means the 2017 Bonds, and all other bonds, notes, loan agreements, installment sale agreements, leases or other obligations of the District payable from and secured by a pledge of and lien on any of the Net Revenues issued or incurred on a parity with the Bonds under Section 3.04 or 3.05.

“Parity Debt Documents” means the 2017 Indenture and, with respect to any other issue of Parity Debt, the agreement, indenture of trust, resolution or other instrument authorizing the issuance of such Parity Debt.

“Permitted Investments” means any of the following which at the time of investment are legal investments under the laws of the State of California for the moneys proposed to be invested therein:

- (a) Federal Securities;
- (b) obligations of any federal agency which either (a) represent full faith and credit of the United States of America, or (b) are rated “AA” or better by S&P and “Aa” by Moody’s;
- (c) Bank deposit products, trust funds, trust accounts, certificates of deposit (including those placed by a third party pursuant to an agreement between the District and the Trustee), overnight bank deposits, interest bearing deposits, interest bearing money market accounts, U.S. dollar denominated deposit accounts, federal funds and banker’s acceptances with domestic commercial banks, which may include the Trustee, its parent holding company, if any, and their affiliates, which (i) have a rating on their short term certificates of deposit on the date of purchase of “A” or better by S&P and Moody’s, maturing no more than 360 days after the date of purchase, provided that ratings on holding companies are not considered as the rating of the bank or (ii) are fully insured by the Federal Deposit Insurance Corporation;
- (d) commercial paper which is rated at the time of purchase in the single highest classification, “A” or better by S&P and Moody’s, and which matures not more than 270 calendar days after the date of purchase;
- (e) investments in a money market mutual fund, including those of an affiliate of the Trustee, rated in the highest short-term rating category by S&P and Moody’s, including funds for which the Trustee, its parent holding company, if any, or any affiliates or subsidiaries of the Trustee or such holding company receives and retains a fee for services provided to the fund, whether as a custodian, transfer agent, investment advisor or otherwise;
- (f) investment agreements with financial institutions whose long-term general credit rating is “AA-” or better from S&P, by the terms of which the Trustee may withdraw funds if such rating falls below “AA-”; and
- (g) the Local Agency Investment Fund of the State of California, created under Section 16429.1 of the California Government Code, to the extent the Trustee is authorized to register such investment in its name.

“Rate Stabilization Fund” means the fund by that name established and held by the District under Section 4.03.

“Record Date” means, with respect to any Interest Payment Date, the 15th calendar day of the month preceding such Interest Payment Date.

“Registration Books” means the books maintained by the Trustee under Section 2.07 for the registration and transfer of ownership of the Bonds.

“Request of the District” means a request in writing signed by the President of the Board of Directors of the District, the General Manager-Chief Engineer/Secretary-Treasurer of the District, or any other officer of the District duly authorized by the Board of Directors for that purpose.

“Revenues” means, for each Fiscal Year, all gross income and revenue received or receivable by the District from the ownership or operation of the Wastewater System, determined in accordance with generally accepted accounting principles, including all rates, fees and charges (including connection fees and charges) as received by the District for the services of the Wastewater System, and all other income and revenue howsoever derived by the District from the ownership or operation of the Wastewater System or arising from the Wastewater System, and also including all income from the deposit or investment of any money in the Wastewater Fund or any rate stabilization fund, and any refundable deposits made to establish credit, and advances or contributions in aid of construction.

For clarity, “Revenues” does not include (i) customers’ deposits or any other deposits subject to refund until such deposits have become the property of the District, (ii) the proceeds of any *ad valorem* property taxes levied to pay general obligation bond indebtedness of the District with respect to the Wastewater System, (iii) special assessments or special taxes levied for the purpose of paying special assessment bonds or special tax obligations of the District relating to the Wastewater System, and (iv) amounts in the Rate Stabilization Fund unless and until such amounts are deposited to the Wastewater Fund.

“Securities Depositories” means DTC; 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 Request of the District delivered by the District to the Trustee.

“S&P” means S&P Global Ratings, a division of Standard & Poor’s Financial Services LLC, and its successors and assigns.

“SRF Loan” means the Interagency Sales Agreement (Installment Sale Agreement No. C-06-4903-110; Agreement No. 07-824-550-0) between the District and the State Water Resources Control Board made in 2008, in the maximum principal amount of \$81,329,083.

“State Loans” means loans secured by a pledge of Net Revenues of the Wastewater System and incurred by the District to finance improvements to the Wastewater System pursuant to Section 3.05.

“Supplemental Indenture” means any indenture, agreement, resolution or other instrument hereafter duly adopted or executed in accordance with Section 7.01.

“Tax Code” means the Internal Revenue Code of 1986 as in effect on the Closing Date or (except as otherwise referenced herein) as it may be amended to apply to

obligations issued on the Closing Date, together with applicable temporary and final regulations promulgated, and applicable official public guidance published, under said Code.

“Trustee” means The Bank of New York Mellon Trust Company, N.A., as Trustee hereunder, or any successor thereto appointed as Trustee under Article VI.

“2017 Bonds” means the Novato Sanitary District 2017 Wastewater Revenue Refunding Bonds issued in the initial principal amount of \$14,355,000.

“2017 Indenture” means the Indenture of Trust, dated as of November 1, 2017, by and between the District and The Bank of New York Mellon Trust Company, N.A., as trustee, pursuant to which the 2017 Bonds were issued.

“Wastewater Fund” means the fund established and held by the District with respect to the Wastewater System for the deposit of Revenues.

“Wastewater System” means all wastewater collection, transport, treatment, storage and disposal facilities, including land and easements thereof, owned by the District, and all other properties, structures or works hereafter acquired and constructed by the District and determined to be a part of the Wastewater System, together with all additions, betterments, extensions or improvements to such facilities, properties, structures or works or any part thereof hereafter acquired and constructed.

APPENDIX B
FORM OF BOND

No. R-__

\$_____

NOVATO SANITARY DISTRICT
2019 WASTEWATER REVENUE REFUNDING BOND

INTEREST RATE: _____% **MATURITY DATE:** February 1, _____
ISSUE DATE: _____, 2019 **CUSIP:**

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: _____ DOLLARS

The Novato Sanitary District, a sanitary district duly organized and existing under the Constitution and laws of the State of California (the "District"), for value received, hereby promises to pay (but only out of the Net Revenues and other assets pledged therefor as hereinafter mentioned) to the Registered Owner stated above, or registered assigns, on the Maturity Date stated above, the Principal Amount stated 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 this Bond is authenticated as of a day during the period commencing after the 15th day of the month preceding an Interest Payment Date and ending on or before such Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or unless this Bond is authenticated on or before January 15, 2020, in which event it shall bear interest from the Issue Date stated above) until payment of such principal sum shall be discharged as provided in the Indenture hereinafter mentioned, at the Interest Rate per annum stated above, payable semiannually on each February 1 and August 1, commencing February 1, 2020 (each, an "Interest Payment Date").

The principal hereof is payable by check at the Office (as defined in the Indenture referred to below) of The Bank of New York Mellon Trust Company, N.A. (together with any successor trustee under the Indenture, the "Trustee"). Interest hereon is payable by check of the Trustee mailed on each Interest Payment Date to the Registered Owner as of the 15th day of the month preceding each Interest Payment Date (except with respect to payment of defaulted interest as provided in the Indenture hereinafter referred to) at the address shown on the registration books maintained by the Trustee. Payment of interest will be made by wire transfer in immediately available funds to an account in the United States of America to any Owner of Bonds in the aggregate principal amount of \$1,000,000

or more who shall furnish written wire instructions to the Trustee before the 15th day of the month preceding the applicable Interest Payment Date.

This Bond is one of a duly authorized issue of bonds of the District designated as its "Novato Sanitary District 2019 Wastewater Revenue Refunding Bonds" (the "Bonds"), in the aggregate principal amount of \$_____ authorized under Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Section 53570 of said Code (the "Bond Law"), and issued under an Indenture of Trust, dated as of _____ 1, 2019 (the "Indenture"), between the District and the Trustee. The Bonds have been issued for the purpose of refinancing certain obligations of the District previously incurred to finance capital improvements to its wastewater collection, treatment and disposal system (as defined in the Indenture, the "Wastewater System").

Reference is hereby made to the Indenture (a copy of which is on file at said Office of the Trustee) and all indentures supplemental thereto and to the Bond Law for a description of the rights thereunder of the owners of the Bonds, of the nature and extent of the security, of the rights, duties and immunities of the Trustee and of the rights and obligations of the District thereunder. The Registered Owner of this Bond, by acceptance hereof, assents and agrees to all the provisions of the Indenture.

The Bonds and the interest thereon are payable from Net Revenues (as such term is defined in the Indenture) of the Wastewater System, and are secured by a pledge of, and lien on, said Net Revenues and amounts held in certain funds and accounts established under the Indenture, subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture. The District has the right under the Indenture to issue additional obligations on a parity with the Bonds, subject to the specific conditions set forth in the Indenture. The Bonds are special obligations of the District and are not a lien or charge upon the funds or property of the District, except to the extent of the aforesaid pledge and lien.

[The Bonds are subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of available funds, in whole or in part, on any date on or after February 1, 2030, at a redemption price equal to the principal amount to be redeemed, plus accrued interest to the date fixed for redemption, without premium.]

The Bonds are subject to extraordinary redemption prior to their respective stated maturities, as a whole or in part on any date, as determined by the District, from Net Proceeds (as such term is defined in the Indenture), upon the terms and conditions of, and as provided for in the Indenture, at a redemption price equal to the principal amount of the Bonds to be redeemed, without premium, plus accrued interest thereon to the date fixed for redemption.

Unless waived by any Owner of Bonds to be redeemed, notice of any redemption of Bonds shall be given, at the expense of the District, by the Trustee by mailing a copy of a redemption notice by first class mail at least 20 days and not more than 60 days prior to the date fixed for redemption to the Owner of the Bond or Bonds to be redeemed at the address shown on the Bond Registration Books; provided, that neither the failure to receive such notice nor any immaterial defect in any notice shall affect the sufficiency of the proceedings for the redemption of the Bonds.

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.

The Bonds are issuable as fully registered Bonds in denominations of \$5,000 and any integral multiple thereof. Subject to the limitations provided in the Indenture, 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 maturity.

This Bond is transferable by the Registered Owner hereof, in person or by his attorney duly authorized in writing, at said office of the Trustee, but only in the manner, subject to the limitations provided in the Indenture, and upon surrender and cancellation of this Bond. Upon such transfer, a new Bond or Bonds, of authorized denomination or denominations, of the same maturity and for the same aggregate principal amount, will be issued to the transferee in exchange herefor. 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.

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 in the manner, to the extent, and upon the terms provided in the Indenture; provided that no such modification or amendment shall (a) extend the maturity of or reduce the interest rate on any Bond or otherwise alter or impair the obligation of the District to pay the principal or interest at the time and place and at the rate and in the currency provided therein of any Bond, without the written consent of the owner of such Bond, (b) permit the creation by the District of any mortgage, pledge or lien upon the Revenues or Net Revenues superior to or on a parity with the pledge and lien created for the benefit of the Bonds (except as expressly permitted by the Indenture), (c) reduce the percentage of Bonds required for the written consent to any such amendment or modification, or (d) without its written consent thereto, modify any of the rights or obligations of the Trustee, all as more fully set forth in the Indenture.

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York Corporation ("DTC"), to the Trustee for registration or transfer, exchange or payment, and any Bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

It is hereby certified and recited that any and all things, conditions and acts required to exist, to have happened and to have been performed precedent to and in the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by the Bond Law, and by the constitution and 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 prescribed by the Bond Law and is not in excess of the amount of Bonds permitted to be issued under the Indenture.

This Bond is not entitled to any benefit under the Indenture, or is not valid or obligatory for any purpose, until the certificate of authentication hereon endorsed has been signed by the Trustee.

IN WITNESS WHEREOF, Novato Sanitary District has caused this Bond to be executed in its name and on its behalf by the facsimile signature of the President of the Board of Directors of the District and attested to by the facsimile signature of the Secretary of the District, all as of the Issue Date stated above.

NOVATO SANITARY DISTRICT

By _____
President, Board of Directors

Attest:

General Manager-Chief
Engineer/Secretary-Treasurer

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Bonds described in the within-mentioned Indenture.

Dated: _____

**THE BANK OF NEW YORK MELLON
TRUST COMPANY, N.A.,**
as Trustee

By _____
Authorized Signatory

ASSIGNMENT

For value received the undersigned hereby sells, assigns and transfers unto _____ whose address and social security or other tax identifying number is _____, the within-mentioned 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: _____

Signature Guaranteed:

Note: Signature(s) must be guaranteed by an eligible guarantor institution.

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.

Refinancing Memorandum Attachment No. 6 (11 pages)

Official Notice of Sale

OFFICIAL NOTICE OF SALE

\$45,000,000*

NOVATO SANITARY DISTRICT, CALIFORNIA 2019 WASTEWATER REVENUE REFUNDING BONDS

(Book-Entry-Only)

NOTICE IS HEREBY GIVEN that electronic bids will be received via **BidCOMP™/PARITY®** for the purchase of the Novato Sanitary District 2019 Wastewater Revenue Refunding Bonds. Bids will be accepted in accordance with this Notice, as follows:

Date of Bid: Tuesday, July [23], 2019

Time of Bid: 8:00 am California Time

For further information potential bidders may contact the Municipal Advisor, Steven Gortler either by phone at **(415) 298-3319** or by email at steven.gortler@att.net.

The Preliminary Official Statement for the Bonds is available at www.i-DealProspectus.com. Each bidder must review the Preliminary Official Statement prior to bidding for the Bonds. This Official Notice of Sale contains certain information for quick reference only, is not a summary of the issue and governs only the terms of the sale of, bidding for and closing procedures with respect to the Bonds. Bidders must read the Preliminary Official Statement in its entirety to obtain information essential to making an informed investment decision.

Issue

The Bonds will not be insured pursuant to any policy of municipal bond insurance. The Bonds will be dated the date of delivery – **August [7], 2019**. Interest on the Bonds is payable on February 1 and August 1, commencing **February 1, 2020**. The Bonds are subject to optional redemption prior to maturity on or after **February 1, 2030**. The Bonds will be issued only as serial bonds; bidders may not specify any term bonds.

* Preliminary, subject to change.

Principal Amounts*

Bond principal shall be payable through serial maturities only, annually on **Feb. 1** commencing **Feb. 1, 2020**, as follows:

Maturity Due February 1	Principal Amount
2020	3,490,000
2021	2,985,000
2022	3,135,000
2023	3,295,000
2024	3,455,000
2025	3,490,000

Maturity Due February 1	Principal Amount
2026	3,810,000
2027	4,000,000
2028	4,205,000
2029	4,415,000
2030	4,635,000
2031	4,865,000

Adjustment of Principal Amounts Not to Exceed 10%

Following the bid award, the District reserves the right to adjust the principal amount of each Bond maturity in \$5,000 increments. ***In no event shall such adjustment cause the principal amount of any Bond maturity to change by more than 10%.*** Such adjustment shall be made within two hours of the bid award. In the event of any such adjustment, no rebidding or recalculation of bids will be required or permitted, the winning bid may not be withdrawn, and the successful bidder will not be permitted to change its bid price or the interest rate(s) in its bid. The District shall not be responsible for the effect of any such adjustment on the compensation to the winning bidder but will use its best efforts to maintain a proportionate level of compensation to the winning bidder. Bidders are advised to consider such a possible change in principal amount when determining their production on each Bond maturity.

* Preliminary, subject to change.

Interest Rates

Bidders may specify any number of separate interest rates, and any rate may be repeated as often as desired; provided, however, that

- (i) Each Bond shall bear interest at a fixed-rate, calculated on a 30/360 basis;
- (ii) each interest rate must be in a multiple of 1/20 of 1% or 1/8 of 1%;
- (iii) a zero rate of interest cannot be specified;
- (iv) each Bond shall bear interest from its dated date to its stated maturity date at the interest rate specified in the bid;
- (v) all Bonds of the same maturity date shall bear the same rate of interest, with the exception of split coupons, which is allowed; and
- (vi) any premium must be paid as part of the purchase price, and no bid will be accepted which provides for the cancellation and surrender of any interest payment or for the waiver of interest or other concession by the bidder as a substitute for payment in full of the purchase price of the Bond or Bonds.

Redemption*

Optional Redemption: Bonds maturing on February 1, 2031 are subject to optional redemption, in whole or in part, on any date on or after February 1, 2030 at a redemption price equal to the principal amount of Bonds to be redeemed, plus accrued interest to the date of redemption, without premium.

Extraordinary Redemption from Net Proceeds of Insurance or Condemnation: The Bonds are subject to extraordinary redemption in whole or in part on any date from Net Proceeds of insurance or condemnation proceeds at a redemption price equal to the principal amount of Bonds to be redeemed, plus accrued interest to the date of redemption, without premium.

Serial Bonds Only: The Bonds will be issued only as serial bonds; bidders may not specify any term bonds.

Notice of redemption shall be provided as set forth in the Preliminary Official Statement.

* Preliminary, subject to change.

Book-Entry Form Only

The Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository of the Bonds. Individual purchases will be made in book-entry form only, in denominations of \$5,000 or any integral multiples thereof. Purchasers will not receive certificates representing their interest in the Bonds. Principal and interest are payable in lawful money of the United States of America and will be paid to DTC which will remit such amounts to the beneficial owners of the Bonds through DTC’s Participants, as described in the Preliminary Official Statement.

Authority for Issuance; Purpose

The District will issue the Bonds pursuant to an Indenture of Trust by and between The Bank of New York Mellon Trust Company, N.A., as trustee, and the District. Bond proceeds together with other available moneys will be used as follows:

- (i) To refund on a current basis, all outstanding principal of a Clean Water State Revolving Fund (CWSRF) loan which the District originated in 2008 and is currently outstanding in the aggregate principal amount of \$55,511,638, and
- (ii) To pay costs of issuance.

Security for the Bonds; Parity Debt

The Bonds are special obligations of the District, secured by and payable from Net Revenues of the Wastewater System on parity with the District’s 2017 Wastewater Revenue Refunding Bonds, as more fully described in the Preliminary Official Statement. Additional parity debt may be issued, as more fully described in the Preliminary Official Statement. The Bonds are not a debt, liability or obligation of the State or any of its political subdivisions other than the District.

CUSIP Numbers; Other Fees

CUSIP numbers will be obtained and paid for by the purchaser of the Bonds. Any delay, error or omission with respect thereto will not constitute cause for the purchaser to refuse to accept delivery of and pay for the Bonds. The successful bidder shall also be required to pay all fees required by The Depository Trust Company, Municipal Securities Rulemaking Board, and any other similar entity imposing a fee in connection with the issuance of the Bonds.

Legal Opinion; Tax-Exempt Status

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, CA, Bond Counsel to the District, under existing statutes, regulations, rulings and judicial decisions, and assuming certain representations and compliance with certain covenants of the District, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. In the further opinion of Bond Counsel, interest on the Bonds is exempt from California personal income taxes. In the event that prior to the issuance and delivery of the Bonds (a) the interest represented by other obligations of the same type and character shall be declared to be taxable (either at the time of such declaration or at any future date) under any federal income tax laws, either by the terms of such laws or by ruling of a federal income tax authority or official which is followed by the Internal Revenue Service, or by decision of any federal court, or (b) any federal income tax law is adopted which will have a substantial adverse effect upon owners of the Bonds as such, the successful bidder for the Bonds may, at its option, prior to the issuance and delivery of the Bonds, be relieved of its obligation under the contract to purchase the Bonds, and in such case the deposit accompanying its proposal will be returned.

Initial Offering Prices

As soon as the bid is awarded, the winning bidder shall provide initial offering prices for each maturity of the Bonds.

California Debt and Investment Advisory Commission (CDIAC)

The winning bidder is required to pay any fees owing to the California Debt and Investment Advisory Commission ("CDIAC"). CDIAC will invoice the winning bidder after closing.

No Litigation; Tax Certificate

Prior to delivery of the Bonds, the District shall deliver a certificate stating that there is no action, suit, or proceeding known by the District to be pending or threatened at the present time restraining or enjoining the delivery or in any way contesting or affecting the validity of the Bonds, the Indenture or the proceedings of the District taken with respect to the execution or delivery thereof. The District shall also deliver a tax certificate attesting to its reasonable expectations and undertaking certain covenants concerning the Bonds and the use and investment of Bond proceeds.

Preliminary Official Statement and Final Official Statement

The Preliminary Official Statement for the Bonds is available at www.i-DealProspectus.com. The Preliminary Official Statement, together with any supplements thereto, shall be “deemed final” by the District for purposes of SEC Rule 15c2-12(b)(1), but shall be subject to revision, amendment and completion in a final official statement. At closing, the District shall deliver a certificate to the effect that the facts contained in the Official Statement are true and correct in all material respects, and that the Official Statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statement therein, in light of the circumstances under which they were made, not misleading.

Within seven business days after the award of the bid, the District shall provide the winning bidder with up to 25 hard copies of the final Official Statement at no charge. The winning bidder should promptly notify the District if additional hard copies are needed.

By submitting a bid for the Bonds, the winning bidder agrees (1) to disseminate to all members of the underwriting syndicate copies of the final Official Statement, including any supplements prepared by the District, (2) to promptly file a copy of the final Official Statement, including any supplements, with the MSRB through its EMMA System, and (3) to take any and all other actions necessary to comply with applicable SEC and MSRB rules governing the offering, sale and delivery of the Bonds to ultimate purchasers.

Continuing Disclosure

To assist bidders in complying with SEC Rule 15c2-12(b)(5), the District will provide Continuing Disclosure of certain annual financial information and notice of the occurrence of certain material events. A description of this undertaking and a form of the Continuing Disclosure Certificate is included in Appendix F of the Preliminary Official Statement.

S&P Rating: ['AA+']

S&P Global Ratings, a Standard & Poor’s Financial Services LLC business (“S&P”) has assigned a rating of ['AA+'] to the Bonds, as shown on the cover of the Preliminary Official Statement. Such rating reflects only the views of S&P. An explanation of the significance of the rating may be obtained from S&P at 55 Water Street, New York, New York 10041, (212) 438-2000. The District can provide no assurance the rating will continue for any given time period or that it will not be revised or withdrawn by S&P if, in its judgment, circumstances so warrant. Any revision or withdrawal of the rating may adversely affect the market price of the Bonds.

Basis of Award – Lowest True Interest Cost (TIC)

The Bonds will be awarded to the bidder whose bid produces **the lowest true interest cost**. The true interest cost will be that rate which, when used to compute the present value of principal and interest to be paid on all Bonds from the date of delivery to their respective maturity dates, or mandatory sinking fund redemption dates, produces an amount equal to the purchase price, including any premium specified in such bid. The true interest cost shall be calculated by the use of a semi-annual interval of compounding interest based on the Interest Payment Dates for the Bonds. In the event of a tie the winning bid will be determined by the toss of a coin by the District among the bidders whose bids produced the tie.

Firm Offer; All or None Bid

Any bid submitted pursuant to this Notice of Sale shall be considered a firm offer to purchase all, and not less than all, of the Bonds.

Form of Bid; Delivery and Payment

All bids for the Bonds must be unconditional and for not less than all of the Bonds. Each bid must be in accordance with the terms and conditions set forth herein. Bids will only be accepted via **BiDCOMP™/PARITY®**. To the extent any instructions or directions set forth in PARITY® conflict with this Notice, the terms of this Notice shall control. Delivery of the Bonds will be made to the winning bidder on or about **August [7], 2019**. Payment of the purchase price (less the Good Faith Deposit) must be made in immediately available funds.

Warning Regarding Electronic Bids

THE DISTRICT WILL ACCEPT BIDS IN ELECTRONIC FORM SOLELY THROUGH **BiDCOMP™/PARITY®** ON THE OFFICIAL BID FORM CREATED FOR THAT PURPOSE. EACH BIDDER SUBMITTING AN ELECTRONIC BID UNDERSTANDS AND AGREES THAT BY DOING SO IT IS SOLELY RESPONSIBLE FOR ALL ARRANGEMENTS WITH PARITY, THAT THE DISTRICT NEITHER ENDORSES NOR EXPLICITLY ENCOURAGES THE USE OF PARITY, AND THAT PARITY IS NOT ACTING AS AN AGENT OF THE DISTRICT. INSTRUCTIONS AND FORMS FOR SUBMITTING ELECTRONIC BIDS MUST BE OBTAINED FROM PARITY, AND THE DISTRICT ASSUMES NO RESPONSIBILITY FOR ENSURING OR VERIFYING BIDDER COMPLIANCE WITH THE PROCEDURES OF PARITY. THE DISTRICT SHALL ASSUME THAT ANY BID RECEIVED THROUGH PARITY HAS BEEN MADE BY A DULY AUTHORIZED AGENT OF THE BIDDER.

THE DISTRICT WILL MAKE ITS BEST EFFORTS TO ACCOMMODATE ELECTRONIC BIDS; HOWEVER THE DISTRICT, THE MUNICIPAL ADVISOR AND BOND COUNSEL ASSUME NO RESPONSIBILITY FOR ANY ERROR CONTAINED IN ANY BID SUBMITTED ELECTRONICALLY, OR FOR THE FAILURE OF ANY BID TO BE TRANSMITTED, RECEIVED OR OPENED AT THE OFFICIAL TIME FOR RECEIPT OF BIDS. THE OFFICIAL TIME FOR RECEIPT OF BIDS WILL BE DETERMINED BY THE DISTRICT AT THE PLACE OF BID OPENING, AND THE DISTRICT SHALL NOT BE REQUIRED TO ACCEPT THE TIME KEPT BY PARITY AS THE OFFICIAL TIME.

Estimated True Interest Cost

Bidders are asked to provide a calculation of the true interest cost of the Bonds on the basis of their respective bids, which shall be considered as informative only and not binding on either the bidder or the District. The true interest cost specified in any bid will be that rate which, when used in computing the present value of all payments of principal and interest to be paid on all Bonds from the Closing Date to their respective maturity dates or mandatory sinking fund redemption dates, produces an amount equal to the purchase price (including any premium) specified in such bid.

Good Faith Deposit (\$100,000)

The winning bidder is required to submit a Good Faith Deposit within 24-hours after acceptance of its bid. ***The Good Faith Deposit shall equal \$100,000.***

The Good Faith Deposit must be made in good funds by wire transfer to:

Bank:	The Bank of New York Mellon
ABA:	[021000018]
Account:	[7645358400]
Acct. Name:	Novato Good Faith Fund 2019
Attention:	Gonzalo Urey (tel. 213.630.6237)

If the Good Faith Deposit is not received by the designated time, the underlying bid may be disqualified at the option of the District.

No interest will be paid on the Good Faith Deposit. The proceeds of the Good Faith Deposit will be applied to the purchase price of the Bonds, or in the event of the failure of the winning bidder to pay for the Bonds in compliance with the terms of the bid, at the option of the District, its Good Faith Deposit may be retained as liquidated damages, as partial payment of actual damages or as security for any other remedy available to the District.

Qualification for Sale; Blue Sky

The Underwriter assumes all responsibility for qualifying the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of the states and jurisdictions in which the Underwriter offers or sells the Bonds, including the payment of fees for such qualification. Under no circumstances may the Bonds be sold or offered for sale in any jurisdiction in which such sale or offer would be unlawful under the securities laws of the jurisdiction.

Underwriting Group

The winning bidder will be required to submit a list of all syndicate members within 24 hours after receiving a verbal award.

Additional Information

Copies of the Indenture, this Official Notice of Sale and the Preliminary Official Statement will be furnished to any potential bidder upon request made to the Municipal Advisor.

Right to Modify or Amend

The District reserves the right to modify or amend this Notice, including but not limited to the right to adjust and change the aggregate principal amount of the Bonds being offered. Notification of any such modifications or amendments shall be made not less than 24-hours prior to the time of bid opening, and shall be communicated through Thomson Municipal News and by telephone to any qualified bidder timely requesting such notice.

Right to Reject Bids, Waive Irregularities, Cancel, Postpone, or Reschedule Sale

The District reserves the right, in its sole discretion, to reject any and all bids and, to the extent permitted by law, waive any irregularity or informality in any bid. The District reserves the right to cancel, postpone or reschedule the Bond sale upon notice given through the Bloomberg News Service, Thomson Municipal Market Monitor or The Bond Buyer at least 18 hours prior to the time bids are due. Telephone notice of any postponement will be given to any bidder requesting such notice from the Municipal Advisor.

Establishment of Issue Price

To assist the District in establishing the issue price of the Bonds, the winning bidder shall execute and deliver to the District at closing an “issue price certificate” substantially in the form attached hereto as Exhibit A, setting forth the reasonably expected initial offering price of the Bonds to the Public, together with supporting pricing wires or equivalent communications, with such modifications as may be necessary or appropriate in the reasonable judgment of Bond Counsel and the District.

The District intends to apply the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) defining “competitive sale” for the purpose of establishing the issue price of the Bonds, because:

- (i)** The District shall disseminate this Official Notice of Sale to potential underwriters in a manner that is reasonably designed to reach potential underwriters;
- (ii)** All potential bidders shall have an equal opportunity to bid and no potential bidder shall be afforded an opportunity to review other bids before providing a bid;
- (iii)** The District shall have received bids from at least three underwriters of municipal obligations who have established industry reputations for underwriting new issuances of municipal obligations; and
- (iv)** The District anticipates awarding the Bonds to the bidder who submits a firm offer to purchase the Bonds at the highest price (or lowest interest cost) as set forth herein.

If the “competitive sale” requirements are not satisfied, then the District shall reject all bids and cancel the sale.

By submitting a bid, each bidder is certifying that (i) the bidder is an underwriter of municipal obligations who has an established industry reputation for underwriting new issuances of municipal obligations, (ii) its bid is a firm offer to purchase all of the Bonds as specified in its bid, (iii) its bid was prepared on the assumption that the issue price of the Bonds will be the Winning Bidder’s reasonably expected initial offering price to the public.

Dated: _____, 2019

Novato Sanitary District

By: _____
General Manager – Chief Engineer/Secretary

NOVATO SANITARY DISTRICT BOARD AGENDA ITEM SUMMARY

TITLE: Board of Directors: Consider procedure for filling the vacancy on the Board of Directors	MEETING DATE: July 1, 2019 AGENDA ITEM NO.: 7.a.
RECOMMENDED ACTION: Consider procedures for filling the current vacancy on the Board of Directors, and provide direction.	
SUMMARY AND DISCUSSION: <p>There is a need for the Board to fill a Board vacancy due to the recent resignation of Board member and President Pro-tem Brant Miller on June 10, 2019.</p> <p>Filling of vacant Board seats for Special Districts such as the Novato Sanitary District is governed by California Government Code Section 1780. Briefly, there are three options available to the Board to do so. These options are presented in the attached memo, along with back-up information, and draft noticing and application materials for the vacancy.</p> <p>It is requested that the Board review presented material and provide direction.</p>	
ATTACHMENTS: 1. Memorandum - Filling of Board Vacancy (including attachments).	
STRATEGIC PLAN INFORMATION: This item addresses Goal 5 (Effective Governance and Administration) of the latest Strategic Plan Update.	
DEPT. MGR.: ssk	GENERAL MANAGER: SSK

MEMORANDUM

To: Novato Sanitary District Board of Directors
From: Sandeep Karkal, General Manager-Chief Engineer
Lauren Quint, District Counsel
Board Meeting
Date: July 1, 2019
Subject: Filling of Board Vacancy

Background

At the conclusion of the District Board meeting of June 10, 2019, District Board Member Brant Miller presented a letter notifying the Board of his resignation from the District Board effective the close of the June 10, 2019 Board meeting. That is 512 days prior to the next general election in the District, which is set for November 3, 2020. The process for replacing a board member is set forth in California Government Code Section 1780 (GC §1780). A copy of GC §1780 is attached.

District actions required by the code are:

- Notify the Marin County Elections Official of the vacancy by June 24, 2019 (completed).
- Select one of the following replacement options:
 - A. Replacement by Appointment, or
 - B. By calling a Special Election, or
 - C. Referring the Appointment to the Board of Supervisors.

Procedures to be followed for each of the three options are described below. Note that Mr. Miller was elected to his seat in an “at-large” election in 2018. Also, note that at the June 10, 2019 meeting, the District Board adopted District Ordinance No. 121: “Establishing an Electoral District-based System for Novato Sanitary District,” to meet the intent and provisions of the California Voting Rights Act (CVRA).

Ordinance No. 121, its Voting Divisions Map, and its Election Sequencing assigned the electoral seat being vacated by Mr. Miller to Division 3 of the District’s electoral divisions. Depending on the selected option, the replacement process may be affected by the terms of this Ordinance No. 121, as discussed below.

A. Replacement by Appointment

Under this alternative, the process would be as follows:

- a. The District is required to post a notice of the vacancy in at least three conspicuous places in the District.
- b. At least 15 days after posting the notice the Board may make the appointment.
- c. The Board must make the appointment within 60 days of the effective date of the vacancy.
- d. The District must notify the County Elections Officer within 15 days after the Board makes its appointment.

Also, given the timing of the vacancy, the Board Seat will be filled partly by appointment and partly by election. More specifically, GC §1780(d)(2) provides that when the vacancy occurs in the first half of a term of office and at least 130 days prior to the next general district election, the person appointed to fill the vacancy holds office *until the next general district election*. Then, the person

elected shall hold office for the unexpired balance of the term of office. Consequently, a potential appointee to the vacant seat in 2019 may hold office until the next general District election in November 2020, at which point the seat will come up for election.

Ordinance No. 121 states that “in the event that a vacancy occurs before the end of the term of the Director in office at the time this Ordinance takes effect, a person who is appointed or elected by a special election to fill such vacancy may reside anywhere within the boundaries of the District.” In other words, because Mr. Miller’s seat is an at-large seat, it remains so until the end of its term in 2022.

Given the timing of the vacancy, the person who is appointed to fill the vacancy in 2019 may reside anywhere in the District (i.e. be “at-large”). However, consistent with Ordinance No. 121, in order to maintain the seat, he/she would need to run for the seat in both 2020 and 2022. Furthermore, if the appointed individual does not reside in Division 3 (the Division seat being vacated by Mr. Miller), he or she may not be eligible to run in 2022. Therefore, the Board may wish to carefully consider the possibility of making an appointment of a resident of Division 3 to the vacant seat, if such applicants are available. This would allow for continuity in Board membership, should this appointed Board member be interested in continuing his or her service to the District after 2022.

Procedurally, a Notice of Vacancy will be prepared and posted at the District’s website, on social media, at the Novato and South Novato public libraries, and at the District Administration Building.

The Board can decide whether to solicit applications from interested individuals or to make the appointment directly. If the Board decides to solicit applications for the seat, the Notice of Vacancy can include a request for interested applicants to submit an application. Copies of a draft Notice of Vacancy and a draft Application are attached.

If this option is utilized, the Board may choose to hold at least one special Board meeting to publicly review applicants’ qualifications, and/or interview candidates (if needed). A potential schedule for this option is presented below to meet statutory schedule deadlines. Note that while this schedule may appear to be somewhat tight, it does allow for additional special Board meetings to be held on August 7th, 8th, or even possibly on August 9th, if needed.

Potential Schedule for Appointing a Replacement

Date	Action
July 1, 2019	Board votes to fill the vacancy by appointment.
July 2, 2019	Post Notice of Vacancy and Request for Applications
July 24, 2019	Completed Applications due to District
August 5, 2019	Special Board meeting to review applicants qualifications, interview applicants (if needed), and make appointment
August 7 th , 8 th , 9 th , 2019	Potential dates for additional special Board meetings, if needed
August 9, 2019	Deadline to make appointment

Costs: Barring unusual circumstances, the direct costs of appointing a replacement are anticipated to be limited to printing and advertising costs. At this time, direct costs related to the appointment

are estimated at about \$3,000, which will be met from available unencumbered funds in Account No. 66040 (Election Expenses) of the Fiscal Year (FY) 18-19 budget and Account No. 69040 (Election Expenses) of the FY 19-20 Preliminary Budget.

B. Calling a Special Election

The Board may call for a special election to fill the vacancy within 60 days of the effective date of the vacancy. A minimum of 130 days must elapse between the Board’s decision to call the election and the date of the special election. A potential schedule for this option is presented below.

Potential Schedule for Calling a Special Election

Date	Action
July 1, 2019	Board votes to call a special election
November 11, 2019	Earliest possible date for a special election
March 3, 2020	Next established date for a special election

Costs: Based on information from the County of Marin Elections Department, estimated costs for a special election in March 2020 would be as follows:

- (1) About \$274,400 to \$343,000, or \$8 to \$10 per registered voter if held as an at-large election for the approximately 34,300-34,400 registered voters in Novato Sanitary District, or
- (2) About \$55,000 to \$69,000 if held as an electoral district election conducted specifically within Division 3, and assuming approximately 6,900 registered voters per voting division.

As seen from the above table, the District just misses the deadline for a special election in November 2019. However, for informational purposes, if the special election could hypothetically have been scheduled for November 5, 2019, the cost would be about \$137,000 to \$274,000 or \$4 to \$8 per registered voter for an at-large election, or about \$28,000 to \$54,000 if held in Division 3.

Recall that given the specific timing of this vacancy, the individual elected by special election would only hold office until November 2020, and only until such time as a candidate elected at the November 2020 election (if different from the individual elected in March 2020) is certified to fill the seat until 2022.

C. Referring the Appointment to the Board of Supervisors

If the District Board fails to make an appointment or call a special election within the 60-day period after the effective date of the vacancy, the action on the vacancy will go to the Board of Supervisors. The Board of Supervisors can either make an appointment within 90 days of the vacancy or require that the District call an election either at-large, or as an election specific to Division 3.

Recommendation

- 1. It is recommended that the Board proceed with a “Replacement by Appointment” process that follows the schedule presented in A. above, and direct staff to post a notice soliciting applications for the vacancy in at least three conspicuous locations in the District as well as online and in the Novato Advance and the Marin IJ. This process is similar to the District’s

past practices as well as the process used in the past by local special districts, i.e. the North Marin Water District and the Novato Fire Protection District.

2. It is also recommended that the Board carefully consider the possibility of making an appointment of a resident of Division 3 to the vacant seat if such applicant(s) are available. Doing so will provide for consistency with the intent of District Ordinance No. 121 as well as allow for the possibility of continuity in Board membership.

Attachments:

1. California Government Code Section 1780
2. Notice of Board Vacancy
3. Board Appointment Application

Filling of Board Vacancy Memorandum
Attachment No. 1 (2 pages)

California Government Code Section 1780


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GOVERNMENT CODE - GOV

TITLE 1. GENERAL [100 - 7914] (*Title 1 enacted by Stats. 1943, Ch. 134.*)

DIVISION 4. PUBLIC OFFICERS AND EMPLOYEES [1000 - 3599] (*Division 4 enacted by Stats. 1943, Ch. 134.*)

CHAPTER 4. Resignations and Vacancies [1750 - 1782] (*Chapter 4 enacted by Stats. 1943, Ch. 134.*)

ARTICLE 2. Vacancies [1770 - 1782]

 (*Article 2 added by Stats. 1943, Ch. 134.*)

- 1780.** (a) Notwithstanding any other provision of law, a vacancy in any elective office on the governing board of a special district, other than those specified in Section 1781, shall be filled pursuant to this section.
- (b) The district shall notify the county elections official of the vacancy no later than 15 days after either the date on which the district board is notified of the vacancy or the effective date of the vacancy, whichever is later.
- (c) The remaining members of the district board may fill the vacancy either by appointment pursuant to subdivision (d) or by calling an election pursuant to subdivision (e).
- (d) (1) The remaining members of the district board shall make the appointment pursuant to this subdivision within 60 days after either the date on which the district board is notified of the vacancy or the effective date of the vacancy, whichever is later. The district shall post a notice of the vacancy in three or more conspicuous places in the district at least 15 days before the district board makes the appointment. The district shall notify the county elections official of the appointment no later than 15 days after the appointment.
- (2) If the vacancy occurs in the first half of a term of office and at least 130 days prior to the next general district election, the person appointed to fill the vacancy shall hold office until the next general district election that is scheduled 130 or more days after the date the district board is notified of the vacancy, and thereafter until the person who is elected at that election to fill the vacancy has been qualified. The person elected to fill the vacancy shall hold office for the unexpired balance of the term of office.
- (3) If the vacancy occurs in the first half of a term of office, but less than 130 days prior to the next general district election, or if the vacancy occurs in the second half of a term of office, the person appointed to fill the vacancy shall fill the balance of the unexpired term of office.
- (e) (1) In lieu of making an appointment the remaining members of the board may within 60 days of the date the district board is notified of the vacancy or the effective date of the vacancy, whichever is later, call an election to fill the vacancy.
- (2) The election called pursuant to this subdivision shall be held on the next established election date provided in Chapter 1 (commencing with Section 1000) of Division 1 of the Elections Code that is 130 or more days after the date the district board calls the election.
- (f) (1) If the vacancy is not filled by the district board by appointment, or if the district board has not called for an election within 60 days of the date the district board is notified of the vacancy or the effective date of the vacancy, whichever is later, then the city council of the city in which the district is wholly located, or if the district is not wholly located within a city, the board of supervisors of the county representing the larger portion of the district area in which the election to fill the vacancy will be held, may appoint a person to fill the vacancy within 90 days of the date the district board is notified of the vacancy or the effective date of the vacancy, whichever is later, or the city council or board of supervisors may order the district to call an election to fill the vacancy.
- (2) The election called pursuant to this subdivision shall be held on the next established election date provided in Chapter 1 (commencing with Section 1000) of Division 1 of the Elections Code that is 130 or more days after the date the city council or board of supervisors calls the election.
- (g) (1) If within 90 days of the date the district board is notified of the vacancy or the effective date of the vacancy, whichever is later, the remaining members of the district board or the appropriate board of supervisors or city

council have not filled the vacancy and no election has been called for, then the district board shall call an election to fill the vacancy.

(2) The election called pursuant to this subdivision shall be held on the next established election date provided in Chapter 1 (commencing with Section 1000) of Division 1 of the Elections Code that is 130 or more days after the date the district board calls the election.

(h) (1) Notwithstanding any other provision of this section, if the number of remaining members of the district board falls below a quorum, then at the request of the district secretary or a remaining member of the district board, the appropriate board of supervisors or the city council shall promptly appoint a person to fill the vacancy, or may call an election to fill the vacancy.

(2) The board of supervisors or the city council shall only fill enough vacancies by appointment or by election to provide the district board with a quorum.

(3) If the vacancy occurs in the first half of a term of office and at least 130 days prior to the next general district election, the person appointed to fill the vacancy shall hold the office until the next general district election that is scheduled 130 or more days after the date the district board is notified of the vacancy, and thereafter until the person who is elected at that election to fill the vacancy has been qualified. The person elected to fill the vacancy shall hold office for the unexpired balance of the term of office.

(4) If the vacancy occurs in the first half of a term of office, but less than 130 days prior to the next general district election, or if the vacancy occurs in the second half of a term of office, the person appointed to fill the vacancy shall fill the balance of the unexpired term of office.

(5) The election called pursuant to this subdivision shall be held on the next established election date provided in Chapter 1 (commencing with Section 1000) of Division 1 of the Elections Code that is held 130 or more days after the date the city council or board of supervisors calls the election.

(Amended by Stats. 2007, Ch. 343, Sec. 4. Effective January 1, 2008.)

Filling of Board Vacancy Memorandum
Attachment No. 2 (1 page)

Notice of Board Vacancy

NOTICE OF BOARD VACANCY

Effective June 10, 2019, a vacancy exists on the Board of Directors of the Novato Sanitary District. The Board will appoint a new member who will serve until the next general election of the District scheduled for November 2020. At that time, an election will be held to fill the vacant seat for the remainder of the term, ending with the 2022 election. The current vacancy is for an at-large seat. Also, the District recently adopted an ordinance (See Ordinance 121) transitioning the District to by-district (division) elections, and this seat will become a "Division 3" seat at the time of the 2022 election, at which time only registered voters residing in Division 3 will be eligible to run for this seat. Interested parties are invited to submit an application by 4:30pm, Wednesday, July 24, 2019, describing their educational and employment background, any prior community activities, potential areas for conflict of interest, and a statement of interest on serving on the Board of Directors. Applications are available at the District office, or can be downloaded at www.novatosan.com. Interested parties may also contact the District Secretary at (415) 892-1694. The Board of Directors will review applications and interview applicants (if needed) at an open public meeting scheduled on Monday, August 5, 2019 at 5:30 PM and will make an appointment. The meeting will be held at the District offices located at 500 Davidson Street, Novato, California.

Sandeep Karkal
District Secretary, Novato Sanitary District

Dated: July 1, 2019

3239376.1

Filling of Board Vacancy Memorandum
Attachment No. 3 (2 pages)

Board Appointment Application

**NOVATO SANITARY DISTRICT
BOARD APPOINTMENT APPLICATION**

(Note: This application will be held on file for six months only).

To: Board of Directors
Novato Sanitary District

Date: _____

I request that you consider my application for the current vacancy on the Board of Directors of the Novato Sanitary District (District). I am aware that the Board meets regularly on the 2nd Monday of each month at 5:30 PM and I am confident I will be able to devote the time necessary to perform the duties of this body. I am also aware that my name and address may be made public as an applicant for this body. If selected, I will be required to report investments, business positions and income from sources that are located in or doing business in the Novato Sanitary District.

Signature

Name (print)

Residence address

Contact telephone

Contact e-mail address

Years lived in the Novato area _____

Years lived in Marin County _____

Employer

Address

Telephone

1. Briefly describe your educational background*: _____

2. Briefly describe your employment background*: _____

3. Describe your recent civic and community activities*: _____

4. Briefly list possible areas of conflict of interest*: _____

5. Please briefly explain your interest in serving on the Board of Directors*: _____

*Add no more than one additional sheet, if needed.

The completed Application Form (and any supporting materials) must be received by the District no later than **4:30 p.m., Wednesday, July 24, 2019**. Application materials may be transmitted by any of the below methods:

- By Mail to:
Board Member Appointment
Attention: District Secretary
Novato Sanitary District
500 Davidson Street, Novato, CA 94945
- By Fax to: (415) 898-2279
- By email to: sandeepk@novatosan.com