



**DUBLIN SAN RAMON SERVICES DISTRICT  
Board of Directors**

**NOTICE OF REGULAR MEETING**

**TIME:** 6 p.m.

**DATE:** Tuesday, December 5, 2017

**PLACE:** Regular Meeting Place  
7051 Dublin Boulevard, Dublin, CA

**AGENDA**

**Our mission is to provide reliable and sustainable water, recycled water, and wastewater services in a safe, efficient, and environmentally responsible manner.**

1. CALL TO ORDER
2. PLEDGE TO THE FLAG
3. ROLL CALL – Members: Duarte, Halket, Howard, Misheloff, Vonheeder-Leopold
4. SPECIAL ANNOUNCEMENTS/ACTIVITIES

5. PUBLIC COMMENT (MEETING OPEN TO THE PUBLIC)

At this time those in the audience are encouraged to address the Board on any item of interest that is within the subject matter jurisdiction of the Board and not already included on tonight's agenda. Comments should not exceed five minutes. Speakers' cards are available from the District Secretary and should be completed and returned to the Secretary prior to addressing the Board. The President of the Board will recognize each speaker, at which time the speaker should proceed to the lectern, introduce him/herself, and then proceed with his/her comment.

6. REPORTS

- 6.A. Reports by General Manager and Staff
    - Event Calendar
    - Correspondence to and from the Board

- 6.B. Joint Powers Authority and Committee Reports

- 6.C. Agenda Management (consider order of items)

7. APPROVAL OF MINUTES

- 7.A. Regular Meeting Minutes of November 21, 2017

**Recommended Action:** Accept by Motion

8. CONSENT CALENDAR

Matters listed under this item are considered routine and will be enacted by one Motion, in the form listed below. There will be no separate discussion of these items unless requested by a Member of the Board of Directors or the public prior to the time the Board votes on the Motion to adopt.

8.A. Approve Increase to the Construction Change Order Contingency for the DERWA Recycled Water Treatment Facilities – Phase 2 Project (CIP 16-R014)  
**Recommended Action:** Approve by Resolution

8.B. Approve Planning Services Agreement with Shea Properties Management Company Inc. for the AT Dublin Project  
**Recommended Action:** Approve by Resolution

8.C. Approve Director Attendance and Reimbursements for 2018 Meetings, Conferences, and Travel Expenses  
**Recommended Action:** Approve by Motion

9. BOARD BUSINESS

9.A. Approve Refinancing of the 2011 Water Revenue Refunding Bonds and Authorize Issuance of the 2017 Water Revenue Refunding Bonds  
**Recommended Action:** Approve by Resolution

9.B. Receive Report on the Dougherty Valley Assessment District Financial Position  
**Recommended Action:** Receive Report

9.C. Receive Report on the Water Rate Increases Effective January 2018  
**Recommended Action:** Receive Report

9.D. Adopt Pay Schedule in Accordance with California Code of Regulations, Title 2, Section 570.5, Requirement for a Publicly Available Pay Schedule and Rescind Resolution No. 58-17  
**Recommended Action:** Adopt by Resolution

9.E. Selection of President and Vice President of the Board of Directors for 2018  
**Recommended Action:** Approve by Motions (2)

10. BOARD MEMBER ITEMS

- Submittal of Written Reports from Travel and Training Attended by Directors

11. CLOSED SESSION

11.A. Conference with Legal Counsel – Anticipated Litigation  
Significant Exposure to Litigation Pursuant to Paragraph (2) of Subdivision (d) of Government Code Section 54956.9: One Potential Case

11.B. Conference with Labor Negotiators – Pursuant to Government Code Section 54957.6  
Agency Designated Representatives: Richard Halket, Board President  
Carl P.A. Nelson, General Counsel  
Unrepresented Employee: General Manager  
Additional Attendee: Michelle Gallardo, Human Resources and Risk Supervisor

12. REPORT FROM CLOSED SESSION

13. ADJOURNMENT

All materials made available or distributed in open session at Board or Board Committee meetings are public information and are available for inspection at the front desk of the District Office at 7051 Dublin Blvd., Dublin, during business hours, or by calling the District Secretary at (925) 828-0515. A fee may be charged for copies. District facilities and meetings comply with the Americans with Disabilities Act. If special accommodations are needed, please contact the District Secretary as soon as possible, but at least two days prior to the meeting.

**DUBLIN SAN RAMON SERVICES DISTRICT  
MINUTES OF A REGULAR MEETING OF THE BOARD OF DIRECTORS**

**November 21, 2017**

**1. CALL TO ORDER**

A regular meeting of the Board of Directors was called to order at 6:02 p.m. by President Richard Halket.

President Halket announced that per Government Code section 54953, sub. (b)(2), all votes taken this evening will be done by a roll call vote due to Director Duarte participating via teleconference.

President Halket reported that a DSRSD Financing Corporation meeting was held shortly before this regular meeting of Dublin San Ramon Services District. Pursuant to Government Code section 54952.3, no Director will receive any compensation or stipend for participating in more than one meeting on this date, and as further specified in DSRSD Policy P100-16-2, Day of Service.

**2. PLEDGE TO THE FLAG**

**3. ROLL CALL**

Boardmembers present at start of meeting:

President Richard M. Halket, Vice President Georgean M. Vonheeder-Leopold, Director D.L. (Pat) Howard, Director Edward R. Duarte (Teleconference location), and Director Madelyne A. (Maddi) Misheloff.

District staff present: Dan McIntyre, General Manager; Carol Atwood, Administrative Services Manager/Treasurer; Judy Zavadil, Engineering Services Manager; Jeff Carson, Operations Manager; Carl P.A. Nelson, General Counsel; and Nicole Genzale, Executive Services Supervisor/District Secretary.

**4. SPECIAL ANNOUNCEMENTS/ACTIVITIES**

General Manager McIntyre reported the Association of California Water Agencies fall conference will be held November 28 to December 1 in Anaheim.

**5. PUBLIC COMMENT (MEETING OPEN TO THE PUBLIC) – 6:04 p.m. No public comment was received.**

**6. REPORTS**

**A. Reports by General Manager and Staff**

- Event Calendar – General Manager McIntyre had nothing to report.
- Correspondence to and from the Board on an Item not on the Agenda – None

B.	<u>Joint Powers Authority and Committee Reports</u>	
	LAVWMA	November 15, 2017
	Special DERWA	November 16, 2017

President Halket invited comments on recent JPA/Committee activities. He noted the March 13, 2017 DSRSD/Dublin Liaison meeting minutes were at the dais this evening. General Manager McIntyre stated these minutes were just approved at the November 7 Liaison meeting.

C. Agenda Management (consider order of items) – President Halket stated that Closed Session Item 11.A will be taken immediately after Item 7.A, and that Vice President Vonheeder-Leopold will give her Boardmember report for Item 10 immediately following Item 6.C to accommodate her early departure to another obligation this evening. Vice President Vonheeder-Leopold left the meeting at 6:06 p.m.

7. APPROVAL OF MINUTES – Regular Meeting of November 7, 2017

Director Howard MOVED for the approval of the November 7, 2017 minutes. Director Duarte SECONDED the MOTION, which CARRIED with THREE AYES, per roll call vote, ONE ABSTENTION (Misheloff), and ONE ABSENT (Vonheeder-Leopold).

8. CONSENT CALENDAR

Director Misheloff MOVED for approval of the items on the Consent Calendar. Director Howard SECONDED the MOTION, which CARRIED with FOUR AYES, per roll call vote, and ONE ABSENT (Vonheeder-Leopold).

A. Approve Tentative Agreement with the International Union of Operating Engineers Stationary Engineers – Local 39 for Successor Memorandum of Understanding (MOU) for the Period December 18, 2017 through December 12, 2021 – Approved – Resolution No. 59-17

B. Affirm No Changes to Employee Recognition Programs Policy – Approved

C. Accept the Following Regular and Recurring Reports: Warrant List and District Financial Statements – Approved

9. BOARD BUSINESS

A. Accept Financial Statements for Year Ended June 30, 2017 with Independent Auditors' Report

Administrative Services Manager Atwood reviewed the item for the Board. She introduced David Alvey from Maze and Associates, the consultant who conducted the annual audit. She also recognized and thanked Financial Services Division staff for ensuring a smooth and efficient audit process.

Mr. Alvey provided an overview of the District's audit. He reported the District received a clean opinion which is the highest level of assurance that an agency can receive. He acknowledged the District's effective proactive planning, resulting in a favorable position regarding post-employment health care benefits, which surpasses many other agencies that have failed to set aside assets. He stated there were no findings regarding internal controls (material weakness/significant deficiency) and that the audit went smoothly. He complimented the District's Finance team on a job well done.

The Board was pleased with the audit and noted the District's improved staffing levels corrected a small technical deficiency in internal controls. They also discussed significance of fluctuations in the pension plan discount rate, and noted improved pass-through liabilities footnotes. The Board thanked Mr. Alvey for his presentation.

Director Howard MOVED to Accept Financial Statements for Year Ended June 30, 2017 with Independent Auditors' Report. Director Misheloff SECONDED the MOTION, which CARRIED with FOUR AYES, per roll call vote, and ONE ABSENT (Vonheeder-Leopold).

B. Approve Health Insurance Contribution for Calendar Year 2018 for Stationary Engineers Local 39, Professional, Mid-Management, Confidential, General Manager, and Senior Management Employees

Human Resources and Risk Supervisor Michelle Gallardo reviewed the item for the Board.

The Board and staff briefly discussed the item. Staff confirmed the contribution formula presented in this item reflects the new formula specified in the new Memoranda of Understanding recently approved by the Board. Staff also clarified the medical groups identified as "hourly" (not monthly) indicate seasonal or less-than-part-time employees, of which the District currently does not have any.

Director Misheloff MOVED to adopt Resolution No. 60-17, Fixing the Employer Contribution at an Equal Amount for Employees and Annuitants Under the Public Employees' Medical and Hospital Care Act for Stationary Engineers Local 39, Professional, Mid-Management, Confidential, General Manager, and Senior Management Employees. Director Howard SECONDED the MOTION, which CARRIED with FOUR AYES, per roll call vote, and ONE ABSENT (Vonheeder-Leopold).

C. Approve Health Insurance Contribution for Calendar Year 2018 for Board of Directors

Human Resources and Risk Supervisor Gallardo reviewed the item for the Board.

Director Howard MOVED to adopt Resolution No. 61-17, Fixing the Employer Contribution at an Equal Amount for Employees and Annuitants Under the Public Employees' Medical and Hospital Care Act for Board of Directors Using the Same Contribution Amounts Approved for Employee Only: \$780, Employee + One: \$1560, and Employee + Family: \$2028. Director Misheloff SECONDED the MOTION, which CARRIED with FOUR AYES, per roll call vote, and ONE ABSENT (Vonheeder-Leopold).

D. Adopt Resolution to Subject Future General Manager Retirees to CalPERS Health Vesting Program Under Government Code Section 22893 and the Public Employees' Medical and Hospital Care Act

Human Resources and Risk Supervisor Gallardo reviewed the item for the Board.

Director Misheloff MOVED to adopt Resolution No. 62-17, Electing to be Subject to Section 22893 to Establish Health Vesting Requirements for Future Annuitants Under the Public Employees' Medical and Hospital Care Act with Respect to a Recognized Employee Organization. Director Howard SECONDED the MOTION, which CARRIED with FOUR AYES, per roll call vote, and ONE ABSENT (Vonheeder-Leopold).

E. Accept the Rate Stabilization Funds Annual Report

Financial Services Supervisor Karen Vaden reviewed the item for the Board. She reported the transfer of funds from the Local Wastewater Rate Stabilization fund (RSF) to the Local Wastewater Enterprise fund (Enterprise) will bring the fund to the four-month target in accordance with the District's Financial Reserves policy. The District also established new local wastewater rates earlier this year which will bring the fund to the four-month target by the end of the year, so additional withdrawal from the Local Wastewater Rate Stabilization fund will not be needed.

The Board and staff discussed the background of the systemic problem with the Enterprise fund, the necessary prioritization of water and regional funds, and a growing and aging water/wastewater system, which have collectively contributed to the recent need to increase local wastewater rates and perform this fund transfer. Staff confirmed that per policy, funds will be moved back to the RSF when the Enterprise fund hits or exceeds 6 months of working capital and at no time should the two funds' combined total be greater than 12 months working capital.

Director Duarte MOVED to Accept the Rate Stabilization Funds Annual Report to Administratively Transfer \$355,122 from the Local Wastewater Rate Stabilization fund to the Local Wastewater Enterprise fund, in accordance with the Financial Reserves policy. Director Misheloff SECONDED the MOTION, which CARRIED with FOUR AYES, per roll call vote, and ONE ABSENT (Vonheeder-Leopold).

10. BOARDMEMBER ITEMS

Vice President Vonheeder-Leopold gave her report immediately following Item 6.C. Vice President Vonheeder-Leopold submitted a written report to Executive Services Supervisor Genzale. She reported she attended the California Association of Sanitation Agencies Board of Directors teleconference meeting November 13. She summarized the activities and discussions at the meeting.

Director Howard reported he filled in as alternate for Director Misheloff at the November 15 LAVWMA meeting and that Director Duarte filled in as alternate for Vice President Vonheeder-Leopold at the November 16 DERWA meeting. He reported that DERWA approved a new regular Board meeting schedule commencing in 2018 – the first meeting will be held on the first

Monday in February, subsequent meetings will be held the fourth Monday of odd months, and the May meeting will be held on the third Monday.

Director Duarte summarized discussions at the LAVWMA meeting.

**11. CLOSED SESSION**

At 6:08 p.m. the Board went into Closed Session Item 11.A immediately following Item 7.A.

A. Conference with Labor Negotiators – Pursuant to Government Code Section 54957.6  
Agency Negotiator: Dan McIntyre, General Manager  
Carol Atwood, Administrative Services Manager  
Michelle Gallardo, Human Resources and Risk Supervisor  
Employee Organization: 1. Stationary Engineers Local 39

At 6:17 p.m. the Board came out of Closed Session. President Halket announced that there was no reportable action.

At 6:44 p.m. the Board went into Closed Session immediately following Item 10. The Board took Item 11.C ahead of Item 11.B.

B. Conference with Labor Negotiators – Pursuant to Government Code Section 54957.6  
Agency Designated Representatives: Richard Halket, Board President  
Carl P.A. Nelson, General Counsel  
Unrepresented Employee: General Manager  
Additional Attendee: Michelle Gallardo, Human Resources and Risk Supervisor

C. Conference with Legal Counsel – Anticipated Litigation. Significant exposure to litigation pursuant to paragraph (2) of subdivision (d) of Government Code Section 54956.9: One potential case.

**12. REPORT FROM CLOSED SESSION**

At 7:02 p.m. the Board came out of Closed Session. President Halket announced that there was no reportable action.

**13. ADJOURNMENT**

President Halket adjourned the meeting at 7:03 p.m.

Submitted by,

Nicole Genzale, CMC  
Executive Services Supervisor



**TITLE:** Approve Increase to the Construction Change Order Contingency for the DERWA Recycled Water Treatment Facilities – Phase 2 Project (CIP 16-R014)

**RECOMMENDATION:**

Staff recommends the Board of Directors approve, by Resolution, an increase to the construction change order contingency for the DERWA Recycled Water Treatment Facilities – Phase 2 Project (CIP 16-R014) from \$900,000 to \$1.415 million.

**SUMMARY:**

On December 6, 2016, the Board of Directors awarded a \$13.149 million base bid construction contract to C. Overaa & Co. (Overaa) to construct the DERWA Recycled Water Treatment Facilities – Phase 2 Project (DERWA RWTF Project). The DSRSD Board also authorized the General Manager to approve change orders up to approximately 7% of the total construction contract base bid amount not to exceed \$900,000.

The DERWA RWTF Project includes the addition of two new pumps with variable frequency drives (VFDs) to Pump Station R1. Pump Station R1 currently has three existing pumps that have been budgeted for replacement through the DSRSD Pump Stations VFD Replacements Project (CIP 13-S004) as well as through the corresponding DERWA Pump Station R1 VFD Replacement Project. Staff would like to replace the existing Pump Station R1 VFDs through a construction change order to the DERWA RWTF Project. This would benefit DERWA and DSRSD in the following ways:

- Ensures that all five VFDs for Pump Station R1 are the same, with the same operations and maintenance requirements including stocking of the same replacement parts;
- Ensures consistent installation for all five Pump Station R1 VFDs and warranty under one general contractor; and
- Potentially provides economy of scale by purchasing more units (five total) under one contract rather than splitting the procurement process for the same equipment and facility.

The cost of the change order is estimated to be \$515,000. Overaa has submitted a change order for the purchase of the equipment and programming for the three VFDs. The labor to remove the existing units and install the three new replacement VFDs within the existing footprint with modifications to the wiring and appurtenances will be negotiated after the two contract VFDs are installed, based on the time and materials necessary. To accommodate the change order, staff recommends the construction change order contingency be increased from \$900,000 to \$1.415 million.

The cost of the change order will be funded by DERWA. On June 26, 2017, the DERWA Board of Directors authorized the DERWA Authority Manager to implement the DERWA Pump Station R1 VFD Replacement Project as a change order to the DERWA RWTF Project.

Originating Department: Engineering Services	Contact: R. Mutobe	Legal Review: Not Required
Cost: \$515,000	Funding Source: Water Expansion (Fund 620)	
Attachments: <input type="checkbox"/> None <input type="checkbox"/> Staff Report <input checked="" type="checkbox"/> Resolution <input type="checkbox"/> Ordinance <input type="checkbox"/> Task Order <input type="checkbox"/> Proclamation <input type="checkbox"/> Other (see list on right)		9 of 257

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

RESOLUTION OF THE BOARD OF DIRECTORS OF DUBLIN SAN RAMON SERVICES DISTRICT APPROVING AN INCREASE TO THE CONSTRUCTION CHANGE ORDER CONTINGENCY FOR THE DERWA RECYCLED WATER TREATMENT FACILITIES – PHASE 2 PROJECT (CIP 16-R014)

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WHEREAS, the Agreement for the Sale of Recycled Water by DERWA to DSRSD and EBMUD (Section B.1) states, “DSRSD shall design and construct future additions to the Tertiary Treatment Plant Facilities and Pump Station 1 when requested and funded by DERWA”; and

WHEREAS, on December 6, 2016, the DSRSD Board of Directors awarded the construction contract agreement for the DERWA Recycled Water Treatment Facility – Phase 2 Project (CIP 16-R014) for the base bid amount of \$13,149,000 with C. Overaa & Co.; and

WHEREAS, the DSRSD Board of Directors authorized the General Manager to approve change orders up to approximately 7% of the total construction contract base bid amount not to exceed \$900,000; and

WHEREAS, the DERWA Recycled Water Treatment Facilities – Phase 2 Project (DERWA RWTF Project) includes the addition of two new Variable Frequency Drives (VFDs) for Pump Station R1 (PSR1); and

WHEREAS, the DSRSD Pump Stations VFD Replacements Project (CIP 13-S004) and the corresponding DERWA Pump Station R1 VFD Replacement Project have appropriated \$515,000 for the replacement of three existing PSR1 VFDs; and

WHEREAS, adding the replacements of the existing three VFDs to the DERWA RWTF Project construction would benefit DERWA in the following ways: (i) ensures that all the VFDs for PSR1 are the same, with the same operations and maintenance requirements including stocking of the same replacement parts; (ii) ensures consistent installation for all five PSR1 VFDs and warranty under one general contractor; and (iii) potentially provides economy of scale by purchasing more units (five total) under one contract rather than splitting the procurement process for the same equipment and facility; and

WHEREAS, on June 26, 2017, the DERWA Board of Directors authorized the DERWA Authority Manager to implement the DERWA Pump Station R1 VFD Replacement Project as a change order to the DERWA RWTF Project currently under construction through an agreement with DSRSD.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF DUBLIN SAN RAMON SERVICES DISTRICT, a public agency located in the Counties of Alameda and Contra Costa, California, as follows:

Res. No. \_\_\_\_\_

1. DSRSD staff is authorized to implement a change order to the existing DERWA Recycled Water Treatment Facilities – Phase 2 Project (CIP 16-R014) construction contract with C. Overaa & Co. to replace the PSR1 VFDs.
2. The change order contingency for the DERWA Recycled Water Treatment Facilities – Phase 2 Project (CIP 16-R014) is increased by \$515,000 to \$1.415 million total.
3. The General Manager is authorized to approve construction change orders for the DERWA Recycled Water Treatment Facilities – Phase 2 Project (CIP 16-R014) in an amount not to exceed \$1.415 million.

ADOPTED by the Board of Directors of Dublin San Ramon Services District, a public agency in the State of California, Counties of Alameda and Contra Costa, at its regular meeting held on the 5th day of December, 2017, and passed by the following vote:

AYES:

NOES:

ABSENT:

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Richard M. Halket, President

ATTEST: \_\_\_\_\_  
Nicole Genzale, District Secretary



**TITLE:** Approve Planning Services Agreement with Shea Properties Management Company Inc. for the AT Dublin Project

**RECOMMENDATION:**

Staff recommends the Board of Directors approve, by Resolution, a Planning Services Agreement with Shea Properties Management Company Inc. for water supply and facilities planning for the AT Dublin Project.

**SUMMARY:**

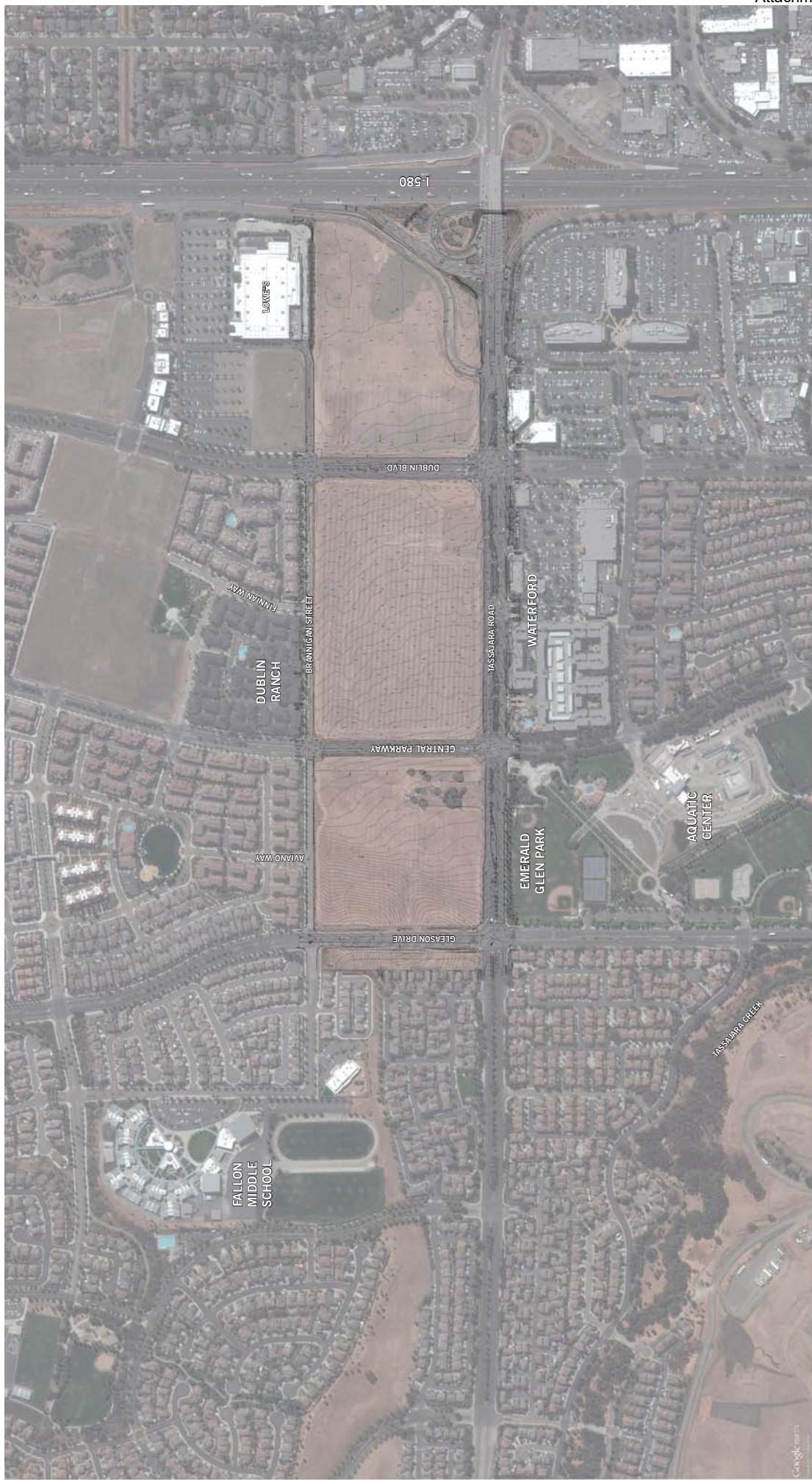
Shea Properties Management Company Inc. (Shea), has filed an application with the City of Dublin to prepare a General Plan and Eastern Dublin Specific Plan Amendment Study for the AT Dublin Project (Project). The Project is located on 76.1 acres east of Tassajara Road between Interstate 580 and Gleason Drive and consists of up to 680 residential units and 450,000 square feet of commercial space. The proposed Project's location and land use plan are included as Attachment 1.

As the water supplier for the Project, DSRSD is required to prepare a water supply assessment and written verification of water supply availability in accordance with the 2001 Senate Bills 610 and 221. The District's current Urban Water Management Plan will provide the foundational information to fulfill the requirements of these two statutes. Due to the size of the project, staff has determined that a water and sewer facilities study is also required to ensure that the water distribution and sewer collection system is sized adequately to meet the needs of the Project. Both the water supply assessment and facilities study will inform the City of Dublin's California Environmental Quality Act documentation for the General and Specific Plan Amendments.

District Code Section 2.30, Planning Services Agreements, provides for planning services agreements between property owners and the District whereby the District conducts planning studies related to the feasibility for, and extent of, providing facilities and services to the owner's property, and the owner compensates the District for the cost of planning studies, including the District's cost for consultants, staff, and legal counsel. The estimated costs to be incurred and reimbursed under the agreement are \$34,000 for the water supply assessment and \$63,000 for the water and sewer facilities study.

Staff requests the Board approve the attached standard form Planning Services Agreement (Exhibit A to Resolution) with Shea to complete the water supply assessment and facilities study for the AT Dublin Project.

Originating Department: Engineering Services	Contact: R. Biagtan	Legal Review: Not Required
Cost: \$97,000	Funding Source: 80% Water Expansion (Fund 620) 20% Local Wastewater Expansion (Fund 210)	
Attachments: <input type="checkbox"/> None <input type="checkbox"/> Staff Report <input checked="" type="checkbox"/> Resolution <input type="checkbox"/> Ordinance <input type="checkbox"/> Task Order <input type="checkbox"/> Proclamation <input checked="" type="checkbox"/> Other (see list on right)	Attachment 1 – Proposed Project Map and Land Use Plan	12 of 257



**DUBLIN**  
AT

## AERIAL PHOTO / VICINITY MAP



## SUMMARY

Land Use Category	Acres (Net)	Permitted Density	Project Density (Net)	Commercial SF	Hotel Rooms	Units
General Commercial <sup>2</sup>	22.2	2 to 6 FAR	.39 FAR	367,000	240	
Public/Semi-Public					3,000	
Mixed Use	13.8	3 to 1.0 FAR	.74 FAR	80,000		300
Medium-High-Density Residential	13.9	14.1 to 25 units/ac	14.4 units/ac			200
Medium Density Residential	20.8	6.1 to 14.0 du/ac	8.7 du/ac			180
<b>Total</b>	<b>70.7</b>			<b>450,000</b>	<b>240</b>	<b>680</b>

1. "SF" = Square Feet includes base square feet.  
2. "Public/Semi-Public" uses are permitted within General Commercial per requested General Plan and EDSP amendment.

Note: Unit counts and commercial square footages are preliminary. Stage 2, Development Plan and Site Development Review will establish the specific maximum number of units and commercial square footage.

Overall Project Totals						
Area (Gross)	76.2 AC	Area (Gross)	22.1 AC	15.2 AC		
Area (Net)	70.7 AC	Area (Net)	20.8 AC	13.9 AC		
General commercial building area	70.7 AC	For sale unit count	23.7 AC	200 Units	2 to 6 FAR	240
Apartment commercial building area	442,500 SF	Residential density	22.2 AC	14.4 DU/AC	Public/Semi-Public	
Total commercial building area	7,500 SF				Mixed Use	
Public / Semi-Basic building area	450,000 SF				Medium-High-Density Residential	
Commercial F.A.R. (Net)	300 Units	For sale unit count	0.38	20.1 AC	13.9	13.9
PA-2a & PA-2b: Mixed Use (3 - 1.0 F.A.R.)	380 Units	Area (Gross)			Medium Density Residential	
Total unit count	680 Units	Area (Net)			<b>Total</b>	<b>70.7</b>
PA-2a Area (Gross)		Residential density (Net)				
PA-2a Area (Net)						
PA-2b Area (Gross)						
PA-2b Area (Net)						
General commercial building area						
Apartment building area						
F.A.R. (Net)						
Rental unit count						
Net area = Gross area less street dedications						

PA-1: General Commercial						
Area - Gross (without Northside Drive)	76.2 AC	Area (Gross)	22.1 AC	15.2 AC		
Area - Net (without Northside Drive)	70.7 AC	Area (Net)	20.8 AC	13.9 AC		
Area - Gross (with Northside Drive)	70.7 AC	For sale unit count	23.7 AC	200 Units	2 to 6 FAR	240
Area - Net (with Northside Drive)	442,500 SF	Residential density	22.2 AC	14.4 DU/AC	Public/Semi-Public	
General commercial building area	7,500 SF				Mixed Use	
Total commercial building area	450,000 SF				Medium-High-Density Residential	
Commercial F.A.R. (Net)	300 Units	For sale unit count	0.38	20.1 AC	13.9	13.9
PA-2a & PA-2b: Mixed Use (3 - 1.0 F.A.R.)	380 Units	Area (Gross)			Medium Density Residential	
Total unit count	680 Units	Area (Net)			<b>Total</b>	<b>70.7</b>
PA-2a Area (Gross)		Residential density (Net)				
PA-2a Area (Net)						
PA-2b Area (Gross)						
PA-2b Area (Net)						
General commercial building area						
Apartment building area						
F.A.R. (Net)						
Rental unit count						
Net area = Gross area less street dedications						

0 60 120 240 360 FEET SHEET A2.2

## LAND USE PLAN PROPOSED

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

RESOLUTION OF THE BOARD OF DIRECTORS OF DUBLIN SAN RAMON SERVICES DISTRICT APPROVING A PLANNING SERVICES AGREEMENT WITH SHEA PROPERTIES MANAGEMENT COMPANY, INC. FOR THE AT DUBLIN PROJECT

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WHEREAS, Shea Properties Management Company, Inc. (Shea) is the managing partner of a joint venture with SCS Development Company, Award Homes, Inc., and SCS Dublin Realty LLC, for the development of the AT Dublin Project (Project) in Dublin; and

WHEREAS, Shea has submitted a planning application with the City of Dublin (City); and

WHEREAS, a water supply assessment in accordance with the 2001 Senate Bills 610 and 221 is required for the Project; and

WHEREAS, the District has determined that a project-specific water and sewer facilities study is required to ensure that water and sewer facilities are sized sufficiently to meet the needs of the project; and

WHEREAS, the District Engineer has determined in accordance District Code Chapter 2.30, Planning Services Agreements, that a Planning Services Agreement (Agreement) with Shea is necessary for the District to complete the water supply assessment and a facilities study for the AT Dublin Project.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF DUBLIN SAN RAMON SERVICES DISTRICT, a public agency located in the Counties of Alameda and Contra Costa, California, as follows:

That a Planning Services Agreement by and between Dublin San Ramon Services District and Shea Properties Management Company, Inc. (Exhibit A), is hereby approved, and the General Manager and the District Secretary are hereby authorized and directed to execute said Agreement for and on behalf of the District.

ADOPTED by the Board of Directors of Dublin San Ramon Services District, a public agency in the State of California, Counties of Alameda and Contra Costa, at its regular meeting held on the 5th day of December, 2017, and passed by the following vote:

AYES:

NOES:

ABSENT:

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Richard M. Halket, President

ATTEST: \_\_\_\_\_  
Nicole Genzale, District Secretary

**DUBLIN SAN RAMON SERVICES DISTRICT  
PLANNING SERVICES AGREEMENT  
AT Dublin Project**

THIS AGREEMENT, entered into this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by and between DUBLIN SAN RAMON SERVICES DISTRICT, a public agency ("District") and Shea Properties Management Company Inc., a Delaware corporation (authorized "Developer");

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

WHEREAS, Developer desires to obtain Facilities and Services from District for Owner's Property hereinafter described; and

WHEREAS, determination of availability of Facilities and Services requires conducting studies, collecting data, and the performance of other services such as annexation processing as hereinafter provided; and

WHEREAS, Developer desires that District conduct, or cause to be conducted, pursuant to District's regulations hereinafter referenced, such studies and other services, at Developer's cost and expense.

NOW, THEREFORE, the parties hereto agree as follows:

1. **AUTHORITY.** This agreement is entered into pursuant to the provisions of Chapter 2.30 (Planning Services Agreements) of Title 2 of the District Code of Dublin San Ramon Services District ("District Code"). This agreement was approved by District's Board of Directors pursuant to Resolution No. \_\_\_\_\_, adopted \_\_\_\_\_, 20\_\_\_\_.

2. **DEFINITIONS.** As used in this Agreement, the following words and terms have the meaning respectively ascribed thereto:

(a) **Consultant or Consultants** - any person, partnership, association, corporation or other business or professional entity who or which enters into an agreement with the District for the performance of services pursuant to this Agreement.

(b) **Developer** - Shea Properties, acting as the managing member of a Joint

Venture with the Owner for the project entitlements for the Project.

- (c) District - (defined hereinabove)
- (d) District (or District's) Expenses - costs and expenses incurred by District either directly or indirectly on behalf of Developer pursuant to this Agreement including, without limitation, salaries (including benefits) and overhead allocated to District's employees in processing the application for this Agreement and in performing services pursuant to, and administering, this Agreement.
- (e) Facilities and Services - any public facility or service which may be provided or furnished by District to or for Owner's Property.
- (f) Owner – SCS Development Company, Award Homes, Inc., and SCS Dublin Realty LLC.
- (g) Planning Expenses - the sum of District's expenses, payments made to Consultants by District and an administrative charge payable to District of fifteen percent (15%) of such payments made to Consultants.
- (h) Planning Deposit – a sum, to be paid concurrently with the execution of any task order to be executed pursuant to this agreement, equal to the amount of the task order plus an additional 15% for the anticipated DSRSD staffing costs as a component of total Planning Expenses.
- (h) Project - Developer's proposed Project to which this agreement pertains, generally described as follows:

AT Dublin is a mixed-use master plan development on a vacant 76.1-acre site that would generally support up to 450,000 SF of retail and up to 680 residential units (a mix of single-family, townhomes and apartments).

- (i) Property - The Property to which the services herein provided pertain, generally described as follows:

APN 985-52-24, 985-52-25 and 985-51-06

A map showing the general location of the property is attached hereto, marked Exhibit "A", and by this reference incorporated herein. The Property is comprised of Parcel A, Parcel 1, 2, 3 and 4 as shown on Exhibit A.

3. SERVICES. District shall conduct through staff or cause to be conducted by or through Consultants, activities or studies to determine the feasibility of, and requirements for, providing Facilities and Services to the Property for the Project. Such studies and activities shall generally include, but are not limited to, attending meetings and conferring with engineers and other experts engaged as Consultants hereunder, representatives of other governmental agencies which do, or

may have, approval authority over the Project, and other persons or agencies serving as sources of information or providing other services regarding the Project. District is hereby authorized, subject to the terms and conditions hereof, to enter into contracts or subcontracts with Consultants for the performance of professional services (including, but not limited to, engineering consulting services), collection of data and information, and performance of other activities necessary or appropriate to provide information for the aforementioned determination of feasibility. Specific tasks to be performed hereunder shall be described with more particularity in task orders pursuant to the provisions of Paragraph 4.

4. TASK ORDERS. Services to be performed, by or for District hereunder shall be authorized by written task order approved in advance of the performance thereof in accordance with this paragraph. Each such task order shall include a description of the services to be performed, the estimate of Planning Expenses to be incurred, and the time of performance of services thereunder, and such other matters as the parties deem appropriate for the accomplishment of each such task. To the extent not modified by express terms or conditions of a task order, all other terms and conditions of this agreement shall be deemed incorporated in each such task order.

All task orders shall be subject to approval as follows:

- (i) District's General Manager may approve task orders issued hereunder for the expenditure of Planning Expenses; provided, that the aggregate amount of such additional expenditures so approved shall not exceed One Hundred Thousand Dollars (\$100,000); and
- (ii) All other task orders issued hereunder shall be subject to approval of District's Board of Directors, evidenced by motion duly made and carried.

5. FUNDING; DEPOSITS. All Planning Expenses to be incurred hereunder shall be paid by Developer. District hereby acknowledges receipt of the sum of Three Thousand Four Hundred twenty-five Dollars (\$3,425) paid by Developer pursuant to the provisions of Section 2.30.050 of the District Code as the Administrative Fee for processing the application for this agreement.

Concurrently with the execution of any task order, Developer shall pay an amount equal to the estimated Expenses payable under said task order, plus an additional 15% for the anticipated DSRSD staffing costs as a component of total Planning Expenses. From time to time during the term of this agreement, upon demand of District, Developer shall deposit further sums corresponding to estimated amounts of Planning Expenses for the performance of further services under any task order (if additional funding shall be deemed necessary) and/or succeeding task orders. Funds remaining on deposit upon the completion of services described in a task order shall, if further tasks are to be accomplished, be retained by District and credited toward the expenditure of funds under a succeeding task order or orders. Any deposited funds remaining with District upon completion of services hereunder and after payment of all of Planning Expenses, shall be returned to Developer.

6. EXPENDITURE LIMITATIONS. No task order shall be approved which would provide for the expenditure of funds in advance of the deposit of Planning Expenses estimated to be made thereunder or which would provide for the expenditure of funds in excess of deposited funds then in the possession of District. No services shall be performed pursuant to a task order approved hereunder which would cause Planning Expenses to exceed funds on deposit for such purpose.

7. ACCOUNTABILITY. District shall periodically provide Developer with written statements of receipts of deposits and disbursements for Planning Expenses made therefrom. Funds deposited with District hereunder may be commingled with other funds of District, but shall be accounted for separately. Funds deposited pursuant hereto shall not accrue interest and District shall not be obligated to pay interest thereon to Developer. District shall not be responsible or accountable for the use or expenditure of funds after payment has been made by District to a Consultant or Consultants pursuant hereto. District's obligation for the administration of funds deposited by Developer shall be limited solely to the retention and use thereof by District for payment of the Planning Expenses relating to services performed by District and to the disbursement of funds to others for payment of the Planning Expenses relating to services performed by Consultants.

8. COOPERATION. Developer shall furnish District with current factual information regarding the Project and Property necessary for utility planning purposes including, without

limitation, Developer's estimated requirements for water, recycled water, wastewater collection, transmission or treatment, and other needs pertaining to Facilities and Services proposed to be furnished by District. Developer shall provide copies of all prior studies, maps, or other documentary material (including, without limitation, information retained on computer disks, magnetic tape recordings, or other electronic information retention devices) in the possession, or under the control, of Developer pertaining to the Project and deemed necessary or convenient by District for the performance of services hereunder.

9. NON-ASSIGNABILITY. Developer shall not subcontract, assign, sell, mortgage, hypothecate or otherwise transfer Developer's interests or obligations in this agreement in any manner, without the express prior written consent of District. Nothing herein contained shall be deemed to prohibit District from subcontracting or assigning duties and obligations hereunder pursuant to a task order or task orders.

10. STATUS. The parties hereunder shall be deemed, and are, independent contractors, and neither shall be deemed to be an officer, employee or agent of the other.

11. CONSULTANTS. District shall not be responsible or liable for the acts, or omissions to act, of Consultants retained or employed by District pursuant to task orders issued hereunder, and such Consultants shall be deemed independent contractors with respect to District.

12. TITLE TO DOCUMENTS. All documents, plans, drawings, studies, reports, photographs, computer disks, electronic tapes, renderings, and other papers ("Documents", as used hereinafter shall include all such physical or tangible matters), or copies thereof, as finally rendered and prepared by or for District pursuant hereto or pursuant to a task order shall, upon final preparation, become the property of District. Notwithstanding the foregoing, District shall provide Developer copies of, or access to, all such Documents; provided, that provision of such copies or access shall be subject to copyrights, requests for confidentiality, or proprietary interests asserted by the provider thereof.

13. TERMINATION. Either party may terminate this agreement, or any task order issued hereunder, without cause by giving written notice thereof to the other party not less than ten (10) days

prior to the effective date of termination, which date shall be included in said notice. In the event of such termination, District shall discharge all outstanding obligations incurred, or to be incurred, by District to the effective date of termination. Such outstanding obligations shall include payment of all the Planning Expenses for services and reimbursement of expenses provided and incurred to the effective date of termination. In ascertaining services actually rendered to such date, consideration shall be given both to completed work and work in process of completion. Upon satisfaction of all such outstanding obligations from funds deposited by Developer pursuant hereto, District shall remit to Developer such balance remaining, if any. In the event District requires sums in addition to funds on deposit with District as of the effective date of termination, upon demand of District, Developer shall promptly remit to District such additional funds as may be required by District to satisfy all such outstanding obligations.

Nothing herein contained shall be deemed a limitation upon the right of District to terminate this agreement for cause, or otherwise to exercise such rights or pursue such remedies as may accrue to District hereunder.

14. TERM. The estimated time for completion of services to be rendered hereunder is 12 months, upon the completion of which services the term hereof shall expire. Notwithstanding the foregoing, the term of this agreement shall continue for such period of time as may be necessary or appropriate for the completion of all services hereunder and the satisfaction of all Planning Expenses.

15. NOTICES. Written notices required or convenient hereunder shall be delivered personally or by depositing the same with the United States Postal Service, first class (or equivalent) postage prepaid and addressed,

in the case of Developer to:                   Shea Properties  
   130 Vantis, Suite 200  
   Aliso Viejo, CA 92656  
   Attention: Elizabeth Cobb

and in the case of District to:                   General Manager  
   Dublin San Ramon Services District  
   7051 Dublin Boulevard  
   Dublin, CA 94568

16. ATTORNEY FEES. In the event of litigation between the parties herein, the prevailing party shall be entitled to attorney fees and cost.

17. PARAGRAPH HEADINGS. Paragraph headings as used herein are for convenience, only, and shall not be deemed to be a part of any paragraph headed thereby and shall not be construed to change the meaning thereof.

IN WITNESS WHEREOF, the parties hereto have executed this agreement as of the date first hereinabove written.

DUBLIN SAN RAMON SERVICES DISTRICT  
a public agency of the State of California

By \_\_\_\_\_  
Daniel McIntyre  
General Manager

Attest:

\_\_\_\_\_  
Nicole Genzale, District Secretary

DEVELOPER

By: Shea Properties Management Company, Inc.,  
A Delaware corporation,  
Its non-member manager

By: \_\_\_\_\_

Name: \_\_\_\_\_

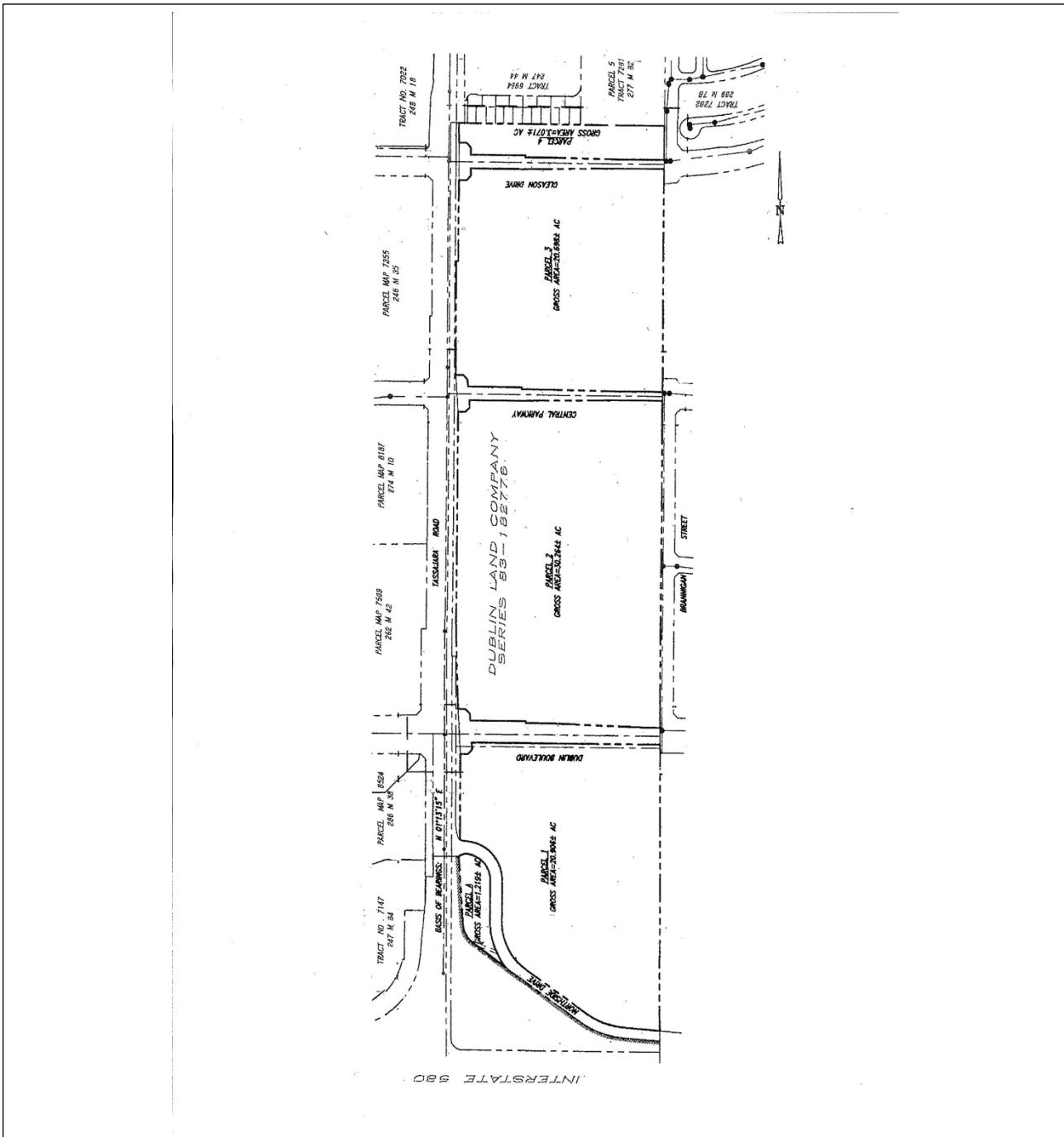
Title: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

## Exhibit "A"





**TITLE:** Approve Director Attendance and Reimbursements for 2018 Meetings, Conferences, and Travel Expenses

**RECOMMENDATION:**

Staff recommends the Board of Directors approve, by Motion: (a) attendance by the Directors at any required in-person training that satisfies ethics (AB 1234) and sexual harassment prevention (AB 1661) training requirements, (b) attendance by the Directors at meetings, conferences, training sessions or Committee or Board meetings on which the District Director is a member for the organizations (listed in Attachment 1) and that are held in 2018, and (c) find that Director attendance at the activities and/or events (listed in Attachment 1) are in the best interest of the District and approve reimbursements for Director expenses incurred in connection with Director attendance at these activities and/or events held in 2018.

**SUMMARY:**

In response to the passage of SB 135 (Kehoe) and AB 1234 (Salinas), the Board has adopted Day of Service and Director Travel and Expenses policies (see attached). Under the Day of Service policy and by law, a Director is eligible for a day of service payment for attending a meeting not noticed under the Brown Act (such as conferences and trainings) only when pre-approval is given by the Board of Directors and a written report is delivered to the Board at the next Board meeting following the event. The policy itself identifies a number of organizations whose meetings are eligible for a day of service payment, but payment is not limited to meetings of those organizations. The Director Travel and Expenses policy provides that attendance at, and travel by, Directors on District business within California, for which a Director is eligible for a day of service, is pre-approved for the reimbursement of expenses. That same policy goes on to state that Director expenses incurred in connection with activities and/or events that are not eligible for compensation under the Day of Service policy may, with prior Board approval, qualify for reimbursement; such events include the activities of civic and charitable organizations that are determined by the Board to be in the best interest of the District, but does not include political activities or events.

In an effort to more efficiently manage and ensure compliance with these laws and policies, and to provide a "big picture" overview of meetings to be attended by Directors and related expenses incurred by Directors throughout the year, staff is recommending the Board take one action to pre-approve Director attendance and expense reimbursements, provided all other policy requirements have been met. Attendance at events of organizations not listed will be subject to individual Board approval at later Board meetings (in advance of the events).

This action is consistent with the Board actions for 2017 meetings and conferences. There are no changes from 2017 practice.

Originating Department: Executive Services	Contact: V. Chiu	Legal Review: Not Required
Cost: \$146 per Director per day of service and expenses	Funding Source: Various depending on meeting	
Attachments: <input type="checkbox"/> None <input type="checkbox"/> Staff Report <input type="checkbox"/> Resolution <input type="checkbox"/> Ordinance <input type="checkbox"/> Task Order <input type="checkbox"/> Proclamation <input checked="" type="checkbox"/> Other (see list on right)	<p>Attachment 1 – Recommended Boardmember Meeting Attendance and Reimbursement Approvals for 2018</p> <p>Attachment 2 – Day of Service policy (P100-16-2)</p> <p>Attachment 3 – Director Travel and Expense policy (P100-17-2)</p>	

## **RECOMMENDED BOARDMEMBER MEETING ATTENDANCE AND REIMBURSEMENTS APPROVALS FOR 2018**

**Approve Boardmember attendance at the following meetings, conferences, and training sessions:**

- Association of California Water Agencies (ACWA) – events held in California and Washington D.C. Conference in February)
- California Association of Sanitation Agencies (CASA) – events held in California and Washington D.C. Conference in February)
- California Special Districts Association (CSDA) – events held by the state association and these two chapters in California:
  - Alameda County Special Districts Association (ACSDA)
  - Contra Costa Special Districts Association (CCSDA)
- WateReuse Association – national and state events held in the western United States
- California Sanitation Risk Management Authority (CSRMA) – events held in California
- Any ceremonial functions with one of the Tri-Valley water agencies including the City of Pleasanton, the City of Livermore, and the Zone 7 Water Agency

**Approve reimbursements for Director expenses when attending the activities/events listed above, and including the following:**

- Travel expenses associated with attendance at meetings noticed under the Brown Act
- Meetings of all organizations for which a Director is eligible for a day of service
- Dublin and San Ramon Chamber of Commerce monthly lunch meetings



# Policy

Policy No.:	P100-16-2	Type of Policy:	Board Business
Policy Title:	Day of Service		
Policy Description:	Definition of a Compensable Day of Service for a Director		
Approval Date:	8/16/2016	Last Review Date:	2016
Approval Resolution No.:	52-16	Next Review Date:	2020
Rescinded Resolution No.:	9-14	Rescinded Resolution Date:	2/18/2014

It is the policy of the Board of Directors of Dublin San Ramon Services District:

That each Director shall exhibit good judgment in the matter of compensation for service, and shall have proper regard for the propriety and economy of conducting District business.

## 1. Compensation for Days of Service

Directors may, upon submittal of the District's monthly Board of Director's Timesheet, receive an amount of compensation not to exceed that approved by the Board of Directors. The amount of compensation shall be set in accordance with Water Code Section 20200 *et seq.*, as amended. Compensation shall be earned for each day's service rendered as a member of the Board, and cannot exceed a total of ten [10] days in any calendar month. Except for the Board and Committee meetings described in subsections 2 (a) and (b) of this policy, in order to be eligible for compensation for a day of service, the Board must have previously approved, at a Board meeting, the Director's representation of the District, and the Director must deliver a written report to the Board regarding his or her attendance at a qualifying activity or event at the next Board meeting following the qualifying activity or event. If the written report is not submitted at the next Board meeting following the qualifying activity or event, the Director is no longer eligible for and shall not be paid compensation for the day(s) of service associated with the qualifying activity or event. (Government Code Section 61047, subdivisions (e)(2) through (e)(5).)

## 2. Services Eligible for Compensation

Pursuant and subject to Government Code Section 61047(e), the following activities are eligible for compensation as a day of service:

- a. Attendance in a policy maker role at District meetings noticed in accordance with the Brown Act (Government Code Section 54950 *et seq.*). This is specifically limited to:
  - Regular Board Meetings

**Policy No.:** P100-16-2**Policy Title:** Day of Service

- Special Board Meetings
- Adjourned Board Meetings
- Regular, Adjourned, and Special Meetings of Board Standing Committees, including Liaison Committees
- Emergency Meetings of the Board or a Standing Committee

b. Attendance in a policy maker role at meetings of a Joint Powers Authority (JPA) of which the District is a Member and that have been noticed in accordance with the Brown Act (Government Code Section 54950 *et seq.*), including:

- Regular JPA Meetings
- Special JPA Meetings
- Adjourned Regular JPA Meetings
- Regular, Adjourned, and Special Meetings of Standing Committees of the JPA, including Liaison Committees
- Emergency Meetings of the JPA or a Standing Committee of the JPA

JPAs, include but are not limited to Livermore-Amador Valley Water Management Agency (LAVWMA), DSRSD-EBMUD Recycled Water Authority (DERWA), WaterReuse, Finance Authority, or California Sanitation Risk Management Authority (CSRMA).

c. Attendance at professional, technical, and trade association meetings, conferences, (and the board and/or committee meetings of these groups for which the Director is a member of the board and/or a committee) activities, and organized educational activities, training sessions and events, including but not limited to ethics training pursuant to Government Code Section 53234 *et seq.*, as it may be amended from time to time, including but not limited to California Association of Sanitation Agencies (CASA), California Sanitation Risk Management Authority (CSRMA), Association of California Water Agencies (ACWA), California Special Districts Association (CSDA), Sanitation and Water Agencies of Contra Costa County, Economic Development Alliance for Business (EDAB), WaterReuse, and National Water Research Institute (NWRI). Travel on the day before or the day after the activity shall not be eligible for compensation as a day of service.

d. As a principal speaker, panel member, or otherwise representing the District in an official capacity at a public event including ceremonial functions of other agencies, meetings of a service club, a homeowner association, a chamber of commerce or other business or neighborhood group, including meetings with neighbors of the wastewater treatment facilities (when those meetings are open and held at the wastewater treatment plant).

e. Representation of the District at a public meeting or public hearing of another public agency (e.g., Board of Supervisors, City Council, Local Agency Formation Commission [LAFCO], State Water Resource Control Board [SWRCB], Regional Water Quality Control Board [RWQCB], Bay Area Air Quality Management District [BAAQMD]) at which that

**Policy No.:** P100-16-2**Policy Title:** Day of Service

agency has agendized business that involves the District.

**3. Activities and/or Events Ineligible for Compensation**

- a. Compensation will only be paid for one day of service if a Director attends two or more meetings or activities on one day which meetings are otherwise separately eligible for compensation.
- b. Compensation will not be paid for attendance at a meeting of an ad hoc or advisory committee of the Board that does not have a continuing subject matter jurisdiction or a meeting schedule fixed by formal action of the Board.
- c. Compensation will not be paid for attendance at meeting of a Standing or Liaison Committee of the Board on which the Director does not serve.
- d. Compensation will not be paid for any meeting with District staff unless the meeting is a Board or Committee meeting noticed pursuant to the Brown Act.

**4. Review and Approval**

Principal responsibility for compliance with this policy rests with each Director. The General Manager shall review Director's timesheets and written reports to determine conformance with this policy prior to approving payment. If a Director disagrees with the General Manager's determination, the Director submitting the timesheet shall refer the matter to the President of the Board (or Vice President if the timesheet is that of the President) for consideration. The submittal of a timesheet by a Director shall be deemed an acknowledgement by that Director that the timesheet, in the exercise of his or her judgment, complies with the terms of this policy, that any required approval of the Board was obtained at a Board meeting in advance of the activity or event, that any required written report has been submitted at the next Board meeting following the activity or event, and that the Director has considered any issues that the General Manager has identified. If the matter is referred to the Board President (or the Vice President as the case might be), they shall approve the timesheet unless they believe it substantially deviates from this policy. Directors may appeal any timesheet disapproved by the President or Vice President by submitting the matter to the Board as an agenda item at a regular meeting, not later than 60 days after the day for which reimbursement is requested.

**5. Contents of Written Reports**

Written reports submitted in accordance with this Policy shall consist of one or more of the following:

- A handwritten report of the Director's activities
- A typewritten report of the Director's activities
- Copies of agendas for the qualifying event
- Copies of handouts distributed at the qualifying event
- Copies of business cards from contacts made by the Director
- Copies of notes the Director took while attending the qualifying event
- Certificates the Director received for attending the qualifying event

**Policy No.:** P100-16-2**Policy Title:** Day of Service

- Remarks made at the qualifying event if a Director was a speaker (bullet points or script)
- Other similar written materials

All such materials should give a member of the public a sense of the business purpose of the qualifying event as well as the Director's role at the qualifying event.

## **6. Administration**

The General Manager shall administer this policy and shall institute appropriate accounting and control procedures to ensure the policy is being followed.

## **7. Previous Policies Superseded**

This policy supersedes all previously adopted District policies related to compensation for a day of service by a Director.



# Policy

<b>Policy No.:</b> P100-17-2	<b>Type of Policy:</b> Board Business
<b>Policy Title:</b> Board of Director Travel and Expenses	
<b>Policy Description:</b> Reimbursement of travel and related expenses incurred by Directors while on District business	
<b>Approval Date:</b> 3/21/2017	<b>Last Review Date:</b> 2017
<b>Approval Resolution No.:</b> 12-17	<b>Next Review Date:</b> 2021
<b>Rescinded Resolution No.:</b> 4-13	<b>Rescinded Resolution Date:</b> 2/19/2013

It is the policy of the Board of Directors of Dublin San Ramon Services District:

1. That each Director shall exhibit good judgment in the matter of travel and incidental expenses, and shall have proper regard for the propriety and economy of conducting District business.
2. To reimburse reasonable and actual travel and/or incidental expenditures of Directors incurred when they are on District business.
3. That travel to and attendance at conferences and meetings by Directors shall be consistent with the approved budget of the District.
4. That travel on District business within the States of California and Nevada is pre-approved by adoption of this policy; travel on District business in locations other than California and Nevada require Board approval.
5. That expenses incurred in connection with activities and/or events that are not eligible for compensation under the Day of Service policy may, with prior Board approval, qualify for reimbursement under this policy. Such events include activities of civic and charitable organizations that are determined by the Board to be in the best interest of the District. Expenses incurred in connection with partisan or nonpartisan political activities or events are not eligible for reimbursement.
6. That expenditures of Directors for travel shall be allowed in general accordance with the following criteria:
  - Registration Fees: A registration or similar fee charged by the organizers of any conference, convention, or meeting is allowable.
  - Lodging: Amounts equivalent to the cost of (conference rate if available at the time of booking and if one has been established) a standard single occupancy room at the hotel or

Policy No.: P100-17-2

Policy Title: Board of Director Travel and Expenses

motel at which the conference or meeting is held or comparable nearby lodging are allowable.

- Transportation:
  - Air Travel: Amounts equivalent to the cost of coach class round-trip airfare from Oakland, San Jose, Sacramento or San Francisco to an airport reasonably near the destination are allowable.
  - Rental Cars: The cost of a mid-size rental car at a destination is allowable.
  - Private Automobiles: Travel to and from a destination using private automobiles is allowable at the IRS mileage rate (travel to and from the District for the purpose of attending Board meetings is not eligible for reimbursement). This applies so long as the amount so calculated does not exceed the cost of pre-purchased round-trip coach class airfare plus ground transportation that would be incurred for the same trip. If that is the case, the expense shall be limited to the cost of pre-purchased round-trip coach class airfare plus estimated ground transportation. When more than one District official travels in the same private automobile, allowance will be made to only the owner or lessor of the vehicle used. No credit for airfare or the avoided cost of a second automobile shall be paid to the second person. If the General Manager determines that air transportation is not feasible due to work schedules, time involved or other similar reasons, an allowance for the use of a private automobile shall be determined on the basis of the IRS mileage rate and shall not be subject to the limitation specified herein.
  - Tolls and Parking: Tolls, parking and other similar charges are allowable; parking shall be at "non-valet" and "long-term" rates when available.
  - Public Transportation / Taxis: Expenses for public transportation or private "for hire" ground transportation at the destination, to and/or from the destination and/or to or from the departure airport are allowable.
- Meals: Actual and reasonable costs of meals while traveling are allowable up to the limits set herein. Directors shall exercise discretion in the selection of restaurants and when incurring costs for meals. No costs for any alcoholic beverages shall be eligible for reimbursement. A maximum daily reimbursement for meals while traveling is hereby established at the average California city per diem rate. The maximum daily per diem will be reduced in the following amounts to reflect pre-paid meals: \$12 for breakfast, \$16 for lunch and \$34 for dinner. The maximum daily reimbursement shall also be reduced by the amount associated with the meals that a Director would normally have taken on his or her personal behalf before departure or after their return.
- Incidental Expenses: Reasonable incidental expenditures related to travel or the conduct of District business in amounts less than \$10 per item are allowable without receipt. These include items such as parking at meters, baggage handling, use of hotel fax services, phone charges, etc., and other similar expenses.

**Policy No.: P100-17-2****Policy Title: Board of Director Travel and Expenses**

7. If a receipt is lost, the Director shall so note that on their expense report along with a brief explanation and their estimate of the expense; in such cases copies of credit card statements and/or checking account charges that show the date and amount of the charge and the payee are acceptable substitutes. The General Manager shall apply reasonable discretion, as supported by the evidence of the situation, and determine the actual amount to be reimbursed.
8. No reimbursement is allowed for any direct or incremental expenses of family members or guests traveling with a Director. An example of an unallowable incremental expense is the added cost of upgrading a room or a rental car to accommodate a non-District traveling companion.
9. Allowable expenses as specified herein are only reimbursable for the time while the conference, business meeting, or other District business activity is occurring, with reasonable allowance for the need to arrive in advance of or depart after a conference or business meeting.
10. Receipts (other than meals) must be provided prior to reimbursement unless otherwise provided herein.
11. The principal responsibility for compliance with this policy rests with each Director. The General Manager or designee shall review all expenses submitted for reimbursement for conformance with this policy prior to approving payment. When necessary, reasonable discretion in approving reimbursements related to unusual circumstances may be exercised that are not in strict accordance with this policy but that were necessary and prudent and were incurred while furthering the interests of the District. If a Director disagrees with the General Manager's determination, the Director submitting the reimbursement request shall refer the matter to the Board for consideration, by submitting the matter as an agenda item at a regular meeting not later than 60 days after the day for which reimbursement is requested.
12. The General Manager or designee shall administer this policy and shall institute appropriate accounting and control procedures to ensure the policy is being followed.
13. This policy supersedes all previously adopted District policies related to reimbursement for travel and incidental expenses.



**TITLE:** Approve Refinancing of the 2011 Water Revenue Refunding Bonds and Authorize Issuance of the 2017 Water Revenue Refunding Bonds

**RECOMMENDATION:**

Staff recommends the Board of Directors approve, by Resolution, the refinancing of the outstanding 2011 Water Revenue Refunding Bonds and authorize the delivery and sale of the 2017 Water Revenue Refunding Bonds not to exceed \$40,000,000.

**SUMMARY:**

In 2011, the District issued Water Revenue Refunding Bonds (2011 Bonds) in the amount of \$35,620,000 to refinance certain outstanding DERWA and WateReuse Finance Authority payment obligations. To date, the District has paid \$1,400,000 in principal on the 2011 Bonds. The remaining interest rates on the 2011 Bonds range from 4% to 6%.

On September 5, 2017, Fieldman, Rolapp & Associates presented to the Board several scenarios indicating the favorability of refinancing the 2011 Bonds given the then current interest rates and market conditions. The Board approved staff's recommendation to refinance the bonds, and staff engaged the services of Jones Hall as Bond Counsel and Fieldman Rolapp & Associates as Municipal Advisor to assist in completing the refinancing.

To refinance the 2011 Bonds, the District will sell new bonds, 2017 Water Revenue Refunding Bonds (2017 Bonds), at much lower interest rates/yields than it is paying on the current bonds. Proceeds from the 2017 Bonds will be placed in an escrow account and used to purchase U.S. Treasury Obligations that will pay all debt service on the 2011 Bonds until and including the 2011 Bonds call date of February 1, 2021. On February 1, 2021, the remaining amounts in the escrow will be used to pay off all the remaining 2011 Bonds. Current analysis as of November 28, 2017 suggests the District will realize Net Present Value Savings of approximately \$5,500,000 and Total Cash Savings of approximately \$8,100,000 over the next 24.5 years.

The resolution specifies that the principal amount of the 2017 Bonds cannot exceed \$40,000,000, the underwriter's discount on the sale of the 2017 Bonds cannot exceed 0.4% (four-tenths of one percent), and the true interest cost of the 2017 Bonds cannot exceed 4.5% per annum. The refinancing will not extend the final maturity of the remaining debt.

As part of the refinancing process, staff met with the rating agency, Standard & Poor's (S&P) on November 20, 2017 to discuss the current and projected financial position of the water fund. We are expecting to receive the rating report from S&P before the Board meeting and will verbally report the rating at the meeting.

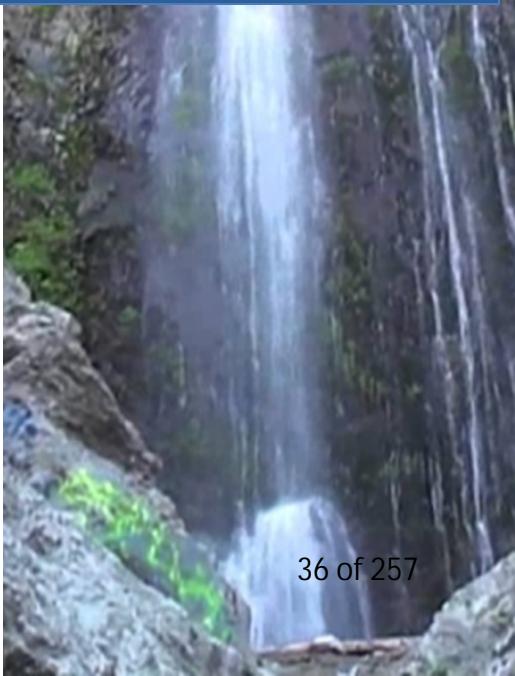
Further details on the refinancing of the 2011 Bonds and issuance of the 2017 Bonds are provided in the staff report. The District's bond counsel and municipal advisor and the bond underwriter will provide a presentation on the refinancing at the Board meeting and will be available to address questions. An initial draft of the presentation is attached.

Originating Department: Administrative Services	Contact: C. Atwood	Legal Review: Yes
Cost: \$40,000,000	Funding Source: N/A	
Attachments: <input type="checkbox"/> None <input checked="" type="checkbox"/> Staff Report <input checked="" type="checkbox"/> Resolution <input type="checkbox"/> Ordinance <input type="checkbox"/> Task Order <input type="checkbox"/> Proclamation <input checked="" type="checkbox"/> Other (see list on right)	Attachment 1 – Initial Draft of Bond Refinancing Presentation	34 of 257



**Dublin San Ramon  
Services District**

*Water, wastewater, recycled water*



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## » Current Market Opportunity

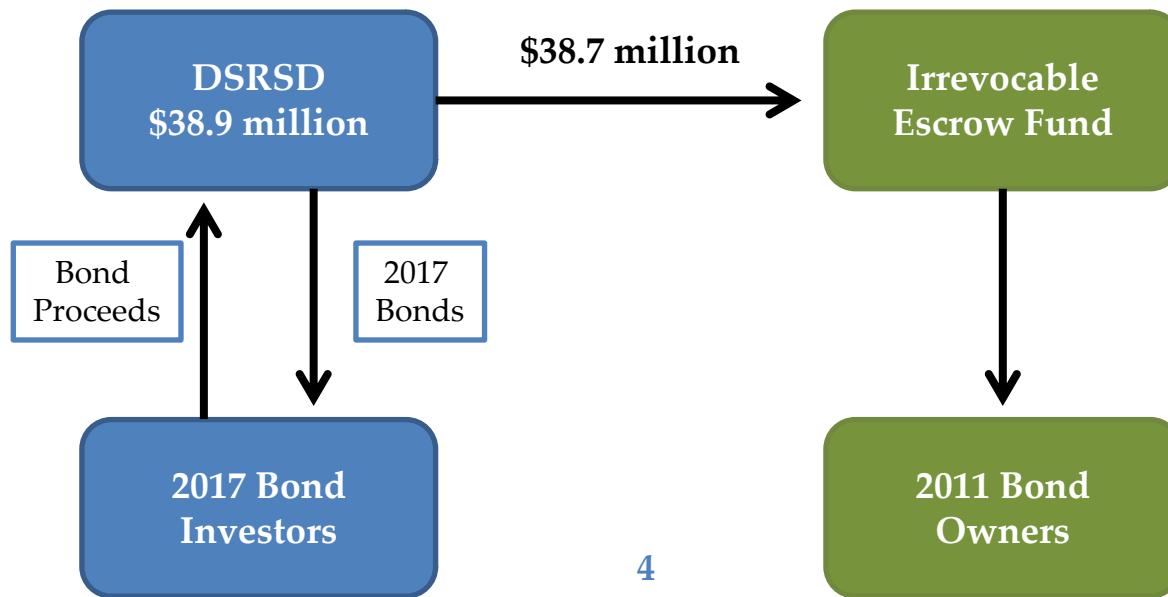
- **2011 Refunding Revenue Bonds (“Bonds”) issued to refinance a portion of the DERWA obligation and the WateReuse obligation**
  - Current market conditions present the District with an advance refunding opportunity to save approximately \$5.5 million on NPV basis\*
- **\$35.6 million originally issued and \$34.2 million currently outstanding**

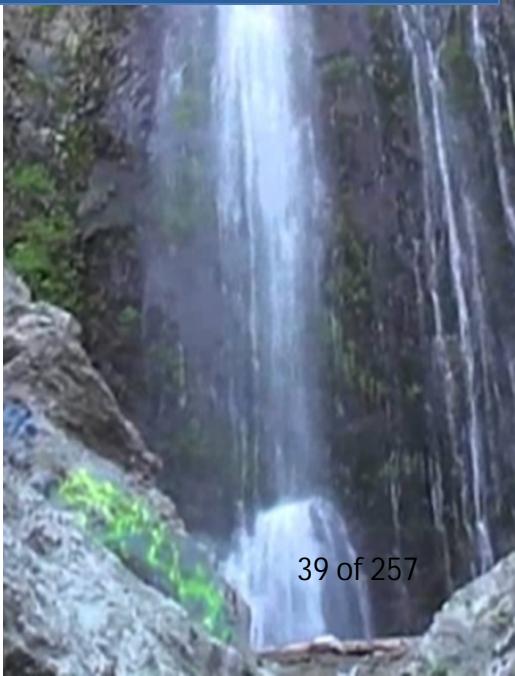
## » Potential Tax Reform

- **Both the Senate and House Tax Bills have proposed the elimination of tax-exempt advance refundings by December 31, 2017**
- **If adopted, municipal issuers will only be able to close tax-exempt refunding bonds 90 days prior to the call date - February 1, 2021 for the 2011 Bonds**
  - The District’s refunding opportunity for Series 2011, if not completed by December 31, 2017, may only be eligible for an advance refunding using taxable proceeds, or after November 2, 2020

\*Preliminary, and subject to change. Based on market conditions as of November 28, 2017.

- Current scenario reflects an advance refunding of Series 2011 about three years prior to the call date (February 1, 2021)
  - Currently low interest rates produce lower debt service on the new bonds than the 2011 bonds resulting in annual savings to the District
  - Proceeds from the new bonds will be placed in an escrow and used to purchase US Treasury Obligations that will pay all debt service on 2011 bonds up to February 1, 2021 and all remaining 2011 par amounts on February 1, 2021
  - At closing of the new bonds, the 2011 bonds will be legally defeased and no longer outstanding





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## » 2011 Refunding Revenue Bonds (“Bonds”)

- 2011 Bonds issued to refinance a portion of the DERWA obligation and the WateReuse obligation
- \$35.6 million originally issued and \$34.5 million currently outstanding
- Subject to redemption on February 1, 2021 without premium

» Interest rates range from 4.00% to 6.00%

» Industry standard suggests at least 3% NPV savings

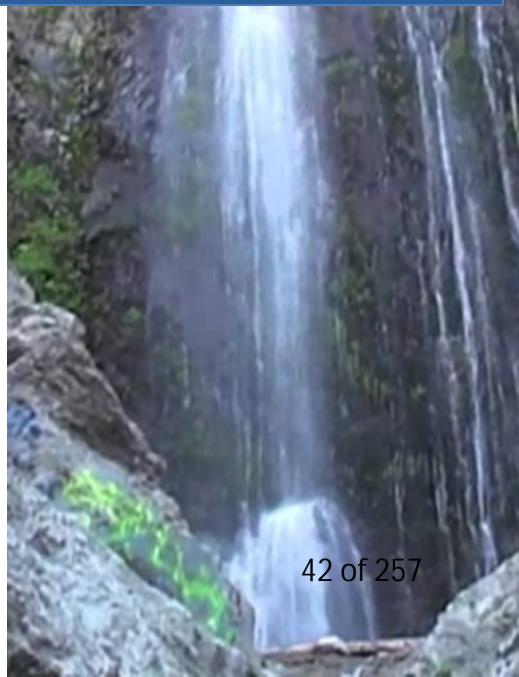


- Assuming current tax-exempt rates, advance refunding all 2011 Bonds generates ~\$5.5 million (16.2% of total refunded par amount) in NPV savings
- Produces annual savings ranging from ~\$271,000 to ~\$375,000
- Negative arbitrage in escrow ~\$1.3 million results in an escrow efficiency of 81%

(1) Assumes total debt service payment due on 2/1/2018 is contributed to the escrow, thus no savings is assumed in the first year.

 \*All figures are preliminary, and subject to change. Based on market conditions as of November 28, 2017.

FY Ending	Existing Debt Service <sup>(1)</sup>	Refunding Debt Service	Annual Savings	Present Value Annual Savings
6/30/2018	142,165.83	142,165.83		-2,259.21
6/30/2019	2,212,168.76	1,938,000.00	274,168.76	266,624.97
6/30/2020	2,214,268.76	1,941,800.00	272,468.76	256,975.35
6/30/2021	2,209,168.76	1,937,750.00	271,418.76	248,257.77
6/30/2022	2,211,668.76	1,940,625.00	271,043.76	240,435.31
6/30/2023	2,208,293.76	1,937,375.00	270,918.76	233,074.49
6/30/2024	2,209,043.76	1,938,000.00	271,043.76	226,148.16
6/30/2025	2,209,312.51	1,937,375.00	271,937.51	220,048.47
6/30/2026	2,208,581.26	1,935,500.00	273,081.26	214,314.26
6/30/2027	2,713,331.26	2,380,875.00	332,456.26	253,555.01
6/30/2028	3,039,956.26	2,665,500.00	374,456.26	277,287.58
6/30/2029	3,034,440.63	2,659,875.00	374,565.63	269,045.26
6/30/2030	3,033,550.00	2,660,750.00	372,800.00	259,741.54
6/30/2031	3,030,725.00	2,657,875.00	372,850.00	252,013.48
6/30/2032	3,026,487.50	2,651,250.00	375,237.50	246,064.50
6/30/2033	3,022,437.50	2,650,625.00	371,812.50	236,523.57
6/30/2034	3,023,162.50	2,650,625.00	372,537.50	229,918.44
6/30/2035	3,018,387.50	2,646,125.00	372,262.50	222,898.26
6/30/2036	3,012,975.00	2,642,000.00	370,975.00	215,504.68
6/30/2037	3,011,512.50	2,638,000.00	373,512.50	210,529.94
6/30/2038	3,002,850.00	2,633,875.00	368,975.00	201,819.57
6/30/2039	3,000,950.00	2,632,225.00	368,725.00	195,886.94
6/30/2040	2,995,500.00	2,624,362.50	371,137.50	191,530.95
6/30/2041	2,991,050.00	2,623,700.00	367,350.00	184,170.23
6/30/2042	2,987,000.00	2,620,062.50	366,937.50	178,748.46
<b>Total Savings</b>				<b>\$8,082,672</b>
<b>Net Present Value Savings</b>				<b>\$5,532,032</b>
<b>Percentage savings of refunded bonds</b>				<b>16.2%</b>



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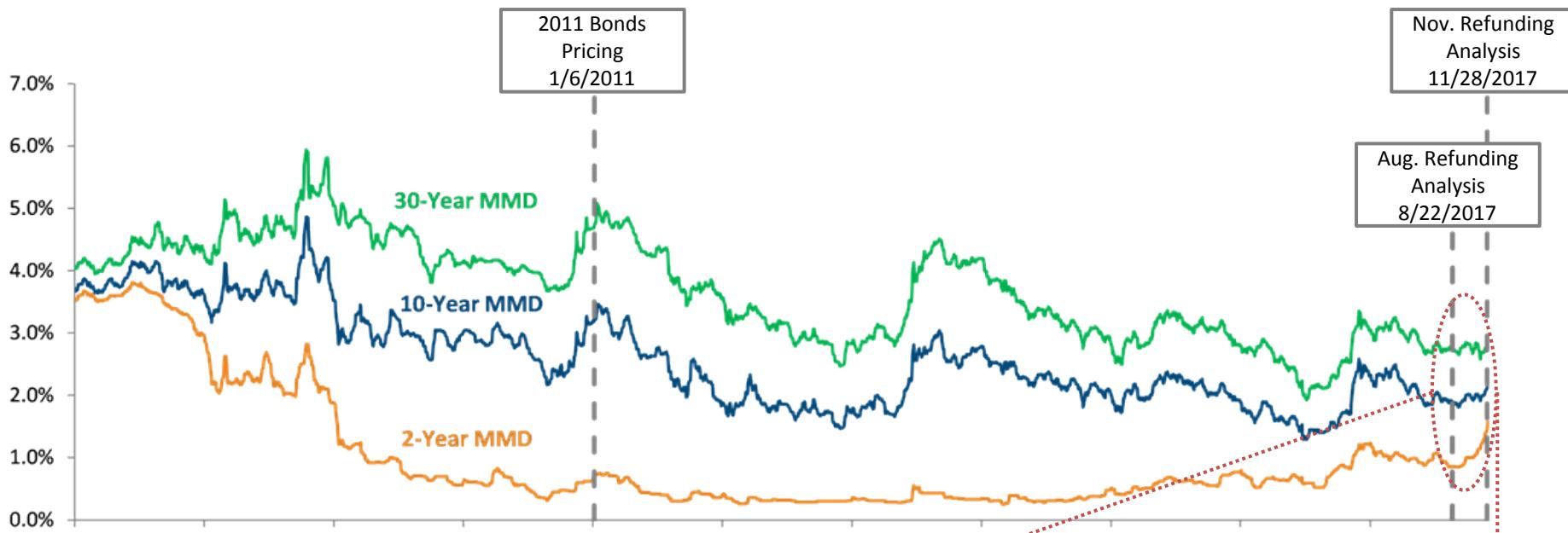


Refunding Results	Market Conditions as of August 22, 2017	Market Conditions as of November 28, 2017
<i>Outstanding Bonds</i>		
Par Outstanding	\$34,215,000	\$34,215,000
Average Coupon	5.70%	5.70%
Final Maturity	8/1/2041	8/1/2041
Call Date	2/1/2021	2/1/2021
<i>Proposed Refunding</i>		
Par	\$34,370,000	\$34,120,000
True Interest Cost (TIC)	3.33%	3.42%
<b>Net Present Value Savings</b>	<b>\$5,550,866</b>	<b>\$5,532,032</b>
<b>NPV % of Refunded Bonds</b>	<b>16.2%</b>	<b>16.2%</b>
<b>Gross Savings</b>	<b>\$8,004,460</b>	<b>\$8,082,672</b>
<b>Average Annual Savings<sup>1</sup></b>	<b>\$331,026</b>	<b>\$336,778</b>
<b>Negative Arbitrage</b>	<b>\$1,617,590</b>	<b>\$1,315,177</b>
<b>Escrow Efficiency</b>	<b>77%</b>	<b>81%</b>

1. Average Annual Savings calculation begins in Fiscal Year 2019.

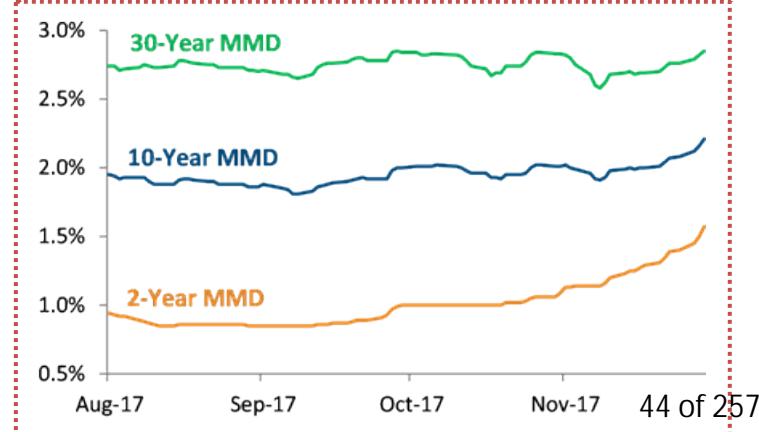


## 2, 10 and 30-Year AAA MMD Yields



## Fixed Income Markets Snapshot

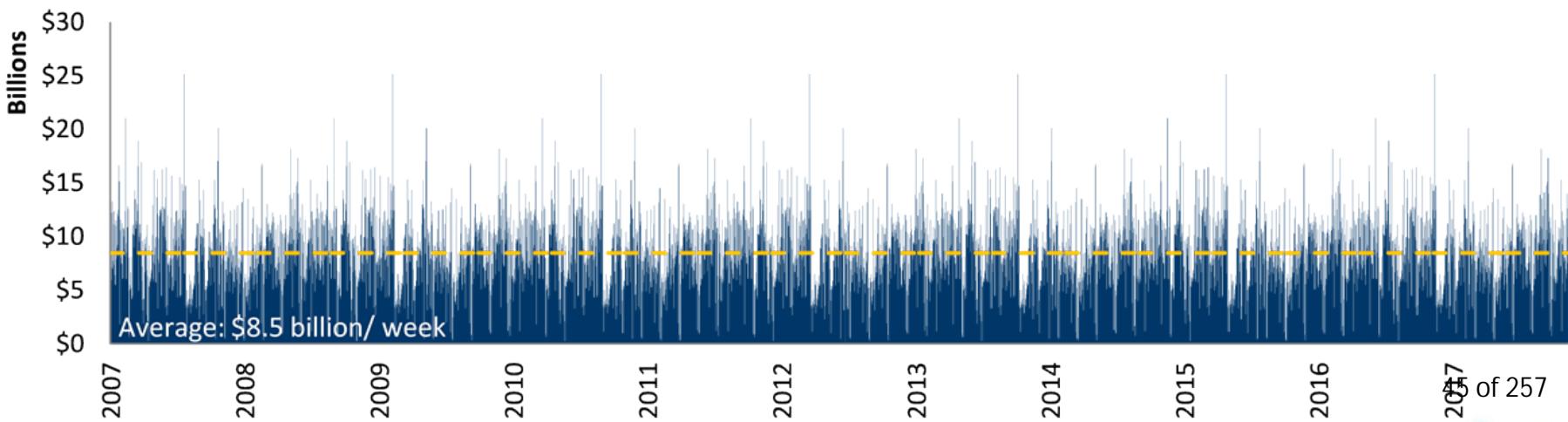
	11/29/2017	11/29/2016	Change on Year (bps)	3-Year Average	10-Year Average
<b>US Treasury</b>					
2-Year	1.76%	1.10%	66	0.94%	0.87%
10-Year	2.37%	2.30%	7	2.10%	2.63%
30-Year	2.82%	2.95%	(13)	2.78%	3.50%
<b>AAA MMD</b>					
2-Year	1.57%	1.14%	43	0.75%	0.82%
10-Year	2.21%	2.45%	(24)	1.95%	2.48%
30-Year	2.85%	3.16%	(31)	2.81%	3.64%



Source: US Treasury Department, Thompson Reuters. As of 11/29/17

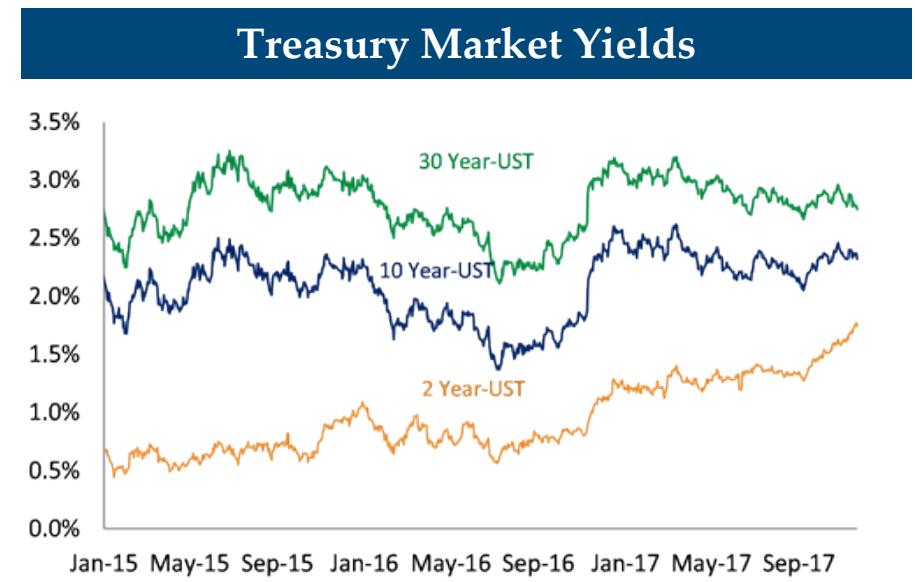
- Prior to Thanksgiving, the Bloomberg 30-day Visible Supply reported an upcoming issuance calendar of \$12 billion
- By Monday, 11/27, the 30 day forward calendar had more than doubled to \$24.4 billion
- The calendar is expected grow considerably in the next two weeks; with projected volume over \$25 billion per week through mid-December, far in excess of average weekly supply over the last several years
- In anticipation of pending tax reform and potential repeal of advance refundings, issuers have demonstrated an urgency to access tax-exempt rates before year-end

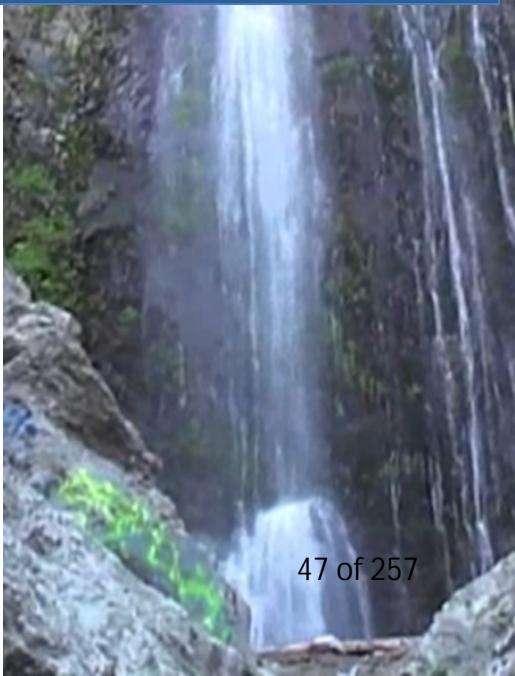
### Weekly Visible Supply of Municipal Issuance Volume Since 2007



- Federal Reserve expected to continue slow and “gradual” pace of rate increases with economic recovery
  - Federal Funds Target Rate has been raised three times since December 2016, most recently from 1.00% to 1.25% at June 14, 2017 meeting
  - New fed chairman nominee has signaled ongoing support of current Fed policy, including balance sheet unwind
  - Market implied probability of a December rate hike now over 96%
- Decision-making in Washington is driving short-run market dynamics – specifically tax reform and the National Debt Ceiling

Market Consensus Yield Curve Projections					
	Current	4Q17	1Q18	2Q18	3Q18
Fed Funds	<b>1.25%</b>	1.50%	1.65%	1.85%	1.95%
2-Year UST	<b>1.77%</b>	1.65%	1.79%	1.97%	2.13%
10-year UST	<b>2.38%</b>	2.39%	2.52%	2.64%	2.76%
30-year UST	<b>2.87%</b>	2.94%	3.08%	3.20%	3.30%





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**Monday, November 20, 2017**

- S&P Rating Presentation

**+/- Monday, December 4, 2017**

- Receive S&P rating

**Tuesday, December 5, 2017**

- Board Meeting to approve Preliminary Official Statement and legal documents

**+/- Wednesday, December 6, 2017**

- Post Preliminary Official Statement

**+/- Wednesday, December 13, 2017**

- Pricing

**Thursday, December 28, 2017**

- Closing



- ☒ **Bond Resolution**: approves documentation in substantially final form and authorizes staff to complete refunding under certain parameters
- ☒ **Indenture**: governs flow of funds, 2017 Bond terms, interest rates and maturities and other covenants between the District and the owners of the Bonds.
- ☒ **Continuing Disclosure Certificate**: covenant to periodically provide certain key credit information on the District to the market.
- ☒ **Escrow Agreement**: govern use of proceeds to retire 2011 Bonds.
- ☒ **Bond Purchase Agreement**: governs purchase of 2017 Bonds by Stifel.
- ☒ **Preliminary Official Statement**: disclosure document that provides description of the 2017 Bonds, the sources of repayment and material facts about the District.





- ☒ Adopt Resolutions authorizing documents in substantially final form with issuance parameters
- ☒ Resolutions authorize Staff to proceed with refunding and execute necessary documentation



The scenarios are being provided for informational purposes only, and do not reflect any specific recommendation regarding a financial transaction. These materials include an assessment of current market conditions, and include Fieldman, Rolapp & Associates, Inc. assumptions about interest rates, execution costs, and other matters related to municipal securities issuance or municipal financial products. These assumptions may change at any time subsequent to the date these materials were provided. The refinancing and refunding scenarios presented herein are not intended to be inclusive of every feasible or suitable refinancing alternative.

Fieldman, Rolapp & Associates, Inc. is an SEC-registered Municipal Advisor, undertaking a fiduciary duty in providing financial advice to public agencies. Compensation contingent on the completion of a financing or project is customary for municipal financial advisors. To the extent that our compensation for a transaction is contingent on successful completion of the transaction, a potential conflict of interest exists as we would have a potential incentive to recommend the completion of a transaction that might not be optimal for the public agency. However, Fieldman, Rolapp & Associates, Inc. undertakes a fiduciary duty in advising public agencies regardless of compensation structure.



# STAFF REPORT



District Board of Directors  
December 5, 2017

## **Approve Refinancing of the 2011 Water Revenue Refunding Bonds and Authorize Issuance of the 2017 Water Revenue Refunding Bonds**

### **BACKGROUND**

In 2011, the District issued Water Revenue Refunding Bonds (2011 Bonds) in the amount of \$35,620,000 to refinance certain outstanding DERWA and WaterReuse Finance Authority payment obligations. To date, the District has paid \$1,400,000 in principal on the 2011 Bonds. The remaining interest rates on the 2011 Bonds range from 4% to 6%.

On September 5, 2017, Fieldman, Rolapp & Associates, presented to the Board several scenarios indicating the favorability of refinancing the 2011 Bonds given the then current interest rates and market conditions. The Board approved staff's recommendation to refinance the bonds, and staff engaged the services of Jones Hall as Bond Counsel and Fieldman Rolapp & Associates as Municipal Advisor to assist in completing the refinancing.

To refinance the 2011 Bonds, the District will sell new bonds, 2017 Water Revenue Refunding Bonds (2017 Bonds), at much lower interest rates/yields than it is paying on the current bonds. Proceeds from the 2017 Bonds will be placed in an escrow account and used to purchase U.S. Treasury Obligations that will pay all debt service on the 2011 Bonds until and including the 2011 Bonds call date of February 1, 2021. On February 1, 2021, the remaining amounts in the escrow will be used to pay off all the remaining 2011 Bonds.

Under U.S. tax code regulations, the funds in the escrow cannot be invested at an overall yield that exceeds the arbitrage yield on the 2017 Bonds, currently projected to be approximately 3.1%. It is highly likely that the securities in the escrow fund will be invested at an overall yield lower than the arbitrage yield on the 2017 Bonds, but the differential in interest rates/yields between the 2011 Bonds and 2017 Bonds outweighs the negative arbitrage created by the reinvestment of the 2017 Bond proceeds. Current analysis as of November 28, 2017 suggests the District will realize Net Present Value Savings of approximately \$5,500,000 and Total Cash Savings of approximately \$8,100,000 over the next 24.5 years.

The resolution specifies that the principal amount of the 2017 Bonds cannot exceed \$40,000,000, the underwriter's discount on the sale of the 2017 Bonds cannot exceed 0.4% (four-tenths of one percent), and the true interest cost of the 2017 Bonds cannot exceed 4.5% per annum. The refinancing will not extend the final maturity of the remaining debt.

### **SUMMARY OF LEGAL DOCUMENTS**

The Board Resolution authorizes the Administrative Services Manager or General Manager to execute the applicable documents for the refinancing of the 2011 Bonds and issuance of the 2017 Bonds and to take all actions necessary to complete the transaction. The documents include, but are not limited to, the Indenture of Trust, the Escrow Deposit and Trust Agreement, the Bond Purchase Contract, a Continuing Disclosure Certificate and the Preliminary Official Statement. These documents are attached as Exhibits to the Resolution and are described below.

### The Indenture of Trust (Indenture)

The Indenture is a contract between the District and The Bank of New York Mellon Trust Company, N.A., as Trustee. Under the Indenture, the proceeds of the sale of the 2017 Bonds are segregated into the Costs of Issuance Fund or transferred into escrow account held by the trustees for the 2011 Bonds under the Escrow Agreement. The Costs of Issuance Fund will be used to pay the costs of issuing the 2017 Bonds.

The Indenture also contains important covenants that the District undertakes with respect the District's Water System and the Net Revenues generated by the Water System. For instance, in the Indenture the District promises to set rates and charges for water supplied to the District's customers that will generate Net Revenues (Gross Revenues less Operations and Maintenance Costs), at least equal to 1.2 times debt service due in the coming fiscal year on the 2017 Bonds and any future Water System debt that will be paid from Net Revenues on an equal basis with the 2017 Bonds (Parity Debt). In addition, the Indenture limits the issuance of Parity Debt; the District must demonstrate that the Net Revenues for the most recently-completed fiscal year would provide 1.2 times debt service coverage on the 2017 Bonds and any future Parity Debt.

### The Escrow Deposit and Trust Agreement (Escrow Agreement)

Under the Escrow Agreement, the District appoints an Escrow Bank for the purpose of establishing an irrevocable escrow fund to be funded, invested, held and administered for the purpose of providing for the defeasance, payment and redemption of the outstanding 2011 Bonds, and to provide certain directions to the 2011 Trustee with respect to the outstanding 2011 Bonds.

### The Bond Purchase Contract

Under the Bond Purchase Contract, the District agrees to sell the 2017 Bonds to Stifel, Nicolaus & Company, Incorporated, the District's underwriter, subject to the limitations regarding interest rates and discount set out above. The Bond Purchase Contract sets out the various obligations of the District and the underwriter to complete the sale and closing of the 2017 Bonds, including the conditions for the closing of the 2017 Bonds, such as the delivery of legal opinions and certificates containing standard representations.

### The Preliminary Official Statement

The Preliminary Official Statement is the one document that describes the entire refunding transaction to potential purchasers of the 2017 Bonds, and is used by the underwriter to sell the 2017 Bonds to investors. It contains important information about the District (in a section in Appendix C entitled "THE DISTRICT"), the District's Water System (in a section in Appendix C entitled "THE WATER SYSTEM"), the revenues generated by the Water System (in a section in Appendix C entitled "WATER SYSTEM FINANCES"), risk factors associated with the 2017 Bonds (in a section entitled "RISK FACTORS") and other information that investors expect to see regarding the District and its Water System. It also describes the terms of the 2017 Bonds (in the section entitled "THE BONDS"), and summarizes the documents listed above, in particular the District's covenants in the Indenture (in the section entitled "SECURITY FOR THE BONDS").

In the Resolution, the Board will be deeming the Preliminary Official Statement "nearly final," which means that it is accurate and complete, except for the information on the pricing of the 2017 Bonds, which cannot be inserted until after the 2017 Bonds are sold. Once the 2017 Bonds are sold, that pricing information (interest rates, amortization schedules, redemption amounts, etc.) will be inserted into the Official Statement, and it will become the Final Official Statement, and distributed to the actual purchasers of the 2017 Bonds.

The Preliminary Official Statement has been reviewed and approved for transmittal to the Board of Directors by the District's financing team. The distribution of the Preliminary Official Statement by the District is subject to federal securities laws, including the Securities Act of 1933 and the Securities Exchange Act of 1934. These laws require the Preliminary Official Statement to include all facts that would be material to an investor in the 2017

Bonds. Material information is information that there is a substantial likelihood would have actual significance in the deliberations of the reasonable investor when deciding whether to buy or sell the 2017 Bonds.

The Securities and Exchange Commission (the “SEC”), the agency with regulatory authority over the District’s compliance with the federal securities laws, has issued guidance as to the duties of the Board of Directors with respect to its approval of the Preliminary Official Statement. In its “Report of Investigation in the Matter of County of Orange, California as it Relates to the Conduct of the Members of the Board of Supervisors” (Release No. 36761 / January 24, 1996) (the “Release”), the SEC indicated that, if a member of the Board of Directors has knowledge of any facts or circumstances that an investor would want to know about prior to investing in the 2017 Bonds, whether relating to their repayment, tax-exempt status, undisclosed conflicts of interest with interested parties, or otherwise, he or she should endeavor to discover whether such facts are adequately disclosed in the Preliminary Official Statement. In the Release, the SEC indicated that the steps that a member of the Board of Directors could take include becoming familiar with the Preliminary Official Statement and questioning staff and consultants about the disclosure of such facts.

Continuing Disclosure Certificate. Under SEC Rule 15c2-12, the Underwriter cannot purchase the 2017 Bonds without ensuring that the District has agreed to provide continuing disclosure related to the 2017 Bonds, including an annual report and notices of certain events. The District’s continuing disclosure undertaking is attached to the Preliminary Official Statement as Appendix E.

## **RECOMMENDATION**

Staff recommends the Board of Directors approve, by Resolution, the refinancing of the outstanding 2011 Water Revenue Refunding Bonds and authorize the delivery and sale of the 2017 Water Revenue Refunding Bonds in a principal amount not to exceed \$40,000,000.

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

RESOLUTION OF THE BOARD OF DIRECTORS OF DUBLIN SAN RAMON SERVICES DISTRICT APPROVING THE REFINANCING OF THE DISTRICT'S 2011 WATER REVENUE REFUNDING BONDS, AUTHORIZING DELIVERY AND SALE OF 2017 WATER REVENUE REFUNDING BONDS, APPROVING AN INDENTURE OF TRUST, OFFICIAL STATEMENT AND OTHER RELATED DOCUMENTS, AND AUTHORIZING OTHER RELATED ACTIONS

---

WHEREAS, the Dublin San Ramon Services District, a public agency located in the Counties of Alameda and Contra Costa, California, (the "District") previously issued its Dublin San Ramon Services District 2011 Water Revenue Refunding Bonds (the "2011 Refunding Bonds"), in the original principal amount of \$35,620,000, pursuant to that certain Indenture of Trust between the District and The Bank of New York Mellon Trust Company, N.A. (the "2011 Trustee"), dated as of January 1, 2011 (the "2011 Indenture"); and

WHEREAS, in order to take advantage of prevailing market conditions and realize savings for the benefit of the District, the District desires to defease, pay and redeem the outstanding 2011 Refunding Bonds in accordance with the provisions of the 2011 Indenture and an Escrow Deposit and Trust Agreement, by and among the District and The Bank of New York Mellon Trust Company, N.A., acting as Escrow Bank for the 2011 Refunding Bonds and as the 2011 Trustee (the "Escrow Agreement"); and

WHEREAS, in order to defease, pay and redeem the outstanding 2011 Refunding Bonds, the District has determined, pursuant to Sections 53570 and 53580 *et seq.* of the California Government Code, to enter into an Indenture of Trust with The Bank of New York Mellon Trust Company, N.A., (the "Trustee"), (the "Indenture") and issue its Dublin San Ramon Services District 2017 Water Revenue Refunding Bonds (the "2017 Refunding Bonds"), in an aggregate principal amount not to exceed \$40,000,000; and

WHEREAS, the repayment of the 2017 Refunding Bonds will be secured by a pledge of the Net Revenues (as defined in the Indenture) of the District's Water System (as defined in the Indenture); and

WHEREAS, the Board of Directors wishes at this time to authorize all proceedings relating to such refinancing.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF DUBLIN SAN RAMON SERVICES DISTRICT, a public agency located in the Counties of Alameda and Contra Costa, California, as follows:

Section 1. Approval of Indenture of Trust. The Board of Directors hereby approves the defeasance, payment and redemption of the outstanding 2011 Refunding Bonds with proceeds of the 2017 Refunding Bonds to be issued by the District in an aggregate principal amount not to exceed

Res. No. \_\_\_\_\_

\$40,000,000, all pursuant to and in accordance with the terms and provisions of the Indenture of Trust, in substantially the form as in "Exhibit A" and on file with the District Secretary, together with any changes therein or additions thereto deemed advisable by the General Manager or Administrative Services Manager/Treasurer (each, an "Authorized Officer"), whose execution thereof shall be conclusive evidence of such officer's approval of any such additions and changes. The Board of Directors hereby authorizes and directs an Authorized Officer to execute, and the District Secretary to attest and affix the seal of the District to, said form of the Indenture for and in the name of the District.

Section 2. Approval of Escrow Deposit and Trust Agreement (Escrow Agreement). In order to defease, pay and redeem the outstanding 2011 Refunding Bonds, the Board of Directors hereby approves the Escrow Agreement in substantially the form as in "Exhibit B" and on file with the District Secretary together with any changes therein or additions thereto deemed advisable by an Authorized Officer, whose execution thereof shall be conclusive evidence of such officer's approval of any such additions and changes. The Board of Directors hereby authorizes and directs an Authorized Officer to execute, and the District Secretary to attest and affix the seal of the District to, said form of the Escrow Agreement for and in the name of the District.

Section 3. Sale of 2017 Refunding Bonds. In accordance with Section 53583 of the California Government Code, the Board of Directors hereby authorizes and directs the negotiated sale of the 2017 Refunding Bonds to Stifel, Nicolaus & Company, Incorporated, as underwriter (the "Underwriter") under the Bond Purchase Contract, in substantially the form as in "Exhibit C" and on file with the District Secretary together with any changes therein or additions thereto deemed advisable by an Authorized Officer, whose execution thereof shall be conclusive evidence of such officer's approval of any such changes or additions. The amount of Underwriter's discount for the 2017 Refunding Bonds shall be not more than 0.4% of the par amount thereof, and the true interest cost to be borne by the 2017 Refunding Bonds (taking into account any original issue discount on the sale thereof) shall not exceed 4.5% per annum.

Section 4. Preliminary Official Statement. The Board of Directors hereby approves the Preliminary Official Statement in substantially the form as in "Exhibit D" and on file with the District Secretary and authorizes an Authorized Officer to approve revisions to the Preliminary Official Statement. At the request of the Underwriter, an Authorized Officer shall execute a certificate deeming the Preliminary Official Statement, as so revised, to be final within the meaning of Rule 15c2-12 of the Securities Exchange Act of 1934 (with the exception of permitted omissions). Distribution of the Preliminary Official Statement by the Underwriter to prospective purchasers of the 2017 Refunding

Res. No. \_\_\_\_\_

Bonds is hereby approved. An Authorized Officer is hereby authorized and directed to approve any changes in or additions to a final form of said Official Statement (the "Final Official Statement"), and the execution thereof by an Authorized Officer shall be conclusive evidence of such officer's approval of any such changes and additions. The Board of Directors hereby authorizes the distribution of the Final Official Statement by the Underwriter, which shall be executed in the name and on behalf of the District by an Authorized Officer.

**Section 5. Approval of Continuing Disclosure Certificate.** The Board of Directors hereby approves the continuing disclosure certificate (the "Continuing Disclosure Certificate") in substantially the form attached as an appendix to the Preliminary Official Statement together with any changes therein or additions thereto deemed advisable by an Authorized Officer, whose execution thereof shall be conclusive evidence of such officer's approval of any such additions and changes. The Board of Directors hereby authorizes and directs an Authorized Officer to execute the Continuing Disclosure Certificate for and in the name of the District.

**Section 6. Municipal Bond Insurance; Debt Service Reserve Fund Insurance Policy.** The Board of Directors hereby authorizes the payment of premiums for a municipal bond insurance policy for the 2017 Refunding Bonds and a debt service reserve fund insurance policy if an Authorized Officer, after consultation with the District's municipal advisor and the Underwriter, concludes that one or more of such policies will result in a lower total borrowing cost. The Board of Directors hereby authorizes and directs an Authorized Officer to execute and deliver any agreements or certificates related to such policies for and in the name of the District.

**Section 7. Appointment of Professionals.** The Board of Directors hereby approves the appointment of Jones Hall, A Professional Law Corporation and Fieldman, Rolapp & Associates as bond counsel/disclosure counsel and municipal advisor, respectively, to the District in connection with the issuance of the 2017 Refunding Bonds, and authorizes and directs an Authorized Officer to execute agreements with such firms in a form acceptable to the Authorized Officer.

**Section 8. Official Actions.** The President, the Vice President, the Authorized Officers, the District Secretary and any and all other officers of the District are hereby authorized and directed, jointly and severally, and 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 consummate any of the transactions contemplated by the documents approved pursuant to this Resolution, and otherwise to effectuate the

Res. No. \_\_\_\_\_

purposes of this Resolution.

Section 9. Effective Date. This Resolution shall take effect immediately upon its passage and adoption.

ADOPTED by the Board of Directors of Dublin San Ramon Services District, a public agency in the State of California, Counties of Alameda and Contra Costa, at its regular meeting held on the 5th day of December, 2017, and passed by the following vote:

AYES:

NOES:

ABSENT:

---

Richard M. Halket, President

ATTEST: \_\_\_\_\_  
Nicole Genzale, District Secretary

## **INDENTURE OF TRUST**

**between the**

**DUBLIN SAN RAMON SERVICES DISTRICT**

**and**

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

**Dated as of December 1, 2017**

**Relating to**

**\$[ ]**  
**Dublin San Ramon Services District**  
**2017 Water Revenue Refunding Bonds**

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APPENDIX A: DEFINITIONS

APPENDIX B: FORM OF 2017 BOND

## INDENTURE OF TRUST

This INDENTURE OF TRUST, dated as of December 1, 2017 (this "Indenture"), is between the DUBLIN SAN RAMON SERVICES DISTRICT, a community services district organized and existing under the 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 San Francisco, California, and being qualified to accept and administer the trusts hereby created (the "Trustee").

### B A C K G R O U N D :

**WHEREAS**, the District previously issued its Dublin San Ramon Services District 2011 Water Revenue Refunding Bonds (the "2011 Refunding Bonds"), in the original principal amount of \$35,620,000, pursuant to that certain Indenture of Trust between the District and The Bank of New York Mellon Trust Company, N.A. in its capacity as trustee (the "2011 Trustee"), dated as of January 1, 2011 (the "2011 Indenture");

**WHEREAS**, in order to take advantage of prevailing market conditions and realize savings for the benefit of the District, the District desires to defease, pay and redeem the outstanding 2011 Refunding Bonds in accordance with the provisions of the 2011 Indenture and an Escrow Deposit and Trust Agreement, dated as of December [ ], 2017, by and among the District and The Bank of New York Mellon Trust Company, N.A., acting as Escrow Bank for the 2011 Refunding Bonds and as the 2011 Trustee (the "Escrow Agreement");

**WHEREAS**, in order to defease, pay and redeem the outstanding 2011 Refunding Bonds, the District has determined, pursuant to Sections 53570 and 53580 et seq. of the California Government Code, to enter into this Indenture and issue its Dublin San Ramon Services District 2017 Water Revenue Refunding Bonds (the "2017 Bonds"); and

**WHEREAS**, 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 (including any mandatory sinking fund payments) 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 (including any mandatory sinking fund payments) of and the interest on all the Bonds issued 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 2017 Bonds in the aggregate principal amount of \$[ ] under the Bond Law for the purposes of providing funds to defease, pay and redeem the outstanding 2011 Refunding Bonds, in accordance with this Indenture and the Escrow Agreement. The 2017 Bonds are authorized and issued under, and are subject to the terms of, this Indenture and the Bond Law.

The 2017 Bonds are designated the "Dublin San Ramon Services District 2017 Water Revenue Refunding Bonds".

**SECTION 2.02. Terms of the 2017 Bonds.** The 2017 Bonds are issuable in fully registered form without coupons in denominations of \$5,000 or any integral multiple thereof, so long as no 2017 Bond has more than one maturity date. The 2017 Bonds will be dated as of the Closing Date, and will mature on August 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 (August 1)	Principal Amount	Interest Rate	Maturity Date	Principal Amount	Interest Rate
-----------------------------	---------------------	------------------	------------------	---------------------	------------------

Interest on the 2017 Bonds is payable from the Interest Payment Date next preceding the date of authentication thereof unless:

- (a) a 2017 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 2017 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 2017 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 2017 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 2017 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 2017 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 2017 Bonds by check of the Trustee mailed by first class mail, postage prepaid, on each Interest Payment Date to the Owners of the 2017 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 2017 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 2017 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 (including any mandatory sinking fund payments) of the 2017 Bonds in lawful money of the United States of America by check of the Trustee or by wire upon presentation and surrender thereof at the Office of the Trustee.

**SECTION 2.03. Redemption of Bonds.**

(a) Optional Redemption. The 2017 Bonds maturing before August 1, 20[ ] are not subject to redemption prior to their respective stated maturities. The 2017 Bonds maturing on or after August 1, 20[ ] 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 as directed in a Certificate of the District, on any date on or after August 1, 20[ ], at a redemption price equal to the principal amount to be redeemed, plus accrued interest to the date fixed for redemption, without premium.

(b) Sinking Fund Redemption. The 2017 Bonds maturing on August 1, in each of the years 20[ ], 20[ ], 20[ ] and 20[ ] are subject to mandatory sinking fund redemption in part, by lot, on August 1 of each year in accordance with the schedule set forth below. The 2017 Bonds called for mandatory sinking fund redemption will be redeemed at the principal amount to be redeemed, plus accrued but unpaid interest, without premium.

**\$[ ] Term Bonds Maturing August 1, 20[ ]**

Redemption Date	Sinking Fund
(August 1)	Amount
20[ ]	\$[ ]
20[ ] (maturity)	[ ]

**\$[ ] Term Bonds Maturing August 1, 20[ ]**

Redemption Date	Sinking Fund
(August 1)	Amount
20[ ]	\$[ ]
20[ ] (maturity)	[ ]

**\$[ ] Term Bonds Maturing August 1, 20[ ]**

Redemption Date	Sinking Fund
(August 1)	Amount
20[ ]	\$[ ]
20[ ] (maturity) [ ]	

**\$[ ]Term Bonds Maturing August 1, 20[ ]**

Redemption Date	Sinking Fund
(August 1)	Amount
20[ ]	\$[ ]
20[ ]	[ ]
20[ ]	[ ]
20[ ]	[ ]
20[ ] (maturity) [ ]	

(c) Extraordinary Redemption. The 2017 Bonds are subject to extraordinary redemption prior to their respective stated maturities, at the option of the District from Net Proceeds, in whole or in part as directed in a Certificate of the District, on any date, at a redemption price equal to the principal amount to be redeemed, plus accrued interest to the date fixed for redemption, without premium.

(d) 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 30 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.

(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,

(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.

(e) Rescission of Notice of Redemption. The District has the right to rescind any notice of the optional 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 optional redemption may be conditioned upon there being sufficient funds for the purposes of the redemption and 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(c).

(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. Neither the failure of any Bond Owner to receive any notice so mailed nor any defect therein shall affect the sufficiency of the proceedings for redemption of any Bonds nor the cessation of accrual of interest thereon.

(h) Additional Notice. In addition to the foregoing notice, further notice shall be given by the Trustee as set out below, but no defect in said further notice nor any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as above prescribed:

(1) Each further notice of redemption given hereunder shall contain the information required above for an official notice of redemption plus (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.

(2) Each further notice of redemption shall be sent on the date notice is mailed to Bond Owners by registered or certified mail or overnight delivery service to all registered securities depositories then in the business of holding substantial amounts of instruments of types comprising the Bonds.

(3) Upon the payment of the Redemption Price of the Bonds being redeemed, each check or other transfer of funds issued for such purpose shall bear the CUSIP number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

(i) 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.

(j) Manner of Redemption. In the event of a partial redemption of any Bonds, the District shall direct the specific maturities to be redeemed in a Certificate of the District. Whenever any Bonds of a specific maturity 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.

(k) Purchase of Bonds in lieu of Redemption. In lieu of redemption of any Bonds pursuant to this Section 2.03, amounts on deposit in the Redemption Account may also be used and withdrawn by the District at any time for the purchase of such Bonds at public or private sale as and when and at such prices (including brokerage and other charges and including accrued interest) as the District may in its discretion determine. The par amount of any of such Bonds so purchased by the District in any twelve-month period ending on May 1 in any year shall be credited towards and shall reduce the par amount of such Bonds required to be redeemed pursuant to Section 2.03(b) on the next succeeding August 1.

All Bonds redeemed pursuant to this Section and all Bonds purchased by the District pursuant to this subsection (k) 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 have 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, neither the District nor the Trustee shall have any 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, including any notice of redemption, (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 (including any mandatory sinking fund payments), premium, if any, or interest 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 (including any mandatory sinking fund payments) of and premium, if any, and interest on such Bond, for the purpose of giving notices of redemption and other 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 (including any mandatory sinking fund payments) 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 (including any mandatory sinking fund payments) 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 (including any mandatory sinking fund payments), 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 (including any mandatory sinking fund payments) 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 General Manager of the District shall execute, and the District 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.

(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.

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 and provision of indemnity satisfactory to the Trustee. 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 2017 Bonds. Upon the execution and delivery of this Indenture, the District shall execute and deliver 2017 Bonds in the aggregate principal amount of \$[ ] to the Trustee and the Trustee shall authenticate and deliver the 2017 Bonds to the Original Purchaser upon receipt of a Request of the District therefor.

**SECTION 3.02.** Deposit and Application of Proceeds. On the Closing Date, the Trustee shall apply the proceeds of the 2017 Bonds as follows:

- (a) The Trustee shall deposit the amount of \$[ ] to the Costs of Issuance Fund; and
- (b) The Trustee shall transfer the amount of \$[ ] to the 2011 Trustee, for deposit and application in accordance with the Escrow Agreement.

**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, (c) the purpose for which the obligation was incurred, (d) that such payment is a proper charge against the Costs of Issuance Fund, and (e) that such amounts have not been the subject of a prior Request of the District; in each case together with a statement or invoice for each amount requested thereunder. On February 1, 2018, 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 2017 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 (unless such Event of Default would be cured through the issuance of the proposed issue of Parity Debt).
- (b) The amount of Net Revenues (excluding any transfers from the Rate Stabilization Fund) as shown by the books of the District for the most recently completed Fiscal Year for which audited financial statements of the District are available and verified by an Independent Accountant or a Financial Consultant or shown in the audited financial statements of the District, was equal to not less

than 120% of the amount of Debt Service coming due and payable in such Fiscal Year with respect to the 2017 Bonds and all Parity Debt then outstanding.

- (c) The amount of Net Revenues (excluding any transfers from the Rate Stabilization Fund) 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 and 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 equal to not less than 120% of the amount of Debt Service coming due and payable in such Fiscal Year with respect to the 2017 Bonds and all Parity Debt then outstanding plus the Debt Service that would have been due and payable in such Fiscal Year if the Parity Debt then proposed to be issued had been issued at the beginning of such Fiscal Year.
- (d) 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.

SECTION 3.05. 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 2017 Bonds and any 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 2017 Bonds and any Parity Debt are equally secured by a first pledge, charge and lien upon the Net Revenues and such moneys without priority for series, issue, number or date, and the payment of the interest on and principal (including any mandatory sinking fund payments) of the 2017 Bonds shall be and are secured by an exclusive pledge, charge and lien upon the Net Revenues and such moneys.

So long as any of the 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 Section 4.02. If the amount of Net Revenues is at any time insufficient to enable the District to pay when due the principal (including any mandatory sinking fund payments) of and interest on the Bonds and the principal (including any mandatory sinking fund payments) of and interest on any Parity Debt, such payments will be made on a pro rata basis.

#### SECTION 4.02. Receipt, Deposit and Application of Gross Revenues.

(a) Establishment and Maintenance of Water Fund. The District has previously established the Water Fund, which it will continue to hold and maintain for the purposes and uses set forth herein. The District shall deposit all Gross Revenues in the Water Fund promptly upon the receipt thereof, and shall apply amounts in the Water 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 Water 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 Water 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 Water Fund to pay all Operation and Maintenance Costs when due.
- (ii) Debt Service Fund. On or before the 3<sup>rd</sup> Business Day preceding each Interest Payment Date, so long as any Bonds remain Outstanding, the District shall withdraw from the Water 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 (including any mandatory sinking fund payments) 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, and (B) paying the principal (including any mandatory sinking fund payments) 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 Water Fund.

(c) Other Uses of Water Fund. The District shall manage, conserve and apply moneys in the Water Fund in such a manner that all deposits required to be made under subsection 4.02(b) will be made at the times and in the amounts so required. Subject to the foregoing sentence, so long as no Event of Default has occurred and is continuing, the District may use and apply moneys in the Water 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 Water System;
- (iii) the redemption of any obligations of the District relating to the Water System; or
- (iv) any other lawful purpose of the District relating to the Water System.

SECTION 4.03. Establishment of Rate Stabilization Fund. The District has established the Rate Stabilization 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 Water 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 Water 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 Water Fund shall constitute Gross Revenues for such Fiscal Year (except as otherwise provided herein), and shall be applied for the purposes of the Water 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.

## SECTION 4.04. Investments.

(a) Investment of Funds Held by District. All moneys in the Water 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 which will be available on or before the dates when such moneys are needed, as specified in the Request of the District delivered to the Trustee at least two Business Days in advance of the making of such investments. In the absence of any such direction from the District, the Trustee shall hold such moneys uninvested pending its receipt of written direction from the District. The Trustee is entitled to rely conclusively on the written investment direction of the District as to the suitability and legality of the directed investments.

(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 as specified in the Request of the District 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. The Trustee has no duty in connection with the determination of Fair Market Value or present value other than to follow the investment directions of the District in any Certificate or Request of the District.

(b) Investments in funds or accounts (or portions thereof) that are subject to a yield restriction under applicable provisions of the Tax Code will be valued at their present value (within the meaning of section 148 of the Tax Code).

(c) 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.

(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, (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, or (iv) any commingled investment fund in which the issuer and related parties do not own more than a 10% beneficial interest therein if the return paid by the fund is without regard to the source of the investment. To the extent required by the applicable regulations under the Code, the term "investment" will include a hedge.

## 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 (including any mandatory sinking fund payments) 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 Water 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; provided that nothing herein contained shall require the District to make any such payments so long as the District in good faith shall contest the validity of any such claims and such nonpayment will not materially adversely affect the District's ability to perform its obligations hereunder. 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 Water System or upon any part thereof or upon any of the Net Revenues therefrom.

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

**SECTION 5.04. Sale or Eminent Domain of Water System.** Except as provided herein, the District covenants that the Water 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 (including any mandatory sinking fund payments) 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 any Parity Debt Documents. The District may not enter into any agreement which impairs the operation of the Water 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.

If any substantial part of the Water System is sold, the payment therefor must either (a) be used for the acquisition or construction of improvements and extensions or replacement facilities or (b) be applied to redeem (x) any Outstanding Bonds and (y) any Parity Debt in accordance with the related Parity Debt Documents.

Any amounts received as awards as a result of the taking of all or any part of the Water System by the lawful exercise of eminent domain, 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 Water System, or (b) be applied to redeem (x) any Outstanding Bonds and (y) any Parity Debt in accordance with the related Parity Debt Documents.

**SECTION 5.05. Insurance.** The District will at all times maintain with responsible insurers all such insurance on the Water System as is customarily maintained with respect to works and properties of like character against accident to, loss of or damage to the Water System. If any useful part of the Water System is damaged or destroyed, such part must be restored to usable condition. All amounts collected from insurance against accident to or destruction of any portion of the Water System shall be used to repair or rebuild such damaged or destroyed portion of the Water System, and to the extent not so applied, shall be applied to redeem (a) any Outstanding Bonds and (b) any Parity Debt in accordance with the related Parity Debt Documents. 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.

**SECTION 5.06. Records and Accounts.** The District will keep proper books of record and accounts of the Water System, separate from all other records and accounts, in which complete and correct entries shall be made of all transactions relating to the

Water System. Said books shall, upon 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 Water 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. The Trustee shall have no duty to review, verify or analyze such report and shall hold such financial statements solely as a repository for the benefit of the Owners. The Trustee shall not be deemed to have notice of any information contained therein, or default or Event of Default which may be disclosed therein in any manner.

**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 Water System during each Fiscal Year, which are at least sufficient, after making allowances for contingencies and error in the estimates, to yield Gross 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 (including any mandatory sinking fund payments) 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; 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 Gross 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 Water System during each Fiscal Year which are reasonably expected to be sufficient to yield Net Revenues which are at least equal to 120% of the amount described in clause (b) of the first paragraph of this Section 5.07 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 into the Water Fund in such Fiscal Year from the Rate Stabilization Fund are included in the calculation of Net Revenues, as provided in Section 4.03, and (b) any deposits 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 Gross Revenues received by the District during that Fiscal Year. So long as the District has complied with its obligations set forth in this Section 5.07, the failure of Net Revenues to equal 120% of the amount described in clause (b) of the first paragraph of this Section 5.07 at the end of a Fiscal Year shall not constitute a default or an Event of Default hereunder.

**SECTION 5.08. Superior and Subordinate Obligations.** The District may not issue or incur any additional bonds or other obligations having any priority in payment of principal or interest out of the Net Revenues over the Bonds. Nothing herein limits or

affects the ability of the District to issue or incur (a) Parity Debt pursuant to Section 3.04, or (b) 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.

SECTION 5.09. Tax Covenants Relating to 2017 Bonds.

(a) Generally. 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 2017 Bonds to become includable in gross income for federal income tax purposes.

(b) Private Activity Bond Limitation. The District shall assure that the proceeds of the 2017 Bonds are not so used as to cause the 2017 Bonds to satisfy the private business tests of section 141(b) of the Tax Code or the private loan financing test of section 141(c) of the Tax Code.

(c) Federal Guarantee Prohibition. 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 2017 Bonds to be "federally guaranteed" within the meaning of section 149(b) of the Tax Code.

(d) No Arbitrage. The District shall not take, or permit or suffer to be taken by the Trustee or otherwise, any action with respect to the 2017 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 2017 Bonds to be "arbitrage bonds" within the meaning of section 148 of the Tax Code.

(e) Rebate Requirement. The District will take any and all actions necessary to assure compliance with section 148(f) of the Code, relating to the rebate of excess investment earnings, if any, to the federal government, to the extent that such section is applicable to the 2017 Bonds.

(f) Maintenance of Tax-Exemption. The District will take all actions necessary to assure the exclusion of interest on the 2017 Bonds from the gross income of the Owners of the 2017 Bonds to the same extent as such interest is permitted to be excluded from gross income under the Tax Code as in effect on the Closing Date, so long as such interest continues to be exempt from taxation under the Tax Code as it may exist from time to time.

(g) Record Retention. The District will retain its records of all accounting and monitoring it carries out with respect to the 2017 Bonds for at least 3 years after the 2017 Bonds mature or are redeemed (whichever is earlier); however, if the 2017 Bonds are redeemed and refunded, the District will retain its records of accounting and monitoring at least 3 years after the earlier of the maturity or redemption of the obligations that refunded the 2017 Bonds.

(h) Compliance with Tax Certificates. The District will comply with the provisions of the Certificate as to Arbitrage and the Certificate Regarding Use of Proceeds with respect to the 2017 Bonds, which are incorporated herein as if fully set

forth herein. The covenants of this section will survive payment in full or defeasance of the 2017 Bonds.

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 2017 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 at any time, 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 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 Owners of the Bonds 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 to the predecessor Trustee an instrument indemnifying the predecessor Trustee for any costs or claims arising during the time the successor Trustee serves as Trustee hereunder, 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 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 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 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 or company into which the Trustee may be merged or converted or with which either of them may be consolidated or any bank or company resulting from any merger, conversion or consolidation to which it shall be a party or any bank or company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such bank 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 contained herein, or in the Bonds, 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 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 and the negligence or willful misconduct of its employees. The Trustee is not liable for the acts of any other 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. 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 (including any mandatory sinking fund payments) 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 Gross Revenues into the Water Fund and the investment and application of moneys on deposit in the Water 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 by others 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 Water System, including all books, papers and records of the District pertaining to the Water System, 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 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. The Trustee shall not be required to give any bond or surety in respect of the execution of the said trusts and powers or otherwise in respect of the premises.

(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.

(n) The Trustee shall not be accountable for the use or application by the District of any of the Bonds or the proceeds thereof or for the use or application by the District of any money paid over by the Trustee in accordance with the provisions of this Indenture or for the use and application of money received by any paying agent.

**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 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 good faith and 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 other than risks of the Trustee's negligence or willful misconduct, 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.

**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.** Absent any agreement to the contrary, 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.

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), costs, claims, suits, judgments, damages and liabilities, whether or not litigated, 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 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 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 (including any mandatory sinking fund payments) 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 Gross Revenues or the 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 reduce the percentage of Bonds required for the affirmative vote or written consent to an amendment or modification, or
- (iii) 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 make such additions, deletions or modifications as may be necessary or desirable to maintain the exemption from federal income taxation of interest on the Bonds, so long as such interest continues to be exempt from taxation under the Tax Code as it may exist from time to time.

(c) Notice of Amendments. The District shall deliver or cause to be delivered a draft of any Supplemental Indenture to each rating agency which then maintains 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 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 (including any mandatory sinking fund payments) 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, the Bonds, if such failure has continued for a period of 60 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 60-day period, such failure shall not constitute an Event of Default if the District institutes corrective action within such 60-day period and thereafter diligently and in good faith cures the failure in a reasonable period of time, such period of time not to exceed one hundred eighty (180) days from the date of the written default notice sent to the District by the Trustee.
- (d) The District commences a voluntary case under Title 11 of the United States Code or any substitute or successor statute.
- (e) The occurrence and continuation of an event of default under and as defined in any Parity Debt Documents.

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 and upon provision of indemnity satisfactory to the Trustee, the Trustee shall, (a) 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, the Bonds to the contrary notwithstanding, and (b) subject to the provisions of Section 8.06, exercise any other remedies available to the Trustee and the Owners of the Bonds in law or at equity to enforce the rights of the Owners under this Indenture.

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 by first-class mail at their respective addresses set forth on the Registration Books, 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 (including any mandatory sinking fund payments) 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 (including any mandatory sinking fund payments) 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 (including any mandatory sinking fund payments) 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, 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.

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 8.02. Application of Funds Upon an 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 after the occurrence, and during the continuance, of an Event of Default or upon acceleration 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 (including any mandatory sinking fund payments), 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 (including any mandatory sinking fund payments) and interest on overdue amounts without preference or priority among such interest, principal (including any mandatory sinking fund payments) and interest on overdue amounts ratably to the aggregate of such interest, principal (including any mandatory sinking fund payments) 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, or 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. 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 Bonds Outstanding hereunder opposing such discontinuance, withdrawal, compromise, settlement or other disposal of such litigation.

**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 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 Bonds.

The right of any Owner to receive payment of the principal (including any mandatory sinking fund payments) of and premium, if any, and interest 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 (including any mandatory sinking fund payments) 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 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 (including any mandatory sinking fund payments) 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 provided in this Indenture. The Water 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 (including any mandatory sinking fund payments) of the Bonds. The Owners of the Bonds have no right to compel the forfeiture of any property of the District. The principal (including any mandatory sinking fund payments) 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. 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 (including any mandatory sinking fund payments) of and interest on such Bonds, as and when the same become due and payable;
- (b) 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, is fully sufficient to pay such Bonds, including all principal (including any mandatory sinking fund payments) thereof and interest thereon;
- (c) by irrevocably depositing with the Trustee or an escrow bank, in trust, Federal Securities in such amount as an Independent Accountant determines in a written report (provided to the Trustee)

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 (including any mandatory sinking fund payments) thereof and interest thereon); or

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

then, at the election of the District, and upon delivery of an opinion of Bond Counsel to the effect that the Bonds are no longer Outstanding, 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:

- (a) the obligations of the District under Section 5.09,
- (b) the obligation of the Trustee to transfer and exchange Bonds hereunder,
- (c) 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
- (d) 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.

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.

**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 binds all future Owners 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; except that in determining whether the Trustee shall be protected in relying upon any such approval or consent of an Owner, only Bonds which the Trustee actually knows to be owned or held by or for the account of the District (but excluding Bonds held in any employees' retirement fund) shall be disregarded unless all Bonds are so owned, in which case such Bonds shall be considered outstanding for the purpose of such determination. 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 Board member, officer, agent or employee of the District shall be individually or personally liable for the payment of the principal (including any mandatory sinking fund payments) 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 cancellation by the Trustee, and the delivery to the District, of any Bonds, the Trustee may, in lieu of such cancellation and delivery, destroy such Bonds as may be allowed by law, and at the written request of the District the Trustee shall deliver a certificate of such destruction to the District. The District shall be entitled to rely upon any statement of fact concerning the destruction of any such Bonds contained in any such certificate.

**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: Dublin San Ramon Services District  
7051 Dublin Boulevard  
Dublin, California 94568  
Attention: General Manager  
Fax: (925) 828-0515

If to the Trustee: The Bank of New York Mellon Trust Company, N.A.  
400 South Grand Avenue, Suite 500  
Los Angeles, CA 90071  
Attention: Corporate Trust Department  
Fax: (213) 630-6215

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 two years 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 two years 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 has become payable, shall be repaid by the Trustee to the District as its absolute property free from trust (and without liability for interest), 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.

IN WITNESS WHEREOF, the Dublin San Ramon Services District has caused this Indenture to be signed in its name by its General Manager, and its seal to be affixed hereon and attested by its District 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.

**DUBLIN SAN RAMON SERVICES  
DISTRICT**

[S E A L]

Attest:

---

District Secretary

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

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

## 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 Water System 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 Water System which has been duly adopted 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.

**Bond Year** means any twelve-month period commencing on August 2 in a year and ending on the next succeeding August 1, both dates inclusive; except that the first Bond Year commences on the Closing Date and ends on August 1, 20[ ].

**Bonds** means the 2017 Bonds and any Parity Debt issued pursuant to a Supplemental Indenture at any time Outstanding.

**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 General Manager or the Financial Services Manager/Treasurer of the District, or any other officer of the District duly authorized by the Board of Directors for that purpose.

**"Charges"** means fees (including connection fees), tolls, assessments, rates and rentals prescribed by the District under the law of the State for the services and facilities of the Water System furnished by the District.

**"Closing Date"** means the date of delivery of the Bonds to the Original Purchaser.

**"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 defeasance, payment and redemption of the outstanding 2011 Refunding Bonds, 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, including the Trustee's first annual administrative fee; fees, charges and disbursements of attorneys, financial advisors, accounting firms, consultants and other professionals; and any other cost, charge or fee in connection with the original issuance of the Bonds, the defeasance, payment and redemption of the outstanding 2011 Refunding Bonds.

**"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 (including any mandatory sinking fund payments) of and interest on the Outstanding Bonds coming due and payable in such Fiscal Year;
- (b) the principal (including any mandatory sinking fund payments) 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 coming due and payable 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 were retired as scheduled. With respect to any Parity Debt the interest on which is computed at a variable rate, such Parity Debt shall be assumed to bear interest at the highest of: (i) the actual rate on the date of calculation, or if the indebtedness is not yet outstanding, the initial rate (if established and binding), (ii) if the indebtedness has been outstanding for at least 12 months, the average rate over the 12 months immediately preceding the date of calculation, or if no debt is outstanding for the 12 months under the authorizing document, the average rate borne by reference to an index comparable to that to be utilized in determining the interest rate for the debt to be issued, and (iii) (A) if interest on the indebtedness is excludable from gross income under the applicable provisions of the Tax Code, the most recently published Bond Buyer

“Revenue Bond Index” (or comparable index if no longer published), or (B) if interest is not so excludable, the interest rate on direct U.S. Treasury obligations having comparable maturities.

“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.

“DERWA” means the DSRSD/EBMUD Recycled Water Authority established by the District and the East Bay Municipal Utility District pursuant to a Joint Exercise of Power Agreement to Implement a Joint Recycled Water Program, dated as of June 28, 1995.

“DERWA Payments” means payments required to be made by the District to DERWA under Article V of the Recycled Water Sales Agreement.

“District” means the Dublin San Ramon Services District, a community services district organized and existing under the 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 any of the following which at the time of investment are legal investments under the laws of the State of California for the funds purported to be invested therein: (a) direct general obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America); and (b) obligations of any agency, department or instrumentality of the United States of America the timely payment of principal of and interest on which are fully secured or guaranteed 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 water 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).

**Gross Revenues** means, for any period of computation, all Charges received for, and all other income and revenues derived by the District from, the ownership or operation of the Water System or otherwise arising from the Water System during such period, including but not limited to (a) all Charges received by the District for use of the Water System, (b) all receipts derived from the investment of funds held by the District or the Trustee under the Indenture, (c) transfers from but exclusive of any transfers to the Rate Stabilization Fund, and (e) all moneys received by the District from other public entities whose inhabitants are served by the Water System pursuant to contracts with the District.

The term "Gross 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 Water System, (iii) special assessments or special taxes levied upon real property within any improvement district for the purpose of paying capital improvement costs of the Water System, the costs of operating and maintaining the Water System, and paying special assessment bonds or special tax obligations of the District relating to the Water System and (iv) Tax Revenues.

**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, beginning \_\_\_\_\_ 1, 20[ ], and continuing so long as any Bonds remain Outstanding.

**Maximum Annual Debt Service** means, as of the date of any calculation, the maximum amount of Debt Service on the Outstanding Bonds and all outstanding Parity Debt for the current or any future Fiscal Year.

**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 period, an amount equal to all of the Gross Revenues received during such period minus the amount required to pay all Operation and Maintenance Costs becoming payable during such period.

**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 for purposes of payment, exchange, transfer, surrender and cancellation of Bonds, such term means the corporate trust office of the Trustee designated by the Trustee.

**“Operation and Maintenance Costs”** means the reasonable and necessary costs paid or incurred by the District for maintaining and operating the Water System, determined in accordance with generally accepted accounting principles, including but not limited to (a) all reasonable expenses of management and repair and other expenses necessary to maintain and preserve the Water System in good repair and working order, and (b) the cost of water purchased by the District for delivery to the District’s water customers, (c) DERWA Payments, and (d) all administrative costs of the District that are charged directly or apportioned to the operation of the Water System, such as salaries and wages of employees, and the necessary contribution to retirement of such employees, overhead, taxes (if any) and insurance.

“Operation and Maintenance Costs” do not include (i) payments of debt service on bonds, notes or other obligations issued by the District with respect to the Water System, (ii) depreciation, replacement and obsolescence charges or reserves therefor, (iii) amortization of intangibles or other bookkeeping entries of a similar nature, and (iv) the costs of administering any special assessment districts relating to the Water System.

**“Original Purchaser”** means Stifel, Nicolaus & Company, Incorporated, as the original purchaser of the 2017 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 all 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 2017 Bonds under Section 3.04.

**“Parity Debt Documents”** means, with respect to any 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, but only to the extent that the same are acquired at Fair Market Value (as defined in Section 4.05(d) hereof):

- (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;
- (c) U.S. dollar denominated deposit accounts, bank deposit products, interest bearing money market accounts, time deposits, trust funds, trust accounts, overnight bank deposits, interest-bearing deposits, and certificates of deposit, including those placed by a third party pursuant to an agreement between the Trustee and the District, federal funds and banker's acceptances with domestic commercial banks, which may include the Trustee, its parent holding company, if any, and their affiliates, (i) which have a rating on their short term certificates of deposit on the date of purchase of "A" or better by S&P or Moody's Investors Service, Inc. ("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) which are fully FDIC-insured;
- (d) commercial paper which is rated at the time of purchase in the single highest classification, "A" or better by S&P, 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 the Trustee or an affiliate of the Trustee, rated in the highest short-term rating category by S&P or 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 provide investment advisory or other management services or serves as investment administrator, shareholder servicing agent, and/or custodian or subcustodian, notwithstanding that (i) the Trustee or an affiliate of the Trustee receives and retains fees from funds for services rendered to such fund, (ii) the Trustee collects fees for services rendered pursuant to this Indenture, which fees are separate from the fees received from such funds, and (iii) services performed for such funds and pursuant to this Indenture may at times duplicate those provided to such funds by the Trustee or an affiliate of the Trustee;
- (f) repurchase and reverse repurchase agreements collateralized with Federal Securities, including those of the Trustee or any of its affiliates;
- (g) investment agreements with financial institutions whose long-term general credit rating is A or better from S&P, by the terms of which the Trustee may withdraw funds if such rating falls below "A"; and

(h) 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 a sub-fund of that name in the Water Fund that is held by the District.

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

**“Recycled Water Sales Agreement”** means the contract among DERWA, the District and the East Bay Municipal Utility District, dated as of July 28, 2003, entitled Agreement for the Sale of Recycled Water by the DSRSD-EBMUD Recycled Water Authority to the Dublin San Ramon Services District and the East Bay Municipal Utility District.

**“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 General Manager or the Financial Services Manager/Treasurer of the District, or any other officer of the District duly authorized by the Board of Directors for that purpose.

**“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 Standard & Poor’s Financial Services LLC business, and its successors.

**“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.

**“Tax Revenues”** means the property tax revenues received by the District from the San Ramon Valley Fire Protection District, or its successors, pursuant to an agreement between the District and the San Ramon Valley Fire Protection District, as approved by the Board of Directors of the District on March 4, 1997 by Resolution No. 16-97.<sup>1</sup>

<sup>1</sup> To be discussed.

“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 Dublin San Ramon Services District 2017 Water Revenue Refunding Bonds issued and at any time Outstanding.

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

“Water System” means the existing water system of the District, comprising all facilities for the obtaining, conserving, treating, distributing, storing and supplying of water for domestic use, irrigation, sanitation, industrial use, fire protection, recreation, or any other public or private uses.

**APPENDIX B**  
**FORM OF 2017 BOND**

No. R-\_\_\_\_\_ \$

**DUBLIN SAN RAMON SERVICES DISTRICT**  
**2017 WATER REVENUE REFUNDING BOND**

<b>INTEREST RATE:</b>	<b>MATURITY DATE:</b>	<b>ISSUE DATE:</b>	<b>CUSIP:</b>
_____ %	August 1, _____	December [ ], 2017	

REGISTERED OWNER: CEDE & CO.

**PRINCIPAL AMOUNT:**

The Dublin San Ramon Services District, a community services district organized and existing under the 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 fifteenth 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 the Record Date immediately preceding the first Interest Payment Date, 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 August 1, 2018 (each, an "Interest Payment Date").

The principal (including any mandatory sinking fund payments) 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 15<sup>th</sup> 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 fifteenth (15<sup>th</sup>) 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 "Dublin San Ramon Services District 2017 Water 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 December 1, 2017 (the "Indenture"), between the District and the Trustee. The Bonds have been issued for the purpose of refinancing the District's Dublin San Ramon Services District 2011 Water Revenue Refunding Bonds.

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 of the Water System (as such terms are defined in the Indenture) and are secured by a pledge and assignment of said Net Revenues and by a pledge and assignment of amounts held in the Debt Service Fund 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 assignment.

The Bonds maturing before [ ] [ ], [ ] are not subject to redemption prior to their respective stated maturities. The Bonds maturing on or after [ ] [ ], [ ] 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 [ ] [ ], [ ], 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 maturing on August 1, in each of the years [ ], [ ], [ ] and [ ] are subject to mandatory sinking fund redemption in part, by lot, on August 1 of each year in accordance with the schedule set forth below. The Bonds called for mandatory sinking fund redemption will be redeemed at the principal amount to be redeemed, plus accrued but unpaid interest, without premium.

### \$[ ] Term Bonds Maturing [ ] [ ], [ ]

(August 1)	Amount
[ ]	\$[ ]
[ ]	[ ]
[ ] (maturity)	[ ]

### \$[ ] Term Bonds Maturing [ ] [ ], [ ]

**Redemption Date**      **Sinking Fund**

(August 1)	Amount
[ ]	\$[ ]
[ ] (maturity)	[ ]

## \$[ ] Term Bonds Maturing [ ] [ ], [ ]

**Redemption Date**      **Sinking Fund**

(August 1)	Amount
[ ]	\$[ ]
[ ] (maturity)	[ ]

## \$[ ] Term Bonds Maturing [ ] [ ], [ ]

**Redemption Date**      **Sinking Fund**

(August 1)	Amount
	\$[ ]
[ ]	[ ]
[ ]	[ ]
[ ]	[ ]
[ ]	[ ]
[ ]	[ ]
[ ] (maturity)	[ ]

The Bonds are subject to extraordinary redemption prior to their respective stated maturities, at the option of the District from net proceeds of insurance or eminent domain, in whole or in part as directed by the District, on any date, at a redemption price

equal to the principal amount to be redeemed, plus accrued interest to the date fixed for redemption, without premium.

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 30 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. A notice of an optional redemption may be conditioned upon the receipt of sufficient funds to effect the redemption, and the District may rescind a notice of optional redemption.

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. Neither the failure of any Bond Owner to receive any notice so mailed nor any defect therein shall affect the sufficiency of the proceedings for redemption of any Bonds nor the cessation of accrual of interest thereon.

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, the Trustee and of the owners of the Bonds 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 (including any mandatory sinking fund payments) and interest at the time and place and at the rate and in the currency provided therein of any Bond without the express written consent of the owner of such Bond, (b) reduce the percentage of Bonds required for the written consent to any such amendment or modification, or (c) 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 to the Trustee for registration or transfer, exchange or payment, and any Bond issued is registered in the name of Cede & Co. or such other name as requested by an authorized representative of The Depository Trust Company and any payment is made to Cede & Co., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL since 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, Dublin San Ramon Services District has caused this Bond to be executed in its name and on its behalf by the facsimile signature of the General Manager of the District and its seal to be reproduced hereon by facsimile and attested to by the facsimile signature of the District Secretary of the District, all as of the Issue Date stated above.

**DUBLIN SAN RAMON SERVICES  
DISTRICT**

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

Attest:

\_\_\_\_\_  
District Secretary

**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.

## ESCROW DEPOSIT AND TRUST AGREEMENT

Relating to

**Dublin San Ramon Services District  
2011 Water Revenue Refunding Bonds**

This ESCROW DEPOSIT AND TRUST AGREEMENT (this "Agreement"), dated [ ] [ ], 2017, is between the DUBLIN SAN RAMON SERVICES DISTRICT, a community services district organized and existing under the 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, acting as escrow bank for the 2011 Refunding Bonds described below (the "Escrow Bank") and as trustee for the 2011 Refunding Bonds (the "2011 Trustee").

### *B A C K G R O U N D :*

**WHEREAS**, the District previously issued its Dublin San Ramon Services District 2011 Water Revenue Refunding Bonds (the "2011 Refunding Bonds"), in the original principal amount of \$35,620,000, pursuant to that certain Indenture of Trust between the District and the 2011 Trustee, dated as of January 1, 2011 (the "2011 Indenture");

**WHEREAS**, in order to take advantage of prevailing market conditions and realize savings for the benefit of the District, the District desires to defease, pay and redeem the outstanding 2011 Refunding Bonds in accordance with the provisions of the 2011 Indenture and this Agreement;

**WHEREAS**, in order to defease, pay and redeem the outstanding 2011 Refunding Bonds, the District has determined, pursuant to Sections 53570 and 53580 *et seq.* of the California Government Code, to enter into an Indenture of Trust with The Bank of New York Mellon Trust Company, N.A., as trustee (the "2017 Trustee"), to be dated as of December 1, 2017 (the "2017 Indenture"), and issue its Dublin San Ramon Services District 2017 Water Revenue Refunding Bonds (the "2017 Refunding Bonds"), in the aggregate principal amount of \$[ ]; and

**WHEREAS**, the District wishes to appoint the Escrow Bank for the purpose of establishing an irrevocable escrow fund to be funded, invested, held and administered for the purpose of providing for the defeasance, payment and redemption of the outstanding 2011 Refunding Bonds, and to provide certain directions to the 2011 Trustee with respect to the outstanding 2011 Refunding Bonds.

## A G R E E M E N T :

In consideration of the premises and the material covenants contained herein, the District and The Bank of New York Mellon Trust Company, N.A., as Escrow Bank and 2011 Trustee, hereby agree as follows:

**SECTION 1. Appointment of Escrow Bank; Establishment of Escrow Fund.** The District hereby appoints the Escrow Bank to act as Escrow Bank for purposes of administering the funds required to defease, pay and redeem the outstanding 2011 Refunding Bonds in accordance with the 2011 Indenture. The Escrow Bank is directed to establish an escrow fund (the "Escrow Fund") to be held by the Escrow Bank in trust as an irrevocable escrow securing the payment of the outstanding 2011 Refunding Bonds as set forth below. All cash and securities in the Escrow Fund are hereby irrevocably pledged as a special fund for the payment of the principal of and accrued interest on the outstanding 2011 Refunding Bonds in accordance with the 2011 Indenture.

If at any time the Escrow Bank receives actual knowledge that the cash and securities in the Escrow Fund will not be sufficient to make any payment required by Section 4 in respect of the outstanding 2011 Refunding Bonds, the Escrow Bank shall notify the District of such fact, and the District shall immediately cure such deficiency from any source of legally available funds. The Escrow Bank has no liability for any such insufficiency.

**SECTION 2. Deposit and Investment of Amounts in Escrow Fund.** On [ ] [ ], 2017 (the "Closing Date"), the District, pursuant to the 2017 Indenture, shall cause to be transferred to the Escrow Bank for deposit into the Escrow Fund the amount of \$[ ] in immediately available funds, to be derived from the proceeds of the 2017 Refunding Bonds.

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

In addition, the District hereby directs the 2011 Trustee to transfer to the Escrow Bank for deposit into the Escrow Fund the amount of \$[ ], to be derived from moneys related to the 2011 Refunding Bonds that are available as a result of the defeasance of the outstanding 2011 Refunding Bonds.

**SECTION 3. Investment of Amounts in Escrow Fund.** The Escrow Bank shall hold all amounts on deposit in the Escrow Fund, and invest the Escrow Fund in the federal securities described in Exhibit A hereto.

**SECTION 4. Application of Amounts in Escrow Fund.** The Escrow Bank is hereby instructed to withdraw from the Escrow Fund and transfer to the 2011 Trustee an amount required to pay the principal of and accrued interest on the outstanding 2011 Refunding Bonds, in accordance with the schedule attached as Exhibit B hereto.

Following the payment and redemption of the outstanding 2011 Refunding Bonds in full, the Escrow Bank shall transfer any amounts remaining on deposit in the Escrow Fund to the 2017

Trustee for deposit in the Debt Service Fund established under the 2017 Indenture, to be applied to pay interest next coming due and payable on the 2017 Refunding Bonds.

**SECTION 5. *Irrevocable Election to Prepay Outstanding 2011 Refunding Bonds; Defeasance Notice.*** The District has irrevocably elected to defease, pay and redeem all of the outstanding 2011 Refunding Bonds on the dates set forth in Exhibit B, and has given notice of such election to the 2011 Trustee in accordance with the provisions of the 2011 Indenture. In the manner required by the 2011 Indenture, the 2011 Trustee is instructed to mail, pursuant to the 2011 Indenture, a notice of redemption to the owners of the outstanding 2011 Refunding Bonds maturing on or after August 1, 2021, substantially in the form attached hereto as Exhibit C. The Escrow Bank is hereby instructed to file on the Closing Date the notice attached hereto as Exhibit D on the Municipal Securities Rulemaking Board's EMMA System. The sole remedy for the Escrow Bank's failure to file such notice on EMMA shall be an action by the holders of the 2011 Refunding Bonds in mandamus for specific performance or similar remedy to compel performance.

**SECTION 6. *Compensation to Escrow Bank.*** The District shall pay the Escrow Bank full compensation for its services under this Agreement, and reimbursement for the Escrow Bank's expenses incurred hereunder, including out-of-pocket costs such as publication costs, legal fees and other costs and expenses relating hereto and, in addition, all fees, costs and expenses relating to the purchase, substitution or withdrawal of any securities after the date hereof. Under no circumstances shall amounts deposited in or credited to the Escrow Fund be deemed to be available for said purposes. The Escrow Bank has no lien upon or right of set off against the cash and securities at any time on deposit in the Escrow Fund.

The District shall indemnify, defend and hold harmless the Escrow Bank and its officers, directors, employees, representatives and agents, from and against and reimburse the Escrow Bank for any and all claims, obligations, liabilities, losses, damages, actions, suits, judgments, reasonable costs and expenses (including reasonable attorneys' and agents' fees and expenses) of whatever kind or nature regardless of their merit, demanded, asserted or claimed against the Escrow Bank directly or indirectly relating to, or arising from, claims against the Escrow Bank by reason of its participation in the transactions contemplated hereby, except to the extent caused by the Escrow Bank's negligence or willful misconduct. The provisions of this Section 6 shall survive the termination of this Agreement or the earlier resignation or removal of the Escrow Bank.

**SECTION 7. *Immunities and Liability of Escrow Bank.*** The Escrow Bank undertakes to perform only such duties as are expressly set forth in this Agreement and no implied duties, covenants or obligations shall be read into this Agreement against the Escrow Bank. The Escrow Bank shall not have any liability hereunder except to the extent of its negligence or willful misconduct. In no event shall the Escrow Bank be liable for any special, indirect or consequential damages. The Escrow Bank shall not be liable for any loss from any investment made by it in accordance with the terms of this Agreement. The Escrow Bank may consult with legal counsel of its own choice and the Escrow Bank shall not be liable for any action taken or not taken by it in good faith in reliance upon the opinion or advice of such counsel. The Escrow Bank shall not be liable for the recitals or representations contained in this Agreement and shall not be responsible for the validity of this Agreement, the sufficiency of the Escrow Fund or for the sufficiency of the moneys and securities to pay the principal of and interest on the outstanding 2011 Refunding Bonds.

Whenever in the administration of this Agreement the Escrow Bank deems it necessary or desirable that a matter be proved or established prior to taking or not taking any action, such matter may be deemed to be conclusively proved and established by a certificate of an authorized representative of the District and shall be full protection for any action taken or not taken by the Escrow Bank in good faith reliance thereon.

The Escrow Bank may conclusively rely as to the truth and accuracy of the statements and correctness of any opinions or calculations provided to it in connection with this Agreement and shall be protected in acting, or refraining from acting, upon any notice, instruction, request, certificate, document, opinion or other writing furnished to the Escrow Bank in connection with this Agreement and reasonably believed by the Escrow Bank to be signed by the proper party, and it need not investigate any fact or matter stated therein.

None of the provisions of this Agreement shall require the Escrow Bank to expend or risk its own funds or otherwise to incur any liability, financial or otherwise, in the performance of any of its duties hereunder. The Escrow Bank may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents, attorneys, custodians or nominees appointed with due care, and shall not be responsible for any willful misconduct or negligence on the part of any agent, attorney, custodian or nominee so appointed. The Escrow Bank shall not be liable to the parties hereto or deemed in breach or default hereunder if and to the extent its performance hereunder is prevented by reason of *force majeure*. The term "*force majeure*" means an occurrence that is beyond the control of the Escrow Bank and could not have been avoided by exercising due care. *Force majeure* shall include acts of God, terrorism, war, riots, strikes, fire, floods, earthquakes, epidemics or other similar occurrences.

The Escrow Bank may at any time resign by giving 30 days written notice of resignation to the District. Upon receiving such notice of resignation, the District shall promptly appoint a successor and, upon the acceptance by the successor of such appointment, release the resigning Escrow Bank from its obligations hereunder by written instrument, a copy of which instrument shall be delivered to each of the District, the resigning Escrow Bank and the successor. If no successor shall have been so appointed and have accepted appointment within 30 days after the giving of such notice of resignation, the resigning Escrow Bank may petition any court of competent jurisdiction for the appointment of a successor.

Any bank, corporation or association into which the Escrow Bank may be merged or converted or with which it may be consolidated, or any bank, corporation or association resulting from any merger, conversion or consolidation to which the Escrow Bank shall be a party, or any bank, corporation or association succeeding to all or substantially all of the corporate trust business of the Escrow Bank shall be the successor of the Escrow Bank hereunder without the execution or filing of any paper (other than notice thereof) with any party hereto or any further act on the part of any of the parties hereto except on the part of any of the parties hereto where an instrument of transfer or assignment is required by law to effect such succession, anything herein to the contrary notwithstanding.

The Escrow Bank shall have the right to accept and act upon instructions, including funds transfer instructions ("Instructions") given pursuant to this Agreement and delivered using Electronic Means ("Electronic Means" shall mean the following communications methods: e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Escrow Bank, or another method or system specified by the Escrow Bank as available for use in connection with its services hereunder); provided, however, that the District shall provide to the Escrow Bank an incumbency certificate listing officers with the authority to provide such Instructions ("Authorized Officers") and containing specimen signatures of such Authorized Officers, which incumbency certificate shall be amended by the District whenever a person is to be added or deleted from the listing. If the District elects to give the Escrow Bank Instructions using Electronic Means and the Escrow Bank in its discretion elects to act upon such Instructions, the Escrow Bank's understanding of such Instructions shall be deemed controlling. The District understands and agrees that the Escrow Bank cannot determine the identity of the actual sender of such Instructions and that the Escrow Bank shall conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Escrow Bank have been sent by such Authorized Officer. The District shall be responsible for ensuring that only Authorized Officers transmit such Instructions to the Escrow Bank and that the District and all Authorized Officers are

solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the District. The Escrow Bank shall not be liable for any losses, costs or expenses arising directly or indirectly from the Escrow Bank's reliance upon and compliance with such Instructions notwithstanding such directions conflict or are inconsistent with a subsequent written instruction. The District agrees: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Escrow Bank other than risks of the Escrow Bank's negligence or willful misconduct, including without limitation the risk of the Escrow Bank acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Escrow Bank and that there may be more secure methods of transmitting Instructions than the method(s) selected by the District; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Escrow Bank immediately upon learning of any compromise or unauthorized use of the security procedures.

**SECTION 8. *Termination of Agreement.*** Upon payment in full of the principal of and interest on the outstanding 2011 Refunding Bonds, and upon payment of all fees, expenses and charges of the Escrow Bank as described above, this Agreement shall terminate, and the Escrow Bank shall be discharged from any further obligation or responsibility hereunder.

**SECTION 9. *Execution in Counterparts.*** This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 10. *Applicable Law.* This Agreement shall be governed by and construed in accordance with the laws of the State of California.

**DUBLIN SAN RAMON SERVICES DISTRICT**

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

**THE BANK OF NEW YORK MELLON  
TRUST COMPANY, N.A., as Escrow Bank  
and 2011 Trustee**

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

## EXHIBIT A

## ESCROW SECURITIES

<u>Type of Security</u>	<u>Purchase Date</u>	<u>Maturity Date</u>	<u>First Interest Payment Date</u>	<u>Par Amount</u>	<u>Rate</u>
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**EXHIBIT B**

**PAYMENT AND REDEMPTION SCHEDULE OF OUTSTANDING 2011 REFUNDING BONDS**

<u>Payment Date</u>	<u>Interest Payment</u>	<u>Principal Payment</u>	<u>Principal Redeemed</u>	<u>Total Payment</u>
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## EXHIBIT C

## FORM OF NOTICE OF REDEMPTION

## Notice of Redemption

Dublin San Ramon Services District  
2011 Water Revenue Refunding Bonds

Maturity Date	Amount	Interest Rate	*CUSIP #
08/01/2021	\$360,000.00	5.000%	26371UAJ8
08/01/2022	375,000.00	5.000	26371UAK5
08/01/2023	395,000.00	5.000	26371UAL3
08/01/2024	415,000.00	4.750	26371UAM1
08/01/2025	435,000.00	5.000	26371UAN9
08/01/2026	975,000.00	5.000	26371UAP4
08/01/2027	1,360,000.00	5.000	26371UAQ2
08/01/2028	1,425,000.00	5.125	26371UAR0
08/01/2029	1,500,000.00	5.250	26371UAS8
08/01/2032	5,000,000.00	5.500	26371UAW9
08/01/2034	3,810,000.00	5.500	26371UAT6
08/01/2036	4,235,000.00	5.500	26371UAV1
08/01/2041	12,945,000.00	6.000	26371UAU3

NOTICE IS HEREBY GIVEN, that the Dublin San Ramon Services District (the "District") has called for redemption on February 1, 2021 (the "Redemption Date") all of its 2011 Water Revenue Refunding Bonds maturing on and after August 1, 2021 (the "2011 Refunding Bonds"), at a redemption price equal to the outstanding principal amount of such bonds, together with the accrued interest to the Redemption Date (the "Redemption Price"). The 2011 Refunding Bonds are being called for redemption on the Redemption Date pursuant to the provisions of the Indenture of Trust under which the Bonds were issued (the "2011 Indenture"). Pursuant to the 2011 Indenture, payment of the Redemption Price on the 2011 Refunding Bonds called for redemption will be paid upon presentation of the 2011 Refunding Bonds. Holders of the 2011 Refunding Bonds are requested to present their 2011 Refunding Bonds at the following addresses:

<u>First Class/Registered/Certified</u>	<u>Express Delivery Only</u>	<u>By Hand Only</u>
The Bank of New York Mellon	The Bank of New York Mellon	The Bank of New York Mellon
Global Corporate Trust	Global Corporate Trust	Global Corporate Trust
P.O. Box 396	111 Sanders Creek Parkway	Corporate Trust Window
East Syracuse, New York	East Syracuse, New York 13057	101 Barclay Street 1st Floor East
13057		New York, New York 10286

Additional information regarding the foregoing actions may be obtained from The Bank of New York Mellon Trust Company, N.A., Corporate Trust Department, Bondholder Relations, telephone number (800) 254-2826.

Interest on the principal amount designated to be redeemed shall cease to accrue on and after the Redemption Date. Payment of interest on the 2011 Refunding Bonds shall be made by check or, at the option of any owner of at least \$1,000,000 aggregate principal amount of 2011 Refunding Bonds, by wire transfer to a bank account in the United States of America.

**IMPORTANT TAX NOTICE**

Withholding of 28% of gross redemption proceeds of any payment made within the United States may be required by the Jobs and Growth Tax Relief Reconciliation Act of 2003 (the "Act"), unless the Trustee has the correct taxpayer identification number (social security or employer identification number) or exemption certificate of the payee. **Please furnish a properly completed Form W-9 or exemption certificate or equivalent when presenting your certificates.**

*\*The Undersigned shall not be held responsible for the selection or use of the CUSIP number, nor is any representation made as to their correctness indicated in the Redemption Notice. It is included solely for convenience of the Holders.*

Dated: \_\_\_, 20\_\_

THE BANK OF NEW YORK MELLON  
TRUST COMPANY, N.A., as 2011 Trustee

## EXHIBIT D

## FORM OF NOTICE OF DEFEASANCE

**Dublin San Ramon Services District  
2011 Water Revenue Refunding Bonds**

NOTICE IS HEREBY GIVEN that all of the captioned bonds (the "2011 Bonds") have been defeased and discharged under and within the meaning of the Indenture of Trust authorizing the issuance of the 2011 Bonds. The 2011 Bonds consist of the following:

Maturity Date	Original Principal Amount	Interest Rate	CUSIP #
08/01/2018	315,000	4.000	26371UAF6
08/01/2019	330,000	4.000	26371UAG4
08/01/2020	340,000	5.000	26371UAH2
08/01/2021	360,000	5.000	26371UAJ8
08/01/2022	375,000	5.000	26371UAK5
08/01/2023	395,000	5.000	26371UAL3
08/01/2024	415,000	4.750	26371UAM1
08/01/2025	435,000	5.000	26371UAN9
08/01/2026	975,000	5.000	26371UAP4
08/01/2027	1,360,000	5.000	26371UAQ2
08/01/2028	1,425,000	5.125	26371UAR0
08/01/2029	1,500,000	5.250	26371UAS8
08/01/2032	5,000,000	5.500	26371UAW9
08/01/2034	3,810,000	5.500	26371UAT6
08/01/2036	4,235,000	5.500	26371UAV1
08/01/2041	12,945,000	6.000	26371UAU3

Funds for the payment of debt service on the 2011 Bonds on February 1, 2018 through February 1, 2021, and payment of the redemption price of the 2011 Bonds on February 1, 2021, have been deposited with The Bank of New York Mellon Trust Company, N.A., as escrow bank, and the sufficiency of the funds and investments for this purpose has been verified by [ ], certified public accountants.

The District has irrevocably elected to redeem on February 1, 2021, the 2011 Bonds at a redemption price equal to the par amount thereof, plus accrued interest thereon to the redemption date, without premium.

Dated: [ ] [ ], 2017

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

\$ \_\_\_\_\_  
**DUBLIN SAN RAMON SERVICES DISTRICT  
2017 WATER REVENUE REFUNDING BONDS**

**BOND PURCHASE CONTRACT**

December \_\_, 2017

Dublin San Ramon Services District  
7051 Dublin Boulevard  
Dublin, California 94568  
Attention: General Manager

Ladies and Gentlemen:

Stifel, Nicolaus & Company, Incorporated (the “**Underwriter**”) offers to enter into this Bond Purchase Contract (this “**Purchase Contract**”) with the Dublin San Ramon Services District (the “**District**”). This offer is made subject to the District’s acceptance by execution of this Purchase Contract and delivery of the same to the Underwriter on or before 11:59 p.m., California time, on the date hereof, and, if not so accepted, will be subject to withdrawal by the Underwriter upon notice delivered to the District at any time prior to such acceptance. Upon the District’s acceptance hereof, the Purchase Contract will be binding upon the District and the Underwriter. Capitalized terms that are used in this Purchase Contract and not otherwise defined have the respective meanings given to such terms in the Indenture (as such term is defined below).

**Section 1. Purchase and Sale.** Upon the terms and conditions and upon the basis of the representations set forth in this Purchase Contract, the Underwriter agrees to purchase from the District, and the District agrees to sell and deliver to the Underwriter, all (but not less than all) of the \$\_\_\_\_\_ Dublin San Ramon Services District 2017 Water Revenue Refunding Bonds (the “**Bonds**”) at a purchase price of \$\_\_\_\_\_ (being an amount equal to the principal amount of the Bonds plus/less a net original issue premium/discount of \$\_\_\_\_\_ and less an Underwriter’s discount of \$\_\_\_\_\_. The obligations of the Underwriter to purchase, accept delivery of and pay for the Bonds shall be conditioned on the sale and delivery of all of the Bonds by the District to the Underwriter at Closing (as such term is defined herein).

**Section 2. Bond Terms; Authorizing Instruments.**

(a) The Bonds shall be dated their date of delivery and shall mature and bear interest as set forth on Exhibit A. The Bonds shall be as described in, and shall be issued and secured under, an Indenture of Trust (the “**Indenture**”), dated as of December 1, 2017, by and between the District and The Bank of New York Mellon Trust Company, N.A., as trustee (the “**Trustee**”). The Bonds are payable and subject to redemption as provided in the Indenture and as described in the Official Statement (as such term is defined herein).

(b) The Bonds will be issued pursuant to Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code. (the “**Law**”). The Bonds are payable from and secured by the District’s pledge of Net Revenues under and as defined in the Indenture.

(c) The net proceeds of the sale of the Bonds will be used: (i) to refund the Dublin San Ramon Services District 2011 Water Revenue Refunding Bonds (the “**2011 Bonds**”); and (ii) to pay costs incurred in connection with the issuance of the Bonds.

**Section 3. Public Offering.** The Underwriter agrees to make an initial bona fide public offering of all of the Bonds, at not in excess of the initial public offering yields or prices set forth on Exhibit A. Following the initial public offering of the Bonds, the offering prices may be changed from time to time by the Underwriter. The District acknowledges and agrees that: (a) the purchase and sale of the Bonds pursuant to this Purchase Contract is an arm’s-length commercial transaction between the District and the Underwriter, and the only obligations that the Underwriter has to the District with respect to the transaction contemplated hereby expressly are set forth in this Purchase Contract; (b) in connection therewith and with the discussions, undertakings and procedures leading up to the consummation of such transaction, the Underwriter is and has been acting solely as principal and is not acting as a Municipal Advisor (as such term is defined in Section 15B of The Securities Exchange Act of 1934, as amended) to the District; (c) the Underwriter has not assumed an advisory or fiduciary responsibility in favor of the District with respect to the offering contemplated hereby or the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriter has provided other services or is currently providing other services to the District on other matters); (d) the Underwriter has financial and other interests that may differ from and be adverse to those of the District; and (e) the District has consulted its own legal, financial, accounting, tax and other advisors to the extent that it has deemed appropriate.

#### **Section 4. Official Statement; Continuing Disclosure.**

(a) The District has delivered to the Underwriter the Preliminary Official Statement dated December \_\_, 2017 (the “**Preliminary Official Statement**”) and will deliver to the Underwriter the final Official Statement dated the date of this Purchase Contract (as amended and supplemented from time to time pursuant to Section 5(i) of this Purchase Contract, the “**Official Statement**”) within seven business days.

(b) The District authorizes the use of the Official Statement and the information contained therein by the Underwriter in connection with the public offering and the sale of the Bonds. The District consents to the use by the Underwriter prior to the date hereof of the Preliminary Official Statement in connection with the public offering of the Bonds. The Underwriter agrees that it will not send any confirmation requesting payment for the purchase of any Bonds unless the confirmation is accompanied by or preceded by the delivery of a copy of the Official Statement. The Underwriter agrees: (i) to provide the District with final pricing information on the Bonds on a timely basis prior to the Closing; and (ii) to take any and all other actions necessary to comply with applicable rules of the Securities and Exchange Commission (the “**SEC**”) and the Municipal Securities Rulemaking Board (the “**MSRB**”) governing the offering, sale and delivery of the Bonds to ultimate purchasers.

(c) In connection with the issuance of the Bonds, and in order to assist the Underwriter in complying with the provisions of SEC Rule 15c2-12 (“**Rule 15c2-12**”), the District will enter into a Continuing Disclosure Certificate (the “**Continuing Disclosure Undertaking**”) dated the date of the

Closing, under which the District will undertake to provide certain financial and operating data as required by Rule 15c2-12. The form of the Continuing Disclosure Undertaking is attached as an appendix to the Preliminary Official Statement.

**Section 5. Representations, Warranties and Covenants of the District.** The District hereby represents, warrants and agrees with the Underwriter that:

(a) The Board of Directors (the “**Board**”) of the District has taken official action by resolution (the “**District Resolution**”) adopted by a majority of the members of the Board at a regular meeting that was duly called, noticed and conducted, at which a quorum was present and acting throughout, authorizing the execution, delivery and due performance of: (i) the Indenture; (ii) the Continuing Disclosure Undertaking; (iii) the Escrow Deposit and Trust Agreement, dated as of December 1, 2017 (the “**Escrow Agreement**”), by and between the District and The Bank of New York Mellon Trust Company, N.A., as escrow agent (the “**Escrow Agent**”), related to the 2011 Bonds; and (iv) this Purchase Contract (collectively, the “**District Agreements**”) and the Official Statement, and the taking of any and all such action as may be required on the part of the District to carry out, give effect to and consummate the transactions that are contemplated hereby.

(b) The District is a community services district that is duly organized and existing under the laws of the State of California (the “**State**”) and has all necessary power and authority to adopt the District Resolution and to enter into and perform its duties under the District Agreements.

(c) By all necessary official action, the District has: (i) duly authorized the preparation and delivery of the Preliminary Official Statement and the preparation, execution and delivery of the Official Statement; (ii) duly authorized and approved the execution and delivery of, and the performance of its obligations under, the Bonds and the District Agreements; and (iii) duly authorized the consummation by the District of all other transactions contemplated by the District Resolution, the District Agreements, the Preliminary Official Statement and the Official Statement. When executed and delivered, the District Agreements (assuming due authorization, execution and delivery by and enforceability against the other parties thereto) will be in full force and effect and each will constitute legal, valid and binding agreements or obligations of the District, enforceable in accordance with their respective terms, except as enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors’ rights generally, the application of equitable principles, the exercise of judicial discretion and the limitations on legal remedies against public entities in the State.

(d) At the time of the District’s acceptance hereof and at all times subsequent thereto up to and including the time of the Closing, the information and statements in the Official Statement do not and will not contain any untrue statement of a material fact or omit to state a material fact that is required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading (except that no representation is made with respect to information relating to DTC (as such term is defined herein) or DTC’s book-entry system).

(e) As of the date hereof, except as described in the Preliminary Official Statement, there is no action, suit, proceeding or investigation before or by any court, public board or body that is pending against, which has been duly served on and received by, the District, and, to the best knowledge of the District, there is no threatened action, suit, proceeding or investigation, wherein an unfavorable decision, ruling or finding would: (i) affect the creation, organization, existence or

powers of the District, or the titles of its members or officers; (ii) in any way question or affect the validity or enforceability of the District Agreements, the Bonds or the exclusion of the interest on the Bonds from taxation; or (iii) in any way question or affect the Purchase Contract or the transactions contemplated by the Purchase Contract, the Official Statement, or any other agreement or instrument to which the District is a party relating to the Bonds.

(f) There is no consent, approval, authorization or other order of, filing or registration with, or certification by, any regulatory authority that has jurisdiction over the District that is required for the execution and delivery of this Purchase Contract and the other District Agreements or the consummation by the District of the other transactions that are contemplated by the Official Statement or the District Agreements.

(g) Any certificate that is signed by any official of the District who is authorized to do so shall be deemed a representation and warranty by the District to the Underwriter as to the statements made therein.

(h) The District is not in default, and at no time has the District defaulted in any material respect, on any bond, note or other obligation for borrowed money or any agreement under which any such obligation is or was outstanding.

(i) If any event occurs of which the District has knowledge between the date of this Purchase Contract and the date of the Closing that might or would cause the Official Statement, as then supplemented or amended, to contain an untrue statement of a material fact or to omit to state a material fact that is required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the District will notify the Underwriter and if, in the opinion of the Underwriter, such event requires the preparation and publication of a supplement or amendment to the Official Statement, the District will cooperate with the Underwriter in causing the Official Statement to be amended or supplemented in a form and in a manner that is approved by the Underwriter. All expenses that are thereby incurred will be paid by the District, and the Underwriter will file, or cause to be filed, the amended or supplemented Official Statement with the MSRB's Electronic Municipal Market Access database ("EMMA").

(j) The District will furnish such information, execute such instruments and take such other action in cooperation with the Underwriter as the Underwriter may reasonably request in order: (i) to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriter may designate; and (ii) to determine the eligibility of the Bonds for investment under the laws of such states and other jurisdictions. The District will not be required to execute a general or special consent to service of process or to qualify to do business in connection with any such qualification or determination in any jurisdiction.

(k) The District is not in any material respect in breach of or default under: (i) any applicable constitutional provision, law or administrative regulation of any state or of the United States, or any agency or instrumentality of either; (ii) any applicable judgment or decree; or (iii) any loan agreement, indenture, trust agreement, bond, note, resolution, agreement or other instrument to which the District is a party, which breach or default has or may have an adverse effect on the ability of the District to perform its obligations under the District Agreements, and no event has occurred and is continuing which with the passage of time or the giving of notice, or both, would constitute such a default or event of default under any such instrument; and the adoption, execution and

delivery of the District Agreements, if applicable, and compliance with the provisions on the District's part contained therein, will not conflict in any material way with or constitute a material breach of or a material default under any constitutional provision, law, administrative regulation, judgment, decree, loan agreement, indenture, trust agreement, bond, note, resolution, agreement or other instrument to which the District is a party, nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the District or under the terms of any such law, regulation or instrument, except as may be provided by the District Agreements.

(l) Except as set forth in the Official Statement under the caption "CONTINUING DISCLOSURE," the District has complied in all material respects with its continuing disclosure undertakings in the past five years.

(m) The financial statements relating to the receipts, expenditures and cash balances of the District as of June 30, 2017 attached as an appendix to the Official Statement fairly represent the receipts, expenditures and cash balances of the District as of such date. Except as disclosed in the Official Statement or otherwise disclosed in writing to the Underwriter, there has not been any materially adverse change in the financial condition of the District or in its operations since June 30, 2017 and there has been no occurrence, circumstance or combination thereof that is reasonably expected to result in any such materially adverse change.

(n) The District will refrain from taking any action, or permitting any action to be taken, with regard to which the District may exercise control, that results in the loss of the tax-exempt status of the interest on the Bonds.

## **Section 6. The Closing.**

(a) At 8:00 A.M., California time, on December \_\_, 2017, or on such earlier or later time or date as may be agreed upon by the Underwriter and the District (the "**Closing**"), the District shall deliver, or cause to be delivered, to the Trustee the Bonds in definitive form, registered in the name of Cede & Co., as the nominee of The Depository Trust Company, New York, New York ("DTC") (so that the Bonds may be authenticated by the Trustee and credited to the account that is specified by the Underwriter under DTC's FAST procedures). Prior to the Closing, the District shall deliver, at the offices of Jones Hall, A Professional Law Corporation ("**Bond Counsel**") in San Francisco, California, or at such other place as is mutually agreed upon by the Underwriter and the District, the other documents that are described in this Purchase Contract. On the date of the Closing, the Underwriter shall pay the purchase price of the Bonds as set forth in Section 1 of this Purchase Contract in immediately available funds to the order of the Trustee.

(b) The Bonds shall be issued in fully registered form and shall be prepared and delivered as one Bond for each maturity registered in the name of a nominee of DTC. It is anticipated that CUSIP identification numbers will be inserted on the Bonds, but neither the failure to provide such numbers nor any error with respect thereto shall constitute a cause for failure or refusal by the Underwriter to accept delivery of the Bonds in accordance with the terms of this Purchase Contract.

**Section 7. Conditions to Underwriter's Obligations.** The Underwriter has entered into this Purchase Contract in reliance upon the representations and warranties of the District contained herein and to be contained in the documents and instruments to be delivered on the date of

the Closing, and upon the performance by the District of its obligations to be performed hereunder and under such documents and instruments to be delivered at or prior to the date of the Closing. The Underwriter's obligations under this Purchase Contract are and shall also be subject to the following conditions:

(a) The representations and warranties of the District that are contained in this Purchase Contract shall be true and correct in all material respects on the date of this Purchase Contract and on and as of the date of the Closing as if made on the date of the Closing.

(b) As of the date of the Closing, the Official Statement shall not have been amended, modified or supplemented, except in any case as may have been agreed to by the Underwriter.

(c) (i) As of the date of the Closing, the District Resolution and the District Agreements shall be in full force and effect, and shall not have been amended, modified or supplemented, except as may have been agreed to by the District and the Underwriter; and (ii) the District shall perform or shall have performed all of its obligations that are required under or specified in the District Resolution and the District Agreements to be performed at or prior to the date of the Closing.

(d) As of the date of the Closing, all necessary official action of the District relating to the District Agreements, the District Resolution and the Official Statement shall be in full force and effect and shall not have been amended, modified or supplemented in any material respect.

(e) Subsequent to the date of this Purchase Contract, up to and including the date of the Closing, there shall not have occurred any change in the financial affairs of the District, as described in the Official Statement, which in the reasonable professional judgment of the Underwriter materially impairs the investment quality of the Bonds.

(f) As of or prior to the date of the Closing, the Underwriter shall have received each of the following documents:

(A) Certified copies of the District Resolution.

(B) Duly executed copies of the District Agreements.

(C) The Preliminary Official Statement and the Official Statement, with the Official Statement duly executed on behalf of the District.

(D) An approving opinion of Bond Counsel, dated the date of the Closing, as to the validity of the Bonds and the exclusion of interest on the Bonds from federal and State income taxation, addressed to the District, substantially in the form attached as an appendix to the Official Statement, and a reliance letter with respect thereto addressed to the Underwriter and the Trustee.

(E) A supplemental opinion or opinions of Bond Counsel, dated the date of the Closing, addressed to the Underwriter, to the effect that:

(1) The Purchase Contract has been duly executed and delivered by the District and (assuming due authorization, execution and delivery by and enforceability against the Underwriter) is valid and binding upon the District, subject to laws relating to bankruptcy, insolvency, reorganization or creditors' rights generally and to the application of equitable principles;

(2) The Bonds are exempt from registration pursuant to the Securities Act of 1933, as amended, and the Indenture is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended;

(3) The statements contained in the Official Statement on the cover and under the captions "INTRODUCTION," "REFUNDING PLAN," "THE BONDS" (excluding therefrom the statements pertaining to DTC), "SECURITY FOR THE BONDS" and "TAX MATTERS," and in Appendices B and D, excluding any material that may be treated as included under such captions by cross-reference, insofar as such statements expressly summarize certain provisions of the Bonds, the District Agreements and the form and content of Bond Counsel's final approving opinion, are accurate in all material respects; and

(4) The 2011 Bonds have been defeased in accordance with the provisions of the indenture pursuant to which they were issued.

(F) An opinion of the District's General Counsel, dated the date of the Closing, addressed to the District and the Underwriter, substantially in the form attached hereto as Exhibit D.

(G) An executed Rule 15c2-12 certificate of the District, dated the date of the Preliminary Official Statement, substantially in the form attached hereto as Exhibit B.

(H) An executed closing certificate of the District, dated the date of the Closing, substantially in the form attached hereto as Exhibit C.

(I) The opinion or opinions of counsel of the Trustee and the Escrow Agent, addressed to the District and the Underwriter, substantially to the effect that:

(1) The Trustee/Escrow Agent is a national banking association that is duly organized and validly existing under the laws of the United States of America, having corporate power to execute and deliver the Indenture and the Escrow Agreement (the "**BNY Documents**"); and

(2) The BNY Documents have been duly authorized, executed and delivered by the Trustee and the Escrow Agent, as applicable, and, assuming due authorization, execution and delivery by the District, the BNY Documents constitute the legal, valid and binding agreements of the Trustee and the Escrow Agent, as applicable, enforceable in accordance with their respective terms, subject to laws relating in bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally and the application of equitable principles if equitable remedies are sought.

(J) A certificate or certificates, dated the date of the Closing, in form and substance acceptable to the Underwriter, of an authorized officer of officers of the Trustee and the Escrow Agent to the effect that the Trustee and the Escrow Agent are duly authorized to enter into the BNY Documents, have accepted the respective duties imposed by the BNY Documents and are authorized to carry out such duties, and that the Trustee has duly authenticated the Bonds.

(K) Evidence of required filings with the California Debt and Investment Advisory Commission.

(L) A copy of the executed Blanket Issuer Letter of Representations by and between the District and DTC relating to the book-entry system.

(M) An executed verification report relating to the 2011 Bonds, among other matters.

(N) Evidence that the ratings that have been assigned to the Bonds as of the date of the Closing are as set forth in the Official Statement.

(O) A certified copy of the general resolution of the Trustee and the Escrow Agent authorizing the execution and delivery of certain documents by certain officers of the Trustee and the Escrow Agent, which resolution authorizes the execution and delivery of the BNY Documents and the authentication and delivery of the Bonds by the Trustee.

(P) An opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, counsel to the Underwriter, addressed to the Underwriter and in form and substance satisfactory to the Underwriter.

(Q) A report of Lumesis as to compliance by the District and related entities with their respective continuing disclosure undertakings.

(R) A Tax Certificate with respect to maintaining the tax-exempt status of the Bonds, duly executed by the District, together with Form 8038-G, duly executed by the District.

(S) A letter of Jones Hall, A Professional Law Corporation, as Disclosure Counsel, to the effect that, based upon an examination that they have made, and without having undertaken to determine independently or assuming any responsibility for the accuracy or completeness or fairness of the statements contained in the Official Statement, as a matter of fact and not opinion, such counsel advises that, in its capacity as Disclosure Counsel, no facts came to the attention of the attorneys in such firm rendering legal services in connection with such representation that caused such counsel to believe that the Official Statement as of its date and as of the Closing (except for: (1) the expressions of opinion, the assumptions, the projections, the financial statements, or other financial, numerical, economic, demographic or statistical data contained in the Official Statement; (2) any CUSIP numbers or information relating thereto; and (3) any information with respect to DTC and DTC's book-entry system) contained or contains any untrue statement of a material fact or omitted or omits to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(T) A copy of the debt management policy of the District which complies with California Government Code § 8855.

(U) Such additional legal opinions, certificates, proceedings, instruments and other documents as the Underwriter or Bond Counsel may reasonably request to evidence compliance by the District with legal requirements, the truth and accuracy, as of the date of the Closing, of the representations of the District contained herein and of the Official Statement and the due performance or satisfaction by the District at or prior to such time of all agreements then to be performed and all conditions then to be satisfied by the District.

All of the opinions, letters, certificates, instruments and other documents that are mentioned in this Purchase Contract shall be deemed to be in compliance with the provisions of this Purchase Contract if, but only if, they are in form and substance satisfactory to the Underwriter. If the District is unable to satisfy the conditions to the obligations of the Underwriter to purchase, to accept delivery

of and to pay for the Bonds as set forth in this Purchase Contract, or if the obligations of the Underwriter to purchase, to accept delivery of and to pay for the Bonds shall be terminated for any reason permitted by this Purchase Contract, this Purchase Contract shall terminate and neither the Underwriter nor the District shall be under any further obligations hereunder, except that the respective obligations of the District and the Underwriter that are set forth in Section 11 of this Purchase Contract shall continue in full force and effect.

**Section 8. Conditions to District's Obligations.** The performance by the District of its obligations under this Purchase Contract is conditioned upon: (i) the performance by the Underwriter of its obligations hereunder; and (ii) receipt by the District of opinions addressed to the District, receipt by the Underwriter of opinions addressed to the Underwriter and the delivery of certificates on the date of the Closing by persons and entities other than the District.

**Section 9. Termination Events.** The Underwriter shall have the right to terminate the Underwriter's obligations under this Purchase Contract to purchase, accept delivery of and pay for the Bonds by notifying the District of its election to do so if, after the execution hereof and prior to the Closing, any of the following events occurs:

(a) the marketability of the Bonds or the market price thereof, in the reasonable opinion of the Underwriter, has been materially and adversely affected by any decision that is issued by a court of the United States (including the United States Tax Court) or of the State, by any ruling or regulation (final, temporary or proposed) that is issued by or on behalf of the Department of the Treasury of the United States, the Internal Revenue Service, or other governmental agency of the United States, or any governmental agency of the State, or by a tentative decision or announcement by any member of the House Ways and Means Committee, the Senate Finance Committee, or the Conference Committee with respect to contemplated legislation or by legislation enacted by, pending in, or favorably reported to either the House of Representatives or either House of the Legislature of the State, or formally proposed to the Congress of the United States by the President of the United States or to the Legislature of the State by the Governor of the State in an executive communication, affecting the tax status of the District, its property or income, its debt or contractual obligations (including the Bonds) or the interest thereon or any tax exemption granted or authorized by the Internal Revenue Code of 1986, as amended;

(b) the United States becomes engaged in hostilities that result in a declaration of war or a national emergency, or any other outbreak of hostilities occurs, or a local, national or international calamity or crisis occurs, financial or otherwise, the effect of such outbreak, calamity or crisis being such as, in the reasonable opinion of the Underwriter, would affect materially and adversely the ability of the Underwriter to market the Bonds;

(c) there occurs a general suspension of trading on the New York Stock Exchange or the declaration of a general banking moratorium by the United States, New York or State authorities;

(d) a stop order, ruling, regulation or official statement by, or on behalf of, the SEC is issued or made to the effect that the issuance, offering or sale of the Bonds or obligations similar to the Bonds is or would be in violation of any provision of the Securities Act of 1933, as then in effect, the Securities Exchange Act of 1934, as then in effect, or the Trust Indenture Act of 1939, as then in effect;

(e) legislation is enacted by the House of Representatives or the Senate of the Congress of the United States of America, a decision by a court of the United States of America is rendered or a ruling or regulation by or on behalf of the SEC or other governmental agency having jurisdiction of the subject matter is made or proposed to the effect that the Bonds are not exempt from registration, qualification or other similar requirements of the Securities Act of 1933, as then in effect, or of the Trust Indenture Act of 1939, as then in effect;

(f) in the reasonable judgment of the Underwriter, the market price of the Bonds, or the market price of obligations of the general character of the Bonds, might be materially and adversely affected because additional material restrictions that are not in force as of the date hereof are imposed upon trading in securities generally by any governmental authority or by any national securities exchange;

(g) the Office of the Comptroller of the Currency, The New York Stock Exchange, or other national securities exchange, or any governmental authority, imposes, as to the Bonds or obligations of the general character of the Bonds, any material restrictions not now in force, or increases materially those now in force, with respect to the extension of credit by, or the charge to the net capital requirements of, or financial responsibility requirements of the Underwriter;

(h) a general banking moratorium is established by federal, New York or State authorities;

(i) any legislation, ordinance, rule or regulation is introduced in or enacted by any governmental body, department or agency in the State or a decision of a court of competent jurisdiction within the State is rendered, which, in the reasonable opinion of the Underwriter, after consultation with the District, materially adversely affects the market price of the Bonds;

(j) any federal or State court, authority or regulatory body takes action materially and adversely affecting the collection of revenues that are pledged under the Indenture;

(k) any rating of the Bonds is downgraded, suspended, withdrawn or placed on credit watch or similar status by a national rating service, which, in the reasonable opinion of the Underwriter, materially adversely affects the marketability or market price of the Bonds;

(l) an event occurs which in the reasonable opinion of the Underwriter requires a supplement or amendment to the Official Statement and: (i) the District refuses to prepare and furnish such supplement or amendment; or (ii) in the reasonable judgment of the Underwriter, the occurrence of such event materially and adversely affects the marketability of the Bonds or renders the enforcement of the sale contracts of the Bonds impracticable;

(m) an order, decree or injunction that is issued by any court of competent jurisdiction, or order, ruling, regulation (final, temporary or proposed), official statement or other form of notice or communication that is issued or made by or on behalf of the SEC, or any other governmental authority having jurisdiction of the subject matter, to the effect that: (i) obligations of the general character of the Bonds, or the Bonds, including any or all underlying arrangements, are not exempt from registration under the Securities Act of 1933, as amended, or that the Indenture is not exempt from qualification under the Trust Indenture Act of 1939, as amended; or (ii) the issuance, offering or sale of obligations of the general character of the Bonds, or the issuance, offering or sale of the Bonds, including any or all underlying obligations, as contemplated hereby or

by the Official Statement, is or would be in violation of the federal securities laws as amended and then in effect;

(n) additional material restrictions that are not in force as of the date hereof shall have been imposed upon trading in securities generally by any domestic governmental authority or by any domestic national securities exchange, which are material to the marketability of the Bonds; or

(o) the commencement of any action, suit or proceeding described in Section 5(e).

**Section 10. Changes in Official Statement.** After the Closing, the District will not adopt any amendment of or supplement to the Official Statement to which the Underwriter shall reasonably object in writing. Within 90 days after the Closing or within 25 days following the “end of the underwriting period” (as such term is defined below), whichever occurs first, if any event relating to or affecting the Bonds, the Trustee or the District occurs as a result of which it is necessary, in the opinion of the Underwriter, to amend or supplement the Official Statement in order to make the Official Statement not misleading in any material respect in the light of the circumstances existing at the time that it is delivered to a purchaser, the District will forthwith prepare and furnish to the Underwriter an amendment or supplement that will amend or supplement the Official Statement so that it will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at the time that the Official Statement is delivered to a purchaser, not misleading. The District will cooperate with the Underwriter in the filing by the Underwriter of such amendment or supplement to the Official Statement with the MSRB. As used herein, the term “**end of the underwriting period**” means the later of such time as: (i) the District delivers the Bonds to the Underwriter; or (ii) the Underwriter does not retain, directly or as a member of an underwriting syndicate, an unsold balance of the Bonds for sale to the public. Notwithstanding the foregoing, unless the Underwriter gives notice to the contrary, the “end of the underwriting period” will be the date of the Closing. Any notice that is delivered pursuant to this provision will be written notice delivered to the District at or prior to the date of the Closing and will specify a date (other than the date of the Closing) to be deemed the “end of the underwriting period.”

### **Section 11. Payment of Expenses.**

(a) The Underwriter shall be under no obligation to pay, and the District shall pay the following expenses incident to the performance of the District’s obligations hereunder:

(i) the fees and disbursements of Bond Counsel, Jones Hall, A Professional Law Corporation, the District’s disclosure counsel, and Fieldman, Rolapp & Associates, Inc., the District’s municipal advisor (the “**Municipal Advisor**”);

(ii) the cost of printing and delivering the Bonds, the Preliminary Official Statement and the Official Statement (and any amendment or supplement that is prepared pursuant to Section 10 of this Purchase Contract);

(iii) the fees and disbursements of accountants, advisors and any other experts or consultants retained by the District, including the District’s general counsel; and

(iv) any other expenses and costs of the District that are incident to the performance of its obligations in connection with the authorization, issuance and sale of the Bonds, including out-of-pocket expenses and regulatory expenses, reimbursement to the Underwriter for any meals and travel for District employees or officers that were paid for by the Underwriter and any other expenses agreed to by the parties.

(b) The Underwriter shall pay all expenses incurred by it in connection with the public offering and distribution of the Bonds including, but not limited to:

(i) all advertising expenses in connection with the offering of the Bonds; and

(ii) all out-of-pocket disbursements and expenses incurred by the Underwriter in connection with the offering and distribution of the Bonds (including, without limitation, the fees and expenses of its counsel and MSRB, CUSIP Bureau, California Debt and Investment Advisory Commission and California Public Securities Association fees, if any), except as provided in clause (a) above or as otherwise agreed to by the Underwriter and the District.

**Section 12. Notices.** Any notice or other communication to be given to the District under this Purchase Contract may be given by delivering the same in writing to the District at the address that is set forth on the first page of this Purchase Contract, and any notice or other communication to be given to the Underwriter under this Purchase Contract may be given by delivering the same in writing to:

Stifel, Nicolaus & Company, Incorporated  
One Montgomery Street, 35th Floor  
San Francisco, California 94104  
Attention: Anna Van Degna

**Section 13. Survival of Representations, Warranties, Agreements.** All of the District's representations, warranties and agreements that are contained in this Purchase Contract shall remain operative and in full force and effect regardless of: (a) any investigations made by or on behalf of the Underwriter; or (b) delivery of and payment for the Bonds pursuant to this Purchase Contract. The agreements contained in this Section and in Section 11 shall survive the termination of this Purchase Contract.

**Section 14. Benefit; No Assignment.** This Purchase Contract is made solely for the benefit of the District and the Underwriter (including their successors and assigns), and no other person shall acquire or have any right hereunder or by virtue hereof. The rights and obligations created by this Purchase Contract are not subject to assignment by the Underwriter or the District without the prior written consent of the other party hereto.

**Section 15. Severability.** In the event that any provision of this Purchase Contract is held to be invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision of this Purchase Contract.

**Section 16. Counterparts.** This Purchase Contract may be executed in any number of counterparts, all of which taken together shall constitute one agreement, and any of the parties hereto may execute the Purchase Contract by signing any such counterpart.

## Section 17. Establishment of Issue Price.

(a) The Underwriter agrees to assist the District in establishing the issue price of the Bonds and shall execute and deliver to the District at Closing an “issue price” or similar certificate, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit E, with such modifications as may be appropriate or necessary, in the reasonable judgment of the Underwriter, the District and Bond Counsel, to accurately reflect, as applicable, the sales price or prices or the initial offering price or prices to the public of the Bonds. All actions to be taken by the District under this section to establish the issue price of the Bonds may be taken on behalf of the District by its Municipal Advisor, identified herein, and any notice or report to be provided to the District may be provided to the Municipal Advisor.

(b) [Except as otherwise set forth in Exhibit A,] the District will treat the first price at which 10% of each maturity of the Bonds (the “10% test”) is sold to the public as the issue price of that maturity (if different interest rates apply within a maturity, each separate CUSIP number within that maturity will be subject to the 10% test). At or promptly after the execution of this Purchase Contract, the Underwriter shall report to the District the price or prices at which it has sold to the public each maturity of Bonds. If at that time the 10% test has not been satisfied as to any maturity of the Bonds, the Underwriter agrees to promptly report to the District the prices at which it sells the unsold Bonds of that maturity to the public. That reporting obligation shall continue, whether or not the Closing Date has occurred, until the 10% test has been satisfied as to the Bonds of that maturity or until all Bonds of that maturity have been sold to the public.

(c) [The Underwriter confirms that it has offered the Bonds to the public on or before the date of this Purchase Contract at the offering price or prices (the “initial offering price”), or at the corresponding yield or yields, set forth in Exhibit A, except as otherwise set forth therein. Exhibit A also sets forth, identified under the column “Hold the Offering Price Rule Used,” as of the date of this Purchase Contract, the maturities, if any, of the Bonds for which the 10% test has not been satisfied and for which the District and the Underwriter agree that the restrictions set forth in the next sentence shall apply, which will allow the District to treat the initial offering price to the public of each such maturity as of the sale date as the issue price of that maturity (the “hold-the-offering-price rule”). So long as the hold-the-offering-price rule remains applicable to any maturity of the Bonds, the Underwriter will neither offer nor sell unsold Bonds of that maturity to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

(i) the close of the fifth (5th) business day after the sale date; or

(ii) the date on which the Underwriter has sold at least 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

The Underwriter shall promptly advise the District when it has sold 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public, if that occurs prior to the close of the fifth (5th) business day after the sale date.]

(d) The Underwriter confirms that any selling group agreement and any retail distribution agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each dealer who is a member of the selling group and each broker-dealer that is a party to such retail distribution agreement, as applicable, to: (1)

report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the Underwriter that either the 10% test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the public; and (2) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the Underwriter. The District acknowledges that, in making the representation set forth in this subsection, the Underwriter will rely on: (A) in the event that a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the hold-the-offering-price rule, if applicable, as set forth in a selling group agreement and the related pricing wires; and (B) in the event that a retail distribution agreement was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the hold-the-offering-price rule, if applicable, as set forth in the retail distribution agreement and the related pricing wires. The District further acknowledges that the Underwriter shall not be liable for the failure of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail distribution agreement, to comply with its corresponding agreement regarding the hold-the-offering-price rule as applicable to the Bonds.

(e) The Underwriter acknowledges that sales of any Bonds to any person that is a related party to the Underwriter shall not constitute sales to the public for purposes of this section. Further, for purposes of this section:

(i) “public” means any person other than an underwriter or a related party;

(ii) “underwriter” means: (A) any person that agrees pursuant to a written contract with the District (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public; and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the public);

(iii) a purchaser of any of the Bonds is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to: (A) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another); (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another); or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other); and

(iv) “sale date” means the date of execution of this Purchase Contract by all parties.

**Section 18. Governing Law.** This Purchase Contract shall be governed by the laws of the State.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

**Section 19. Effectiveness.** This Purchase Contract shall become effective upon the execution of the acceptance hereof by an authorized officer of the District, and shall be valid and enforceable as of the time of such acceptance.

Very truly yours,

STIFEL, NICOLAUS & COMPANY,  
INCORPORATED

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

Accepted:

DUBLIN SAN RAMON SERVICES DISTRICT

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

Time of Execution: \_\_\_\_\_ California Time

## EXHIBIT A

\$ \_\_\_\_\_

**DUBLIN SAN RAMON SERVICES DISTRICT  
2017 WATER REVENUE REFUNDING BONDS**

## MATURITY SCHEDULE

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\* Term Bond.

(c) Priced to first optional redemption date of       1, 20       at par.

## EXHIBIT B

\$ \_\_\_\_\_ \*

**DUBLIN SAN RAMON SERVICES DISTRICT  
2017 WATER REVENUE REFUNDING BONDS****RULE 15c2-12 CERTIFICATE**

The undersigned hereby certifies and represents that the undersigned is the duly appointed and acting representative of the Dublin San Ramon Services District (the “**District**”), and as such is duly authorized to execute and deliver this Certificate on behalf of the District, and further hereby certifies and reconfirms on behalf of the District as follows:

(1) This Certificate is delivered in connection with the offering and sale of the above captioned bonds (the “**Bonds**”) in order to enable the underwriter of the Bonds to comply with Securities and Exchange Commission Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 (the “**Rule**”).

(2) In connection with the offering and sale of the Bonds, there has been prepared a Preliminary Official Statement, setting forth information concerning the Bonds and the District (the “**Preliminary Official Statement**”).

(3) As used herein, “**Permitted Omissions**” means the offering price(s), interest rate(s), selling compensation, aggregate principal amount, principal amount per maturity, delivery dates, ratings and other terms of the Bonds depending on such matters, all with respect to the Bonds.

(4) The Preliminary Official Statement is, except for the Permitted Omissions, deemed final within the meaning of the Rule, and the information therein is accurate and complete except for the Permitted Omissions.

Dated: December \_\_, 2017

DUBLIN SAN RAMON SERVICES DISTRICT

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

---

\* *Preliminary; subject to change.*

## EXHIBIT C

\$ \_\_\_\_\_

**DUBLIN SAN RAMON SERVICES DISTRICT  
2017 WATER REVENUE REFUNDING BONDS****CLOSING CERTIFICATE OF THE DISTRICT**

The undersigned hereby certifies and represents that the undersigned is the duly appointed and acting representative of the Dublin San Ramon Services District (the “**District**”), and is duly authorized to execute and deliver this Certificate and further hereby certifies and reconfirms on behalf of the District as follows:

(i) The representations, warranties and covenants of the District that are contained in the Bond Purchase Contract, dated December \_\_, 2017 (the “**Purchase Contract**”), by and between the District and Stifel, Nicolaus & Company, Incorporated, as underwriter, are true and correct and in all material respects on and as of the date of the Closing, with the same effect as if made on the date of the Closing.

(ii) The District Resolution is in full force and effect at the date of the Closing and has not been amended, modified or supplemented, except as agreed to by the District and the Underwriter.

(iii) The District has complied with all of the agreements and satisfied all of the conditions on its part to be performed or satisfied on or prior to the date of the Closing.

(iv) The statements and descriptions in the Official Statement that pertain to the District do not contain any untrue or misleading statement of a material fact and do not omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they are made, not misleading.

Capitalized terms used but not defined herein have the meanings given to such terms in the Purchase Contract.

Dated: December \_\_, 2017

DUBLIN SAN RAMON SERVICES DISTRICT

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

## EXHIBIT D

\$ \_\_\_\_\_  
**DUBLIN SAN RAMON SERVICES DISTRICT  
2017 WATER REVENUE REFUNDING BONDS**

## OPINION OF GENERAL COUNSEL

December \_\_, 2017

Dublin San Ramon Services District  
7051 Dublin Boulevard  
Dublin, California 94568

Stifel, Nicolaus & Company, Incorporated  
One Montgomery Street, 35th Floor  
San Francisco, California 94104

with reference to

\$ \_\_\_\_\_  
**DUBLIN SAN RAMON SERVICES DISTRICT  
2017 WATER REVENUE REFUNDING BONDS**

Ladies and Gentlemen:

In my capacity as the General Counsel to the Dublin San Ramon Services District (the “**District**”), in connection with the issuance by the District of the above-referenced bonds (the “**Bonds**”) pursuant to the Indenture of Trust, dated as of December 1, 2017 (the “**Indenture**”), by and between the District and The Bank of New York Mellon Trust Company, N.A., as trustee, and pursuant to Resolution No. \_\_-17 of the Board of Directors of the District adopted on December 5, 2017 (the “**District Resolution**”), I have examined the Indenture, the District Resolution, the Bond Purchase Contract, dated December \_\_, 2017 (the “**Purchase Contract**”), by and between Stifel, Nicolaus & Company, Incorporated, as underwriter, and the District, the Escrow Deposit and Trust Agreement, dated as of December 1, 2017, by and between the District and The Bank of New York Mellon Trust Company, N.A., as escrow agent, and the Continuing Disclosure Certificate of the District dated the date hereof relating to the Bonds (collectively, the “**District Agreements**”), as well as the Official Statement dated December \_\_, 2017 relating to the Bonds, and such documents as I have deemed relevant and necessary as the basis for the opinion set forth herein. Capitalized terms that are used and not otherwise defined herein have the same meanings as assigned to them in the Purchase Contract.

Relying on my examination as described above and pertinent law and subject to the limitations and qualifications set forth hereinafter, I am of the following opinion:

1. The District is a community services district that is duly organized and existing under the laws of the State of California, and has all necessary power and authority to adopt the District Resolution and to enter into and perform its duties under the District Agreements.

2. The District Resolution was duly adopted at a regular meeting of the Board of Directors of the District that was duly called and held on December 5, 2017 pursuant to law, with all required public notice and at which a quorum was present and acting throughout. The District Resolution is in full force and effect and has not been amended, rescinded or repealed.

3. The District has duly authorized, executed and delivered the District Agreements. Assuming due authorization, execution and delivery by and enforceability against the other parties thereto, if and as necessary, the District Agreements constitute legal, valid and binding agreements of the District enforceable against the District in accordance with their terms, except as the enforceability thereof may be limited by applicable bankruptcy, insolvency, debt adjustment, fraudulent conveyance or transfer, moratorium, reorganization or other laws affecting the enforcement of creditors' rights generally and equitable remedies if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and limitations on remedies against public agencies.

4. Except as disclosed in the Official Statement, there is no action, suit or proceeding before or by any court, public board or body pending (with service of process having been duly accomplished on the District) and, to the best of my knowledge, there is no action, suit or proceeding threatened wherein an unfavorable decision, ruling or finding would: (a) affect the creation, organization, existence or powers of the District or the titles of its officers to their respective offices; (b) in any way question or affect the validity or enforceability of the District Agreements or the Bonds; (c) render illegal, invalid or unenforceable the District Agreements or the transactions contemplated thereby, or any other agreement or instrument related to the issuance of the Bonds to which the District is a party; or (d) have a material adverse effect on the ability of the District to make payments of principal of and interest on the Bonds when due.

5. To my best knowledge after due investigation, the execution and delivery of the District Agreements and compliance with the provisions thereof will not conflict with or constitute a breach of or default under any applicable law or administrative rule or regulation of the State of California, the United States or any department, division, agency or instrumentality of either thereof, any applicable court or administrative decree or order or any loan agreement, note, resolution, indenture, trust agreement, contract, agreement or other instrument to which the District is a party or is otherwise subject or bound in a manner that would materially adversely affect the District's performance under the District Agreements.

6. Based upon my examination, and without having undertaken to determine independently or assuming any responsibility for the accuracy or completeness or fairness of the statements contained in the Official Statement, as a matter of fact and not opinion, no facts have come to my attention which would cause me to believe that the Official Statement as of its date and as of the Closing (except for: (1) the expressions of opinion, the assumptions, the projections, the financial statements, or other financial, numerical, economic, demographic statistical or engineering data, forecasts, charts and estimates contained in the Official Statement; (2) any CUSIP numbers or information relating thereto; and (3) any information with respect to DTC and DTC's book-entry system) contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

This opinion is based on such examination of the laws of the State of California as I have deemed relevant for the purposes of this opinion. I have not considered the effect, if any, of the laws of any other jurisdiction upon matters covered by this opinion. I have assumed the genuineness of all documents and signatures, presented to me. I have not undertaken to verify independently, and have assumed, the accuracy of the factual matters represented, warranted or certified in such documents. I express no opinion as to the status of the Bonds, the interest thereon or the District Agreements under any federal securities laws or any state securities or "Blue Sky" law or any federal, state or local tax law. Without limiting any of the foregoing, I express no opinion as to any matter other than as expressly set forth above.

I am furnishing this opinion as General Counsel to the District. Except for the District, no attorney-client relationship has existed or exists between me and the addressees hereof in connection with the Bonds or by virtue of this opinion. This opinion is rendered solely in connection with the financing described herein, and may not be relied upon by you for any other purpose. I disclaim any obligation to update this opinion. This opinion shall not extend to, and may not be used, quoted, referred to, or relied upon by any other person, firm, corporation or other entity without my prior written consent.

Respectfully submitted,

## EXHIBIT E

\$ \_\_\_\_\_  
**DUBLIN SAN RAMON SERVICES DISTRICT  
2017 WATER REVENUE REFUNDING BONDS**

## UNDERWRITER'S CERTIFICATE

The undersigned, on behalf of Stifel, Nicolaus & Company, Incorporated (the “**Underwriter**”), hereby certifies as set forth below with respect to the sale and issuance of the above-captioned bonds (the “**Bonds**”).

1. ***Sale of the General Rule Maturities.*** As of the date of this certificate, for each Maturity of the General Rule Maturities, the first price at which at least 10% of such Maturity was sold to the Public is the respective price listed in Schedule A.

2. ***[Initial Offering Price of the Hold-the-Offering-Price Maturities.***

(a) The Underwriter offered the Hold-the-Offering-Price Maturities to the Public for purchase at the respective initial offering prices listed in Schedule I (the “**Initial Offering Prices**”) on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Bonds is attached to this certificate as Schedule II.

(b) As set forth in the Bond Purchase Contract, dated December \_\_, 2017, by and between the Underwriter and the Issuer, the Underwriter has agreed in writing that: (i) for each Maturity of the Hold-the-Offering-Price Maturities, it would neither offer nor sell any of the Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the “**hold-the-offering-price rule**”); and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, no Underwriter (as defined below) has offered or sold any Maturity of the Hold-the-Offering-Price Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of the Bonds during the Holding Period.]

3. ***Defined Terms.***

(a) ***General Rule Maturities*** means those Maturities of the Bonds listed in Schedule I hereto as the “General Rule Maturities.”

(b) ***[Hold-the-Offering-Price Maturities*** means those Maturities of the Bonds listed in Schedule I hereto as the “Hold-the-Offering-Price Maturities.”

(c) ***Holding Period*** means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date (December \_\_, 2017), or (ii) the date on which the Underwriter has sold at least 10% of such Hold-the-Offering-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold-the-Offering-Price Maturity.]

(d) *Issuer* means the Dublin San Ramon Services District.

(e) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

(f) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(g) [*Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is December \_\_, 2017.

(h) *Underwriter* means: (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public; and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).]

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Underwriter’s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Bond Counsel in connection with rendering their opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

STIFEL, NICOLAUS & COMPANY,  
INCORPORATED

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

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

Dated: December \_\_, 2017

**Schedule I**

**SALE PRICES OF THE GENERAL RULE MATURITIES [AND INITIAL OFFERING  
PRICES OF THE HOLD-THE-OFFERING-PRICE MATURITIES]**

*(Attached)*

**Schedule II**  
**PRICING WIRE OR EQUIVALENT COMMUNICATION**  
*(Attached)*

**PRELIMINARY OFFICIAL STATEMENT DATED \_\_\_\_\_, 2017****NEW ISSUE  
FULL BOOK-ENTRY****RATING: S&P: "\_\_\_"**

*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 2017 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 imposed on individuals and corporations, although for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest is taken into account in determining certain income and earnings. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See "TAX MATTERS."*

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**DUBLIN SAN RAMON SERVICES DISTRICT  
2017 WATER REVENUE REFUNDING BONDS****Dated: Date of Delivery****Due: August 1, as shown on inside cover**

The captioned bonds (the "2017 Bonds") are being issued by the Dublin San Ramon Services District (the "District") under an Indenture of Trust dated as of December 1, 2017 (the "Indenture") between the District and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). Proceeds of the 2017 Bonds will be used to (i) defease, pay and redeem on an advance basis the District's bonds captioned "\$35,620,000 Dublin San Ramon Services District 2011 Water Revenue Refunding Bonds," which are outstanding in the aggregate principal amount of \$34,215,000 as of August 2, 2017, and (ii) pay the costs of issuing the 2017 Bonds.

The 2017 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 certificates representing their ownership interest in the 2017 Bonds. Interest on the 2017 Bonds is payable on August 1 and February 1 of each year, commencing February 1, 2018, by the Trustee to DTC for subsequent disbursement to DTC participants, so long as DTC or its nominee remains the registered owner of the 2017 Bonds.

***The 2017 Bonds are subject to redemption prior to maturity. See "THE 2017 BONDS – Redemption."***

***The 2017 Bonds are special obligations of the District and are payable exclusively from Net Revenues (as defined in this Official Statement) of the District's existing water system, comprising all facilities for the obtaining, conserving, treating, distributing, storing and supplying of water for domestic use, irrigation, sanitation, industrial use, fire protection, recreation, or any other public or private uses (the "Water System"), and from amounts on deposit in certain funds and accounts established under the Indenture. Under the Indenture, the District may issue additional obligations secured by Net Revenues on a parity with the 2017 Bonds, provided that the conditions set forth in the Indenture are met. See "RISK FACTORS" and "SECURITY FOR THE 2017 BONDS – Parity Debt. The District will neither fund nor maintain a debt service reserve fund for the 2017 Bonds.***

**THE 2017 BONDS ARE NOT A DEBT, LIABILITY OR OBLIGATION OF THE STATE OF CALIFORNIA, OR ANY OF ITS POLITICAL SUBDIVISIONS OTHER THAN THE DISTRICT, AND NEITHER THE STATE NOR ANY OF ITS POLITICAL SUBDIVISIONS, OTHER THAN THE DISTRICT, IS LIABLE THEREFOR. THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE 2017 BONDS ARE PAYABLE SOLELY FROM NET REVENUES PLEDGED BY THE DISTRICT FROM THE DISTRICT'S WATER SYSTEM AND AMOUNTS IN CERTAIN FUNDS AND ACCOUNTS HELD UNDER THE INDENTURE. NEITHER THE DISTRICT NOR ANY PERSONS EXECUTING THE 2017 BONDS ARE LIABLE PERSONALLY ON THE 2017 BONDS BY REASON OF THEIR ISSUANCE.**

This cover page contains certain information for quick reference only. It is not intended to be a summary of all factors relating to an investment in the 2017 Bonds. Investors should review the entire Official Statement before making any investment decision.

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**MATURITY SCHEDULE****(See inside cover)**

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*The 2017 Bonds are offered when, as and if issued, and accepted by the Underwriter, subject to approval as to legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, and subject to certain other conditions. Jones Hall is also acting as Disclosure Counsel to the District. Certain legal matters will be passed upon for the Underwriter by Stradling Yocca Carlson and Rauth, a Professional Corporation. It is anticipated that the 2017 Bonds will be available for delivery in book-entry form on or about \_\_\_\_\_, 2017.*

**STIFEL**


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\* Preliminary; subject to change.

Dated: \_\_\_\_\_, 2017

## MATURITY SCHEDULE\*

Base CUSIP<sup>†</sup>: 26371U

<u>Maturity (August 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP<sup>†</sup> Number</u>
2018				
2019				
2020				
2021				
2022				
2023				
2024				
2025				
2026				
2027				
2028				
2029				
2030				
2031				
2032				
2033				
2034				
2035				
2036				
2037				

\$\_\_\_\_\_ % Term Bonds due August 1, 2041 Price: \_\_\_\_\_%; CUSIP<sup>†</sup> \_\_\_\_\_

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<sup>†</sup> Copyright 2017, American Bankers Association. CUSIP data herein are provided by S&P Global Market Intelligence, and are provided for convenience of reference only. Neither the District nor the Underwriter assumes any responsibility for the accuracy of these CUSIP data.

## GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

**No Offering May Be Made Except by this Official Statement.** No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations with respect to the 2017 Bonds other than as contained in this Official Statement, and if given or made, such other information or representation must not be relied upon as having been authorized.

**No Unlawful Offers or Solicitations.** This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

**Effective Date.** This Official Statement speaks only as of its date, and the information and expressions of opinion contained in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the 2017 Bonds will, under any circumstances, create any implication that there has been no change in the affairs of the District or any other parties described in this Official Statement.

**Use of this Official Statement.** This Official Statement is submitted in connection with the sale of the 2017 Bonds referred to in this Official Statement and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not a contract with the purchasers of the 2017 Bonds.

**Preparation of this Official Statement.** The information contained in this Official Statement has been obtained from sources that are believed to be reliable, but this information is not guaranteed as to accuracy or completeness.

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

**Document References and Summaries.** All references to and summaries of the Indenture or other documents contained in this Official Statement are subject to the provisions of those documents and do not purport to be complete statements of those documents.

**2017 Bonds are Exempt from Securities Laws Registration.** The issuance and sale of the 2017 Bonds have not been registered under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, in reliance upon exemptions for the issuance and sale of municipal securities provided under Section 3(a)(2) of the Securities Act of 1933 and Section 3(a)(12) of the Securities Exchange Act of 1934.

**Stabilization of Prices.** In connection with this offering, the Underwriter may overallot or effect transactions which stabilize or maintain the market price of the 2017 Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the 2017 Bonds to certain dealers and others at prices lower than the public offering prices set forth on the cover page hereof and said public offering prices may be changed from time to time by the Underwriter.

**Estimates and Projections.** Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget" or other similar words.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE DISTRICT DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR.

**Website References.** The information contained in any website referred to in this Official Statement may not be current, has not been reviewed by the District and is not incorporated in this Official Statement by reference.

**District's Website.** The District maintains a website; however, the information presented on the website is not a part of this Official Statement and should not be relied upon in making an investment decision with respect to the 2017 Bonds.

# DUBLIN SAN RAMON SERVICES DISTRICT

## BOARD OF DIRECTORS

Richard Halket, *President*  
Georangean Vonheeder-Leopold, *Vice President*  
Edward R. Duarte, *Director*  
D.L. Howard, *Director*  
Madelynne Misheloff, *Director*

## DISTRICT STAFF

Daniel McIntyre, PE, *General Manager*  
Carol Atwood, CPA, *Administrative Services Manager*  
Jeff Carson, *Operations Manager*  
Judy Zavadil, PE, *Engineering Services Manager*

## BOND RELATED SERVICES

### Municipal Advisor

Fieldman, Rolapp & Associates, Inc.  
Irvine, California

### Bond and Disclosure Counsel

Jones Hall, A Professional Law Corporation  
San Francisco, California

### Verification Agent

Grant Thornton LLP  
Minneapolis, Minnesota

### Trustee

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

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- APPENDIX D - FORM OF BOND COUNSEL OPINION
- APPENDIX E - FORM OF CONTINUING DISCLOSURE CERTIFICATE
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## OFFICIAL STATEMENT

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**DUBLIN SAN RAMON SERVICES DISTRICT**  
**2017 WATER REVENUE REFUNDING BONDS**

### INTRODUCTION

*This Official Statement, including the cover page and appendices, is provided to furnish information in connection with the sale by the Dublin San Ramon Services District (the “**District**”) of its 2017 Water Revenue Refunding Bonds (the “**2017 Bonds**”). This Introduction contains a brief summary of certain information contained in this Official Statement. It is not intended to be complete and is qualified by the more detailed information contained elsewhere in this Official Statement. Definitions of certain terms used in this Official Statement are set forth in “APPENDIX B – Summary of Certain Provisions of the Indenture.”*

**Authority for Issuance.** The 2017 Bonds are being issued 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 (the “**Bond Law**”) and an Indenture of Trust (the “**Indenture**”) dated as of December 1, 2017, between the District and The Bank of New York Mellon Trust Company, N.A., as trustee (the “**Trustee**”).

**Use of Proceeds.** The proceeds of the 2017 Bonds will be used to (i) defease, pay and redeem on an advance basis the District’s bonds captioned “\$35,620,000 Dublin San Ramon Services District 2011 Water Revenue Refunding Bonds,” which are outstanding in the aggregate principal amount of \$34,215,000 as of August 2, 2017 (the “**Prior Bonds**”), and (ii) pay the costs of issuing the 2017 Bonds. See “REFUNDING PLAN.”

**Security for the 2017 Bonds.** The 2017 Bonds will be payable from and secured by Net Revenues (as defined in this Official Statement) derived from the operation of the District’s existing water system, comprising all facilities for the obtaining, conserving, treating, distributing, storing and supplying of water for domestic use, irrigation, sanitation, industrial use, fire protection, recreation, or any other public or private uses (the “**Water System**”). See “SECURITY FOR THE 2017 BONDS.” The District will neither fund nor maintain a debt service reserve fund for the 2017 Bonds.

**Rate Covenant.** In the Indenture, the District covenants to fix, prescribe, revise and collect rates, fees and charges to generate sufficient Net Revenues to pay debt service on the

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\* Preliminary; subject to change.

2017 Bonds. See “SECURITY FOR THE 2017 BONDS – Rate Covenant; Collection of Rates and Charges.”

**Parity Debt.** The District is authorized to incur additional obligations payable from Net Revenues on a parity basis with the 2017 Bonds. See “SECURITY FOR THE 2017 BONDS – Parity Debt.”

**Limited Obligation.** Neither the 2017 Bonds nor the obligation to pay principal of or interest thereon constitutes a debt, obligation or liability of the District, the State of California or any of its political subdivisions within the meaning of any Constitutional limitation on indebtedness, or a pledge of the full faith and credit of the District. The 2017 Bonds are secured solely by the pledge of Net Revenues by the District and certain funds held under the Indenture. The 2017 Bonds are not secured by a pledge of the taxing power of the District.

**Risk Factors.** The purchase of the 2017 Bonds involves certain risks. For a description of some of these risks, see “RISK FACTORS.”

**The District.** The District is a community services district formed in April 1953. Originally called Parks Community Services District and, beginning in 1960, Valley Community Services District, the District was renamed Dublin San Ramon Services District in 1977. In 1988, the newly incorporated cities of Dublin (“**Dublin**”) and San Ramon (“**San Ramon**”) assumed many of the government services the District had been providing (such as recreation and parks, garbage collection and fire protection), enabling the District to focus on water and wastewater, and eventually, recycled water services.

The District’s service area lies within the Tri-Valley, part of the East Bay region of the San Francisco Bay Area. The District provides water distribution and wastewater collection and treatment services to residential, commercial and institutional customers in Dublin; wastewater collection and treatment services to residential, commercial and institutional customers in the southern end of San Ramon; water distribution services to residential, commercial and institutional customers in the Dougherty Valley, a section of San Ramon; and, by contract, wastewater treatment services to the City of Pleasanton (“**Pleasanton**”). No revenues of the District’s wastewater enterprise are pledged as security for the 2017 Bonds.

The District services approximately 178,000 people. The District also partners with East Bay Municipal Utility District and Pleasanton to produce and distribute recycled water or irrigation in the agencies’ respective service areas.

For selected financial, economic and demographic information about the District, see “APPENDIX C – Dublin San Ramon Services District and the Water System.” The District’s audited financial statements for the fiscal year ended June 30, 2017, are attached as Appendix A.

**Definitive Statement.** All descriptions and summaries of various documents in this Official Statement do not purport to be comprehensive or definitive, and reference is made to each document for complete details of all terms and conditions. All statements in this Official Statement are qualified in their entirety by reference to each document. Certain capitalized terms used in this Official Statement and not defined in this Official Statement have the meaning given them in “APPENDIX B – Summary of Certain Provisions of the Indenture.”

## REFUNDING PLAN

The proceeds of the 2017 Bonds will be used to (i) defease, pay and redeem on an advance basis the Prior Bonds and (ii) pay the costs of issuing the 2017 Bonds.

### Refunding of Prior Bonds

A portion of the proceeds of the 2017 Bonds will be used for the purpose of defeasing and paying the outstanding Prior Bonds, which are listed in the table below, and redeeming the Prior Bonds maturing on or after August 1, 2021, on February 1, 2021 (the “**Redemption Date**”), at a redemption price equal to the principal amount of such Prior Bonds to be redeemed, plus accrued interest to the Redemption Date, without premium. Upon the issuance of the 2017 Bonds, the Prior Bonds will be defeased pursuant to the terms of the Indenture and all obligations of the District under the Prior Bonds will be discharged.

Maturity Date (August 1)	Prior Bonds to Be Defeased on Issuance of the 2017 Bonds
2018	\$315,000
2019	330,000
2020	340,000
2021	360,000
2022	375,000
2023	395,000
2024	415,000
2025	435,000
2026	975,000
2027	1,360,000
2028	1,425,000
2029	1,500,000
2032	5,000,000
2034	3,810,000
2036	4,235,000
2041	<u>12,945,000</u>
<b>Total</b>	<b>\$34,215,000</b>

Pursuant to an Escrow Deposit and Trust Agreement, dated as of December 1, 2017 (the “**Escrow Agreement**”), by and between the District and The Bank of New York Mellon Trust Company, N.A., as escrow bank (the “**Escrow Bank**”), the Escrow Bank will establish an escrow fund for the Prior Bonds (the “**Escrow Fund**”). The Escrow Bank will hold the Escrow Fund in trust as an irrevocable escrow securing the payment of the Prior Bonds. *The moneys held by the Escrow Bank in the Escrow Fund will not be available for payment of the 2017 Bonds, except that following the payment and redemption of the outstanding Prior Bonds in full, the Escrow Bank will transfer any amounts remaining on deposit in the Escrow Fund to the Trustee for deposit in the Debt Service Fund established under the Indenture, to be applied to pay interest next coming due and payable on the 2017 Bonds.*

Upon the delivery date of the 2017 Bonds, the Escrow Bank will deposit a portion of the proceeds of the 2017 Bonds into the Escrow Fund. The Escrow Bank will invest \$\_\_\_\_\_ of the deposit amount in certain non-callable Federal Securities (defined below) and the remaining \$\_\_\_\_\_ in cash, uninvested. The principal of and interest on the Federal Securities, together with any amounts held as cash in the Escrow Fund, will be sufficient to pay the scheduled principal and interest on the Prior Bonds until the redemption date shown in the table above and, on such date, the principal amount to be redeemed, without premium, plus accrued interest.

“**Federal Securities**” means any of the following which at the time of investment are legal investments under the laws of the State of California for the funds purported to be invested therein: (a) direct general obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America); and (b) obligations of any agency, department or instrumentality of the United States of America the timely payment of principal of and interest on which are fully secured or guaranteed by the full faith and credit of the United States of America.

See “**VERIFICATION OF MATHEMATICAL COMPUTATIONS**” below.

## **Estimated Sources and Uses of Funds**

The anticipated sources and uses of funds relating to the 2017 Bonds are as follows:

### **Sources:**

Principal Amount of the 2017 Bonds

Plus Net Original Issue Premium

Plus Contribution from District

*Total Sources:*

### **Uses:**

Deposit into Escrow Fund

Costs of Issuance <sup>(1)</sup>

Underwriter’s Discount

*Total Uses:*

(1) Includes fees of Escrow Bank, Trustee, Municipal Advisor, Bond Counsel and Disclosure Counsel and Verification Agent; printing costs; rating agency fees and other related costs.

## **Debt Service Schedule**

Scheduled debt service on the 2017 Bonds is shown in the following table, which assumes no optional or extraordinary redemptions.

### **DUBLIN SAN RAMON SERVICES DISTRICT 2017 Water Revenue Refunding Bonds Debt Service Schedule**

<u>Bond Year Ending August 1</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Total</u>
2018			
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
Total			

## THE 2017 BONDS

### Description

The 2017 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 August 1 and February 1 (each, an “**Interest Payment Date**”), commencing February 1, 2018, and will mature on the dates and in the amounts set forth on the inside cover page. The 2017 Bonds will be issued in denominations of \$5,000 or any integral multiple thereof, so long as no 2017 Bond may have more than one maturity date. The 2017 Bonds will be issued only as one fully registered 2017 Bond for each maturity, in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“**DTC**”), as registered owner of all 2017 Bonds. See “APPENDIX F – DTC and the Book-Entry Only System.” Ownership may be changed only upon the registration books maintained by the Trustee, as provided in the Indenture. See the discussion under “Transfer and Exchange” below.

Interest on the 2017 Bonds is payable from the Interest Payment Date next preceding the date of authentication thereof unless:

- (a) a 2017 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 2017 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 2017 Bonds, or
- (c) interest on any 2017 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 2017 Bonds (including the final interest payment upon maturity) 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 2017 Bonds, which written request is on file with the Trustee as of any Record Date, interest on such 2017 Bonds will be paid on the succeeding Interest Payment Date to such account in the United States as specified in such written request.

**While the 2017 Bonds are held in the book-entry only system of DTC, all such payments will be made to Cede & Co., as the registered Owner of the 2017 Bonds.** The principal (including any mandatory sinking fund payments) of the 2017 Bonds and any premium upon redemption, are payable in lawful money of the United States of America upon presentation and surrender thereof at the principal corporate trust office of the Trustee. See “APPENDIX F – DTC and the Book-Entry Only System.”

## **Redemption\***

The 2017 Bonds are subject to redemption prior to maturity as described below.

**Optional Redemption.** The 2017 Bonds maturing on or before August 1, 20\_\_\_\_, are not subject to redemption prior to their respective stated maturities. The 2017 Bonds maturing on or after August 1, 20\_\_\_\_, 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 as directed in a certificate in writing signed by the General Manager or the Financial Services Manager/Treasurer of the District, or any other officer of the District duly authorized by the Board of Directors for that purpose (a “**Certificate of the District**”), on any date on or after August 1, 20\_\_\_\_, at a redemption price equal to the principal amount to be redeemed, plus accrued interest to the date fixed for redemption, without premium.

**Sinking Fund Redemption.** The 2017 Bonds maturing on August 1, 20\_\_\_\_ are subject to mandatory sinking fund redemption in part, by lot, on August 1 of each year in accordance with the schedule set forth below. The 2017 Bonds called for mandatory sinking fund redemption will be redeemed at the principal amount to be redeemed, plus accrued but unpaid interest, without premium.

Redemption Date	Sinking Fund
<u>(August 1)</u>	<u>Amount</u>
	\$

(maturity)

**Extraordinary Redemption.** The 2017 Bonds are subject to extraordinary redemption prior to their respective stated maturities, at the option of the District from Net Proceeds, in whole or in part as directed in a Certificate of the District, on any date, 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 2017 Bonds (as defined under “SECURITY FOR THE 2017 BONDS”) to be redeemed, notice of any redemption of 2017 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 30 days and not more than 60 days prior to the date fixed for redemption to the Owner of the 2017 Bond or Bonds to be redeemed at the address shown on the 2017 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 2017 Bonds.

**Contents of Notice.** All notices of redemption will be dated and will state:

- (i) the redemption date,

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\* Preliminary; subject to change.

(ii) the redemption price of the 2017 Bonds being redeemed (the “**Redemption Price**”),

(iii) if fewer than all Outstanding 2017 Bonds are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts) of the 2017 Bonds to be redeemed,

(iv) that on the redemption date the Redemption Price will become due and payable with respect to each such 2017 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 2017 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 optional redemption of 2017 Bonds by written notice to the Trustee on or prior to the date fixed for redemption. Any notice of optional redemption may be conditioned upon there being sufficient funds for the purposes of the redemption and 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 2017 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 2017 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.

**Deposit of Money.** On or prior to any redemption date, the District will deposit with the Trustee an amount of money sufficient to pay the Redemption Price of all the 2017 Bonds or portions of 2017 Bonds which are to be redeemed on that date.

**Consequences of Notice.** Notice of redemption having been given as required by the Indenture, the 2017 Bonds or portions of 2017 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 2017 Bonds or portions of 2017 Bonds will cease to have interest accrue thereon. Upon surrender of 2017 Bonds for redemption in accordance with a redemption notice, the 2017 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 2017 Bond, there will be prepared for the Owner a new 2017 Bond or Bonds of the same maturity in the amount of the unredeemed principal. All 2017 Bonds which have been redeemed will be cancelled and destroyed by the Trustee and will not be redelivered. Neither the failure of any 2017 Bond Owner to receive any notice so mailed nor any defect therein shall affect the sufficiency of the proceedings for redemption of any 2017 Bonds nor the cessation of accrual of interest thereon.

**Partial Redemption of 2017 Bonds.** In the event only a portion of any 2017 Bond is called for redemption, then upon surrender of such 2017 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 2017 Bond or Bonds, of the same series and maturity, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the 2017 Bond or Bonds.

**Manner of Redemption.** In the event of a partial redemption of any 2017 Bonds, the District shall direct the specific maturities to be redeemed in a Certificate of the District. Whenever any 2017 Bonds of a specific maturity are to be selected for redemption, the Trustee will determine, by lot, the numbers of the 2017 Bonds to be redeemed, and will notify the District of its determination.

**Purchase of 2017 Bonds in Lieu of Redemption.** In lieu of any mandatory sinking fund redemption of any 2017 Bonds, amounts on deposit in the Redemption Account may also be used and withdrawn by the District at any time for the purchase of such 2017 Bonds at public or private sale as and when and at such prices (including brokerage and other charges and including accrued interest) as the District may in its discretion determine. The par amount of any of such 2017 Bonds so purchased by the District in any twelve-month period ending on May 1 in any year will be credited towards and shall reduce the par amount of such 2017 Bonds required to be redeemed on the next succeeding August 1.

### **Transfer and Exchange**

*So long as the 2017 Bonds are registered in the name of Cede & Co., as nominee of DTC, transfers and exchanges of 2017 Bonds will be made in accordance with DTC procedures. See "Appendix F" below.*

**Transfer.** Any 2017 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 2017 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 2017 Bonds under the Indenture. Whenever any 2017 Bond or Bonds are surrendered for transfer, the District will execute and the Trustee will authenticate and deliver to the transferee a new 2017 Bond or Bonds of like series, interest rate, maturity and aggregate principal amount.

**Exchange.** The 2017 Bonds may be exchanged at the Office of the Trustee for a like aggregate principal amount of 2017 Bonds of other authorized denominations and of the same series, interest rate and maturity. The Trustee will collect any tax or other governmental charge on the exchange of any 2017 Bonds under the Indenture.

## SECURITY FOR THE 2017 BONDS

### Pledge of Net Revenues; Net Revenues

**Pledge of Net Revenues.** The 2017 Bonds and any Parity Debt are secured by a first pledge of all of the Net Revenues derived from operation of the Water System. In addition, the 2017 Bonds and any Parity Debt issued pursuant to a Supplemental Indenture (collectively, 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 2017 Bonds and any Parity Debt are equally secured by a first pledge, charge and lien upon the Net Revenues and such moneys without priority for series, issue, number or date, and the payment of the interest on and principal (including any mandatory sinking fund payments) of the 2017 Bonds shall be and are secured by an exclusive pledge, charge and lien upon the Net Revenues and such moneys.

So long as any of the 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.

If the amount of Net Revenues is at any time insufficient to enable the District to pay when due the principal (including any mandatory sinking fund payments) of and interest on the Bonds and the principal (including any mandatory sinking fund payments) of and interest on any Parity Debt, such payments will be made on a pro rata basis.

**Definition of Net Revenues.** Set forth below are the definitions of certain terms used in the Indenture:

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

**"Gross Revenues"** means, for any period of computation, all Charges received for, and all other income and revenues derived by the District from, the ownership or operation of the Water System or otherwise arising from the Water System during such period, including but not limited to (a) all Charges received by the District for use of the Water System, (b) all receipts derived from the investment of funds held by the District or the Trustee under the Indenture, (c) transfers from (but exclusive of any transfers to) the Rate Stabilization Fund and (d) all moneys received by the District from other public entities whose inhabitants are served by the Water System pursuant to contracts with the District.

The term "Gross 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 Water System, (iii) special assessments or special taxes levied upon real property within any improvement district for the purpose of paying capital improvement costs of the Water System, the costs of operating and maintaining the Water System, and paying special assessment bonds or special tax obligations of the District relating to the Water System, and (iv) Tax Revenues.

**"Charges"** means fees (including connection fees), tolls, assessments, rates and rentals prescribed by the District under the law of the State for the services and facilities of the Water System furnished by the District.

**"Tax Revenues"** means the property tax revenues received by the District from the San Ramon Valley Fire Protection District, or its successors, pursuant to an agreement between the District and the San Ramon Valley Fire Protection District, as approved by the Board of Directors of the District on March 4, 1997 by Resolution No. 16-97.

**"Operation and Maintenance Costs"** means the reasonable and necessary costs paid or incurred by the District for maintaining and operating the Water System, determined in accordance with generally accepted accounting principles, including but not limited to (a) all reasonable expenses of management and repair and other expenses necessary to maintain and preserve the Water System in good repair and working order, (b) the cost of water purchased by the District for delivery to the District's water customers, (c) payments required to be made to the DSRSD/EBMUD Recycled Water Authority, as described in more detail under the heading "THE WATER SYSTEM – Historical and Projected Water Supply and Demand" in Appendix C ("DERWA Payments"), and (d) all administrative costs of the District that are charged directly or apportioned to the operation of the Water System, such as salaries and wages of employees, and the necessary contribution to retirement of such employees, overhead, taxes (if any) and insurance.

"Operation and Maintenance Costs" do not include (i) payments of debt service on bonds, notes or other obligations issued by the District with respect to the Water System, (ii) depreciation, replacement and obsolescence charges or reserves therefor, (iii) amortization of intangibles or other bookkeeping entries of a similar nature and (iv) the costs of administering any special assessment districts relating to the Water System.

### **Deposit and Transfer of Net Revenues**

**Flow of Funds.** The District has previously established the Water Fund, which it will continue to hold and maintain for the purposes and uses set forth in the Indenture. The District will deposit all Gross Revenues in the Water Fund promptly upon receipt, and will apply amounts in the Water Fund solely for the uses and purposes set forth in the Indenture, for the uses and purposes set forth in the documents authorizing the issuance of Parity Debt. 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 Water 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 Water 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, the District will withdraw from the Water 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 (including any mandatory sinking fund payments) of and interest coming due and payable on the Bonds on such Interest Payment Date.

The Trustee will apply amounts in the Debt Service Fund solely for the purpose of (A) paying the interest on the Outstanding Bonds when due and payable, and (B) paying the principal (including any mandatory sinking fund payments) of the Bonds at the maturity thereof. Upon the payment of all Outstanding Bonds, the Trustee will transfer any moneys remaining in the Debt Service Fund to the District for deposit into the Water Fund.

**Other Uses of Water Fund.** The District will manage, conserve and apply moneys in the Water Fund in such a manner that the deposits required to be made under the Indenture, as described under the heading "Flow of Funds," will be made at the times and in the amounts so required.

Subject to the foregoing sentence, so long as no event of default has occurred and is continuing under and as defined in the Indenture, the District may use and apply moneys in the Water 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 Water System;
- (iii) the redemption of any obligations of the District relating to the Water System; or
- (iv) any other lawful purpose of the District relating to the Water System.

### **Rate Stabilization Fund**

The District has the right at any time to establish a fund to be held by it and administered in accordance with the Indenture, for the purpose of stabilizing the rates and charges imposed by the District with respect to the Water 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 a Rate Stabilization Fund and deposit such amounts in the Water Fund in any Fiscal Year for the purpose of paying Debt Service coming due and payable in such Fiscal Year. Amounts so transferred from a Rate Stabilization Fund to the Water Fund will constitute Gross Revenues for such Fiscal Year (except as otherwise provided in the Indenture), and will be applied for the purposes of the Water Fund. Amounts on deposit in a 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 a Rate Stabilization Fund and apply such amounts for any lawful purposes of the District.

The District has established a Rate Stabilization Fund (which is a sub-fund of the District's Water Fund) and, as of the date of issuance of the Bonds, expects to have \$12,868,948 on deposit in the Rate Stabilization Fund. The existing Rate Stabilization Fund is described at "APPENDIX C – Dublin San Ramon Services District and the Water System – Water System Finances – Management Policies."

## No Reserve Fund

The District will neither fund nor maintain a debt service reserve fund for the Bonds.

## Parity Debt

In addition to the 2017 Bonds, the District may issue any bonds, notes, loan agreements, installment sale agreements, leases or other obligations ("**Parity Debt**") payable from Net Revenues on a parity with the 2017 Bonds, provided that the following conditions are satisfied:

- (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, unless the Event of Default would be cured through the issuance of the proposed issuance of Parity Debt;
- (b) The amount of Net Revenues (excluding any transfers from the Rate Stabilization Fund) as shown by the books of the District for the most recently completed Fiscal Year for which audited financial statements of the District are available and verified by an Independent Accountant or a Financial Consultant or shown in the audited financial statements of the District, was no less than 120% of the amount of Debt Service coming due and payable in such Fiscal Year with respect to the 2017 Bonds and all Parity Debt then outstanding; and
- (c) The amount of Net Revenues (excluding any transfers from the Rate Stabilization Fund) 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 and 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 (as defined below), are no less than 120% of the amount of Debt Service coming due and payable in such Fiscal Year with respect to the 2017 Bonds and all Parity Debt then outstanding plus the Debt Service that would have been due and payable in such Fiscal Year if the Parity Debt then proposed to be issued had been issued at the beginning of such Fiscal Year.
- (d) The District will deliver to the Trustee a Certificate of the District certifying that the conditions precedent to the issuance of such Parity Debt described in paragraphs (a), (b) and (c) above have been satisfied.

**"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 Water System 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 Water System which has been duly adopted by the Board 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 the Indenture, 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.

The District is not obligated to fund a debt service reserve fund for the Parity Debt in connection with issuance of Parity Debt.

### **Rate Covenant; Collection of Rates and Charges**

The District has made the following rate covenants in the Indenture.

**Gross Revenues.** The District will fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Water System during each Fiscal Year which are at least sufficient, after making allowances for contingencies and error in the estimates, to yield Gross 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 (including any mandatory sinking fund payments) 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; 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 Gross Revenues or the Net Revenues during such Fiscal Year.

**Net Revenues.** The District is required to fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Water System during each Fiscal Year which are reasonably expected to be sufficient to yield Net Revenues which are at least equal to 120% of the amount described in clause (b), under the heading “- Gross Revenues,” 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 into the Water Fund in such Fiscal Year from the Rate Stabilization Fund are included in the calculation of Net Revenues, and (b) any deposits 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 Gross Revenues received by the District during that Fiscal Year. So long as the District has complied with its obligations described above, the failure of Net Revenues to equal 120% of the amount described in clause (b), under the heading “- Gross Revenues,” at the end of a Fiscal Year will not constitute a default or an Event of Default under the Indenture.

## **Insurance; Net Proceeds**

The District will at all times maintain with responsible insurers all such insurance on the Water System as is customarily maintained with respect to works and properties of like character against accident to, loss of or damage to the Water System. If any useful part of the Water System is damaged or destroyed, such part must be restored to usable condition. All amounts collected from insurance against accident to or destruction of any portion of the Water System will be used to repair or rebuild such damaged or destroyed portion of the Water System, and to the extent not so applied, will be applied to redeem (a) any Outstanding Bonds and (b) any Parity Debt in accordance with 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 Bonds.

## **THE DISTRICT**

For information about the District, see Appendix C.

## **THE WATER SYSTEM**

For information about the Water System, see Appendix C.

## RISK FACTORS

*The following information should be considered by prospective investors in evaluating the 2017 Bonds; however, the following does not purport to be an exhaustive listing of risks and other considerations that may be relevant to investing in the 2017 Bonds. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such risks.*

The purchase of the 2017 Bonds involves investment risk. If a risk factor materializes to a sufficient degree, it could delay or prevent payment of principal of and interest on the 2017 Bonds. Such risk factors include, but are not limited to, the following matters and should be considered, along with other information in this Official Statement, by potential investors.

### **Reliability of Water Supply**

The District's water supply is described in Appendix C. The District primarily relies on a source of imported water that is under threat as a result of climate change and other environmental factors. Some scientists say that climate changes resulting from the buildup of heat-trapping gases from burning fossil fuels have raised temperatures in the past 50 years and have started to alter the water cycle in the United States. Among other changes, droughts may become more common, precipitation patterns may change and snowpack runoff may decline. In addition, there have been recent legal challenges regarding protection of species in the Sacramento-San Joaquin Delta that have resulted in pumping restrictions. These challenges will be ongoing but to date have not affected the District's ability to provide its customers water on demand. The one exception was 2014, when those challenges, coupled with constraints on pumping groundwater that have since been remedied, required the District's customers to aggressively conserve water during the summer months. The District's recycled water system has enhanced and is expected to continue to enhance the reliability of the District's potable water deliveries.

Decreases in the supply of imported water could reduce Gross Revenues or increase Operation and Maintenance Costs, both of which could adversely impact the availability of Net Revenues to pay debt service on the 2017 Bonds. However, in 2010 the District enacted water shortage rates intended to ensure that sufficient revenues are generated even with decreased consumption. These water shortage rates were activated during the recent drought and preserved the District's revenue stream. See "APPENDIX C – Dublin San Ramon Services District and the Water System – The Water System – Water Conservation."

See Appendix C for a discussion of the reliability of the District's water supply.

### **Revenues; Rate Covenant**

Revenues are dependent upon the demand for water services and the availability of water, which can be affected by population factors, more stringent water treatment standards, water regulations, water conservation, water shortages, climate changes, or problems with the District's Water System facilities. There can be no assurance that water demand will be consistent with the levels contemplated in this Official Statement. A decrease in the demand for water services could require an increase in rates or charges in order to comply with the rate covenant. The District's ability to meet its rate covenant is dependent upon its capacity to increase rates without driving down demand to a level insufficient to meet debt service on the 2017 Bonds.

## **District Expenses**

There can be no assurance that expenses of the District will be consistent with the levels contemplated in this Official Statement. Changes in technology, increased water costs, changes in quality standards, increases in the cost of operation or other expenses could require substantial increases in rates or charges in order to comply with the rate covenant in the Indenture. Such rate increases could drive down demand for water and related services or otherwise increase the possibility of nonpayment of the 2017 Bonds.

## **Environmental Regulation**

The Water System is regulated, to a large extent, by the federal government and the State of California. If the federal government, acting through the U.S. Environmental Protection Agency or additional legislation, or the State were to impose stricter water treatment standards upon the Water System or the systems of the entities that sell water to the District, the District's Operation and Maintenance Costs could increase accordingly and rates and charges would have to be increased to offset those expenses. It is not possible to predict the direction that federal or State regulation will take with respect to water treatment standards, although regulation has generally become more stringent in recent history.

## **Insurance**

The Indenture obligates the District to obtain and keep in force various forms of insurance or self-insurance, subject to deductibles, for repair or replacement of a portion of the Water System in the event of damage or destruction to such portion of the Water System. No assurance can be given as to the adequacy of any such self-insurance or any additional insurance to fund necessary repair or replacement of any other portion of the Water System. Significant damage to the Water System could cause the District to be unable to generate sufficient Net Revenues to pay principal of and interest on the 2017 Bonds.

## **Limitations on Remedies Available to 2017 Bond Owners**

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 2017 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 "Articles XIIIC and XIID of the California Constitution" below. Furthermore, any remedies available to the Owners of the 2017 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 2017 Bond Owner remedies contained in the Indenture, the rights and obligations under the 2017 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 2017 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.

### **No Debt Service Reserve Fund**

The District will neither fund nor maintain a debt service reserve fund for the 2017 Bonds.

### **Parity Debt**

The Indenture permits the District to issue additional obligations secured by a pledge of Net Revenues that is on a parity basis to the pledge of Net Revenues to the 2017 Bonds (see "SECURITY FOR THE 2017 BONDS – Parity Debt" above).

The coverage test described in "SECURITY FOR THE 2017 BONDS – Parity Debt" includes Additional Revenues (which involve projections) at the option of the District. If such indebtedness is issued, the debt service coverage for the 2017 Bonds could be diluted below what it otherwise would be. Moreover, there is no assurance that the assumptions that form the basis of such projections, if any, will be actually realized subsequent to the date of such projections. If such assumptions are not realized, the amount of future Net Revenues may be less than projected, and the actual amount of Net Revenues may be insufficient to provide for the payment of the 2017 Bonds and any Parity Debt.

The Indenture does not require a deposit to a debt service reserve fund in connection with the issuance of Parity Debt.

### **Natural Disasters**

**General.** From time to time, the District is subject to natural calamities that may adversely affect economic activity in the District, which could have a negative impact on District finances. There can be no assurance that the occurrence of any natural calamity would not cause substantial damage to the Water System, or that the District would have insurance or other resources available to make repairs to the Water System in order to generate sufficient Net Revenues to pay debt service on the 2017 Bonds when due.

**Seismic.** The District, like most regions in California, is in an area of significant seismic activity and, therefore, is subject to potentially destructive earthquakes. The general plan documents for Dublin and San Ramon (which is where most of the District's service area is located) and Pleasanton (which is where the District's recycling plant is located) identify the following seismic risk:

Dublin: According to the Seismic Safety and Safety Element of Dublin's General Plan, the Calaveras Fault is the major active fault in the Dublin planning area. The Pleasanton Fault, near the west edge of Camp Parks, is difficult to locate precisely. The State has established Alquist-Priolo Special Studies Zones along both faults, requiring detailed studies of rupture hazards prior to construction. Few potential building sites within Dublin or the extended planning area are without geologic impact or hazard. The hazard may be actual, such as an active landslide or proximity to an active fault, or potential, such as a proposed cut that might activate a landslide.

San Ramon: According to the Safety Element of San Ramon's General Plan 2035, the major active fault with rupture potential is the Calaveras Fault. The California Legislature has established an Alquist-Priolo Earthquake Fault Zone along the fault, requiring detailed studies of rupture hazards prior to construction. Two smaller faults, the Dublin Fault and the Bollinger Fault, also traverse portions of the City and its Sphere of Influence. While these faults are not regarded as active, evidence is inconclusive. Minor, presumed inactive, faults intersect active or potentially active faults. Any movement of the master fault could trigger adjustments on minor cross faults or adjacent subparallel faults.

Pleasanton: The active faults in or near Pleasanton include the Calaveras, Concord-Green Valley, Greenville, Hayward, Mt. Diablo Thrust, and San Andreas Faults. The Calaveras and Verona Faults are the only faults within the Planning Area that the State currently designates as Alquist-Priolo Earthquake Fault Zones

**Flood**. The general plan documents for Dublin, San Ramon and Pleasanton identify the following flood risk:

Dublin: According to the Seismic Safety and Safety Element of Dublin's General Plan, portions of Dublin lie in the 100-year and 500-year flood plains.

San Ramon: According to the Safety Element of San Ramon's General Plan 2035, based on information from the Federal Emergency Management Agency ("FEMA"), a majority of Contra Costa County's creeks and shoreline lie within the 100-year floodplain. Drainage facilities in Contra Costa County are provided by the cities, the County of Contra Costa, and the Contra Costa County Flood Control and Water Conservation District.

Pleasanton: According to FEMA information, approximately 1,900 acres in the City are in the 100-year FEMA flood plain and approximately 3,425 acres are in the 500-year flood plain. In addition, approximately 6,000 acres in the City are located within the dam failure inundation hazard area for Lake Del Valle Dam. The 235-foot Del Valle Dam impounds a reservoir with a total capacity of 77,100 acre-feet. To provide a flood-protection reserve, it normally stores from 25,000 to 40,000 acre-feet. This dam is under the jurisdiction of the California Department of Water Resources ("DWR"), Division of the Safety of Dams. Existing dams under DWR jurisdiction are periodically inspected to ensure adequate maintenance and to direct the owner to correct any deficiencies found. Dam failure and flooding could potentially cause the District's sewage treatment plant to overflow, resulting in raw sewage flowing down Alameda Creek leading to short-term negative impacts.

**Fire Hazard**. The District, like many regions in California where development occurs outside an urban core, is an area of significant fire hazard. Many believe that climate change will aggravate the risk of wildfires. The general plan documents for Dublin, San Ramon, and Pleasanton identify the following fire hazard risk:

Dublin: According to the Seismic Safety and Safety Element of Dublin's General Plan, steep, inaccessible slopes and brush create a high fire hazard in the western hills of Dublin.

San Ramon: According to the Safety Element of San Ramon's General Plan 2035, the risk of both urban and wildland fires exists in the San Ramon planning area. This risk is the result of a variety of factors, including: the type of vegetation and ground cover in

the planning area, the combustibility of certain building materials, ground slope, adequacy of access to fire suppression services, water supply, water pressure, and weather conditions. Fire hazards in San Ramon are usually created by increases in the number of homes adjoining open space; therefore, much of the threat of wild land fires is due to open grasslands abutting residential developments. Many neighborhoods within the City are located in remote regions and are surrounded by grasslands. As San Ramon continues to expand, more of these urban-rural interface areas are created. This situation creates extreme fire hazards. Areas in San Ramon representing the greatest risk include the Dougherty Valley and Tassajara Valley areas to the east of the City limit and the wildland areas at the planning area's western edge and northwestern corner. New development will likely create increased fire hazards caused by interactions between open grassland and dense residential development.

**Pleasanton:** More than 7,000 acres in the City are identified in Special Fire Protection Areas that are in wildland-urban interface fire-threat areas. The District's facilities are not located in a Special Fire Protection Area.

**Drought.** Drought conditions and voluntary or mandatory conservation measures could decrease usage of the services of the Water System or increase the cost of water supply (an Operation and Maintenance Cost) if more reliance on imported water is necessary. Reduction in the level of demand or usage could require an increase in rates or charges in order to produce Net Revenues sufficient to comply with the District's rate covenant. Such rate increases could increase the likelihood of nonpayment.

California recently experienced the worst drought in its recorded history. See "THE WATER SYSTEM – Environmental Issues Relating to the Water System – Water Conservation" in Appendix C.

### **Loss of Tax-Exemption**

As discussed under the caption "TAX MATTERS," interest on the 2017 Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the 2017 Bonds were issued, as a result of future acts or omissions of the District in violation of its covenants in the Indenture. Should such an event of taxability occur, the 2017 Bonds are not subject to special redemption and will remain outstanding until maturity or until redeemed under other provisions set forth in the Indenture.

### **Articles XIIIC and XIIID of the California Constitution**

**General.** On November 5, 1996, California voters approved Proposition 218, the so-called "Right to Vote on Taxes Act." Proposition 218 added Articles XIIIC and XIIID to the State Constitution, which affect the ability of local governments to levy and collect both existing and future taxes, assessments, and property-related fees and charges. Proposition 218, which generally became effective on November 6, 1996, changed, among other things, the procedure for the imposition of any new or increased property-related "fee" or "charge," which is defined as "any levy other than an ad valorem tax, a special tax or an assessment, imposed by a (local government) upon a parcel or upon a person as an incident of property ownership, including user fees or charges for a property related service" (and referred to in this section as a "property-related fee or charge").

On November 2, 2010, California voters approved Proposition 26, the so-called “Supermajority Vote to Pass New Taxes and Fees Act.” Section 1 of Proposition 26 declares that Proposition 26 is intended to limit the ability of the State Legislature and local government to circumvent existing restrictions on increasing taxes by defining the new or expanded taxes as “fees.” Proposition 26 amended Articles XIIIIA and XIIIC of the State Constitution. The amendments to Article XIIIIA limit the ability of the State Legislature to impose higher taxes (as defined in Proposition 26) without a two-thirds vote of the Legislature. Proposition 26’s amendments to Article XIIIC broadly define “tax,” but specifically exclude, among other things:

- (1) A charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege.
- (2) A charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product.
- ...
- (6) A charge imposed as a condition of property development.
- (7) Assessments and property-related fees imposed in accordance with the provisions of Article XIII D.”

**Property-Related Fees and Charges.** Under Article XIIID, before a municipality may impose or increase any property-related fee or charge, the entity must give written notice to the record owner of each parcel of land affected by that fee or charge. The municipality must then hold a hearing upon the proposed imposition or increase at least 45 days after the written notice is mailed, and, if a majority of the property owners of the identified parcels present written protests against the proposal, the municipality may not impose or increase the property-related fee or charge.

Further, under Article XIIID, revenues derived from a property-related fee or charge may not exceed the funds required to provide the “property-related service” and the entity may not use such fee or charge for any purpose other than that for which it imposed the fee or charge. The amount of a property-related fee or charge may not exceed the proportional cost of the service attributable to the parcel, and no property-related fee or charge may be imposed for a service unless that service is actually used by, or is immediately available to, the owner of the property in question.

**Initiative Power.** In addition, Article XIIIC states that “the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge. The power of initiative to affect local taxes, assessments, fees and charges shall be applicable to all local governments and neither the Legislature nor any local government charter shall impose a signature requirement higher than that applicable to statewide statutory initiatives.”

**Judicial Interpretation of Articles XIIIC and XIIID.** After Proposition 218 was enacted in 1996, appellate court cases and an Attorney General opinion initially indicated that fees and charges levied for water services would not be considered property-related fees and charges, and thus not subject to the requirements of Article XIIID regarding notice, hearing and protests in connection with any increase in the fees and charges being imposed. However, three recent cases have held that certain types of water and wastewater charges could be subject to the requirements of Article XIIID under certain circumstances.

In *Richmond v. Shasta Community Services District* (2004) 32 Cal.4th 409, the California Supreme Court addressed the applicability of the notice, hearing and protest provisions of Article XIID to certain charges related to water service. In *Richmond*, the Court held that capacity charges are not subject to Proposition 218. The Court also indicated in dictum that a fee for ongoing water service through an existing connection could, under certain circumstances, constitute a property-related fee and charge, with the result that a local government imposing such a fee and charge must comply with the notice, hearing and protest requirements of Article XIID.

In *Howard Jarvis Taxpayers Association v. City of Fresno* (2005) 127 Cal.App.4th 914, the California Court of Appeal, Fifth District, concluded that water, sewer and trash fees are property-related fees subject to Proposition 218 and a municipality must comply with Article XIID before imposing or increasing such fees. The California Supreme Court denied the City of Fresno's petition for review of the Court of Appeal's decision on June 15, 2005.

In July 2006 the California Supreme Court, in *Bighorn-Desert View Water Agency v. Verjil* (2006) 39 Cal.4th 205, addressed the validity of a local voter initiative measure that would have (a) reduced a water agency's rates for water consumption (and other water charges), and (b) required the water agency to obtain voter approval before increasing any existing water rate, fee, or charge, or imposing any new water rate, fee, or charge. The court adopted the position indicated by its statement in *Richmond* that a public water agency's charges for ongoing water delivery are "fees and charges" within the meaning of Article XIID, and went on to hold that charges for ongoing water delivery are also "fees" within the meaning of Article XIIC's mandate that the initiative power of the electorate cannot be prohibited or limited in matters of reducing or repealing any local tax, assessment, fee or charge. Therefore, the court held, Article XIIC authorizes local voters to adopt an initiative measure that would reduce or repeal a public agency's water rates and other water delivery charges. (However, the court ultimately ruled in favor of the water agency and held that the entire initiative measure was invalid on the grounds that the second part of the initiative measure, which would have subjected future water rate increases to prior voter approval, was not supported by Article XIIC and was therefore invalid.)

The court in *Bighorn* specifically noted that it was not holding that the initiative power is free of all limitations; the court stated that it was *not* determining whether the electorate's initiative power is subject to the statutory provision requiring that water service charges be set at a level that will pay for operating expenses, provide for repairs and depreciation of works, provide a reasonable surplus for improvements, extensions, and enlargements, pay the interest on any bonded debt, and provide a sinking or other fund for the payment of the principal of such debt as it may become due.

In addition, in *Capistrano Taxpayers Association, Inc., v. City of San Juan Capistrano* (2015) 235 Cal.App.4th 1493, the Court of Appeal of the State of California, Fourth Appellate District, Division 3, held that under Article XIID, tiered or inclined rates that go up progressively in relation to usage must correspond to the actual cost of providing water service at each tier (level of usage) and, accordingly, the pricing for any tier cannot exceed the cost of service to that tier.

The District believes that its rate structure is generally compliant with Proposition 218, but plans to undertake a rate study in 2018 to reexamine its rate structure and, if necessary, to establish new rates fully in compliance with all factors set forth in Proposition 218, including compliance with the tier-by-tier cost analysis discussed in the *San Juan Capistrano* case.

**Articles XIIIC and XIIID and the District Water Rates and Charges.** The District's current water rates (see "APPENDIX C – Dublin San Ramon Services District and the Water System") were adopted by resolution of the Board of Directors following notice to property owners and a public hearing held at least 45 days after the notice had been mailed, in compliance with the *Bighorn* decision.

The District believes its water rates and charges do not constitute "taxes" under Article XIIIC as revised by Proposition 26 because, as described in subsection 1(e)(7) of Article XIIIC, they are "property-related fees imposed in accordance with the provisions of Article XIIID" (and are also charges for a "property-related service" as defined in subsection 2(g) of Article XIIID) and because, as described in subsection 1(e)(2) of Article XIIIC, they are charged for water service, "a specific government service or product provided directly to the payor that is not provided to those not charged."

The District believes its capacity reserve fee (formerly called a connection fee) is not a "tax" as defined by Proposition 26 because it is a charge that is imposed only on individuals who request a new service connection as a condition of initiating new water service and, as described in subsection 1(e) of Article XIIIC, it is imposed (1) "for a specific benefit or privilege [of obtaining new water service] conferred or privilege granted directly to the payor that is not provided to those not charged" and/or (2) "for a specific government service or product [a time-limited share of capacity in the District's water system] provided directly to the payor that is not provided to those not charged, and does not exceed either the reasonable costs of conferring the benefit or privilege and/or the reasonable costs of providing the service or product."

It is the District's intent to continue to comply with Article XIIID in connection with future service charge increases.

**Conclusion.** It is not possible to predict how courts will further interpret Article XIIIC and Article XIIID in future judicial decisions, and what, if any, further implementing legislation will be enacted.

Under the *Bighorn* case, local voters could adopt an initiative measure that reduces or repeals the District's rates and charges, although it is not clear whether (and California courts have not decided whether) any such reduction or repeal by initiative would be enforceable in a situation in which such rates and charges are pledged to the repayment of bonds or other indebtedness.

There can be no assurance that the courts will not further interpret, or the voters will not further amend, Article XIIIC and Article XIIID to limit the ability of local agencies to impose, levy, charge and collect increased fees and charges for utility service, or to call into question previously adopted utility rate increases.

## **Secondary Market for 2017 Bonds**

There can be no guarantee that there will be a secondary market for the 2017 Bonds or, if a secondary market exists, that any 2017 Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then-prevailing circumstances. Such prices could be substantially different from the original purchase price.

## CONTINUING DISCLOSURE

The District has covenanted for the benefit of the Underwriter and the beneficial owners of the 2017 Bonds to provide certain financial information and operating data relating to the District no later than seven months following the end of the District's fiscal year (presently June 30) (the "**Annual Report**"), commencing with the report for the Fiscal Year ended June 30, 2017, and to provide notices of the occurrence of certain enumerated events, if deemed by the District to be material under federal securities laws. The specific nature of the information to be contained in the Annual Report or the notices of material events is set forth below in "APPENDIX E – Form of Continuing Disclosure Certificate." These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

Within the last five years, the District failed to comply with certain continuing disclosure undertakings relating to the Prior Bonds and the Livermore-Amador Valley Water Management Agency 2011 Sewer Revenue Refunding Bonds (the "**LAVWMA Bonds**"). The failures to comply consisted of the following:

(i) For the Prior Bonds, (1) the District filed portions of its annual reports up to nearly two years late for fiscal years 2012, 2013, 2014 and 2016; (2) the District failed to file its fiscal year 2012 audit to the Prior Bonds, without notice of late filing; and (3) a listed event notice was filed late for a rating change following an upgrade in the District's rating.

(ii) For the LAVWMA Bonds, (1) the District filed portions of its annual reports late for fiscal years 2012 and 2013; and (2) a listed event notice was filed late for a rating change following an upgrade in the Livermore-Amador Valley Water Management Agency's rating.

The District adopted a Debt Disclosure Policy (the "**Debt Disclosure Policy**") on July 18, 2017, which designates the Treasurer of the District as the District's disclosure coordinator (the "**Disclosure Coordinator**"). Under the Debt Disclosure Policy, the Disclosure Coordinator is responsible for establishing a system (which may involve the retention or one or more consultants) by which the District will (i) make the annual filings required by its continuing disclosure undertakings on a complete and timely basis and (ii) file notices of enumerated events on a timely basis. The Debt Disclosure Policy also requires that the Disclosure Coordinator ensure that the members of the District's staff involved in the continuing disclosure process are properly trained to understand and perform their responsibilities.

## NO LITIGATION

In connection with issuance of the 2017 Bonds, the District will certify that, to the best of the District's knowledge, based on reasonable investigation, there is no litigation pending or threatened in any way to restrain or enjoin the issuance, execution or delivery of the 2017 Bonds, to contest the validity of the 2017 Bonds, the Indenture or any proceedings of the District with respect thereto.

Also in connection with issuance of the 2017 Bonds, the District will certify that, to the best of the District's knowledge, based on reasonable investigation, there are no lawsuits or claims

pending against the District that will materially affect the District's finances so as to impair the ability to pay principal of and interest on the 2017 Bonds when due.

## FINANCIAL STATEMENTS

Maze & Associates, Certified Public Accountants, Pleasant Hill, California (the "**Auditor**"), audited the financial statements of the District for the Fiscal Year Ended June 30, 2017. The Auditor's examination was made in accordance with generally accepted auditing standards and Governmental Auditing Standards, issued by the Comptroller General of the United States. See "APPENDIX A – Audited Financial Statements of the District for Fiscal Year Ended June 30, 2017."

The District has not requested nor did the District obtain permission from the Auditor to include the audited financial statements as an appendix to this Official Statement. Accordingly, the Auditor has not performed any post-audit review of the financial condition or operations of the District.

## RATING

It is anticipated that, on the Closing Date, S&P Global Ratings ("S&P") will assign its municipal bond rating of "\_\_\_\_" to the 2017 Bonds.

The rating reflects only the views of S&P, and an explanation of the significance of the ratings, and any outlook assigned to or associated with the rating, should be obtained from the rating agency.

Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own.

There is no assurance that the rating will continue for any given period of time or that the rating will not be revised downward or withdrawn entirely by the rating agency, if in the judgment of the rating agency, circumstances so warrant. Any such downward revision or withdrawal of the rating on the 2017 Bonds may have an adverse effect on the market price or marketability of the 2017 Bonds.

## TAX MATTERS

**Federal Tax Law.** In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications set forth below, under existing law, the interest on the 2017 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 imposed on individuals and corporations, provided, however, that, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings.

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 (the "**Tax Code**") that

must be satisfied subsequent to the issuance of the 2017 Bonds in order that such interest be, or continue to be, excluded from gross income for federal income tax purposes. The District has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of issuance of the 2017 Bonds.

If the initial offering price to the public (excluding bond houses and brokers) at which a 2017 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 (excluding bond houses and brokers) at which each 2017 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 is disregarded. Owners of 2017 Bonds with original issue discount or original issue premium, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to federal income tax and State of California personal income tax consequences of owning such 2017 Bonds.

**State Tax Law.** In the further opinion of Bond Counsel, interest on the 2017 Bonds is exempt from California personal income taxes.

**General.** Owners of the 2017 Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the 2017 Bonds may have federal or state tax consequences other than as described above. Bond Counsel expresses no opinion regarding any federal or state tax consequences arising with respect to the 2017 Bonds other than as expressly described above.

**Form of Proposed Opinion.** The form of the proposed opinion of Bond Counsel is attached as Appendix D.

## CERTAIN LEGAL MATTERS

The legal opinion of Bond Counsel, approving the validity of the 2017 Bonds, in substantially the form attached hereto as Appendix D, will be made available to purchasers at the time of original delivery of the 2017 Bonds, and a copy thereof will be printed on each Bond. Jones Hall is also acting as Disclosure Counsel the District. *Payment of the fees and expenses of Bond Counsel and Disclosure Counsel is contingent upon issuance of the 2017 Bonds.*

Certain matters will be passed upon for the District by its general counsel.

## MUNICIPAL ADVISOR

The District has retained Fieldman, Rolapp & Associates, Inc., of Irvine, California, as municipal advisor (the "**Municipal Advisor**") in connection with the issuance of the 2017 Bonds. The Municipal Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement. The Municipal Advisor is an independent financial advisory firm and is not engaged in the business of underwriting, trading or distributing

municipal securities or other public securities. The payment of the fees of the Municipal Advisor is contingent upon the issuance of the 2017 Bonds.

### **VERIFICATION OF MATHEMATICAL COMPUTATIONS**

Grant Thornton LLP, Minneapolis, Minnesota (the "**Verification Agent**"), upon delivery of the 2017 Bonds, will deliver a report on the mathematical accuracy of certain computations contained in schedules provided to them, which were prepared by the Underwriter, relating to (1) the sufficiency of the anticipated receipts from the moneys deposited in the Escrow Bank to pay, when due, the principal, interest and redemption requirements of the Prior Bonds, and (2) the yield on the 2017 Bonds.

### **UNDERWRITING**

The 2017 Bonds are being purchased by Stifel, Nicolaus & Company, Incorporated (the "**Underwriter**"). The Underwriter has agreed to purchase the 2017 Bonds at a price equal to \$\_\_\_\_\_, which equals the par amount of the 2017 Bonds (\$\_\_\_\_\_), less an Underwriter's discount of \$\_\_\_\_\_, plus a net original issue premium of \$\_\_\_\_\_.

The bond purchase agreement between the District and the Underwriter provides that the Underwriter will purchase all of the 2017 Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in said agreement, the approval of certain legal matters by counsel and certain other conditions.

### **MISCELLANEOUS**

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

### **DUBLIN SAN RAMON SERVICES DISTRICT**

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

**APPENDIX A**

**AUDITED FINANCIAL STATEMENTS OF THE DISTRICT**  
**FOR FISCAL YEAR ENDED JUNE 30, 2017**

**APPENDIX B**

**SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE**

## APPENDIX C

### DUBLIN SAN RAMON SERVICES DISTRICT AND THE WATER SYSTEM

#### THE DISTRICT

##### **Organization and Service Area**

The Dublin San Ramon Services District (the “**District**”) is a community services district formed in April 1953. Originally called Parks Community Services District and, beginning in 1960, Valley Community Services District, the District was renamed Dublin San Ramon Services District in 1977. In 1988, the newly incorporated cities of Dublin (“**Dublin**”) and San Ramon (“**San Ramon**”) assumed many of the government services the District had been providing, enabling the District to focus on water, wastewater, and recycled water services.

The District’s service area lies within the Tri-Valley, part of the East Bay region of the San Francisco Bay Area. The District provides water distribution and wastewater collection and treatment services to residential, commercial and institutional customers in Dublin; wastewater collection and treatment services to residential, commercial and institutional customers in the southern end of San Ramon; water distribution services to residential, commercial and institutional customers in the Dougherty Valley, a section of San Ramon; and, by contract, wastewater treatment services to the City of Pleasanton (“**Pleasanton**”). No revenues of the District’s wastewater enterprise are pledged as security for the 2017 Bonds.

The District services approximately 178,000 people. The District also partners with East Bay Municipal Utility District (“**EBMUD**”) and Pleasanton to produce and distribute recycled water or irrigation in the agencies’ respective service areas.

##### **District Board**

The District, a public agency, is governed by an elected five-member Board of Directors (the “**Board**”) elected in even years for staggered four-year terms. The Board determines such matters as rates and charges for services, approval of certain contracts, and District policy. Directors are elected at large to staggered four-year terms. Each year, the Board elects a President and Vice President.

The following persons currently serve on the Board:

**Richard M. Halket** is currently President of the Board. His current term on the Board expires in 2020. President Halket has served on the Board since 2004 and was also Board President in 2008 and 2012. President Halket is a certified public accountant. Previously he spent 10 years in the enterprise software industry and 10 years in hydrogeology consulting. President Halket received a Bachelor’s of Science degree in geology from Stanford University and a Master’s of Science degree in hydrogeology from Washington State University.

**Georange Vonheeder-Leopold** is currently Vice-President of the Board. Her current term expires in 2018. She was appointed to the Board in 2009 to fill a vacancy and was subsequently elected to four-year terms in November 2010 and 2014. She previously served on the Board from 1992 to 2000. She served as Board President in 2014. Vice-President

Vonheeder-Leopold has been active in public service for more than 35 years. She recently retired from a 45-year career in tax accounting.

**Edward R. (Ed) Duarte** was first elected to the Board in 2012 and re-elected in 2016. His current term expires in 2020. He served as Board President in 2015. He has been a general engineering contractor for more than 50 years. His construction firm specializes in public works projects. He holds a Bachelor's of Science degree in civil engineering from Fresno State University and is a graduate of the UCLA Anderson School of Business, Management Development for Entrepreneurs program.

**D. L. (Pat) Howard** was first elected to the Board in 2004 and re-elected in 2008, 2012, and 2016. His current term expires in 2018. He served as Board President in 2007, 2011, and 2016. He is a licensed professional engineer in California with more than 30 years of experience. He has Bachelor's and Master's of Science degrees in mechanical engineering from the University of California at Berkeley and a Master's of Science degree in engineering management from Santa Clara University.

**Madelyne (Maddi) Misheloff** was appointed to the Board in 2015 to fill a vacancy and was elected in 2016. Her term expires in 2020. She has project management experience as a project coordinator for two international companies and as office manager for several Bay Area companies. She holds a Bachelor's of Science degree in medical technology/biology from American University in Washington D.C.

## **District Management**

The following individuals are responsible for day-to-day management of the District:

**Daniel McIntyre** was appointed General Manager in 2016. Mr. McIntyre has been with the Dublin San Ramon Services District since 2015, when he was appointed Engineering Services Manager. Mr. McIntyre has over 35 years prior experience, including 12 years as the Public Works Director for the City of Livermore ("Livermore"). He earned a Bachelor's of Science degree in civil engineering from California Polytechnic State University, San Luis Obispo, and a Master's of Public Administration degree from California State University, East Bay. He is a licensed professional engineer in California.

**Carol Atwood** was appointed Administrative Services Manager in 2016 and oversees finance, customer services, information technology, and human resources. She has 32 years of experience in municipal finance and three years of government auditing experience. Prior to joining the District, Ms. Atwood served 22 years with the City of Cupertino managing finance, human resources, information technology, and the city clerk's office. She holds a Bachelor's of Science degree in business administration from California State University, East Bay, and has participated in executive education programs at Harvard University's Kennedy School of Government and University of California Berkeley's Goldman School of Public Policy. Ms. Atwood is a certified public accountant in California and Arizona.

**Jeff Carson** was appointed Operations Manager in 2016 and oversees drinking water distribution, recycled water production and distribution, and wastewater collection, treatment, and disposal. Previously he managed operations and maintenance for the City of Hayward's water pollution control facility. He has over 20 years of experience with Bay Area wastewater facilities. Mr. Carson holds Bachelor's degrees in biology and environmental studies from California State

University, East Bay, and professional certifications in wastewater treatment, laboratory analysis, environmental compliance, and water distribution.

**Judy Zavadil** was appointed Engineering Services Manager in 2016. She is responsible for planning, permitting, capital improvements, asset management, and clean water and water conservation programs. Previously she was a Principal Engineer and Supervisor of the District's Capital Improvement Program and Asset Management Division. She joined the District in 2007. Ms. Zavadil has 28 years of experience in civil engineering in both the public and private sectors and holds a Bachelor's of Science degree in civil engineering from the University of Nebraska, Lincoln. She is a licensed professional engineer in California.

## **Employee Relations**

The District has 121.0 regular (full-time equivalent) employees budgeted in fiscal year 2018. This is an addition of seven new positions and one limited-term position. Over the past 10 years, the District's employee count has decreased 20 percent while the service area population has increased 12 percent and total miles of pipeline have increased over 10 percent. The new positions have been adopted and incorporated into the fiscal year 2018 budget to offer a high level of service to customers, maintain systems on a proactive basis, and fully implement an aggressive Asset Management Program.

The General Manager serves at the pleasure of the Board and negotiates his contract annually. The Senior Managers are unrepresented. The District has three bargaining groups and one union, as described below:

1. Mid-Management Employees Bargaining Unit (MEBU): MEBU is comprised of employees whose positions are designated as mid-management by the District.
2. Professional Employees Bargaining Unit (PEBU): PEBU is comprised primarily of employees who are non-management, exempt employees.
3. Confidential Employees Bargaining Unit (CEBU): CEBU is comprised primarily of non-exempt employees who regularly assist District managers responsible for developing and implementing District policies within the area of labor relations.
4. Local 39: The International Union of Operating Engineers, Local Union No. 39, AFL-CIO, is the recognized employee organization for all other employees, other than the General Manager and Senior Managers, that do not fall into one of the other three bargaining groups.

District labor contracts with MEBU, PEBU and Local 39 expire in December 2021. The contract with CEBU expires in April 2022. There have been no work stoppages by the District's employees.

## **Employees' Retirement System**

*This section presents certain information relating to the California Public Employees' Retirement System ("CalPERS"), which is primarily derived from information produced by CalPERS and its independent accountants and actuaries. The District has not independently verified the information provided by CalPERS and makes no representations and expresses no opinion as to the accuracy of the information provided by CalPERS.*

*The comprehensive annual financial reports of CalPERS are available on its Internet website at [www.calpers.ca.gov](http://www.calpers.ca.gov). The CalPERS website also contains CalPERS' most recent actuarial valuation reports and other information concerning benefits and other matters. Such information is not incorporated by reference in this Official Statement. Neither the District nor the Underwriter can guarantee the accuracy of such information. Actuarial assessments are "forward-looking" statements that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions, one or more of which may not materialize or may be changed in the future. Actuarial assessments will change with the future experience of the pension plans.*

*The information provided under this heading relates to the District and is not limited to the Water System.*

**Plan Description.** All qualified permanent and probationary employees are eligible to participate in the District's Miscellaneous Employee Pension Plan, a cost-sharing multiple employer defined benefit pension plan (the "Plan") administered by CalPERS. Benefit provisions under the Plan are established by State statute and resolutions of the District. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

**Benefits Provided.** CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 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 the plan are applied as specified by the California Public Employees' Retirement Law.

The Plan's provisions and benefits in effect at June 30, 2017, are summarized as follows:

	<b>Miscellaneous</b>	
Hire Date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.7% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life
Retirement age	50-55	52-62
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.0% to 2.0%
Required employee contribution rates	8%	6.25%
Required employer contribution rates	11.63%	6.56%

The District is required to contribute at an actuarially determined rate of annual covered payroll for normal cost and an actuarially determined dollar amount to amortize the unfunded liability. The actuarially determined rates and contribution amounts for each plan for the fiscal years ended June 30, 2017, through June 30, 2019, are as follows:

	Fiscal Year 2016-17		Fiscal Year 2017-18		Fiscal Year 2018-19	
	Employer Normal Cost Rate	Employer Payment of Unfunded Liability	Employer Normal Cost Rate	Employer Payment of Unfunded Liability	Employer Normal Cost Rate	Employer Payment of Unfunded Liability
<u>Miscellaneous Plan</u>						
2.7%@55 <sup>(1)</sup>	11.634%	\$576,539	11.675%	\$372,364	12.212%	\$491,436
2.0%@62	6.555%	480	6.533%	843	6.842%	1,136

(1) As a result of negotiated agreements, employees contribute 2% towards the Employer Normal Cost Rate until 2024.  
Source: CalPERS Actuarial Reports dated November 2015, August 2016, and August 2017.

In November 2004, the District amended its contract with CalPERS to move from the 2%@55 retirement benefit formula to the 2.7%@55 retirement benefit formula. At that time, the District also negotiated a cost-sharing agreement with all bargaining groups so that each employee pays 2% of the Employer Normal Cost for the enhanced retirement benefit formula until 2024.

On July 18, 2016, CalPERS announced preliminary investment returns for the 12-month period ended June 30, 2016, of 0.61%. Such returns are significantly lower than CalPERS' current assumed rate of investment return (7.50%) and, along with other factors (including future investment returns and contributions rates), may result in increased required contributions in the future. On July 14, 2017, CalPERS announced preliminary investment returns for the 12-month period ended June 30, 2017, of 11.2%. Based on these preliminary fiscal year returns, the funded status of the overall CalPERS fund is an estimated 68%, an increase of 3 percentage points from the previous fiscal year. This estimate is based on a 7% discount rate. See "Recent Actions Taken by CalPERS" below.

The District's total contributions recognized against net pension liability for the Miscellaneous Plan were in fiscal years 2014-15, 2015-16 and 2016-17 were as follows:

Fiscal Year	Total District Contribution
2014-15	\$1,559,584
2015-16	6,716,224 <sup>(1)</sup>
2016-17	6,401,296 <sup>(1)</sup>

(1) The District elected to pay \$5,000,000 per fiscal year for three years towards its unfunded accrued liability. The third payment is not reflected in CalPERS' most recent actuarial report, which has a valuation date of June 30, 2016.

**Funded Status.** The following table sets forth the schedule of funding progress for the District's Miscellaneous Plan as of the most recent actuarial valuation dates.

Valuation Date (June 30)	Present Value of Projected Benefits	Entry Age Normal Accrued Liability	Plan's Market Value of Assets	Unfunded Accrued Liability	Funded Ratio <sup>(1)</sup>
2014	\$97,115,766	\$81,597,874	\$66,181,840	\$15,416,034	81.1%
2015	101,065,753	85,977,821	71,587,243	14,390,578	83.3
2016	109,237,259	92,790,089	76,996,018	15,794,071	83.0

(1) Based on the market value of assets.

Source: *CalPERS Actuarial Report Dated August 2017*.

**Recent Actions Taken by CalPERS.** At its April 17, 2013, meeting, the CalPERS' Board of Administration (the “**Board of Administration**”) approved a recommendation to change the CalPERS amortization and smoothing policies. Prior to this change, CalPERS employed an amortization and smoothing policy that spread investment returns over a 15-year period with experienced gains and losses paid for over a rolling 30-year period. After this change, CalPERS will employ an amortization and smoothing policy that will pay for all gains and losses over a 20-year period with a five-year ramp-up, and five-year ramp-down, period. The new amortization and smoothing policy was used for the first time in the June 30, 2013 actuarial valuations in setting employer contribution rates for fiscal year 2015-16.

On February 18, 2014, the CalPERS Board approved new demographic actuarial assumptions based on a 2013 study of recent experience. The largest impact, applying to all benefit groups, is a new 20-year mortality projection reflecting longer life expectancies and that longevity will continue to increase. Because retirement benefits will be paid out for more years, the cost of those benefits will increase as a result. The Board of Administration also assumed earlier retirements for those members with the Miscellaneous 2.7%@55 retirement benefit formula, which will increase costs for this group. As a result of these changes, rates began to increase in fiscal year 2016-17 (based on the June 30, 2014 valuation), with full impact in fiscal year 2020-21.

On November 18, 2015, the CalPERS Board adopted a funding risk mitigation policy intended to incrementally lower its discount rate – its assumed rate of investment return – in years of good investment returns, help pay down the pension fund's unfunded liability, and provide greater predictability and less volatility in contribution rates for employers. The policy establishes a mechanism to reduce the discount rate by a minimum of 0.05 percentage points to a maximum of 0.25 percentage points in years when investment returns outperform the existing discount rate, currently 7.5%, by at least four percentage points. CalPERS staff modeling anticipates the policy will result in a lowering of the discount rate to 6.5% in about 21 years, improve funding levels gradually over time and cut risk in the pension system by lowering the volatility of investment returns. More information about the funding risk mitigation policy can be accessed through CalPERS' web site at the following website address:

<https://www.calpers.ca.gov/page/newsroom/calpers-news/2015/adopts-funding-risk-mitigation-policy>

*The reference to this Internet website is provided for reference and convenience only. The information contained within the website may not be current, has not been reviewed by the District and is not incorporated in this Official Statement by reference.*

On December 21, 2016, the CalPERS Board voted to lower its discount rate from the current 7.5% to 7.0% over the next three years according to the following schedule.

<u>Valuation Date</u>	<u>Fiscal Year Required Contribution</u>	<u>Discount Rate</u>
June 30, 2016	2018-19	7.375%
June 20, 2017	2019-20	7.250
June 30, 2018	2020-21	7.000

For public agencies like the District, the new discount rate will increase contribution costs beginning in fiscal year 2018-19. Lowering the discount rate means employers that contract with CalPERS to administer their pension plans will see increases in their normal costs and unfunded actuarial liabilities. Active members hired after January 1, 2013, under the Public Employees' Pension Reform Act will also see their contribution rates rise. The three-year reduction of the discount rate will result in average employer rate increases of about 1 percent to 3 percent of normal cost as a percent of payroll for most miscellaneous retirement plans. Additionally, many CalPERS employers will see a 30 to 40 percent increase in their current unfunded accrued liability payments. These payments are made to amortize unfunded liabilities over 20 years to bring the pension fund to a fully funded status over the long-term.

**Post-Employment Health Care Benefits.** The District provides other post-employment benefits ("OPEB") consisting of medical benefits under third-party insurance plans, and dental benefits for employees hired before July 1, 2014, who retire from the District, including their eligible dependents. Employees hired after July 1, 2014, are no longer eligible for retiree dental benefits. While the District participates in the CalPERS medical plan, it is required to pay the same amounts for non-vested retiree medical insurance as it does for active employees. The Board sets the benefit amounts by resolution each year for each employee bargaining group and in accordance with current senior manager contracts.

Prior to 2004, the District paid for retiree medical benefits regardless of the employee's length of service. All new employees hired after the effective date of the medical vesting program are automatically enrolled where they are eligible for benefits based upon amounts set annually by CalPERS and based on length of service. Employees under the vesting program are not eligible to receive any medical benefits from the District without accumulating at least 10 years of CalPERS service with at least five of those years as a District employee.

As of June 30, 2017, 69 retirees are receiving medical benefits, 74 are receiving dental benefits, and there are 106 active participants eligible for future benefits.

The annual required contribution ("ARC") was determined as part of a July 2015 actuarial valuation using the entry age normal actuarial cost method. This is a projected benefit cost method, which takes into account those benefits that are expected to be earned in the future as well as those already accrued. The actuarial assumptions included (a) 7.28% investment rate of return, (b) 3.25% projected annual salary increase, (c) 2.75% inflation rate, and (d) 4.5% - 5.5% health inflation increases. The actuarial methods and assumptions used include techniques that smooth the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Actuarial calculations reflect a long-term perspective and actuarial valuations involve

estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to revision at least biannually as results are compared to past expectations and new estimates are made about the future. The District's OPEB unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll using a 30-year closed amortization period.

In accordance with the District's budget, the ARC is to be funded throughout the year as a percentage of payroll. The District Board passed a resolution to participate in the California Employers Retirees Benefit Trust ("CERBT"), an irrevocable trust established to fund OPEB. CERBT is administered by CalPERS, and is managed by an appointed board not under the control of the District Board. CERBT is not considered a component unit by the District and has not been included in the District's financial statements. Separately issued financial statements for CERBT may be obtained from CalPERS at P.O. Box 942709, Sacramento, CA 94229-2709.

Generally accepted accounting principles permit contributions to be treated as OPEB assets and deducted from the Actuarial Accrued Liability when such contributions are placed in an irrevocable trust or equivalent arrangement. As a result, the District has recorded the Net OPEB Asset, representing the difference between the ARC, the amortization of the Net OPEB Asset, and actual contributions, as presented below:

Net OPEB asset at June 30, 2016	\$(12,309,239)
Annual Required Contribution (ARC)	965,851
Interest on net OPEB asset	(888,271)
Adjustment to ARC	908,680
Annual OPEB cost	986,260
Contributions made:	
Estimated payments on behalf of retirees	782,390
Estimated current year's implicit subsidy	296,234
Estimated contribution to OPEB trust	-
Total contributions	1,078,624
Change in net OPEB asset	92,364
<b>Net OPEB Asset at June 30, 2016</b>	<b>\$(12,401,603)</b>

The District's annual OPEB cost and actual contributions for the prior three fiscal years are set forth below:

Fiscal Year Ended	Annual OPEB Cost (APC)	Actual Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Asset
6/30/2015	\$681,135	\$ 742,058	109%	\$12,195,375
6/30/2016	929,933	1,043,797	112	12,309,239
6/30/2017	986,260	1,078,624	109	12,401,603

The following table presents multi-year trend information about whether the actuarial value of OPEB plan assets is increasing or decreasing over time relative to the actuarial accrued liability for OPEB benefits. Trend data from the bi-annual actuarial studies is presented below.

Actuarial Valuation Date	Actuarial Value of Assets	Entry Age Actuarial Liability	Underfunded (Overfunded) Liability	Funded Ratio	Covered Payroll	Unfunded (Overfunded) Liability as % of Covered Payroll
07/01/2011	\$13,422,427	\$16,524,031	\$ 3,101,604	81%	\$10,795,530	28.7%
07/01/2013	17,609,101	17,356,803	(252,296)	102	11,865,168	(2.1)
07/01/2015	20,917,103	21,658,172	741,069	97	11,599,764	6.4

## Insurance

The District is exposed to various risks of loss related to torts; theft, damage, and destruction of assets; errors and omissions; injuries to employees, and natural disaster. The District joined together with other entities to form the California Sanitation Risk Management Authority (“CSRMA”), a public entity risk pool currently operating as a common risk management and insurance program for 54 member entities. The purpose of CSRMA is to spread the adverse effects of losses among the member entities and to purchase excess insurance as a group, thereby reducing its cost. The District pays annual premiums to CSRMA for its general, liability, property damage, and workers’ compensation insurance.

CSRMA is governed by a board composed of one representative from each member agency. The Board controls the operations of CSRMA, including selection of management and approval of operating budgets, independent of any influence by member entities.

In addition to primary insurance types provided through CSRMA listed above, the District also maintains bonds for commercial fidelity, public employee dishonesty, and its public officials, to protect against employee theft or defalcation. Settled claims for CSRMA or commercial fidelity bonds have not exceeded coverage in any of the past three fiscal years.

The following is a summary of the insurance policies carried by the District as of June 30, 2017:

Company Name	Insurance Program Type of Coverage	Limits	Deductibles
Ironshore Specialty Insurance Co.	Excess liability	\$ 10,000,000	None
Alliant Property Insurance Program (APIP)	Special form property	170,765,471	\$ 25,000
Illinois Union Insurance Company (APIP)	Public entity pollution liability	25,000,000	None
Lloyd's of London Beazley Syndicate	Cyber liability coverage	2,000,000	None
Travelers Property and Casualty	Public official bond	100,000	None
National Union Fire Insurance Co.	ACIP CSRMA master crime policy	2,000,000	2,500
Safety National Casualty Corporation	Excess workers' compensation	Statutory	None
<b>Pooled Insurance Program</b>			
CSRMA Pooled Liability	Errors and omissions, and employment practices liability		
Munich American Reinsurance Co.			
CSRMA Pooled Workers' Compensation	Workers' compensation	\$ 15,000,000 750,000	\$ 100,000 None

Prior to July 1, 1994, the District was self-insured for workers' compensation and will continue to be responsible for any claims existing as of that date.

Claims and judgments, including provision for claims incurred but not reported, are recorded when a loss is deemed probable of assertion and the amount of the loss is reasonably determinable. As discussed above, the District has coverage for such claims, but it has retained the risk for the deductible or uninsured portion of these claims.

### **District Investment Policy**

Funds of the District are invested in accordance with the California Government Code and the District's investment policy, which was most recently adopted by the Board of Directors on August 19, 2014, by Resolution No. 52-14. The three primary investment objectives set forth in the District's written investment policy are (in order of priority) (1) safety, (2) liquidity, and (3) return on investments. Pursuant to District Policy No. P400-14-4, approved August 19, 2014, it is the policy of the Board of Directors to invest public funds in a manner that will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the District and conforming to all state and local statutes governing the investment of public funds. The District can provide no assurances that this policy will not change while the 2017 Bonds are outstanding.

According to the most recent report for the quarter ended June 30, 2017, the District had invested funds totaling \$160,061,637 derived from all of its operations (including water and wastewater), as set forth in the table below. The weighted annual yield of the District's portfolio as of June 30, 2017, was 1.2914%. The average number of days to maturity of the portfolio was 621 days.

**Table 1**  
**DUBLIN SAN RAMON SERVICES DISTRICT**  
**Investment Portfolio**  
**As of June 30, 2017**

<b>Investments</b>	<b>Par Value</b>	<b>Market Value</b>	<b>Book Value</b>	<b>% of Portfolio</b>
Corporate Bonds	\$20,286,000	\$20,355,093	\$20,349,889	12.69%
Federal Agency Bonds	74,500,000	73,696,465	74,513,689	46.58
Certificates of Deposit	4,500,000	4,503,378	4,500,000	2.81
Municipal Bonds	7,085,000	7,076,258	7,141,511	4.43
LAIF	49,573,855	49,521,340	49,573,855	31.00
CAMP	3,982,693	3,982,693	3,982,693	2.49
	\$159,927,548	\$159,135,227	\$160,061,637	100.00%

*Source: Dublin San Ramon Services District.*

The market value of the District's pooled investments attributable to the Water System is \$57,390,872.

## THE WATER SYSTEM

### General

The District supplies potable and recycled water to approximately 23,324 accounts as of June 30, 2017. The District's Water System serves potable and recycled water to Dublin (in Alameda County) and the Dougherty Valley portion of San Ramon (in Contra Costa County).

### Historical and Projected Water Supply and Demand

The following table sets forth historical and projected water supplies to the District and historical District water demand. The District's potable water sources, including groundwater from the Livermore-Amador Valley Groundwater Basin, are governed by an agreement (the **“Zone 7 Agreement”**) between the District and Zone 7 of the Alameda County Flood Control & Water Conservation District (**“Zone 7”**) entitled, “Contract Between Zone 7 Water Agency and Dublin San Ramon Services District for a Municipal & Industrial Water Supply,” dated August 23, 1994, as amended by Amendment No. 1, dated February 7, 2000. The Zone 7 Agreement expires in accordance with its terms on August 23, 2024, unless terminated or extended prior to such expiration by mutual agreement of the District and Zone 7. The District expects the Zone 7 Agreement to be renewed prior to expiration.

As explained below, the District is a party to a Joint Exercise of Powers Agreement to Implement Joint Recycled Water Program, dated June 28, 1995 (the **“DERWA Joint Powers Agreement”**), with EBMUD creating the District/EBMUD Recycled Water Authority (**“DERWA”**). DERWA planned and constructed the San Ramon Valley Recycled Water Program (**“SRVRWP”**). Pleasanton began using recycled water from the recycled water treatment facilities in 2014 under contract with DERWA and has been expanding its use throughout that city. The District operates the SRVRWP under contract to DERWA. The District's wastewater enterprise (the **“Wastewater Enterprise”**) produces and delivers recycled water to DERWA, which, in turn, wholesales recycled water to the Water Enterprise, EBMUD, and Pleasanton, which then distribute the

recycled water to customers, primarily for landscape irrigation, within their respective water service areas.

**Table 2**  
**DUBLIN SAN RAMON SERVICES DISTRICT**  
**Historical and Projected Water Supply and Demand**  
**Calendar Year Ended December 31**  
**(in acre feet)**

<b>Water Supply Source</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>Projected 2017</b>
Zone 7	12,152	12,450	11,229	12,664	13,953	12,580
District Groundwater	645	645	645	645	645	645
Wastewater Available for Recycling	<u>4,211</u>	<u>3,953</u>	<u>3,365</u>	<u>3,497</u>	<u>3,646</u>	<u>4,018</u>
<b>Total</b>	<b>17,008</b>	<b>17,048</b>	<b>15,239</b>	<b>16,806</b>	<b>18,244</b>	<b>17,243</b>
<b>District Demand</b>						
Potable Water	9,675	10,155	8,461	6,819	7,481	7,547
Recycled Water	<u>2,156</u>	<u>2,486</u>	<u>2,464</u>	<u>2,270</u>	<u>2,726</u>	<u>3,226</u>
<b>Total</b>	<b>11,831</b>	<b>12,641</b>	<b>10,925</b>	<b>9,089</b>	<b>10,207</b>	<b>10,773</b>

Source: Dublin San Ramon Services District.

### **Potable Water Supply**

The District obtains its potable water supply from (i) Zone 7 and (ii) District groundwater sources. Except for the groundwater, the District is obligated to purchase its potable water from Zone 7. If Zone 7 is unable to meet all of the District's potable water demand, or in limited other circumstances, the District may obtain potable water from other sources.

**Zone 7.** Zone 7 sells potable water on a wholesale basis primarily to four retail water agencies: Livermore and Pleasanton, the California Water Service Company (which serves part of the Livermore), and the District. Zone 7 also provides untreated water directly to agricultural operations, golf courses, and other customers.

Each year, Zone 7's incoming water supplies are primarily comprised of State Water Project ("SWP") water (Table A, Article 56, Article 21, and Turnback/Multi-Year Pools), a transfer agreement with Byron Bethany Irrigation District ("BBID"), and local water from Arroyo Valle captured in Lake Del Valle, as described below. Other supplies include the Yuba Accord and the Dry Year Transfer Program. These are all surface water supplies, delivered to the Tri-Valley via the South Bay Aqueduct ("SBA"), an SWP facility.

In years of abundant supply, such as 2017, Zone 7 is able to store water both locally and outside its service area to prepare for future dry years. Locally, Zone 7 stores water in the Livermore-Amador Valley Groundwater Basin ("Main Basin") through artificial recharge when excess surface water is available from either the SWP or from Arroyo Valle runoff stored in Lake Del Valle. Once local recharge capacity has been exhausted, SWP water is "carried over" (i.e., stored in SWP facilities) or transferred to offsite storage in Kern County groundwater banks, namely, Semitropic Water Storage District and Cawelo Water District. Arroyo Valle runoff is captured and stored in Lake Del Valle for use during the following year. Any excess SWP water is stored in San Luis Reservoir as carryover.

Using the local groundwater basin as a storage reservoir is critical for long-term water supply reliability in the Tri-Valley. On average, imported surface water directly provides 80 percent of the water that Zone 7 supplies, locally captured watershed runoff makes up 10 percent, and previously imported supplies stored in the local groundwater basin make up the rest. Groundwater is not considered a separate source of water supply because Zone 7 extracts only groundwater previously recharged artificially using imported and local surface water. Through this conjunctive use of the groundwater basin, excess water imported in wet years is banked in the groundwater basin via artificial recharge and subsequently recovered in dry years to augment low SWP allocations, as well as during emergencies and facility outages.<sup>1</sup>

More information about Zone 7's water supplies and storage options is listed below:

State Water Project, Table A. Zone 7 is one of 29 agencies ("SWP Contractors") that have long-term contracts with the SWP. Each SWP Contractor is limited to a maximum annual amount of water specified in Article 6(c) and Table A of the contract. This source provides the largest portion of Zone 7's "new" water each year, providing approximately 80 percent of its supply. Zone 7's maximum Table A allocation is 80,619 acre feet ("AF") annually. The average annual allocation is 62 percent, or about 50,000 AF. Allocations vary with hydrologic conditions, demands of other SWP Contractors, SWP facility capacity, amount in storage, and environmental and regulatory requirements. Zone 7's contract with the California Department of Water Resources ("DWR") expires in 2036 with an option to renew for 75 years. The DWR is currently in negotiations with SWP Contractors to extend contracts through 2085.

SWP, Article 56. This is the unused portion of annual Table A allocations, which roll over for use in future years by individual SWP Contractors. In most years, "carryover" water remains in San Luis Reservoir, but in wet years such as 2017, as the reservoir fills, this water is gradually converted to SWP water and is lost to Zone 7. When this happens, Article 21 water (see below) is offered to the SWP Contractors as surplus water. Each year, Zone 7 typically reserves 10,000-15,000 AF as carryover to provide a buffer against variations in its Table A allocation.

SWP, Article 21. This is surplus water that is made available, in addition to Table A water, when there is SWP water available that cannot be stored in San Luis Reservoir because it is full.

SWP Turnback and Multi-Year Pools. This is water made available by other SWP Contractors who wish to sell excess supply. The Multi-Year Pool was a two-year pilot program that ended in 2016, but may be reconsidered in the future as a permanent replacement for the Turnback Pool.

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<sup>1</sup> The information about Zone 7's water sources and storage options in Appendix C is based on excerpts from the Zone 7 Water Inventory and Demand Update, July 2017 ([http://www.zone7water.com/images/pdf\\_docs/agenda-august/8-16-17\\_14d.pdf](http://www.zone7water.com/images/pdf_docs/agenda-august/8-16-17_14d.pdf)) and additional information from Zone 7's 2015 Urban Water Management Plan, 2011 Water Supply Evaluation, Water Supply Evaluation Update (February 2016), Groundwater Management Plan (2005), and Alternative Groundwater Sustainability Plan for Livermore Valley Groundwater Basin (2016), (all available at <http://www.zone7water.com/publications-reports/reports-planning-documents>). Although the District believes Zone 7 is the best source of information about Zone 7's water sources and operational plans and, therefore, encourages potential investors to review the information available from Zone 7, the District can provide no assurances as to the accuracy or completeness of the information.

BBID. Whenever BBID has surplus supply, water can be made available through a transfer agreement with BBID, a non-SWP Contractor, subject to approvals by the DWR and the federal Bureau of Reclamation. The amount can be up to 5,000 AF annually. For planning purposes, BBID water is presumed unavailable, as the agreement is being re-evaluated.

Lake Del Valle (local water). Zone 7 has rights to Arroyo Valle water captured in Lake Del Valle, which becomes available for use once it has been stored for 30 days. The annual average yield of this source is 7,300 AF. Water captured in Lake Del Valle during the current year needs to be used within the following year.

Yuba Accord. This water is available mostly in dry years through agreement with DWR and the Yuba County Water Agency. For long-term planning, Zone 7 estimates an average yield of 250 AF per year.

Dry Year Transfer Program. During dry years, the State Water Contractors, an association of 27 public water agencies, negotiate water purchases with farmers north of the Sacramento-San Joaquin Delta (the “**Delta**”) and make that water available to interested SWP Contractors.

Local Groundwater. Zone 7 recharges the Livermore Valley Groundwater Basin with surface water and withdraws groundwater via wells to meet peak demands and in dry years and emergencies. Zone 7 pumps only what it has stored. Over the last 15 years, the average Zone 7 recharge is 8,000 AF per year, with the long-term average groundwater pumping rate at 7,300 AF per year. The estimated maximum pumping capacity is 34,000 AF per year. The Main Basin, with high yielding aquifers and good quality groundwater, has 126,000 AF of operational storage capacity above historical lows. Zone 7 has managed groundwater in the Livermore Valley Groundwater Basin (“**DWR Basin 2-10**”) since 1962 under statutory authority. The 2014 California Sustainable Groundwater Management Act recognized Zone 7 as the exclusive Groundwater Sustainability Agency in this area. DWR has not identified Basin 2-10 as either in overdraft or expected to be in overdraft, and the basin is not adjudicated.

Offsite Groundwater Banks. Zone 7 has agreements with Semitropic Water Storage District and Cawelo Water District in Kern County for 78,000 AF and 120,000 AF of storage capacity, respectively. Zone 7 recovers water from these banks when needed during dry years (e.g., 2014 and 2015). Via exchange, recovered water is delivered via the SBA as surface water from the Delta.

Chain of Lakes (future). Chain of Lakes (“**COL**”) is a series of former and active gravel quarry pits located in the Livermore-Amador Valley. Zone 7 envisioned the COL as a large facility to be used for water management and related purposes, including surface storage and recharge of the Livermore Valley Groundwater Basin. The COL will ultimately consist of 10 lakes, named Lakes A through I and Cope Lake, connected through a series of conduits. Zone 7 currently owns Lake I and Cope Lake, and expects Lake H to be dedicated to Zone 7 within the next few years. The remaining lakes (A through G) were formerly expected to be dedicated to Zone 7 by around 2030. This previous timing was used in the 2011 Water Supply Update. However, gravel mining at Lakes A through G may extend well beyond 2030, and may not be completed until as late as 2060; consequently, Zone 7’s 2016 Water Supply Evaluation Update included only Lake I and Cope Lake, Lake H starting in 2017, and Lake A starting in 2020.

**District Groundwater.** The District has a right to extract groundwater from the Main Basin based on limits in the original agreement between Zone 7 and the District. Zone 7 pumps the District's groundwater quota from a Zone 7-installed well in the Mocho well field, Mocho No. 4, constructed on District property. The District's independent pumping quota ("IQ") is 645 AF per year (although the District can pump in excess of its IQ if a recharge fee is paid to Zone 7). This agreement keeps the groundwater budget essentially in balance under average hydrologic conditions.

In addition, the District has an unlimited right to extract groundwater from the "fringe basin." This portion of the Livermore-Amador Valley Groundwater Basin is hydrologically separate from the Main Basin and generally contains water of lower quality and, consequently, is costlier to treat. The Zone 7 Agreement does not limit the District's ability to extract groundwater outside the Main Basin as long as the extraction does not cause an adverse impact on the Main Basin. Before the creation of Zone 7, the District obtained 100 percent of its water supply from the fringe basin. The District has no current plans to begin using the fringe basin supply again, but it is available if necessary.

**Reliability of the Potable Water Supply.**<sup>2</sup> The reliability of the District's potable water supply is largely dependent upon its water supply contract with Zone 7 and Zone 7's water supply reliability policy. On October 17, 2012, the Zone 7 Board of Directors approved a revised Water Supply Reliability Policy (Resolution No. 13-4230), which adopts the following level of service goals to guide the management of Zone 7's treated water supplies as well as its Capital Improvement Program:

1. Zone 7 will meet its treated water customers' water supply needs, in accordance with Zone 7's most current contracts for municipal and industrial ("M&I") water supply, including existing and projected demands as specified in Zone 7's most recent urban water management plan, during normal, average, and drought conditions, as follows: At least 85 percent of M&I water demands 99 percent of the time; 100 percent of M&I water demands 90 percent of the time.
2. Provide sufficient treated water production capacity and infrastructure to meet at least 80 percent of the maximum month M&I contractual demands should any one of Zone 7's major supply, production, or transmission facilities experience an extended unplanned outage of at least one week.

Zone 7's imported water supplies have decreased in reliability over the years as SWP reliability has declined. The long-term average allocations projected in DWR's SWP delivery capability reports decreased from 76 percent in 2002 to 60 percent in 2009 and has remained at about 60 percent. In the 2015 State Water Project Delivery Capability Report, the SWP's projected long-term average yield is 62 percent of Table A quantities. The recent historic multi-

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<sup>2</sup> The following information is based on excerpts from the District's 2015 Urban Water Management Plan (<http://www.drsrd.com/about-us/library/plans-studies>), which relies on Zone 7's 2015 Urban Water Management Plan for information on the Zone 7 water supply. Additional information is excerpted from Zone 7's 2016 Annual Report. (The Zone 7 publications are available at <http://www.zone7water.com/publications-reports/reports-planning-documents>.) Although the District believes Zone 7 is the best source of information about Zone 7's water sources and operational plans and, therefore, encourages potential investors to review the information available from Zone 7, the District can provide no assurances as to the accuracy or completeness of the information.

year drought and statewide drought emergency severely impacted delivery of most surface water supplies in California. In 2014, SWP cutbacks of Table A allocations, first to 0 percent and then to 5 percent (but only for delivery late in the year), were the lowest on record. The 2015 allocation of 20 percent was the second lowest since 1991. These cutbacks also limited Zone 7's access to stored groundwater south of the Delta. In response to statewide and local declarations of drought emergencies, the District and the other local water retailers restricted water use in 2014, which reduced the need for pumping from the local groundwater basin, and maintained restrictions in 2015 and much of 2016 in response to statewide water conservation mandates. Zone 7 maintained that it had adequate water supply in 2015 and 2016 to meet normal demands. The year 2017 was the wettest year on record in California, and DWR restored Table A allocations to 85 percent.

To protect the valley's major water supply, Zone 7 has been supporting the California WaterFix (formerly the Bay Delta Conservation Plan/Delta Fix), the State of California's proposed project to upgrade the SWP system infrastructure and operations and improve its long-term reliability while protecting the Sacramento-San Joaquin Delta ecosystem. If the project proceeds, and construction begins in 2019, it is expected to be substantially complete by 2033. The California WaterFix would be implemented by the DWR and ultimately financed through the issuance of multiple revenue bonds. The SWP Contractors will be billed for their share of the project's capital costs, Zone 7's share of which would be funded through Zone 7's future water rates. Payments are expected to be spread over about 50 years through 2071.

**Zone 7 Efforts to Meet Water Supply Demands.** In 2016, Zone 7 published a Water Supply Evaluation Update and its 2015 Urban Water Management Plan. For these reports, Zone 7 staff evaluated water supply alternatives and potential future water supply projects that could be used to make up for the decreased reliability from existing supplies and meet demands from growth. Based on the existing and planned future water supply assumptions made by Zone 7, Zone 7 does not anticipate any difficulty in meeting projected water demands under normal conditions, single dry years, and multiple-dry years; however, Zone 7 is pursuing additional water supply options to bolster interim water supply reliability until the California WaterFix is in place to address the uncertainties of any future regulatory requirements and impact on the delta water supply. To that end, Zone 7 continues to evaluate alternative water supply and storage options such as the Bay Area Regional Desalination Project, Los Vaqueros Reservoir Expansion, Sites Reservoir, potable reuse, and water transfers.

Zone 7 is a co-participant in studies to expand Los Vaqueros Reservoir and construct Sites Reservoir. Zone 7 is partnering with local water retailers to evaluate the feasibility of potable reuse, which uses advanced treatment technologies to transform wastewater into a purified raw water supply. The purpose of the study is to evaluate the feasibility of various potable reuse options for the valley and to identify the most promising options based on technical, financial, and regulatory considerations. If advanced recycling is found to be technically and economically feasible, the study will provide recommendations for next steps for the agencies. The study is expected to be complete by the end of 2017.

Finally, Zone 7 has been evaluating the feasibility of an intertie with another major water agency (e.g., EBMUD or San Francisco Public Utilities Commission). An intertie with another agency could provide another source of water during an emergency or a drought, and could facilitate water transfers.

Zone 7's current Capital Improvement Plan includes the estimated funding required to pursue the alternative water supplies and interties described above.

## Recycled Water Supply

**Recycled Water Program.** Recycled water has been an important part of the District's water planning since the early 1990s. The District's water service plans for new development in eastern Dublin and the Dougherty Valley area of San Ramon are predicated upon the use of recycled water for landscape irrigation, where feasible, and enforced through District Ordinance 301. As new areas are developed, the District has expanded its recycled water treatment, storage, and distribution facilities to serve these areas. In 2012, the District also began extending its recycled water distribution system into established areas of central Dublin to deliver recycled water supplies to four schools and three parks. In 2014 and 2015, the District completed conversions of an additional 44 irrigation accounts in central and eastern Dublin and extended recycled water pipelines across Interstate 680 to connect another 40 sites in western Dublin.

As of July 1, 2017, the District was serving 435 recycled water accounts. The District will continue to add additional customers in new development in Dublin and Dougherty Valley through buildout. Where recycled water distribution mains are adjacent to construction sites, the District allows temporary connection to the distribution main so that construction contractors may obtain recycled water for construction use. Construction contractors also may obtain recycled water from recycled water hydrants located throughout the service area and a commercial fill station at the District's Recycled Water Treatment Facility ("RWTF").

**Recycled Water Coordination.** The District is a party to the DERWA Joint Powers Agreement creating DERWA. DERWA operates the SRVRWP, a multi-phased project to supply recycled water from the District's RWTF to portions of the respective water service areas of the District, EBMUD, and, since 2014, Pleasanton.

The first phase of the SRVRWP became operational in 2006 and provides recycled water supplies to a number of sites in Dublin and San Ramon, as mentioned above. The costs of this initial phase of the Program's facilities were financed from commercial paper notes issued by DERWA, State loans, grant moneys, and capital contributions made by the District and EBMUD. See "WATER SYSTEM FINANCES – Outstanding Debt and Long-Term Payment Obligations – Outstanding Payment Obligations to DERWA."

The District and EBMUD entered into an "Agreement for the Sale of Recycled Water by the District-EBMUD Recycled Water Authority to the Dublin San Ramon Services District and the East Bay Municipal Utility District," dated July 28, 2003 ("Recycled Water Sales Agreement"), for the sale of recycled water by DERWA to the District and EBMUD. Pursuant to this agreement, the District and EBMUD are each responsible for paying their respective share of the costs incurred by DERWA in implementing the SRVRWP (including, among other things, administrative costs, construction costs, operation and maintenance costs, and costs of debt service on obligations issued by DERWA for the purposes of the SRVRWP). The Recycled Water Sales Agreement would expire by its terms on July 28, 2043, unless amended. Payments to be made by the District under the Recycled Water Sales Agreement are payable as an Operation and Maintenance Cost regardless of whether any recycled water is made available to the District from such facilities.

The Recycled Water Sales Agreement provides that (i) the supply rights of the District entitle it to 3,730 AF per contract year (at a maximum day delivery rate of 9.57 million gallons per day ("MGD")), (ii) the supply rights of EBMUD are 2,690 AF per contract year (6.96 MGD maximum day delivery rate), and (iii) these supply rights are the basis for the sharing by the District and

EBMUD of the risks and costs of the implementation and operation of the SRVRWP. Facility capacity rights are allocated to the District and to EBMUD on a facility-by-facility basis in the same percentage as each entity respectively contributed to construction costs.

The District, EBMUD, and DERWA also entered into an Operations Agreement, dated May 23, 2005, pursuant to which the District operates and maintains the DERWA facilities.

The capacity of the RWTF varies based on the quality of the secondary effluent. The current maximum treatment capacity of the RWTF is 11.6 MGD. An expansion currently under construction will increase capacity to 16.2 MGD by mid-2018.

The District owns and operates a regional wastewater treatment plant (“WWTP”), which treats wastewater from Dublin and southern San Ramon in the District’s service area, and from Pleasanton (by contract). The WWTP includes conventional secondary treatment facilities, as well as tertiary and advanced recycled water treatment facilities that supply DERWA. The secondary treatment facilities currently have an average dry weather flow of approximately 10.0 MGD and a treatment capacity of 17.0 MGD. Approximately half of the WWTP influent originates from the District’s service area.

The District entered into an agreement with Pleasanton in 2002, which was most recently amended in January 2014, allowing utilization of secondary effluent collected from Pleasanton’s wastewater collection system. With the most recent amendment, the District has the right to utilize any secondary effluent from Pleasanton not being used or needed for the production of recycled water for use or delivery by Pleasanton’s Recycled Water Program.

Due to increases in water conservation, the secondary effluent available to be recycled is insufficient to meet peak recycled water demand. DERWA and the District are pursuing the following alternative water supply strategies: divert influent from the Central Contra Costa Sanitary District’s sanitary sewer system adjacent to the District’s sewer system in southern San Ramon; install groundwater wells in the fringe basin to meet peak irrigation demands; and utilize potable water to meet peak irrigation demands.

In addition, the District has a 2004 Memorandum of Understanding in place with Zone 7 to provide up to 1,200 AF of seasonal recycled water storage in Cope Lake (within the Chain of Lakes) to meet peak demands.

## **Potable Water Facilities**

**Supply Turnouts.** Potable water purchased from Zone 7 by the District is currently distributed and fluoridated through four operated water supply turnout facilities. One additional turnout is planned for the future.

**Water Storage Reservoirs.** As of June 30, 2017, the District’s water distribution system had 14 potable storage reservoirs, providing 24.98 million gallons (“MG”) maximum capacity, in operation. On August 31, 2017, one 3 MG capacity reservoir was taken out of service, reducing the maximum capacity to 21.98 MG. The reservoirs provide storage capacity for the District to meet diurnal demand fluctuations, supply demands during emergency and power outage conditions, and fire flow requirements. The operating reservoirs are in good condition, and are routinely inspected by District staff. The idle potable water reservoir is older and scheduled to be replaced with a 4.1 MG capacity reservoir by 2020.

**Water Pump Stations.** The District has 17 potable water pump stations located throughout its water distribution system. The pump stations are used to fill the storage reservoirs and meet water demands including water to fight fires. The pump stations are in good condition and are routinely inspected by District staff.

**Emergency Intertie Connections.** The District has emergency supply agreements in place with its neighboring water purveyors (EBMUD, Pleasanton and Livermore) that allow water to enter or be transferred from those agencies' water systems to the District in the event of a major system failure. The District currently has two emergency supply connection points with Pleasanton, one with Livermore, and three with EBMUD.

### Current Potable Water Storage Capacity

The table below sets forth the storage capacity at the District's potable water reservoirs currently in operation.

**Table 3**  
**DUBLIN SAN RAMON SERVICES DISTRICT**  
**Potable Water Reservoirs**  
**Current Capacity**  
**As of June 30, 2017**

<b>Reservoir</b>	<b>Capacity (MG)</b>
Dougherty Reservoir 1B	2.35
Reservoir 1A	2.00
Reservoir 2A	0.72
Reservoir 3A	0.65
Reservoir 3B	0.34
Reservoir 4A	0.70
Reservoir 10A <sup>(1)</sup>	3.00
Reservoir 10B	3.00
Reservoir 20A	3.30
Reservoir 30A	1.12
Reservoir 200A	2.60
Reservoir 200B	1.20
Reservoir 300A	2.30
Reservoir 300B	1.70
<b>Total</b>	<b>24.98</b>

(1) Reservoir 10A is located at Camp Parks. As of August 31, 2017, it has been isolated from the system and drained to the sewer system for recycled water and left empty. This reservoir will not be active again. A new tank is currently in the acquisition process.

Source: *Dublin San Ramon Services District*

### Recycled Water Facilities

The SRVRWP facilities, constructed through DERWA, include the major recycled water transmission pipelines, two recycled water reservoirs (9.0 MG total capacity), and three pump stations. The District's recycled water distribution system is connected to the DERWA system and

includes two recycled water reservoirs (2 MG maximum capacity) and three recycled water pump stations to store and convey water to meet recycled water irrigation demands.

## Potable Water Quality and Treatment

Drinking water supplies are subject to increasingly stringent state and federal water quality regulatory standards. Currently, the State and the federal governments regulate over 100 potential contaminants. The water supply provided to the District's customers meets or exceeds all federal and State drinking water regulatory requirements and is deemed by the applicable regulatory agencies to be safe.

Zone 7 has a Water Quality Policy for Potable and Non-Potable Water that establishes goals to effectively manage various water quality issues and to guide operations and capital improvement planning. The policy calls for delivered potable water to its M&I contractors' (retailer) turnouts to be of a quality that contains no greater than 80 percent of the applicable state or federal primary Maximum Contaminant Levels (MCLs) and is aesthetically acceptable by meeting all state and federal secondary MCLs. Additional discussion of water quality issues is provided below.

Algal Blooms. One of the biggest water quality challenges for Zone 7 is treating surface water impacted by algal blooms and their byproducts, especially during droughts. Some algae can produce earthy/musty T&O compounds such as 2-methylisoborneol (MIB) and geosmin. Some species of blue-green algae (e.g., cyanobacteria) are known to produce harmful toxins (commonly referred to as cyanotoxins). Zone 7 is actively monitoring for the presence of algae and their byproducts with the DWR and two other SWP Contractors that receive water deliveries through the SBA ("SBA Contractors").

In 2015, the U.S. Environmental Protection Agency issued monitoring guidance and drinking water health advisories for two cyanotoxins: microcystins and cylindrospermopsin. DWR has been monitoring for these cyanotoxins in the SWP since 2013. Zone 7 also started in-house microcystin monitoring; so far, it has not detected microcystins in influent to its surface water treatment plant.

Zone 7 and the other two SBA Contractors jointly funded a study that evaluated the efficiency of four different treatment technologies currently used by the three SBA Contractors for the destruction or removal of cyanotoxins from SBA water. Ozone was found to be highly effective at destroying all three toxins. Zone 7 will install ozonation at its two treatment plants by 2019.

Total Dissolved Solids ("TDS") and Hardness. Zone 7's groundwater generally contains more TDS and hardness than its surface water supplies. Zone 7 operates a demineralization facility at the Mocho Well Field to meet potable water targets. Zone 7 minimized demineralization operations during the recent drought to conserve water.

Corrosion Control. In 1997, California Division of Drinking Water approved pH adjustment of Zone 7's surface water to optimize corrosion control treatment. Zone 7 and all of its retailers are currently on a reduced monitoring frequency for lead and copper due to low detection of these metals in their systems.

Disinfection By-Products ("DBP"). DBP are formed when naturally occurring precursors such as Total Organic Carbon ("TOC") and bromide react with disinfectants such as chlorine and ozone. Trihalomethanes ("THM") are formed when precursors in the water react with chlorine

and chloramines during water treatment. During the drought, TOC reached a historical high and Zone 7 staff made a number of adjustments to adapt to significantly different source water and remove organic precursors and DBPs themselves in the treatment plant. Ozonation, which will be implemented at both treatment plants by 2019 and will be accompanied by bromate control and biofiltration, is likely to reduce typical chlorination DBP.

## **Environmental Issues Relating to the Water System**

**Permits and Licenses.** The Water System operates and is governed under regulatory licenses and permits from the following agencies:

- (1) California State Water Resources Control Board (Water Permit No. 02-04-95P-0110009, as amended, under Order 2014-0194DWQ); and
- (2) San Francisco Regional Water Quality Control Board (“RWQCB”) (Order 93-195; master water recycling permit for Livermore-Amador Valley).

All permits and licenses are current.

The District is not aware of any environmental or regulatory issues that would adversely impact its ability to deliver water. See, however, “The Water System – Potable Water Supply,” for information about issues that may adversely impact the availability of SWP water. Also note the discussion under the heading “– Regulatory Issues.”

**Regulatory Issues.** The applicable drinking water standards for the Water System are provided in the State Water Resources Control Board, Division of Drinking Water, Domestic Water Quality and Monitoring Regulations, which may be found in Title 22 of the California Administrative Code. These regulations incorporate the requirements of the U.S. Environmental Protection Agency, which have been established in order to implement the federal Safe Drinking Water Act (PL 93-523). The standards specify water quality sampling frequencies and location, as well as maximum concentrations of chemical constituents, and are continuously revised and amended.

In 2016, for the first time in many years, routine monitoring found more total coliform bacteria than allowed in two areas of the District’s potable water distribution system. Coliforms are bacteria that are naturally present in the environment and are used as an indicator that other, potentially harmful, waterborne pathogens may be present or that a potential pathway exists through which contamination may enter the drinking water distribution system. When this occurs, the District is required to conduct assessments to identify and correct any problems. During 2016, the District conducted two Level 1 Assessments and took two corrective actions. Follow-up tests were negative for coliform bacteria and the problem has not reoccurred in these areas. The District never found harmful bacteria in the system and the water was safe to drink at all times.

In 2017, initial routine sampling tested positive for total coliform and E.coli bacteria in three locations within the same pressure zone of the water system. Follow-up sampling tested negative. Because this was the first positive test for E.coli in the District’s history, the RWQCB case supervisor felt it necessary to do public notification as a safeguard. After intense investigation, the District found no causes for E.coli in the water system.

The District’s water system has not had any other regulatory violations in the last three years.

## Water Conservation

In early January 2014, Zone 7's Board of Directors learned that all pumping from the Delta could be stopped due to severe, persistent, and record drought conditions. California Governor Jerry Brown declared a drought state of emergency on January 17, 2014, and requested voluntary conservation of 20 percent. For the first time in its history, Zone 7 was facing a potential water supply crisis. Consequently, Zone 7's Board of Directors declared a local drought state of emergency on January 29, 2014, and requested that the District, other local water retailers, and untreated customers reduce their water use by 25 percent. The District did so under Stage 2 Actions defined in its 2010 Urban Water Management Plan. Governor Brown subsequently mandated statewide water use reductions in April 2015. Zone 7 saw a 28.6 percent reduction in total water demand (treated and untreated) in 2014, and a 40 percent reduction in total water demand through November 2015, compared to the baseline year, 2013.

For the 12 months ended June 30, 2017, residential water use in the District's service area was 63.9 gallons per capita day, one of the lowest in California. The District also is in full compliance with water use targets required by the Water Conservation Act of 2009 (SB X7-7).

The Governor of California terminated the drought state of emergency, and the related conservation restrictions, for most of California (including the counties in which the District is located) in April 2017.

## Water Consumption

**Historical Accounts.** The following table identifies historical water service connections to the District's Water System.

**Table 4**  
**DUBLIN SAN RAMON SERVICES DISTRICT**  
**Historical Accounts**

<b>Fiscal Year</b>	<b>Residential</b>	<b>Commercial<sup>(1)</sup></b>	<b>Industrial</b>	<b>Other<sup>(2)</sup></b>	<b>Total</b>
2007-08	12,825	2,290	2	1,240	16,357
2008-09	13,387	2,232	2	1,422	17,043
2009-10	13,964	2,240	2	1,475	17,681
2010-11	16,057	684	2	1,376	18,119
2011-12	16,610	692	2	1,473	18,777
2012-13	17,403	699	2	1,552	19,656
2013-14	18,226	691	2	1,613	20,532
2014-15	19,023	712	2	1,697	21,434
2015-16	19,179	727	2	1,814	21,722
2016-17	20,669	758	2	1,895	23,324

(1) Prior to fiscal year 2010-11, condominiums were classified as commercial; beginning in fiscal year 2010-11, they are now classified as residential.

(2) Includes institutional, irrigation, recycled water, and fire line accounts.

Source: Dublin San Ramon Services District.

**Historical Gross Water Consumption.** Gross water consumption in the District since fiscal year 2007-08 is shown in the following table. Annual volumetric data are shown in billing units of one hundred cubic feet of water ("ccf"), which is approximately 748 gallons, and in MG; daily consumption rate data are shown in MGD.

**Table 5**  
**DUBLIN SAN RAMON SERVICES DISTRICT**  
**Gross Water Consumption by Fiscal Year<sup>(1)</sup>**

<b>Fiscal Year Ended June 30</b>	<b>Annual Consumption (Thousands of ccf)</b>	<b>Annual Consumption (in MG)</b>	<b>Average Consumption Per Day (in MGD)</b>	<b>Peak Day Demand (in MGD)<sup>(2)</sup></b>
2008	5,207	3,895	10.70	21.4
2009	5,059	3,784	10.40	20.8
2010	4,679	3,500	9.59	19.2
2011	4,666	3,490	9.56	19.1
2012	5,009	3,747	10.27	20.5
2013	5,241	3,920	10.74	21.5
2014	5,607	4,194	11.49	23.0
2015	4,368	3,267	8.95	18.0
2016	3,887	2,907	7.97	15.9
2017	4,356	3,258	8.93	17.9

<sup>(1)</sup> Gross water consumption includes water lost through leaks in the transmission system, used in the treatment process, evaporation, fighting fires and other miscellaneous causes, which is approximately 4.6% of gross consumption.

<sup>(2)</sup> Peak Day Demand calculated using average peaking factor of 1.9, from the most current the District Water Master Plan completed in March 2016.

Source: Dublin San Ramon Services District

**Classifications of Customers.** The number of accounts as of June 30, 2017, and consumption by customer type for the fiscal year ended June 30, 2017, are shown in the following table.

**Table 6**  
**DUBLIN SAN RAMON SERVICES DISTRICT**  
**Number of Accounts and Metered Annual Consumption**  
**By Customer Type**  
**As of June 30, 2017**

<b>Type of Customer</b>	<b>Number of Accounts<sup>(1)</sup></b>	<b>Percent of Accounts</b>	<b>Annual Consumption (Thousands of ccf)<sup>(2)</sup></b>	<b>Percent of Consumption</b>
Residential	20,669	88.6%	1,921	44.1%
Commercial	758	3.3	1,024	23.5
Industrial	2	0.0	94	2.2
Other <sup>(3)</sup>	<u>1,895</u>	<u>8.1</u>	<u>1,316</u>	<u>30.2</u>
Total	23,324	100.0%	4,355	100.0%

<sup>(1)</sup> Accounts include inactive services and individual meters grouped and billed as single accounts.

<sup>(2)</sup> Metered water consumption shown here is water delivered and billed to customers. Gross water consumption shown in Table 5 includes water lost through leaks in the transmission system, used in the treatment process, evaporation, fighting fires and other miscellaneous causes, which is approximately 4.6% of gross consumption. "ccf" is the abbreviation for one hundred cubic feet.

<sup>(3)</sup> Includes institutional, irrigation, recycled water, and fire line accounts.

Source: *Dublin San Ramon Services District*

**Largest Users.** The following table shows the top 10 water users in the District based on service charge revenue to the Water System during fiscal year 2016-17.

**Table 7**  
**DUBLIN SAN RAMON SERVICES DISTRICT**  
**Top 10 Customers by Service Charge Revenue**  
**Fiscal Year 2016-17**

<b>Account Name</b>	<b>Type of Business</b>	<b>Service Charge Revenue</b>	<b>% of Total Annual Service Charge Revenue</b>
City of San Ramon	Government	\$ 1,444,329	5.19%
Federal Corrections Institute	Government	581,548	2.09
Dublin USD	Institution	486,895	1.75
Alameda County G.S.A.	Government	455,632	1.64
City of Dublin	Government	400,182	1.44
San Ramon Valley USD	Institution	316,452	1.14
Dublin Ranch Golf Course	Golf Course	308,786	1.11
Amador Lakes	Apartment	241,234	0.87
The Terraces at Dublin Ranch	Apartment	207,117	0.74
Independent Construction	Construction	<u>194,438</u>	<u>0.70</u>
<b>Total Top Ten</b>	<b>N/A</b>	<b>\$ 4,636,611</b>	<b>16.66%</b>
All Others	Various	<u>\$ 23,195,330</u>	<u>83.34%</u>
<b>Grand Total</b>		<b>\$ 27,831,941</b>	<b>100.00%</b>

Source: *Dublin San Ramon Services District*

## Capital Improvement Program

**Proposed Expenditures.** The following table summarizes the District's five-year capital expenditures forecast for fiscal years 2017-18 through 2021-22. Each line item in the table is described in the paragraphs that follow.

**Table 8**  
**DUBLIN SAN RAMON SERVICES DISTRICT**  
**Fiscal Years 2018-22**  
**Capital Improvement Program**  
**Forecast – Cash Expenditures**  
**(Thousands)**

### Improvement/Replacement Projects

	Fiscal Year ended June 30						Total
	2018	2019	2020	2021	2022		
Emergency Preparedness	\$ 375	\$ 2,665	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,040
Facilities, Services & Equipment	597	88	658	155	216	1,713	
Maintaining Infrastructure	2,750	3,892	4,811	1,234	678	13,364	
Resource Management	19	19	63	63	88	250	
Water Quality	359	0	0	0	0	359	
Water Supply	965	3,000	2,580	7,830	7,830	22,205	
<b>Total</b>	<b><u>\$ 5,065</u></b>	<b><u>\$ 9,663</u></b>	<b><u>\$ 8,112</u></b>	<b><u>\$ 9,281</u></b>	<b><u>\$ 8,811</u></b>	<b><u>\$ 40,932</u></b>	

### Expansion Projects

	Fiscal Year ended June 30					Total
	2018	2019	2020	2021	2022	
Facilities, Services & Equipment	90	0	0	0	0	90
New Infrastructure (Expansion)	7,360	5,123	3,514	3,019	19	19,036
Water Supply	888	1,100	2,055	3,170	3,170	10,383
Admin. & General Expense	0	0	0	500	0	500
<b>Total</b>	<b><u>\$ 8,338</u></b>	<b><u>\$ 6,223</u></b>	<b><u>\$ 5,569</u></b>	<b><u>\$ 6,689</u></b>	<b><u>\$ 3,189</u></b>	<b><u>\$ 30,009</u></b>

Note: Minor differences in Total due to rounding

Source: Dublin San Ramon Services District

The current five-year capital plan includes the following projects:

Emergency Preparedness. Includes a project to provide standby generators at the potable water pump station.

Facilities, Services & Equipment. Includes projects to rehabilitate existing buildings and upgrade major security and information systems. Also includes replacement of fleet vehicles.

Maintaining Infrastructure. Includes projects to replace or rehabilitate existing infrastructure, including rehabilitating water mains, pump stations, reservoirs.

Resource Management. Includes projects to evaluate energy efficiency and identify energy conservation measures and alternative energy opportunities to reduce energy costs.

Water Quality. Includes projects to maintain water quality in the water system, such as chlorination facilities and reservoir mixing systems.

Water Supply. Includes projects to diversify and increase the reliability of the water supply, including intertie projects, water reuse, and potable reuse projects completed in partnerships with neighboring agencies.

**Proposed Sources of Funding.** The District estimates funding for its five-year capital plan for fiscal years 2017-18 through 2021-22 will be provided from the following sources:

**Table 9**  
**DUBLIN SAN RAMON SERVICES DISTRICT**  
**Fiscal Years 2018 through 2022**  
**Sources of Funds for Capital**  
**Improvement, Replacement and Expansion Expenditures**

<b>Funding Sources</b>	<b>(Thousands)</b>
Debt	\$ 0
Advances and Contributions <sup>(1)</sup>	0
Capacity Reserve Fee	49,971
Grants	0
Pay-as-you-go	<u>20,968</u>
Total	<u><u>\$ 70,939</u></u>

(1) Refers to fees, such as the District capacity reserve fees, that are contributed prior to connection to the system.

Source: *Dublin San Ramon Services District*

## WATER SYSTEM FINANCES

### Basis of Accounting

The District reports operations on a fiscal year basis (currently July 1 through June 30). Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that costs and expenses, including depreciation, of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. Enterprise funds are accounted for using the accrual basis of accounting and with a cost of services or economic resources measurement focus, which means that all assets and all liabilities associated with their activities are included on their balance sheets. Enterprise fund operating statements present increases (revenues) and decreases (expenses) in total net position. The accounting policies of the District conform to generally accepted accounting principles for community services districts.

## Sources of Funds

The Water System's principal source of revenues is water sales. In fiscal year 2016-17, \$27.832 million of the Water System's total operating revenues (\$42.743 million) was provided from water sales. See “– Service Charge” below, which is included in water sales.

Sources of cash other than water sales include:

- Capacity Reserve Fees: Capacity reserve fees (formerly known as connection fees) are collected to ensure that current customers do not pay for costs associated with new customers. These capacity reserve fees are used in part to finance the cost of expanding District facilities to support new customers. In addition, capacity reserve fees have a “buy-in” component, which is the cost of the excess capacity in existing facilities that were built at the expense of existing customers in order to serve future customers. Capacity reserve fee revenue is available as a matter of law to pay debt service on the 2017 Bonds. See “– Capacity Reserve Fees.”
- Interest: Interest revenues are received from investments held in compliance with the District's investment policy and the California Government Code. See “THE DISTRICT – District Investment Policy.”
- Other Revenues: Other revenues include Tax Revenues, administrative fees charged by the District, assessments levied in the Dougherty Valley Standby Assessment District (the “**Assessment District**”) (which are restricted for use only for costs related to the Assessment District and, thus, are not available to pay debt service on the 2017 Bonds), overtime inspections, backflow prevention, leases of cell tower sites, rental of office space to joint powers authorities, and other miscellaneous items.

The following table sets forth the District's Water System revenue sources for the five most recent fiscal years ended June 30, 2017.

**Table 10**  
**DUBLIN SAN RAMON SERVICES DISTRICT**  
**Water System Revenue**  
**Summary of Revenues and Contributions by Sources**  
**Five Fiscal Years Ended June 30, 2017**  
**(Millions)**

	<b>Fiscal Year Ended June 30</b>				
	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
<b>Revenue:</b>					
Water Sales	\$23.255	\$24.992	\$23.186	\$23.281	\$27.832
Interest	0.065	0.479	0.365	0.596	0.153
Capacity Reserve Fees	4.252	5.215	7.423	13.588 <sup>(1)</sup>	9.609
Other Revenues <sup>(2)</sup>	5.302	5.583	8.354	6.346	7.461
Less: Cell Tower Leases	(0.350)	(0.090)	(0.080)	(0.100)	(0.090)
Less: Tax Revenues	(0.450)	(0.490)	(0.550)	(0.610)	(0.650)
Less: Assessment District	<u>(1.466)</u>	<u>(1.514)</u>	<u>(1.549)</u>	<u>(1.564)</u>	<u>(1.569)</u>
<b>Total Revenues</b>	<b>\$30.609</b>	<b>\$34.178</b>	<b>\$37.149</b>	<b>\$41.533</b>	<b>\$42.743</b>
<b>Contributions:</b>					
Noncash Contributions	<u>1.023</u>	<u>3.338</u>	<u>3.180</u>	<u>0.885</u>	<u>3.469</u>
<b>Total Contributions</b>	<b><u>1.023</u></b>	<b><u>3.338</u></b>	<b><u>3.180</u></b>	<b><u>0.885</u></b>	<b><u>3.469</u></b>
<b>Total Revenues and Contributions</b>	<b><u>\$31.631</u></b>	<b><u>\$37.516</u></b>	<b><u>\$37.828</u></b>	<b><u>\$42.418</u></b>	<b><u>\$46.212</u></b>

(1) Increase from prior year primarily due to large development.

(2) Other revenues include Tax Revenues, administrative fees charged by the District, assessments levied in the Assessment District (which are restricted for use only for costs related to the Assessment District and, thus, are not available to pay debt service on the 2017 Bonds), overtime inspections, backflow prevention, leases of cell tower sites, rental of office space to joint powers authorities, and other miscellaneous items.

Source: *Dublin San Ramon Services District*

The following table sets forth water sales revenues by customer type for fiscal year 2016-17.

**Table 11**  
**DUBLIN SAN RAMON SERVICES DISTRICT**  
**Water Sales Revenues by Customer Type**  
**Fiscal Year Ended June 30, 2017**

<b>Type of Customer</b>	<b>Sales Revenues</b>	<b>Percent</b>
Residential	\$ 15,870,515	57%
Commercial	2,826,407	10
Industrial	968,427	4
Other <sup>(1)</sup>	<u>8,166,592</u>	<u>29</u>
Total	<u>\$ 27,831,941</u>	<u>100%</u>

(1) Includes recycled water, irrigation, institutional, construction, and fireline accounts.  
Source: *Dublin San Ramon Services District*

### Service Charges

**General.** The District's rates and rate structure are established by its Board of Directors after a public hearing process, and are not subject to regulation by any other agency. See "RISK FACTORS – Articles XIIIC and XIIID of the California Constitution" in the body of the Official Statement for a discussion of the notice, hearing and protest procedures to which the District's proposed rate increases are subject.

From fiscal year 2012-13 through fiscal year 2016-17, residential rates have increased by an average of 9.03% per fiscal year. The average rate increases enacted by the District for such fiscal years are as follows:

**Table 12**  
**DUBLIN SAN RAMON SERVICES DISTRICT**  
**Historical Residential Rate Increases**

<b>Fiscal Year</b>	<b>Average Rate Increase (Residential) <sup>(1)</sup></b>
2013	6.83%
2014	7.79
2015	2.83
2016	19.27
2017	8.42

(1) Calculated based on use of 26 ccf.  
Source: *Dublin San Ramon Services District*.

The increase in costs to customers has been primarily a result of price increases for purchased water imposed by Zone 7, over which the District has little control. Zone 7 price increases are passed through to customers to ensure that customers pay for the full cost of the water they receive. Zone 7 is currently contemplating the potential issuance of debt in the near future, which would affect the District's rates. The District continues to work proactively each year with Zone 7 during the rate-setting process to mitigate impacts to District customers.

**Table 13**  
**DUBLIN SAN RAMON SERVICES DISTRICT**  
**Allocation of Service Charge Between District Costs and Zone 7 Costs**  
**Fiscal Years 2007-08 through 2016-17<sup>(1)</sup>**

Fiscal Year	District Fixed Water Charge (bi-monthly)	District Consumption Charge	Zone 7 Consumption Charge	Total Water Charges
2007-08	\$16.00	\$14.30	\$41.08	\$ 71.38
2008-09	16.00	15.60	48.10	79.70
2009-10	16.03	21.04	54.86	91.93
2010-11	16.18	23.00	56.16	95.34
2011-12	16.66	23.68	59.02	99.36
2012-13	17.12	24.46	59.02	100.60
2013-14	32.56	22.38	60.58	115.52
2014-15	33.54	23.06	62.40	119.00
2015-16	34.31	23.48	85.54	143.33
2016-17	35.23	24.06	96.72	156.01

(1) Calculated based on 5/8-inch meter and use of 26 ccf.

Source: *Dublin San Ramon Services District*.

**Current Rate Structure.** The District's water rate structure, which was approved by the Board of Directors pursuant to Resolution No. 02-17 adopted on January 3, 2017, is based on a cost of service methodology by customer class. The rate structure consists of two elements: a bi-monthly fixed service charge and a consumption charge for water delivered. Consumption charges for residential customers are billed on a three-tier system, while commercial customers are billed based on seasonal use. Consumption charges also include a Zone 7 component, which is a pass-through charge for the cost of water that the District purchases from Zone 7.

The following table shows the rate schedule effective June 1, 2017. The bi-monthly water bill for a typical residential account consuming 2,600 cubic feet (equivalent to 26 ccf or 19,448 gallons) per billing period is \$156.01 using normal rates (see Table 14 below) rather than water shortage rates (see Table 15 below). The rates are scheduled to increase each January 1 based on the Consumer Price Index for the San Francisco-Oakland-San Jose-All Urban Consumers ("CPI"). See "– Projected Operating Results" for a description of projected future rate increases.

**Table 14**  
**DUBLIN SAN RAMON SERVICES DISTRICT**  
**Water System Rates and Charges**  
**Effective June 1, 2017**  
**Service Charge**

<b>Meter Size</b>	<b>Bi-Monthly</b>
5/8-inch	\$ 35.23
3/4-inch	52.86
1-inch	88.08
1 1/2-inch	176.11
2-inch	281.78
3-inch	616.44
4-inch	1,761.18
6-inch	3,522.35
8-inch	6,164.11
10-inch	9,686.46

**Charge for Water Delivered (Normal Rates)**

<b>Charge for Water Rate Class</b>	<b>Per Hundred Cubic Feet</b>
Zone 7 Charge (per ccf)	\$ 3.72
Residential Tier 1 (0-20 ccf)	0.55
Residential Tier 2 (21-34 ccf)	1.16
Residential Tier 3 (>34 ccf)	1.55
Commercial Winter (Nov-Apr)	1.11
Commercial Summer (May-Oct)	1.33
Potable Irrigation	1.55
Power Charge (elevation above 389 feet)	0.28
Recycled Water	4.23

*Source: Dublin San Ramon Services District*

**Water Shortage Rates.** The California Water Code requires public agencies to implement a water conservation plan that outlines how they will use water efficiently, both in normal supply conditions and during water shortages. The District's plan identifies conservation measures for each situation and the restrictions and penalties the District would consider implementing during four stages of progressively serious shortage.

Stage 1: There is a reasonable probability that, in the next few years, the water supply will not be adequate to meet all demands: District managers believe they can deliver all the water that Water System customers want, but they want District customers' help to be sure there is an adequate supply.

Stage 2: There is a reasonable probability that the water supply may not be adequate to meet all customer demands within the next year: The District likely would adopt conservation measures such as odd/even watering days, but would decide at the time whether the measures should be voluntary or mandatory.

Stage 3: The District has reached a firm conclusion that the water supply will not be adequate to meet customers' demands in the current year: Conservation measures and restrictions would be mandatory.

Stage 4: If previous measures have not reduced water use enough to maintain an adequate supply for health and safety, or when new events require even greater conservation, the District declares a Stage 4 Water Shortage.

In order to encourage voluntary reductions in water consumption, the District activates higher water rates in a Stage 1 or higher Stage Water Shortage. The District's Water Shortage Rates, which were adopted by the Board of Directors pursuant to Resolution No. 32-09, are identified below. The rates are per-unit and one unit is equal to 748 gallons. Water Shortage Rates were in effect from November 1, 2015, through June 1, 2017, at which point the District reverted to Normal rates.

**Table 15**  
**DUBLIN SAN RAMON SERVICES DISTRICT**  
**Current Water Shortage Rates effective June 1, 2017**

	<b>Normal</b>	<b>Water Shortage Stage 1 Rates</b>	<b>Water Shortage Stage 2 Rates</b>	<b>Water Shortage Stage 3 Rates</b>	<b>Water Shortage Stage 4 Rates</b>
Tier 1 (1-20-units)	\$ 0.55	\$ 0.59	\$ 0.70	\$ 0.97	\$ 1.42
Tier 2 (21-34 units)	1.16	1.39	1.81	2.33	3.78
Tier 3 (over 34 units)	1.55	1.92	3.03	4.34	5.98

**Rate Increases.** The District is authorized to implement a CPI increase annually on January 1 through January 1, 2018, in accordance with Government Code Section 53756. Thus, the next rate increase is scheduled for January 1, 2018, when the rates are expected to be as shown below. There can be no assurance that the Board will implement these increases.

	<b>Normal</b>	<b>Water Shortage Stage 1 Rates</b>	<b>Water Shortage Stage 2 Rates</b>	<b>Water Shortage Stage 3 Rates</b>	<b>Water Shortage Stage 4 Rates</b>
Tier 1 (1-20-units)	\$ 0.57	\$ 0.61	\$ 0.72	\$ 1.00	\$ 1.47
Tier 2 (21-34 units)	1.20	1.44	1.87	2.41	3.91
Tier 3 (over 34 units)	1.60	1.99	3.14	4.49	6.19

In addition, the Zone 7 Charge element of the District's service charge will decrease from \$3.72 per unit to \$2.99, effective January 1, 2018, because Zone 7 will no longer be collecting a surcharge.

### **Comparison of Annual Water Service Charges**

The following table shows comparative average annual water service charges by various Bay Area water agencies for a typical residential account with a 5/8-inch meter using 10 ccf of water per month. Charges are for the minimum cost zone or area served by the agency as of June 2017 and derived from a survey conducted by the District.

**Table 16**  
**DUBLIN SAN RAMON SERVICES DISTRICT**  
**Comparative Annual Residential Water Charges**  
**For 10 ccf/Month and 5/8" Meter**  
**As of June 2017**

<b>Water Supplier</b>	<b>Average Annual Household Water Service Charge</b>
City of Hayward	\$ 953
Golden State Water Company	891
Alameda County Water District	785
City of Pittsburg	719
City of Livermore	693
Contra Costa Water District	685
Martinez Water Company	685
<b>Dublin San Ramon Services District</b>	<b>664</b>
City of Pleasanton	557
East Bay Municipal Utility District	466

*Source: Dublin San Ramon Services District*

### **Billing and Collection Procedures**

All water service customers are billed directly by the District on a bi-monthly basis. Billing is staggered throughout the billing cycle by geographic location within the District. Service may be discontinued if an overdue account is not paid after appropriate customer notification. The write-offs for uncollectible accounts by fiscal year are summarized in the following table:

**Table 17**  
**DUBLIN SAN RAMON SERVICES DISTRICT**  
**Fiscal Years 2013-14 through 2016-17**  
**Collection History**

<b>Fiscal Year Ended June 30</b>	<b>Uncollectible Revenues</b>	<b>Percent of Gross Billings</b>
2014	\$ 23,639	0.09%
2015	1,421	0.01
2016	15,197	0.07
2017	8,919	0.03

*Source: Dublin San Ramon Services District*

### **Capacity Reserve Fees**

**General.** The District's current water capacity reserve fees (formerly known as connection fees) were adopted by the Board on June 21, 2016 by Resolution No. 38-16. The capacity reserve fees are adjusted annually on July 1, based on changes in the Engineering News Record Construction Costs Index as of the previous April 30. Recycled Water Capacity Reserve Fees are equivalent to the water capacity reserve fees. The District's water capacity reserve fees are collected prior to issuance of water line construction permits. The District charges the following capacity reserve fees for connection to the Water System for fiscal year 2016-17.

Zone 7 treats and provides potable water to the District to serve new customers in Alameda County and the Dougherty Valley area of San Ramon. New connections to the Water System represent an increase in demand for water treatment services. Zone 7's code requires that this increased demand be assessed in the form of a water connection fee. Zone 7 water connection fees are collected by the District prior to meter set.

Total District and Zone 7 water fees for Alameda and Contra Costa Counties are shown below.

Contra Costa County/Dougherty Valley:

<b><u>Meter Size</u></b>	<b><u>District</u></b>	<b><u>Zone 7</u></b>	<b><u>Total Capacity Reserve Fee</u></b>
5/8-inch	\$ 12,865	\$ 29,674	\$ 42,539
3/4-inch	19,300	44,511	63,811
1-inch	32,166	74,185	106,351
1.5-inches	64,331	148,369	212,700
2-inches	102,930	237,390	340,320

Alameda County/Dublin:

<b><u>Meter Size</u></b>	<b><u>District</u></b>	<b><u>Zone 7</u></b>	<b><u>Total Capacity Reserve Fee</u></b>
5/8-inch	\$ 12,865	\$ 27,180	\$ 40,045
3/4-inch	19,300	40,770	60,070
1-inch	32,166	67,950	100,116
1.5-inches	64,331	135,900	200,231
2-inches	102,930	217,440	320,370

**Historical Capacity Reserve Fee Revenue.** Capacity rights for water are measured in terms of Equivalent Dwelling Units or “EDUs,” which represent the capacity available through a 5/8-inch meter, which is the standard meter used to service a single-family dwelling. “Sold EDUs” represents the number of capacity rights purchased by property owners; the capacity reserve fee is paid when a property owner submits development plans. “Capacity Reserve Fee Revenue” is a function of the number of “Sold EDUs.” From fiscal year 2007-08 through fiscal year 2016-17, the District received the following revenue from sales of capacity rights, resulting in capacity reserve fee revenue.

**Table 18**  
**DUBLIN SAN RAMON SERVICES DISTRICT**  
**Historical Capacity Reserve Fee Revenue**  
**Fiscal Years 2007-08 through 2016-17**

<b>Fiscal Year</b>	<b>Sold EDUs</b>	<b>Capacity Reserve Fee Revenue</b>
2007-08	336	\$ 2,416,585
2008-09	36	258,188 <sup>(1)</sup>
2009-10	432	3,070,980
2010-11	1,928	13,656,150
2011-12	249	3,128,216
2012-13	321	4,252,466
2013-14	340	5,214,724
2014-15	608	7,423,057
2015-16	860	13,588,102
2016-17	666	9,609,376

<sup>(1)</sup> The decline in capacity reserve fee revenue in fiscal year 2008-09 is attributable to economic conditions during that period.

Source: *Dublin San Ramon Services District*

**Proposed Changes in Capacity Reserve Fees.** The District completed a Water Capacity Reserve Fee study in May 2016. Such Fees will next be adjusted in July 2018, based on changes in the Engineering News Record Construction Costs Index as of April 30.

**Comparative Capacity Reserve Fees.** The following table shows comparative connection fees imposed by various Bay Area water agencies for a single-family residence as of June 2017 and derived from a survey conducted by the District.

**Table 19**  
**DUBLIN SAN RAMON SERVICES DISTRICT**  
**Comparative Single Family Residential Capacity Reserve Fee**  
**As of June 2017**

<b>Water Supplier</b>	<b>Connection Fee</b>
Dublin San Ramon Services District - Contra Costa <sup>(1)</sup>	\$ 42,539
Dublin San Ramon Services District - Alameda <sup>(2)</sup>	40,045
EBMUD Region 3 – Orinda-Moraga-Lafayette Area, San Ramon Valley, Walnut Creek	38,770
City of Livermore <sup>(2)</sup>	31,495
EBMUD Region 2 – South of El Sobrante to Hwy 4, South of Hwy 4, Castro Valley Area, North Oakland Hill Area	30,340
City of Pleasanton <sup>(2)</sup>	28,380
Contra Costa Water District	20,442
EBMUD Region 1 – Central Area, El Sobrante and North	17,530
City of Hayward	9,984
Alameda County Water District	7,175

(1) Includes Zone 7 fees of \$29,674.

(2) Includes Zone 7 fees of \$27,180.

Source: *Dublin San Ramon Services District*

## Annexations

The District charges \$11.74 per acre for annexation, to be paid at the time of application for water service.

## Tax Revenues

The District receives property tax revenues (defined as Tax Revenues in the Indenture) pursuant to Resolution No. 16-97 entitled “Resolution Approving Property Tax Transfer Agreement Between Dublin San Ramon Services District and the San Ramon Valley Fire Protection District for the Windemere Ranch Boundary Reorganization (LAFC 96-24)” adopted March 4, 1997. The District’s right to Tax Revenues is related to annexation of property in Dougherty Valley’s Windemere Ranch into the service area of the District.

The Tax Revenues are excluded from Gross Revenues in the Indenture.

## Taxation of the District

All property of the District within the District’s boundaries generally is exempt from property taxation. District-owned land outside of the District’s boundaries is taxable, but improvements constructed on that land by the District are not taxable. As a public agency, the District is exempt from the payment of State and federal income taxes.

## **Outstanding Debt and Long-Term Payment Obligations**

**Outstanding Indebtedness.** After issuance of the 2017 Bonds and the defeasance of the Prior Bonds, the District will have no other outstanding long-term indebtedness.

**Outstanding Payment Obligations to DERWA.** The District has an obligation to pay its share of the following outstanding obligations of DERWA (the “**DERWA State Loans**”), which it accounts for as an Operation and Maintenance Cost:

State Water Resources Control Board Agreement No. 05-702-550-0: Under this agreement dated July 26, 2005, DERWA owes an outstanding principal amount of \$5,169,960 at an annual interest rate of 2.5%. The final maturity date is July 1, 2026. The District is responsible for 49.23% of DERWA’s obligation under this Agreement.

State Water Resources Control Board Agreement No. 05-701-550-0: Under this agreement dated July 26, 2005, DERWA owes an outstanding principal amount of \$7,147,959 at an annual interest rate of 2.5%. The final maturity date is July 1, 2025. The District is responsible for 49.23% of DERWA’s obligation under this Agreement.

It is possible that DERWA may incur additional indebtedness in the future. Pursuant to the Joint Exercise of Powers Agreement dated June 28, 1995 governing DERWA, DERWA’s Board of Directors consists of four members, of which two are appointed by the District.

## **Management Policies**

The District has detailed management policies that include guidelines for debt, capital planning, investments, derivatives, and formal reserves, some of which are described elsewhere in this Official Statement.

In addition to the policies described elsewhere in this Official Statement, the Board adopted its Financial Reserves policy (P400-15-1) on June 2, 2015 (the “**Reserve Policy**”). According to the Reserve Policy, designated reserves are earmarked by the Board for purposes such as funding new capital facilities, construction, repair, replacement or refurbishment of existing facilities, rate stabilization, emergency and operating reserves. The reserves established under the Reserve Policy are described in more detail below.

**Operating Reserves.** The purpose of Operating Reserves (referred to as working capital) is to ensure adequate cash is available when needed to pay the District’s normal and recurring operating costs. Funds are utilized throughout the year in order to meet the District’s operating obligations.

**Rate Stabilization Reserves.** The purpose of Rate Stabilization Fund Reserves is to support the Board’s strategic goal to manage public funds to assure financial stability, including stability of revenues and the rates and charges related to the Water System. Over the course of time, the District will have years where there is a financial surplus above the working capital target for one or more of the District’s Enterprises, and years when unexpected events may cause reserves to decrease below the target. The Rate Stabilization Fund allows the District to manage these different sets of circumstances.

***Capital Asset Replacement & Improvement Reserves.*** The purpose of Capital Asset Replacement & Improvement Reserves is to ensure that adequate funds are available to purchase new capital assets that benefit current ratepayers, to fund replacements, improvements and major refurbishments to existing capital assets and to provide two year's debt service for debt which the Board has allocated to this fund.

***Capital Expansion Reserves.*** The purpose of Capital Expansion Reserves is to minimize the need for ratepayers to pay for expansion debt by having sufficient reserves on hand to pay annual debt service on District bonds or loans for a two-year period.

Such reserves can be utilized at the discretion of the District. Designated reserves are different than restricted funds, which are used strictly to meet requirements established by creditors, grant agencies or law. Reserves held by a third-party as bond reserves or for pension obligations are examples of restricted reserves; the District has no discretion as to the use of such funds.

The District can provide no assurances that this policy will not change while the 2017 Bonds are outstanding.

### **Historical Operating Results**

The following table summarizes the operating results for fiscal years 2012-13 through 2016-17. The table is derived from the audited financial statements for prior fiscal years and is qualified in its entirety by reference to such statements, including the notes thereto.

**Table 20**  
**DUBLIN SAN RAMON SERVICES DISTRICT**  
**Water System**  
**Historical Operating Results and Debt Service Coverage**  
**Fiscal Year Ended June 30**  
**(Millions)**

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<b>WATER REVENUES:</b>					
Water Sales – Fixed Rate <sup>(1)</sup>	\$ 3.501	\$ 6.415	\$ 6.482	\$ 7.973	\$ 7.553
Water Sales – Variable Rate <sup>(1)</sup>	<u>19.754</u>	<u>18.577</u>	<u>16.704</u>	<u>15.308</u>	<u>20.279</u>
Total Water Sales	<u>23.255</u>	<u>24.992</u>	<u>23.186</u>	<u>23.281</u>	<u>27.832</u>
Other Revenues	5.302	5.583	8.354	6.345	7.461
Interest Income	0.065	0.479	0.365	0.596	0.153
Capacity Reserve Fees	4.253	5.215	7.423	13.588	9.609
Less: Cell Tower Leases	(0.354)	(0.090)	(0.081)	(0.104)	(0.094)
Less: Tax Revenues	(0.446)	(0.487)	(0.554)	(0.610)	(0.650)
Less: Assessment District <sup>(3)</sup>	(1.466)	(1.514)	(1.549)	(1.564)	(1.569)
TOTAL WATER REVENUES	<u>30.609</u>	<u>34.178</u>	<u>37.144</u>	<u>41.533</u>	<u>42.743</u>
<b>WATER OPERATION &amp; MAINTENANCE COSTS:</b>					
Operating Expense <sup>(4)</sup>	26.857	30.994	27.486	26.147	37.635 <sup>(5)</sup>
Less: Depreciation	(4.136)	(4.247)	(4.393)	(4.461)	(4.407)
Less: Assessment District <sup>(3)</sup>	<u>(1.537)</u>	<u>(1.339)</u>	<u>(1.736)</u>	<u>(0.615)</u>	<u>(2.471)</u>
TOTAL WATER OPERATION & MAINTENANCE COSTS	<u>21.184</u>	<u>25.408</u>	<u>21.357</u>	<u>21.071</u>	<u>30.757</u>
<b>NET WATER REVENUES</b>	<b><u>\$ 9.425</u></b>	<b><u>\$ 8.770</u></b>	<b><u>\$ 15.787</u></b>	<b><u>\$ 20.462</u></b>	<b><u>\$ 11.985</u></b>
<b>DEBT SERVICE:</b>					
2011 Water Bond	<u>\$ 1.960</u>	<u>\$ 2.213</u>	<u>\$ 2.213</u>	<u>\$ 2.213</u>	<u>\$ 2.211</u>
TOTAL DEBT SERVICE	<u>\$ 1.960</u>	<u>\$ 2.213</u>	<u>\$ 2.213</u>	<u>\$ 2.213</u>	<u>\$ 2.211</u>
<b>DEBT SERVICE COVERAGE</b>	<b>4.81x</b>	<b>3.96x</b>	<b>7.13x</b>	<b>9.25x</b>	<b>5.42x</b>
<b>AVAILABLE CASH &amp; INVESTMENTS:</b>					
Pooled Cash	\$ 2.152	\$ 5.694	\$ 2.212	\$ 1.114	\$ 2.230
Pooled Investments	<u>35.381</u>	<u>36.806</u>	<u>51.313</u>	<u>54.542</u>	<u>57.391</u>
TOTAL AVAILABLE CASH & INVESTMENTS <sup>(6)</sup>	<u>\$ 37.533</u>	<u>\$ 42.500</u>	<u>\$ 53.525</u>	<u>\$ 55.656</u>	<u>\$ 59.621</u>
ADJUSTED TOTAL AVAILABLE CASH & INVESTMENTS <sup>(7)</sup>	<u>\$ 36,733</u>	<u>\$ 41,923</u>	<u>\$ 52,895</u>	<u>\$ 54,943</u>	<u>\$ 58,877</u>

(1) Includes recycled water, irrigation, institutional, construction, and fireline accounts. See Table 11 under the heading entitled “- Water System Finances - Sources of Funds.”

(2) Other revenues include Tax Revenues, administrative fees charged by the District, assessments levied in the Assessment District (which are restricted for use only for costs related to the Assessment District and, thus, are not available to pay debt service on the 2017 Bonds), overtime inspections, backflow prevention, leases of cell tower sites, rental of office space to joint powers authorities, and other miscellaneous items.

(3) Assessments levied in the Assessment District can be used only to pay for costs related to the Assessment District and are not available to pay debt service on the 2017 Bonds.

(4) As described under “SECURITY FOR THE 2017 BONDS,” DERWA Payments are payable as an Operation and Maintenance Cost.

(5) Increase from 2016 was primarily due to a \$3.1 million increase in water costs resulting from higher consumption and Zone 7 rates (see “- THE WATER SYSTEM - Service Charges”); payment to CalPERS in the amount of \$2 million for the Water System’s share of the District’s \$5 million payment for unfunded pension liability (see “- THE WATER SYSTEM - Employees’ Retirement System”); and a payment to DERWA of approximately \$3.3 million for expansion cost of the RWTF (see “- THE WATER SYSTEM - Recycled Water Supply”).

- (6) Consists of unrestricted funds, subject only to one of the District's management policies, as applicable. The Board can change such policies at any time. See "- Management Policies").
- (7) Represents Total Available Cash & Investments, but excludes amounts derived from cell tower leases, Tax Revenues and the Assessment District.

Source: *Dublin San Ramon Services District*

## **District Management's Discussion of Operating Results**

The District has seen steady revenue growth over the past 5 years. The notable exception to that are capacity reserve fees, which have increased significantly year over year, reflecting the ongoing growth and development in the District's service area. Both Dublin and San Ramon anticipate continued growth in the coming years. According to the California Department of Finance, as of January 1, 2017, Dublin had an estimated population of 59,686, an increase of 4.0% over the previous year, and San Ramon's population grew 2.3%, to 80,5550. The outlook for new development in the District's service area remains positive for the long-term.

The significant increase in capacity reserve fees in 2016, followed by a decrease in 2017, is partially due to the cyclical nature of development and partially due to a change in policy of when capacity reserve fees are due. Prior to November 2016, developers could pay capacity reserve fees when building permits were issued, thus avoiding any fee increases in future years as a development was built out. Now, developers are required to pay the capacity reserve fee when they actually connect to the system.

The strong local economy, reflected in the rapid increase in new development in Dublin and Dougherty Valley, continues to serve as a beneficial tailwind to the District's finances. Because many of the District's costs are fixed, additions to its customer base enhance the District's overall financial condition.

The "Great Drought" that began in 2012 continued until the early spring of 2016. Governor Brown declared a statewide drought emergency in early 2014, which remained in force until April 7, 2017. During this time, the District operated under a number of emergency conservation regulations imposed by the State Water Resources Control Board. On May 9, 2016, Governor Brown issued an executive order to make water conservation "a California way of life." The order directed regulators to develop and implement permanent, long-term improvements in water use that improve efficiency, reduce waste, and make communities and agriculture more resilient to future droughts. This was in response to five consecutive years of dry conditions persisting in many areas of California that severely depleted groundwater basins. Through most of 2015-16, State-imposed restrictions required the District to reduce potable water consumption by 12%, compared to the same time period in 2012-13. In May 2016, as a result of regulatory changes and improvements in water supplies, the District suspended the local state of drought emergency and set a voluntary conservation goal of 10%.

## **Projected Operating Results**

The following table sets forth the projected operating results and calculation of the debt service coverage ratio for the Water System for the current and next four fiscal years. The District expects that operations will remain stable for the next several years. Cost adjustments and revenue increases have positioned the District well for that period of time. The annual CPI increase for water rates and the "pass through" of all Zone 7 rate increases will help offset normal cost increases. Rate Stabilization Fund reserves will temper the impact of any unexpected onetime costs.

In the preparation of the projection table, the District has made certain assumptions with respect to conditions that may occur in the future. While the District believes these assumptions are reasonable for the purpose of the projections, they are dependent on future events and actual conditions may differ from those assumed. To the extent actual future factors differ from those assumed by the District or provided to the District by others, the actual results will vary from those forecasted. This projected information has not been compiled, reviewed or examined by the District's independent accountants.

The projection reflects a number of assumptions including the following:

Growth: The projections assume a range from 2.26%-4.98% annual growth of the rate base, depending on the number of new connections projected.

<u>Fiscal Year</u>	<u>Growth</u>
2018	4.23%
2019	4.98
2020	3.08
2021	2.26
2022	2.92

Interest earnings: The projections assume 1-2% interest earnings.

Rate adjustments: With respect to service charges, the projections assume rate increases will be equal to the Consumer Price Index (CPI), estimated to be 3%.

Expenses: It is assumed annual operation and maintenance expenses of the Water System will increase as follows: a personnel growth rate of 2.5%, a benefits growth rate of 3-10%, an expenditure growth rate of 3%, and a water purchase cost growth rate of 2.26-4.98%.

**Table 21**  
**DUBLIN SAN RAMON SERVICES DISTRICT**  
**Water System**  
**Projected Operating Results and Debt Service Coverage**  
**Fiscal Year Ended June 30**  
**(Millions)**

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
<b>WATER REVENUES:</b>					
Water Sales – Fixed Rate <sup>(1)</sup>	\$ 8.382	\$ 8.837	\$ 9.255	\$ 9.664	\$ 10.141
Water Sales – Variable Rate <sup>(1)</sup>	<u>26.048</u>	<u>27.805</u>	<u>28.841</u>	<u>29.722</u>	<u>30.826</u>
Total Water Sales	34.430	36.642	38.096	39.386	40.967
Capacity Reserve Fees	11.948	15.617	7.365	7.520	7.520
Interest Earnings	0.564	0.618	0.694	0.672	0.696
Other Revenue <sup>(2)</sup>	5.338	5.766	5.587	5.779	5.985
Less: Cell Tower Leases	(0.104)	(0.075)	(0.070)	(0.072)	(0.074)
Less: Tax Revenues	(0.610)	(0.628)	(0.646)	(0.664)	(0.683)
Less: Assessment District	(1.530)	(1.530)	(1.530)	(1.530)	(1.530)
<b>TOTAL WATER REVENUES</b>	<b>50.037</b>	<b>56.410</b>	<b>49.496</b>	<b>51.091</b>	<b>52.882</b>
<b>WATER OPERATION &amp; MAINTENANCE COSTS:</b>					
Operating Expense <sup>(3)</sup>	34.529	35.856	37.972	38.688	40.024
Less: Depreciation	0.000	0.000	0.000	0.000	0.000
Less: Assessment District	(1.535)	(1.535)	(1.530)	(1.530)	(1.530)
<b>TOTAL WATER OPERATION &amp; MAINTENANCE COSTS</b>	<b>32.994</b>	<b>34.321</b>	<b>36.442</b>	<b>37.158</b>	<b>38.494</b>
<b>NET WATER REVENUES</b>	<b>\$ 17.043</b>	<b>\$ 22.089</b>	<b>\$ 13.054</b>	<b>\$ 13.933</b>	<b>\$ 14.388</b>
<b>DEBT SERVICE:</b>					
2011 Bonds Debt Service	\$ 1.263	--	--	--	--
2017 Bonds Debt Service	0.141	\$ 1.932	\$ 1.935	\$ 1.931	\$ 1.929
<b>TOTAL DEBT SERVICE</b>	<b>\$ 1.404</b>	<b>\$ 1.932</b>	<b>\$ 1.935</b>	<b>\$ 1.931</b>	<b>\$ 1.929</b>
<b>DEBT SERVICE COVERAGE</b>	12.14x	11.44x	6.75x	7.22x	7.46x
<b>DEBT SERVICE COVERAGE EXCLUDING CAPACITY RESERVE FEES</b>	3.63x	3.35x	2.94x	3.32x	3.56x
<b>ESTIMATED CASH AND INVESTMENTS-BEGINNING OF YEAR</b>	58.877	61.113	65.385	62.822	58.854
<b>ESTIMATED CASH AND INVESTMENTS-END OF YEAR <sup>(4)</sup></b>	61.113	65.385	62.822	58.854	59.313

(1) Includes recycled water, irrigation, institutional, construction, and fireline accounts. See Table 11 under the heading entitled “- Water System Finances - Sources of Funds.” Water consumption is projected to increase in fiscal year 2018 as a result of the termination of the drought state of emergency in 2017. See “THE WATER SYSTEM – Environmental Issues Relating to the Water System – Water Conservation.”

(2) Other revenues include Tax Revenues, administrative fees charged by the District, assessments levied in the Assessment District (which are restricted for use only for costs related to the Assessment District and, thus, are not available to pay debt service on the 2017 Bonds), overtime inspections, backflow prevention, leases of cell tower sites, rental of office space to joint powers authorities, and other miscellaneous items.

(3) As described under “SECURITY FOR THE 2017 BONDS,” DERWA Payments are payable as an Operation and Maintenance Cost.

(4) Excludes amounts derived from cell tower leases, Tax Revenues and the Assessment District.

Source: Dublin San Ramon Services District

**APPENDIX D**  
**FORM OF BOND COUNSEL OPINION**

**APPENDIX E**  
**FORM OF CONTINUING DISCLOSURE CERTIFICATE**

**\$ \_\_\_\_\_**  
**DUBLIN SAN RAMON SERVICES DISTRICT**  
**2017 Water Revenue Refunding Bonds**

This CONTINUING DISCLOSURE CERTIFICATE (this "Disclosure Certificate") is executed and delivered by DUBLIN SAN RAMON SERVICES DISTRICT (the "District") in connection with the execution and delivery of the bonds captioned above (the "Bonds"). The Bonds are being executed and delivered pursuant to an Indenture of Trust, dated as of December 1, 2017 (the "Indenture"), by and 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 above and in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section 2, the following capitalized terms shall have the following meanings:

*"Annual Report"* means any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

*"Annual Report Date"* means the date that is seven months after the end of the District's fiscal year (currently January 31 based on the District's fiscal year end of June 30).

*"Dissemination Agent"* means the District or any successor Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation.

*"Listed Events"* means any of the events listed in Section 5(a) of this Disclosure Certificate.

*"MSRB"* means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

*"Official Statement"* means the final official statement executed by the District in connection with the issuance of the Bonds.

*"Participating Underwriter"* means Stifel, Nicolaus & Company, Incorporated, the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

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

Section 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing January 31, 2018, with the report for the 2016-17 fiscal year, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate; provided, however, that the Official Statement shall constitute the report for the 2016-17 fiscal year. Not later than 15 Business Days prior to the Annual Report Date, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the District) has not received a copy of the Annual Report, the Dissemination Agent shall contact the District to determine if the District is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(b). The District shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the District hereunder.

(b) If the District does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the District in a timely manner shall provide (or cause the Dissemination Agent to provide) to the MSRB and the Participating Underwriter, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A.

(c) With respect to each Annual Report, the Dissemination Agent shall:

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

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

Section 4. Content of Annual Reports. The District's Annual Report shall contain or incorporate by reference the following:

(a) The District's audited financial statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the District's audited financial statements are not available by the Annual Report Date, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Unless otherwise provided in the audited financial statements filed on or before the Annual Report Date, financial information and operating data with respect to the District for the preceding fiscal year, substantially similar to that provided in the corresponding tables in the Official Statement:

(i) Table 6 of Appendix C to the Official Statement (Number of Accounts and Metered Annual Consumption by Customer Type).

(ii) Debt service coverage for the preceding fiscal year in the form of Table 20 (Historical Operating Results and Debt Service Coverage).

(c) In addition to any of the information expressly required to be provided under this Disclosure Certificate, the District shall provide such further material information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

(d) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which are available to the public on the MSRB's Internet web site or filed with the Securities and Exchange Commission. The District shall clearly identify each such other document so included by reference.

#### Section 5. Reporting of Significant Events.

(a) The District shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Bonds:

- (1) Principal and interest payment delinquencies.
- (2) Non-payment 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 or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.
- (7) Modifications to rights of security holders, if material.
- (8) Bond calls, if material, and tender offers.
- (9) Defeasances.
- (10) Release, substitution, or sale of property securing repayment of the securities, if material.

- (11) Rating changes.
- (12) Bankruptcy, insolvency, receivership or similar event of the obligated person.
- (13) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) Whenever the District obtains knowledge of the occurrence of a Listed Event, and, if the Listed Event is described in subsections (a)(2), (a)(6), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13) or (a)(14) above, the District determines that knowledge of the occurrence of that Listed Event would be material under applicable Federal securities law, the District shall, or shall cause the Dissemination Agent (if not the District) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, and the Participating Underwriter in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Event described in subsection (a)(8) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds under the Indenture.

**Section 6. Identifying Information for Filings with the MSRB.** All documents provided to the MSRB under the Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

**Section 7. 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 8. Dissemination Agent.** The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be the District. Any Dissemination Agent may resign by providing 30 days' written notice to the District.

**Section 9. 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 the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Indenture for amendments to the Indenture with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first Annual Report filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to this Disclosure Certificate modifying the accounting principles to be followed in preparing financial statements, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the District to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative.

A notice of any amendment made pursuant to this Section 9 shall be filed in the same manner as for a Listed Event under Section 5(b).

**Section 10. Additional Information.** Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

**Section 11. Default.** If the District fails to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

**Section 12. Duties, Immunities and Liabilities of Dissemination Agent.** (a) The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees to indemnify and save the Dissemination Agent, its officers,

directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have no duty or obligation to review any information provided to it by the District hereunder, and shall not be deemed to be acting in any fiduciary capacity for the District, the Bond holders or any other party. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

(b) The Dissemination Agent shall be paid compensation by the District for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and shall be reimbursed for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and the holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 14. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

Date: \_\_\_\_\_, 20\_\_\_\_

DUBLIN SAN RAMON SERVICES  
DISTRICT

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**EXHIBIT A**

**NOTICE OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: Dublin San Ramon Services District

Name of Issue: Dublin San Ramon Services District 2017 Water Revenue  
Refunding Bonds

Date of Issuance: \_\_\_\_\_, 2017

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate, dated \_\_\_\_\_, 2017. The District anticipates that the Annual Report will be filed by \_\_\_\_\_.

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

**DISSEMINATION AGENT:**

By: \_\_\_\_\_  
Its: \_\_\_\_\_

## APPENDIX F

### DTC AND THE BOOK-ENTRY ONLY SYSTEM

*The following description of the Depository Trust Company (“DTC”), the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, interest and other payments on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.*

*Neither the issuer of the Bonds (the “Issuer”) nor the trustee, fiscal agent or paying agent appointed with respect to the Bonds (the “Agent”) take any responsibility for the information contained in this Appendix.*

*No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will do so on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.*

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Bonds (the “Securities”). The Securities 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 Security certificate will be issued for each maturity of the Securities in the aggregate principal amount of such maturity, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned

subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC is rated “AA+” by Standard & Poor’s. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org). *The information contained on this Internet site is not incorporated herein by reference.*

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC’s records. The ownership interest of each actual purchaser of each Security (“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 Securities 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 Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities 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 Securities 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 Securities; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Securities 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.

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

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

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as

possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Principal, redemption price and interest payments on the Securities 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 Issuer or the Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption price 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 Issuer or the Paying Agent, 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.

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

10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the Issuer or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

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

12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.



**TITLE:** Receive Report on the Dougherty Valley Assessment District Financial Position

**RECOMMENDATION:**

Staff recommends the Board of Directors receive a report on the Dougherty Valley Assessment District Financial Position.

**SUMMARY:**

Each year the District levies a property tax assessment on the residents of Dougherty Valley to fund their share of the Department of Water Resources (DWR) charge which is billed to Zone 7 Water Agency (Zone 7) each year. This assessment amount is currently insufficient to cover the recent DWR charges to Zone 7.

In Fiscal Year 2000 the District and Zone 7 signed an agreement to provide water to Dougherty Valley, a subdivision in Contra Costa County. As the water wholesaler, the Zone assesses annual charges from DWR to properties within their jurisdiction via the Alameda County property tax bills. Because Zone 7 had no jurisdiction in Contra Costa County, DSRSD established the Dougherty Valley Assessment District (DVAD) as a mechanism to pass through the DWR annual charges assessed to Zone 7.

A maximum assessment of \$170.75 per equivalent dwelling unit (EDU) was established to pay for the DWR charges and miscellaneous fees. These charges have grown from an original assessment of \$309,350 in FY 2000 to the maximum annual assessment of \$1,575,943 in FY 2018 (Attachment 1). Charges from the DWR in FY 2018, however, are projected at \$2,227,320. It is anticipated that the DVAD fund has sufficient reserves to pay all obligations through FYE 2018, but will then result in a negative working capital for all future years unless there is an adjustment to the annual assessment rates.

Upon review of *Amendment No. 1 to Contract Between Zone 7 Water Agency and Dublin San Ramon Services District for a Municipal & Industrial Water Supply, Appendix 1, Section 5 & 6*, (Attachment 2), the District is responsible for initiating increases in the annual assessment to this subdivision. Staff will be analyzing the funding needed to pay for the DWR charges and propose appropriate assessments to keep the DVAD fund in a positive financial position. This analysis will be performed in the spring of 2018 and Proposition 218 procedures and guidelines will be followed for this process. If the proposed rate increases are unsuccessful under a Proposition 218 special assessment ballot proceeding, the District would need to consider a Dougherty Valley surcharge on water rates to cover the difference. This would be analogous to our pumping charge in different areas of the District.

Originating Department: Administrative Services	Contact: C. Atwood	Legal Review: Not Required
Cost: \$0	Funding Source: N/A	
Attachments: <input type="checkbox"/> None <input type="checkbox"/> Staff Report <input type="checkbox"/> Resolution <input type="checkbox"/> Ordinance <input type="checkbox"/> Task Order <input type="checkbox"/> Proclamation <input checked="" type="checkbox"/> Other (see list on right)	<b>Attachment 1 – Historical data regarding DVAD</b> <b>Attachment 2 – Excerpt from Zone 7/DSRSD contract</b>	

Costs	2004 Actual	2005 Actual	2006 Actual	2007 Actual	Increase (Decrease)	2008 Actual	Increase (Decrease)
Water System Surcharge	610,756	660,900	660,374	590,925	(69,449)	689,389	98,464
25% bond Cover	434,613	462,755	463,751	435,460	(28,291)	497,028	61,568
Capital cost transportation	2,900,884	3,036,124	3,215,998	3,927,543	711,545	3,475,402	(452,141)
OMP&R transportation	813,514	4,449,936	2,692,776	3,422,881	730,105	3,309,156	(113,725)
Off Aqueduct Power facilities	897,679	1,005,224	828,308	867,512	39,204	887,087	19,575
Off Aqueduct Capital Component		721,774	237,358	242,336	4,978	1,621,239	1,378,903
Total Costs	5,657,446	10,336,713	8,098,565	9,486,657	1,388,092	10,479,301	992,644
<b>Deducts</b>							
Water System Surcharge - FC-South Bay	(371,641)	(399,472)	(399,639)	(364,892)	34,747	(421,785)	(56,893)
Capital Cost trans. - FC-South Bay	(1,859,357)	(1,888,064)	(1,913,777)	(2,056,812)	(143,035)	(1,975,477)	81,335
OMP&R trans. - FC-South Bay	(181,923)	(1,069,456)	(643,296)	(780,097)	(136,801)	(677,386)	102,711
Bay Delta Conservation Plan Charge				(58,130)	(58,130)	(1) New Credit	?
Muni Water Quality Investigations Charge				(73,510)	(73,510)		?
Total Deducts	(2,412,921)	(3,356,992)	(2,956,712)	(3,333,441)	(376,729)	(3,074,648)	258,793
Net Costs	3,244,525	6,979,721	5,141,853	6,153,216	1,011,363	7,404,653	1,251,437
Total Acre Feet	80,619	80,619	80,619	80,619		80,619	
Cost per Acre Foot	40.245	86.577	63.780	76.325		91.847	
DV Acre Feet	6,080	6,080	6,080	6,080		6,909	
DV share of costs	244,691	526,386	387,780	464,054		634,583	
Billing		526,406.40	\$ 387,600.00	\$ 464,025.60		\$ 634,522.56	
		\$ 20.40	\$ (180.00)	\$ (28.40)		\$ (60.44)	

(1) We will also receive a credit at year end for the prior year amounts.

Estimated amount

Credits

Bay Delta Conservation Plan Charge

\$ 58,571

Muni Water Quality Investigations Charge

\$ 481,688

AF

\$ 540,259

\$/AF

\$ 80,619

Estimated Credit due

\$ 6.70

\$ 6,080

\$ 40,744.42

## Dougherty Valley Standby Assessment District

Attachment 1 to S&amp;R

	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Est						
Assessment Pooled Interest			614,201.00	530,873.00	380,882.12	322,269.56	334,925.02	530,285.76	380,746.40	371,021.86	903,298.82	1,180,813.51	1,388,118.23	1,464,368.05	1,505,092.30	1,542,432.32	1,547,074.14	1,561,421.42	1,575,943.46						
Total Revenue	\$ -	\$ -	\$ 617,844.00	\$ 540,668.00	\$ 383,451.44	\$ 342,970.93	\$ 351,286.12	\$ 566,992.55	\$ 419,829.88	\$ 387,116.52	\$ 906,495.25	\$ 1,185,872.05	\$ 1,392,791.58	\$ 1,466,217.48	\$ 1,514,376.83	\$ 1,549,186.27	\$ 1,564,329.28	\$ 1,568,674.94	\$ 1,583,196.98						
Zone 7 Billing Adjustments	309,350.66	286,461.52	330,083.20	242,288.00	235,113.60	244,720.00	526,406.40	387,600.00	464,025.60	634,522.56	711,005.19	1,081,490.76	1,367,470.12	1,226,330.70	1,252,533.41	1,648,304.77	1,702,385.15	1,808,929.38	2,227,320.00						
FY00				(71,814.80)	(4,121.96)														(7.95)						
FY01				(9,321.74)	(10,636.85)														(1,473.46)						
FY02					(49,725.67)	(7,424.15)													(1,202.15)						
FY03						(40,152.32)	(18,803.80)												(1,683.00)						
FY04							(21,008.80)	(17,380.20)											(2,662.27) 187.65						
FY05								3,575.97	(37,438.28)										(7,091.37) 1,345.39						
FY06									(75,377.34)	(48,594.21)									(12,349.25) 5,135.15						
FY07										(460.57)									(20,553.05) 10,458.90						
FY08										(26,940.03)	(40,662.19)								(26,124.86) 12,317.01						
FY09											(17,582.74)								(108,216.22) 78,702.97						
FY10											(14,305.46)								(132,421.41) 96,897.41						
FY11											(53,834.24)								(137,980.83) 101,484.54						
FY12												(51,651.64)							(153,756.45) 67,831.84						
FY13												(5,486.18)							(186,062.33) 87,379.67						
FY14												(115,949.12)							(93,964.90) (81,830.84) (51,991.65)						
FY15													(54,650.38)						(305,761.76) (71,161.71)						
FY16														(26,533.63)					(11,659.96)						
Adjustments																			-						
Zone 7 Net Adj.	309,350.66	286,461.52	330,083.20	161,151.46	170,629.12	176,134.73	493,798.37	254,773.35	339,900.86	607,705.26	588,479.79	1,013,685.81	1,321,522.87	1,151,470.36	1,137,071.67	1,474,398.05	523,207.95	2,135,856.59	2,227,320.00						
Legal Fees																									
Professional fees								7,895.78	10,227.28	12,667.33	15,712.68	19,097.07	20,000.14	8,000.00	8,228.84	8,361.90	8,618.35	8,753.19	8,670.10	8,804.37	8,908.46	9,000.00			
DSRSD Admin Fee *									26,960.12	28,247.65	76,426.59	41,159.67	53,849.69	94,451.27	90,242.56	154,077.76	198,228.43	172,720.55	187,880.01	247,245.72	78,481.19	320,378.49			
CoCo Collection Fee									52,600.00	79,898.54	1,131.25	1,955.67	2,927.44	3,911.75	4,820.63	4,934.88	4,979.37	5,115.22	5,412.78	5,640.22	5,730.53	5,792.35	4,540.80	5,962.75	6,000.00
Other fees										78.55	117.48				1,810.26	137.28	155.20	153.88	164.44	184.00	217.50	232.20	225.00	225.00	
Total Expenditures	\$ 309,350.66	\$ 286,461.52	\$ 382,683.20	\$ 241,050.00	\$ 206,694.82	\$ 216,565.33	\$ 585,937.21	\$ 315,557.45	\$ 419,943.25	\$ 729,061.31	\$ 691,839.00	\$ 1,181,262.83	\$ 1,533,679.86	\$ 1,338,613.92	\$ 1,339,619.40	\$ 1,736,323.72	\$ 615,266.51	\$ 2,471,331.29	\$ 2,242,545.00						
Net	(309,350.66)	(286,461.52)	235,160.80	299,618.00	176,756.62	126,405.60	(234,651.09)	251,435.10	(113.37)	(341,944.79)	214,656.25	4,609.22	(140,888.28)	127,603.56	174,757.43	(187,137.45)	949,062.77	(902,656.35)	(659,348.02)						
Fund Balance			235,161.00	534,779.00	711,535.62	837,941.22	603,290.13	854,725.23	854,611.86	512,667.07	727,323.32	\$ 731,932.54	\$ 591,044.26	\$ 718,647.82	\$ 893,405.24	\$ 706,267.80	\$ 1,655,330.57	\$ 752,674.22	\$ 93,326.20						

## Excerpt from Zone 7/DSRSD Contract

7's capital assets. The Facility Use Payments for New Connections of other sizes shall be adjusted by the "fee factor" contained in the Zone 7 Water Connection Charge Ordinance, Section III.

Zone 7 shall adjust the Facility Use Payments at the times specified in this section by multiplying \$1,850 by the Adjustment Index. The first adjustment to the Facility Use Payments shall go into effect no earlier than five years following issuance of the first building permit for development in the Dougherty Valley Service Area. Subsequent adjustments shall occur at five (5) year intervals thereafter. Payments to Zone 7 under this section shall be collected in the same manner and be due at the same time as payments due under Section D.2 (above).

4. Capital Expansion Water Facilities. Zone 7 shall keep Contractor apprised of Zone 7's progress in developing and constructing any capital water facilities that are necessary to provide service to Contractor for ultimate use in the Dougherty Valley Service Area. If Contractor determines, and Zone 7 concurs, that capital facilities required by Zone 7 to provide water to Contractor pursuant to this Amendment will not be available in time for Zone 7 to make requested deliveries under this Amendment, Contractor may elect to design and construct such capital facilities, and Zone 7 will reduce future connection payments pursuant to Paragraph D.2 (above) by the costs incurred by Contractor.

5. Surcharge for Water Service for Dougherty Valley Service Area. Contractor shall pay Zone 7 a surcharge for water service for the Dougherty Valley Service Area to compensate Zone 7 for additional State Water Project charges incurred by Zone 7 as a result of providing water to the Dougherty Valley Service Area. The surcharge shall equal the Dougherty Valley Service Area's proportionate share of the total Tax Override Charges, calculated as follows: (6,080 (the estimated amount of water entitlement necessary to supply the Dougherty Valley Service Area with 4,560 acre-feet of water per year given a State Water Project long-term yield of 75%)/Zone 7's total State Water Project entitlement) multiplied by the total Tax Override Charges.

$$\begin{aligned}
 & \left( \frac{1}{4,560} \right) \times \left( \frac{\text{factor used to determine}}{\text{SWP long-term yield}} \right) \\
 & \times \left( \frac{\text{Total Tax}}{\text{Override Charges}} \right) = \text{Annual surcharge per this paragraph}
 \end{aligned}$$

Zone 7's Total State Water Project  
entitlement (in acre-feet)

Zone 7 receives a statement of charges from DWR on or about July 1<sup>st</sup> of the preceding calendar year for which the charges are payable. Zone 7 shall invoice the Contractor on or

about September 1<sup>st</sup> preceding the November 1<sup>st</sup> for which the surcharge shall be due. DWR may make subsequent adjustments to its statement of charges. Accordingly, Zone 7 will make revisions to said invoice by issuing an additional invoice or refund as appropriate.

If, at some future date, the Dougherty Valley Service Area is annexed to Zone 7 and Zone 7 levies the Tax Override Charges directly on Contractor's customers in the Dougherty Valley Service Area, the aforementioned surcharge shall automatically terminate and be of no further force and effect.

6. Other Charges. Zone 7 and Contractor acknowledge and agree that from time to time there may arise a need for the imposition of additional payments to ensure that the Dougherty Valley Service Area bears all costs associated with the provision of treated water thereto under this Amendment. However, Zone 7 shall not impose upon Contractor any payments or charges not imposed upon Zone 7's Other Contractors for any purposes other than to recover costs associated with delivering water to the Dougherty Valley Service Area pursuant to this Amendment.



**TITLE:** Receive Report on the Water Rate Increases Effective January 2018

**RECOMMENDATION:**

Staff recommends the Board of Directors receive a report on the water rate increases effective January 2018.

**SUMMARY:**

Per Resolution No. 11-13 establishing water rates, the General Manager shall notify the Board of Directors of the new charges and post them on the District's website by October 31 of each year. Customers will be notified on their October or November billing statements of the new rates that will be effective on January 1 of the following year.

New water rates will go into effect on January 1, 2018 for the Zone 7 Water Agency (Zone 7) increases and the final Consumer Price Index (CPI) increase for DSRSD as provided in our 2013 Water Rate Study.

Originating Department: Administrative Services	Contact: C. Atwood	Legal Review: Not Required
Cost: \$0	Funding Source: N/A	
Attachments: <input type="checkbox"/> None <input checked="" type="checkbox"/> Staff Report <input type="checkbox"/> Resolution <input type="checkbox"/> Ordinance <input type="checkbox"/> Task Order <input type="checkbox"/> Proclamation <input checked="" type="checkbox"/> Other (see list on right)	Attachment 1 – 2018 Water Rates	

**Water Rates**

District Code Sections 4.40.010/4.40.020  
 Resolution 25-17  
 Effective Date: January 1, 2018

CPI, June 2016	266,041
CPI, June 2017	275,304
1-year CPI Change	3.48%

**Section 6.3.01- Bi-Monthly Fixed Water Service Charges**

Size of Meter Effective Dates	2017 Rates		2018 Rates		Increase Type
	01/01/17 - 12/31/17	01/01/18 - 12/31/18	01/01/17 - 12/31/17	01/01/18 - 12/31/18	
5/8"	\$ 35.23	\$ 36.45			CPI
3/4"	\$ 52.86	\$ 54.70			CPI
1"	\$ 88.08	\$ 91.15			CPI
1-1/2"	\$ 176.11	\$ 182.25			CPI
2"	\$ 281.78	\$ 291.59			CPI
3"	\$ 616.44	\$ 637.91			CPI
4"	\$ 1,761.18	\$ 1,822.50			CPI
6"	\$ 3,522.35	\$ 3,644.99			CPI
8"	\$ 6,164.11	\$ 6,378.73			CPI
10"	\$ 9,686.46	\$ 10,023.72			CPI

**Section 6.3.02- Water Consumption Rates, Normal Conditions**

Service Classification Effective Dates	2017 Rates		2018 Rates		Increase Type
	01/01/17 - 01/31/17	02/01/17 - 01/31/17	01/01/18 - 12/31/18	01/01/18 - 12/31/18	
Zone 7 <sup>(1)</sup>	\$ 3.29	\$ 3.72	\$ 2.99	\$ 2.99	Passthrough + 4.6% - \$0.57 surcharge
Residential Tier 1 (0-10)	\$ 0.55	\$ 0.55	\$ 0.57	\$ 0.57	CPI
Residential Tier 2 (11-34)	\$ 1.16	\$ 1.16	\$ 1.20	\$ 1.20	CPI
Residential Tier 3 (>34)	\$ 1.55	\$ 1.55	\$ 1.60	\$ 1.60	CPI
Commercial Winter (Nov-Apr)	\$ 1.11	\$ 1.11	\$ 1.15	\$ 1.15	CPI
Commercial Summer (May-Oct)	\$ 1.33	\$ 1.33	\$ 1.38	\$ 1.38	CPI
Potable Irrigation	\$ 1.55	\$ 1.55	\$ 1.60	\$ 1.60	CPI
Power Charge <sup>(2)</sup>	\$ 0.28	\$ 0.28	\$ 0.28	\$ 0.28	No adjustment
Limited Access	\$ 3.96	\$ 4.46	\$ 3.60	\$ 3.60	Zone 7 + 19% + \$0.04
Recycled - Alameda County <sup>(3)</sup>	\$ 2.00	\$ 2.00	\$ 2.07	\$ 2.07	CPI
Recycled Water	\$ 3.79	\$ 4.23	\$ 4.14	\$ 4.14	90% * (Zone 7 less surcharge + Irrigation)

(1) Zone 7's \$0.57 Temporary Conservation Charge sunset 12/31/17. Reinstatement in CY2018 TBD.

(2) Power Charge increases have been suspended.

(3) RW Alameda Co through contract rate - recalculated periodically for CPI

PLEASANTON Recycled Water Rate Billed by DERWA

**Section 6.3.02- Water Consumption Rates During a Water Shortage**

Increases by CPI

Service Classification	2017 Rates (effective 01/01/17-05/31/17)			
	Stage 1	Stage 2	Stage 3	Stage 4
Residential Tier 1 (0-10)	\$ 0.62	\$ 0.70	\$ 0.97	\$ 1.42
Residential Tier 2 (11-34)	\$ 1.46	\$ 1.81	\$ 2.33	\$ 3.78
Residential Tier 3 (>34)	\$ 2.01	\$ 3.03	\$ 4.34	\$ 5.98
Commercial Winter (Nov-Apr)	\$ 1.21	\$ 1.33	\$ 1.68	\$ 2.12
Commercial Summer (May-Oct)	\$ 1.55	\$ 1.86	\$ 2.34	\$ 3.33
Potable Irrigation	\$ 2.01	\$ 3.03	\$ 4.34	\$ 5.98

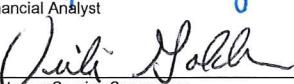
  

Service Classification	2017 Rates (effective 06/01/17-12/31/17)			
	Stage 1 <sup>(4)</sup>	Stage 2	Stage 3	Stage 4
Residential Tier 1 (0-10)	\$ 0.59	\$ 0.70	\$ 0.97	\$ 1.42
Residential Tier 2 (11-34)	\$ 1.39	\$ 1.81	\$ 2.33	\$ 3.78
Residential Tier 3 (>34)	\$ 1.92	\$ 3.03	\$ 4.34	\$ 5.98
Commercial Winter (Nov-Apr)	\$ 1.15	\$ 1.33	\$ 1.68	\$ 2.12
Commercial Summer (May-Oct)	\$ 1.48	\$ 1.86	\$ 2.34	\$ 3.33
Potable Irrigation	\$ 1.92	\$ 3.03	\$ 4.34	\$ 5.98

Service Classification	2018 Rates (effective 01/01/18 - 12/31/18)			
	Stage 1	Stage 2	Stage 3	Stage 4
Residential Tier 1 (0-10)	\$ 0.61	\$ 0.72	\$ 1.00	\$ 1.47
Residential Tier 2 (11-34)	\$ 1.44	\$ 1.87	\$ 2.41	\$ 3.91
Residential Tier 3 (>34)	\$ 1.99	\$ 3.14	\$ 4.49	\$ 6.19
Commercial Winter (Nov-Apr)	\$ 1.19	\$ 1.38	\$ 1.74	\$ 2.19
Commercial Summer (May-Oct)	\$ 1.53	\$ 1.92	\$ 2.42	\$ 3.45
Potable Irrigation	\$ 1.99	\$ 3.14	\$ 4.49	\$ 6.19

(4) Per Resolution 25-17. Revise Stage 1 rate to 10% associated water use curtailment

  
 Mayelle Bajr  
 Financial Analyst  
  
 Julie Noller  
 Customer Service Supervisor  
  
 Carol Atwood  
 General Manager  
 for Dan McIntyre
 XSV 10/17/17
Date
10/24/17
Date
10/25/17
Date

# STAFF REPORT



District Board of Directors  
December 5, 2017

## Receive Report on the Water Rate Increases Effective January 2018

### BACKGROUND

Each year the Board receives a report on the upcoming water rate increases effective on January 1, 2018 which includes both Zone 7 Water Agency (Zone 7) and DSRSD rate increase. The new rates are posted on our website by October 31, and customers are notified on their October or November billing statements.

### DISCUSSION

#### *New Water Rates effective January 1, 2018*

On October 18, 2017, the Zone 7 Board of Directors adopted their treated water rate schedules for CY 2018. This was the third year of a three-year rate increase, and there were no rate changes from the previously Board adopted treated water rate of \$2.04 per 100 cubic feet (CCF) for 2018. This represented a 3% increase over the prior 2017 volume based rate. Fixed costs increased in 2018 however the costs are distributed over a higher water volume, resulting in a per unit decrease to our customers. Finally, the Board elected to sunset the \$0.57 Temporary Infrastructure Charge and not impose this charge in 2018. The net result of these three components reflects a \$0.73 decrease per billing unit.

Zone 7 Rates	Effective 1/1/2017	Effective 1/1/2018
Volumetric Rate per CCF	\$1.98	\$2.04
Allocation of Fixed Charges	<u>1.03</u>	.82
Subtotal	\$3.01	\$2.86
4.6% of Non-Billed Water	.14	.13
Temporary Infrastructure Charge	.57	.00
Total Charge per CCF	\$3.72	\$2.99

In regards to DSRSD water increases, the Board approved Resolution No.11-13 in April 2013 which provided for rate increases over the next five years based on the June to June change in the Consumer Price Index (CPI). This action was the result of our 2013 Water Rate Study. This January, we will be increasing our water rates by the June-to-June CPI, or 3.48%. This rate increase represents the last authorized increase under the 2013 Study.

Our customers have been notified of the above increases and the information has been posted on our website. The new rates are shown in Attachment 3.

### RECOMMENDATION

Staff recommends that the Board receive the report on the water rate increases effective January 2018.



**TITLE:** Adopt Pay Schedule in Accordance with California Code of Regulations, Title 2, Section 570.5, Requirement for a Publicly Available Pay Schedule and Rescind Resolution No. 58-17

**RECOMMENDATION:**

Staff recommends the Board of Directors adopt, by Resolution, the District Pay Schedule in accordance with California Code of Regulations (CCR), Title 2, Section 570.5, Requirement for a Publicly Available Pay Schedule, and rescind Resolution No. 58-17.

**SUMMARY:**

Per Resolution No. 58-17, the Board of Directors adopted the publicly available pay schedule in accordance with California Code of Regulations (CCR), Title 2, Section 570.5, Requirement for a Publicly Available Pay Schedule.

The pay schedule has been updated with the corresponding base salary increase and effective date for the District salary range following the application of the cost-of-living-adjustment salary increase (2.75%) negotiated in District Memoranda of Understanding (MOUs) for the Stationary Engineers, Local 39 (Local 39), Professional Employees' Bargaining Unit (PEBU), Confidential Employees' Bargaining Unit (CEBU), and Mid-Management Employees' Bargaining Unit (MEBU). Additionally, the pay schedule has been updated with the corresponding base salary increase and effective date for the Administrative Services Manager, Engineering Services Manager, and Operations Manager salary ranges following the approval of Personal Services Agreement (PSA) amendments approved by the Board during its regular meeting on November 7, 2017.

The regulation specifies that compensation earnable is defined in statute and further clarified by CCR, Title 2, Section 570.5, and that salary shall be "duly approved and adopted by the employer's governing body in accordance with requirements of applicable public meetings law." Therefore, only those pay amounts that meet the definition of compensation earnable can be used when calculating retirement benefits. This regulation applies to all employers reporting compensation to CalPERS.

This pay schedule shall reflect salaries currently in place and previously agreed to by the District in accordance with the various Memoranda of Understanding and the Personal Services Agreements.

Originating Department: Administrative Services	Contact: S. Koehler	Legal Review: Not Required
Cost: \$0	Funding Source: N/A	
Attachments: <input type="checkbox"/> None <input type="checkbox"/> Staff Report <input checked="" type="checkbox"/> Resolution <input type="checkbox"/> Ordinance <input type="checkbox"/> Task Order <input type="checkbox"/> Proclamation <input type="checkbox"/> Other (see list on right)		246 of 257

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

RESOLUTION OF THE BOARD OF DIRECTORS OF DUBLIN SAN RAMON SERVICES DISTRICT ADOPTING A PAY SCHEDULE IN ACCORDANCE WITH CALIFORNIA CODE OF REGULATIONS, TITLE 2, SECTION 570.5, AND RESCINDING RESOLUTION NO. 58-17

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WHEREAS, the California Code of Regulations, Title 2, Section 570.5 requires the District's Board of Directors approve and adopt all pay schedules; and

WHEREAS, the Regulations require that the pay schedule be made public without reference to another document in disclosure of the pay rate; and

WHEREAS, by Resolution No. 58-17, the Board-adopted pay schedule was approved on November 7, 2017; and

WHEREAS, the Stationary Engineers, Local 39 (Local 39), the Professional Employees' Bargaining Unit (PEBU), and the Mid-Management Employees' Bargaining Unit (MEBU) have met in good faith and agreed to labor contracts effective December 18, 2017 through December 12, 2021; and

WHEREAS, the Confidential Employees' Bargaining Unit (CEBU) have met in good faith and agreed to labor contracts effective December 18, 2017 through April 30, 2022; and

WHEREAS, the Administrative Services Manager has a Personal Services Agreement in place effective September 26, 2016 and amended on November 7, 2017; and

WHEREAS, the Engineering Services Manager has a Personal Services Agreement in place effective July 20, 2016 and amended on November 7, 2017; and

WHEREAS, the Operations Manager has a Personal Services Agreement in place effective December 5, 2016 and amended on November 7, 2017; and

WHEREAS, the specific language of these labor contracts and personal services agreements establishes new base salaries effective the first day of the first pay period of Calendar Year 2018.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF DUBLIN SAN RAMON SERVICES DISTRICT, a public agency located in the Counties of Alameda and Contra Costa, California, as follows:

- 1) That the attached pay schedule titled DSRSD Pay Schedule, set forth in Exhibit A attached hereto and incorporated herein by reference, is approved and adopted, and Resolution No. 58-17 (attached as Exhibit B) is hereby rescinded.
- 2) The pay schedule approved and adopted by this resolution shall be periodically updated by the Board of Directors, in accordance with the California Code of Regulations requirements.

Res. No. \_\_\_\_\_

ADOPTED by the Board of Directors of Dublin San Ramon Services District, a public agency in the State of California, Counties of Alameda and Contra Costa, at its regular meeting held on the 5th day of December 2017, and passed by the following vote:

AYES:

NOES:

ABSENT:

---

Richard M. Halket, President

ATTEST: \_\_\_\_\_  
Nicole Genzale, District Secretary

DSRSD Pay Schedule  
Pursuant to CCR Title 2 570.5

Exhibit A

In accordance with Board-approved resolutions and the District's established payroll procedures (26 pay periods per year, 14 days per pay period).

Time base for each pay rate: Full time employee (1.0 FTE), 40 hours per work week.

Non-Exempt, Hourly Classifications				Exempt	Code	Effective Date	Resolution #	Monthly Salary					Hourly Pay Rate				
Job Classification	Step A	Step B	Step C	Step D	Step E	Step A	Step B	Step C	Step D	Step E	Step A	Step B	Step C	Step D	Step E		
ACCOUNT CLERK I	H	cacck1	12/18/2017	59-17	4,884	5,130	5,384	5,655	5,937	28.1769	29.5962	31.0615	32.6250	34.2519			
ACCOUNT CLERK II	H	cacck2	12/18/2017	59-17	5,373	5,642	5,925	6,220	6,533	30.9981	32.5500	34.1827	35.8846	37.6904			
ACCOUNTANT I	H	pacct1	12/18/2017	51-17	7,483	7,857	8,251	8,663	9,095	43.1712	45.3288	47.6019	49.9788	52.4712			
ACCOUNTING TECHNICIAN I	H	cactc1	12/18/2017	59-17	5,957	6,257	6,571	6,899	7,243	34.3673	36.0981	37.9096	39.8019	41.7865			
ACCOUNTING TECHNICIAN II	H	cactc2	12/18/2017	59-17	6,553	6,880	7,225	7,587	7,966	37.8058	39.6923	41.6827	43.7712	45.9577			
ADMIN ASSISTANT I - CONFIDENTIAL	H	hadas1	12/18/2017	53-17	5,674	5,956	6,255	6,569	6,895	32.7346	34.3615	36.0865	37.8981	39.7788			
ADMIN ASSISTANT II - CONFIDENTIAL	H	hadas2	12/18/2017	53-17	6,237	6,549	6,877	7,222	7,583	35.9827	37.7827	39.6750	41.6654	43.7481			
ADMINISTRATIVE ANALYST I	H	padan1	12/18/2017	51-17	8,192	8,602	9,034	9,485	9,960	47.2615	49.6269	52.1192	54.7212	57.4615			
ADMINISTRATIVE ASSISTANT I	H	cadas1	12/18/2017	59-17	4,940	5,185	5,448	5,719	6,003	28.5000	29.9135	31.4308	32.9942	34.6327			
ADMINISTRATIVE ASSISTANT II	H	cadas2	12/18/2017	59-17	5,434	5,709	5,992	6,292	6,607	31.3500	32.9365	34.5692	36.3000	38.1173			
ADMINISTRATIVE TECHNICIAN	H	cadmtc	12/18/2017	59-17	6,384	6,705	7,039	7,392	7,762	36.8308	38.6827	40.6096	42.6462	44.7808			
ADMINISTRATIVE TECHNICIAN-CONFIDENTIAL	H	hadmtc	12/18/2017	53-17	6,650	6,982	7,329	7,697	8,083	38.3654	40.2808	42.2827	44.4058	46.6327			
CO-GENERATION SPECIALIST	H	ccogsp	12/18/2017	59-17	8,570	9,002	9,450	9,925	10,418	49.4423	51.9346	54.5192	57.2596	60.1038			
COMMUNITY AFFAIRS SPECIALIST I	H	pcafs1	12/18/2017	51-17	7,852	8,246	8,659	9,090	9,544	45.3000	47.5731	49.9558	52.4423	55.0615			
CONSTRUCTION INSPECTOR I	H	ccoin1	12/18/2017	59-17	7,336	7,701	8,087	8,492	8,914	42.3231	44.4288	46.6558	48.9923	51.4269			
CONSTRUCTION INSPECTOR II	H	ccoin2	12/18/2017	59-17	8,067	8,470	8,897	9,339	9,805	46.5404	48.8654	51.3288	53.8788	56.5673			
CUSTOMER FIELD REPRESENTATIVE I	H	ccfdr1	12/18/2017	59-17	5,556	5,835	6,128	6,433	6,754	32.0538	33.6635	35.3538	37.1135	38.9654			
CUSTOMER FIELD REPRESENTATIVE II	H	ccfdr2	12/18/2017	59-17	6,110	6,417	6,740	7,075	7,430	35.2500	37.0212	38.8846	40.8173	42.8654			
CUSTOMER SERVICES REPRESENTATIVE I	H	ccsrp1	12/18/2017	59-17	4,854	5,096	5,351	5,619	5,900	28.0038	29.4000	30.8712	32.4173	34.0385			
CUSTOMER SERVICES REPRESENTATIVE II	H	ccsrp2	12/18/2017	59-17	5,340	5,609	5,887	6,178	6,489	30.8077	32.3596	33.9635	35.6423	37.4365			
CUSTOMER SERVICES REPRESENTATIVE III	H	ccsrp3	12/18/2017	59-17	6,722	7,060	7,413	7,785	8,173	38.7808	40.7308	42.7673	44.9135	47.1519			
ELECTRICIAN I	H	celec1	12/18/2017	59-17	7,167	7,525	7,901	8,297	8,712	41.3481	43.4135	45.5827	47.8673	50.2615			
ELECTRICIAN II	H	celec2	12/18/2017	59-17	7,885	8,278	8,694	9,127	9,583	45.4904	47.7577	50.1577	52.6558	55.2865			
ENGINEERING TECHNICIAN / GIS SPECIALIST I	H	centc1	12/18/2017	59-17	6,715	7,053	7,405	7,775	8,163	38.7404	40.6904	42.7212	44.8558	47.0942			
ENGINEERING TECHNICIAN / GIS SPECIALIST II	H	centc2	12/18/2017	59-17	7,387	7,755	8,144	8,551	8,978	42.6173	44.7404	46.9846	49.3327	51.7962			
ENVIRONMENTAL CHEMIST I	H	pench1	12/18/2017	51-17	7,713	8,099	8,503	8,931	9,375	44.4981	46.7250	49.0558	51.5250	54.0865			
ENVIRONMENTAL COMPLIANCE INSPECTOR I-CLEAN WATER	H	cecic1	12/18/2017	59-17	7,097	7,449	7,823	8,217	8,626	40.9442	42.9750	45.1327	47.4058	49.7654			
ENVIRONMENTAL COMPLIANCE INSPECTOR II-CLEAN WATER	H	cecic2	12/18/2017	59-17	7,810	8,197	8,607	9,039	9,488	45.0577	47.2904	49.6558	52.1481	54.7385			
ENVIRONMENTAL COMPLIANCE INSPECTOR I-PRETREATMENT	H	cecip1	12/18/2017	59-17	7,097	7,449	7,823	8,217	8,626	40.9442	42.9750	45.1327	47.4058	49.7654			
ENVIRONMENTAL COMPLIANCE INSPECTOR II-PRETREATMENT	H	cecip2	12/18/2017	59-17	7,810	8,197	8,607	9,039	9,488	45.0577	47.2904	49.6558	52.1481	54.7385			
FLEET MECHANIC	H	cfmech	12/18/2017	59-17	7,024	7,375	7,744	8,131	8,537	40.5231	42.5481	44.6769	46.9096	49.2519			
GIS ANALYST I	H	pgisa1	12/18/2017	51-17	8,651	9,083	9,538	10,015	10,514	49.9096	52.4019	55.0269	57.7788	60.6577			
HUMAN RESOURCES ANALYST I	H	hhran1	12/18/2017	53-17	8,261	8,673	9,107	9,563	10,041	47.6596	50.0365	52.5404	55.1712	57.9288			
HUMAN RESOURCES TECHNICIAN	H	hhrtc	12/18/2017	53-17	6,650	6,982	7,329	7,697	8,083	38.3654	40.2808	42.2827	44.4058	46.6327			
INFORMATION SYSTEMS TECHNICIAN I	H	cistc1	12/18/2017	59-17	6,401	6,720	7,058	7,410	7,782	36.9288	38.7692	40.7192	42.7500	44.8962			
INFORMATION SYSTEMS TECHNICIAN II	H	cistc2	12/18/2017	59-17	7,039	7,392	7,762	8,151	8,560	40.6096	42.6462	44.7808	47.0250	49.3846			
INFORMATION TECHNOLOGY ANALYST I	H	pitan1	12/18/2017	51-17	8,831	9,270	9,734	10,221	10,732	50.9481	53.4808	56.1577	58.9673	61.9154			
INSTRUMENTATION TECHNICIAN	H	cinstc	12/18/2017	59-17	8,059	8,464	8,885	9,331	9,798	46.4942	48.8308	51.2596	53.8327	56.5269			
JUNIOR ENGINEER	H	pjreng	12/18/2017	51-17	8,203	8,611	9,043	9,493	9,969	47.3250	49.6788	52.1712	54.7673	57.5135			
JUNIOR PLANNER	H	pjrpln	12/18/2017	51-17	7,725	8,110	8,514	8,941	9,387	44.5673	46.7885	49.1192	51.5827	54.1558			
LABORATORY TECHNICIAN	H	clabtc	12/18/2017	59-17	6,749	7,087	7,439	7,813	8,203	38.9365	40.8865	42.9173	45.0750	47.3250			
MAINTENANCE WORKER I	H	cmtwk1	12/18/2017	59-17	5,714	5,998	6,299	6,613	6,945	32.9654	34.6038	36.3404	38.1519	40.0673			

DSRSD Pay Schedule  
Pursuant to CCR Title 2 570.5

Exhibit A

MAINTENANCE WORKER II	H	cmtwk2	12/18/2017	59-17	6,282	6,598	6,928	7,274	7,636	36.2423	38.0654	39.9692	41.9654	44.0538
MECHANIC I	H	cmech1	12/18/2017	59-17	6,590	6,919	7,266	7,629	8,012	38.0192	39.9173	41.9192	44.0135	46.2231
MECHANIC II	H	cmech2	12/18/2017	59-17	7,248	7,611	7,991	8,393	8,811	41.8154	43.9096	46.1019	48.4212	50.8327
MECHANIC II-CRANE CERTIFIED	H	cmeccc	12/18/2017	59-17	7,431	7,803	8,192	8,602	9,034	42.8712	45.0173	47.2615	49.6269	52.1192
OPERATIONS CONTROL SYSTEM SPECIALIST	H	copcss	12/18/2017	59-17	8,602	9,034	9,484	9,960	10,456	49.6269	52.1192	54.7154	57.4615	60.3231
OPERATOR-IN-TRAINING	H	cwtpot	12/18/2017	59-17	5,619	5,900	6,195	6,505	6,829	32.4173	34.0385	35.7404	37.5288	39.3981
PROCESS LEAD WWTP OPERATOR IV	H	cwtppo4	12/18/2017	59-17	8,211	8,620	9,050	9,503	9,978	47.3712	49.7308	52.2115	54.8250	57.5654
PROCESS LEAD WWTP OPERATOR V	H	cwtppo5	12/18/2017	59-17	8,620	9,050	9,503	9,978	10,478	49.7308	52.2115	54.8250	57.5654	60.4500
SAFETY TECHNICIAN	H	csafte	12/18/2017	59-17	6,749	7,087	7,439	7,813	8,203	38.9365	40.8865	42.9173	45.0750	47.3250
SENIOR ACCOUNTING TECHNICIAN	H	csactc	12/18/2017	59-17	7,211	7,572	7,948	8,345	8,764	41.6019	43.6846	45.8538	48.1442	50.5615
SENIOR ELECTRICAL/ELECTRONIC TECHNICIAN	H	ceetc	12/18/2017	59-17	8,867	9,312	9,775	10,263	10,775	51.1558	53.7231	56.3942	59.2096	62.1635
SENIOR ELECTRICIAN	H	csselect	12/18/2017	59-17	8,673	9,107	9,562	10,041	10,542	50.0365	52.5404	55.1654	57.9288	60.8192
SENIOR ENGINEERING TECHNICIAN / GIS SPECIALIST	H	csentc	12/18/2017	59-17	8,124	8,531	8,956	9,408	9,875	46.8692	49.2173	51.6692	54.2769	56.9712
SENIOR ENVIRONMENTAL COMPLIANCE INSPECTOR	H	csreci	12/18/2017	59-17	8,590	9,017	9,468	9,940	10,439	49.5577	52.0212	54.6231	57.3462	60.2250
SENIOR INSTRUMENTATION/CONTROLS TECHNICIAN	H	csrictech	12/18/2017	59-17	9,461	9,935	10,431	10,955	11,503	54.5827	57.3173	60.1788	63.2019	66.3635
SENIOR MECHANIC	H	csrmec	12/18/2017	59-17	7,976	8,372	8,793	9,231	9,691	46.0154	48.3000	50.7288	53.2558	55.9096
SENIOR MECHANIC-CRANE CERTIFIED	H	csrmcc	12/18/2017	59-17	8,173	8,581	9,010	9,461	9,934	47.1519	49.5058	51.9808	54.5827	57.3115
SENIOR WWTP OPERATOR III	H	cswtpo	12/18/2017	59-17	7,818	8,211	8,620	9,050	9,503	45.1038	47.3712	49.7308	52.2115	54.8250
WASTEWATER TREATMENT PLANT OPERATOR I	H	cwtpo1	12/18/2017	59-17	6,464	6,784	7,124	7,479	7,853	37.2923	39.1385	41.1000	43.1481	45.3058
WASTEWATER TREATMENT PLANT OPERATOR II	H	cwtpo2	12/18/2017	59-17	7,107	7,464	7,836	8,227	8,640	41.0019	43.0615	45.2077	47.4635	49.8462
WATER/WASTEWATER SYSTEMS LEAD OPERATOR	H	cwwslo	12/18/2017	59-17	8,837	9,278	9,740	10,226	10,736	50.9827	53.5269	56.1923	58.9962	61.9385
WATER/WASTEWATER SYSTEMS OPERATOR IV-ON CALL	H	cww4oc	12/18/2017	59-17	8,015	8,413	8,837	9,278	9,740	46.2404	48.5365	50.9827	53.5269	56.1923
WATER/WASTEWATER SYSTEMS OPERATOR I	H	cwwso1	12/18/2017	59-17	5,619	5,900	6,195	6,505	6,829	32.4173	34.0385	35.7404	37.5288	39.3981
WATER/WASTEWATER SYSTEMS OPERATOR II	H	cwwso2	12/18/2017	59-17	6,464	6,784	7,124	7,479	7,853	37.2923	39.1385	41.1000	43.1481	45.3058
WATER/WASTEWATER SYSTEMS OPERATOR III	H	cwwso3	12/18/2017	59-17	7,107	7,464	7,836	8,227	8,640	41.0019	43.0615	45.2077	47.4635	49.8462
WATER/WASTEWATER SYSTEMS OPERATOR IV	H	cwwso4	12/18/2017	59-17	7,818	8,211	8,620	9,050	9,503	45.1038	47.3712	49.7308	52.2115	54.8250

Exempt Classifications	Exempt	Code	Effective Date	Resolution #	Monthly Salary					Bi-Weekly Pay Rate				
					Step A	Step B	Step C	Step D	Step E	Step A	Step B	Step C	Step D	Step E
ACCOUNTANT II	S	pacct2	12/18/2017	51-17	8,169	8,577	9,006	9,456	9,929	3770.31	3958.62	4156.62	4364.31	4582.62
ADMINISTRATIVE ANALYST II	S	padan2	12/18/2017	51-17	8,950	9,396	9,867	10,361	10,879	4130.77	4336.62	4554.00	4782.00	5021.08
ADMINISTRATIVE SERVICES MANAGER	S	asm	12/18/2017	54-17	0	0	0	0	18,037	0.00	0.00	0.00	0.00	8324.88
ASSISTANT ENGINEER	S	paseng	12/18/2017	51-17	8,961	9,409	9,877	10,373	10,890	4135.85	4342.62	4558.62	4787.54	5026.15
ASSISTANT GENERAL MANAGER	S	agm	12/18/2017	59-16	0	0	0	0	18,674	0.00	0.00	0.00	0.00	8618.77
ASSISTANT PLANNER	S	paspln	12/18/2017	51-17	8,433	8,855	9,298	9,763	10,251	3892.15	4086.92	4291.38	4506.00	4731.23
ASSOCIATE CIVIL ENGINEER-SUBJECT MATTER EXPERT (SME)	S	paesme	12/18/2017	51-17	10,209	10,720	11,254	11,817	12,409	4711.85	4947.69	5194.15	5454.00	5727.23
ASSOCIATE ENGINEER-SUPERVISORY	S	maengs	12/18/2017	52-17	10,875	11,418	11,989	12,589	13,219	5019.23	5269.85	5533.38	5810.31	6101.08
ASSOCIATE PLANNER	S	pasopl	12/18/2017	51-17	9,218	9,677	10,160	10,669	11,203	4254.46	4466.31	4689.23	4924.15	5170.62
BUYER	S	pbuyer	12/18/2017	51-17	7,701	8,086	8,491	8,913	9,361	3554.31	3732.00	3918.92	4113.69	4320.46
CLEAN WATER PROGRAMS SPECIALIST	S	pcwpsp	12/18/2017	51-17	9,201	9,662	10,143	10,651	11,181	4246.62	4459.38	4681.38	4915.85	5160.46
COMMUNITY AFFAIRS SPECIALIST II	S	pcafs2	12/18/2017	51-17	8,576	9,005	9,455	9,928	10,424	3958.15	4156.15	4363.85	4582.15	4811.08
COMMUNITY AFFAIRS SUPERVISOR	S	mcasup	12/18/2017	52-17	10,916	11,461	12,036	12,638	13,270	5038.15	5289.69	5555.08	5832.92	6124.62
CUSTOMER SERVICES SUPERVISOR	S	mcssup	12/18/2017	52-17	9,825	10,315	10,830	11,373	11,942	4534.62	4760.77	4998.46	5249.08	5511.69
ELECTRICAL AND INSTRUMENTATION SUPERVISOR	S	meisup	12/18/2017	52-17	9,716	10,202	10,711	11,248	11,812	4484.31	4708.62	4943.54	5191.38	5451.69
EMPLOYEE DEVELOPMENT SPECIALIST	S	peedsp	12/18/2017	51-17	9,032	9,483	9,956	10,455	10,977	4168.62	4376.77	4595.08	4825.38	5066.31
ENGINEERING SERVICES MANAGER	S	esm	12/18/2017	56-17	0	0	0	0	18,214	0.00	0.00	0.00	0.00	8406.49

DSRSD Pay Schedule  
Pursuant to CCR Title 2 570.5

Exhibit A

ENVIRONMENTAL SERVICES ADMINISTRATOR	S	mesadm	12/18/2017	52-17	13,031	13,680	14,364	15,082	15,837	6014.31	6313.85	6629.54	6960.92	7309.38
ENVIRONMENTAL CHEMIST II	S	pench2	12/18/2017	51-17	8,421	8,843	9,284	9,748	10,237	3886.62	4081.38	4284.92	4499.08	4724.77
EXECUTIVE SERVICES SUPERVISOR	S	messup	12/18/2017	52-17	11,648	12,230	12,842	13,481	14,157	5376.00	5644.62	5927.08	6222.00	6534.00
FINANCIAL ANALYST	S	pfinan	12/18/2017	51-17	9,263	9,727	10,213	10,724	11,258	4275.23	4489.38	4713.69	4949.54	5196.00
FINANCIAL SERVICES SUPERVISOR	S	mfssup	12/18/2017	52-17	11,688	12,271	12,884	13,530	14,205	5394.46	5663.54	5946.46	6244.62	6556.15
FINANCIAL SERVICES MANAGER -TEMPORARY/RA	S	t fsm	9/19/2017	46-17	0	0	0	0	15,600	0.00	0.00	0.00	0.00	7200.00
GENERAL MANAGER	S	gm	12/19/2016	78-16	0	0	0	0	21,713	0.00	0.00	0.00	0.00	10021.38
GIS ANALYST II	S	pgisa2	12/18/2017	51-17	9,454	9,927	10,422	10,943	11,491	4363.38	4581.69	4810.15	5050.62	5303.54
GRAPHIC DESIGNER	S	pgrptc	12/18/2017	51-17	8,576	9,005	9,455	9,928	10,424	3958.15	4156.15	4363.85	4582.15	4811.08
HUMAN RESOURCES ANALYST II	S	hhran2	12/18/2017	53-17	9,026	9,477	9,950	10,447	10,971	4165.85	4374.00	4592.31	4821.69	5063.54
HUMAN RESOURCES AND RISK SUPERVISOR	S	mhrsup	12/18/2017	52-17	11,793	12,382	13,001	13,651	14,334	5442.92	5714.77	6000.46	6300.46	6615.69
INFORMATION SERVICES SUPERVISOR	S	missup	12/18/2017	52-17	12,681	13,313	13,980	14,681	15,415	5852.77	6144.46	6452.31	6775.85	7114.62
INFORMATION TECHNOLOGY ANALYST II	S	pitan2	12/18/2017	51-17	9,651	10,133	10,639	11,172	11,730	4454.31	4676.77	4910.31	5156.31	5413.85
LABORATORY SUPERVISOR	S	mlbsup	12/18/2017	52-17	10,952	11,498	12,074	12,676	13,312	5054.77	5306.77	5572.62	5850.46	6144.00
MECHANICAL SUPERVISOR	S	mmesup	12/18/2017	52-17	9,506	9,981	10,481	11,006	11,554	4387.38	4606.62	4837.38	5079.69	5332.62
OPERATIONS MANAGER	S	om	12/18/2017	55-17	0	0	0	0	17,694	0.00	0.00	0.00	0.00	8166.30
PRINCIPAL ENGINEER-SUBJECT MATTER EXPERT (SME)	S	ppesme	12/18/2017	51-17	12,222	12,831	13,475	14,149	14,855	5640.92	5922.00	6219.23	6530.31	6856.15
PRINCIPAL ENGINEER-SUPERVISORY	S	mpreng	12/18/2017	52-17	13,161	13,818	14,508	15,235	15,997	6074.31	6377.54	6696.00	7031.54	7383.23
SAFETY OFFICER	S	psafof	12/18/2017	51-17	9,510	9,985	10,485	11,009	11,558	4389.23	4608.46	4839.23	5081.08	5334.46
SENIOR CIVIL ENGINEER-SUBJECT MATTER EXPERT (SME)	S	psesme	12/18/2017	51-17	11,167	11,725	12,310	12,926	13,573	5154.00	5411.54	5681.54	5965.85	6264.46
SENIOR ELECTRICAL ENGINEER-SUPERVISORY	S	msrees	12/18/2017	52-17	11,962	12,562	13,190	13,849	14,539	5520.92	5797.85	6087.69	6391.85	6710.31
SENIOR ENGINEER-SUPERVISORY	S	msengs	12/18/2017	52-17	11,962	12,562	13,190	13,849	14,539	5520.92	5797.85	6087.69	6391.85	6710.31
SENIOR ENVIRONMENTAL CHEMIST	S	psrech	12/18/2017	51-17	9,201	9,662	10,143	10,651	11,181	4246.62	4459.38	4681.38	4915.85	5160.46
SENIOR MECHANICAL ENGINEER-SUPERVISORY	S	msrmes	12/18/2017	52-17	11,962	12,562	13,190	13,849	14,539	5520.92	5797.85	6087.69	6391.85	6710.31
SENIOR PLANNER	S	psrpln	12/18/2017	51-17	10,074	10,579	11,107	11,661	12,245	4649.54	4882.62	5126.31	5382.00	5651.54
WASTEWATER TREATMENT PLANT OPERATIONS SUPERVISOR	S	mwtpos	12/18/2017	52-17	13,031	13,680	14,364	15,082	15,837	6014.31	6313.85	6629.54	6960.92	7309.38
WATER/WASTEWATER SYSTEMS OPERATIONS & MAINTENANCE SUPERVISOR	S	mwwsom	12/18/2017	52-17	13,031	13,680	14,364	15,082	15,837	6014.31	6313.85	6629.54	6960.92	7309.38

RESOLUTION NO. 58-17

RESOLUTION OF THE BOARD OF DIRECTORS OF DUBLIN SAN RAMON SERVICES DISTRICT ADOPTING A PAY SCHEDULE IN ACCORDANCE WITH CALIFORNIA CODE OF REGULATIONS, TITLE 2, SECTION 570.5, AND RESCINDING RESOLUTION NO. 46-17

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WHEREAS, the California Code of Regulations, Title 2, Section 570.5 requires the District's Board of Directors approve and adopt all pay schedules; and

WHEREAS, the Regulations require that the pay schedule be made public without reference to another document in disclosure of the pay rate; and

WHEREAS, by Resolution No. 46-17, the Board-adopted pay schedule was approved on September 19, 2017; and

WHEREAS, pursuant to District Code Section 6.10.010(C) the Board has the sole authority to approve job titles and compensation; and

WHEREAS, the Board approved the new job definition and salaries for the Electrician I/II classifications during its regular meeting on October 3, 2017; and

WHEREAS, the District has met and conferred with the Mid-Management Employees' Bargaining Unit to establish a classification and salary for the Water/Wastewater Systems Operations & Maintenance Supervisor.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF DUBLIN SAN RAMON SERVICES DISTRICT, a public agency in the Counties of Alameda and Contra Costa, California, as follows:

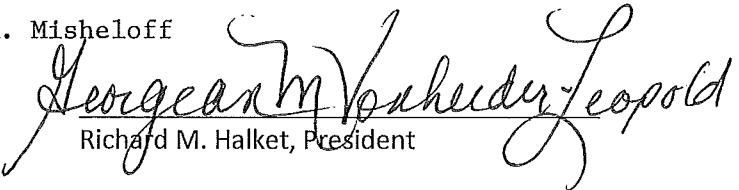
1. That the attached pay schedule titled "DSRSD Pay Schedule," set forth in Exhibit A attached hereto and incorporated herein by reference is approved and adopted, and Resolution No. 46-17 is hereby rescinded and attached as Exhibit B.
2. That the pay schedule approved and adopted by this resolution shall be periodically updated by the Board of Directors, in accordance with the California Code of Regulations requirements.

ADOPTED by the Board of Directors of Dublin San Ramon Services District, a public agency in the State of California, Counties of Alameda and Contra Costa, at its regular meeting held on the 7th day of November, 2017, and passed by the following vote:

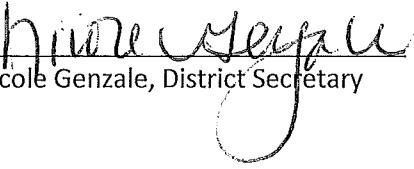
AYES: 4 - Directors D.L. (Pat) Howard, Edward R. Duarte, Georgean M. Vonheeder-Leopold, Richard M. Halket

NOES: 0

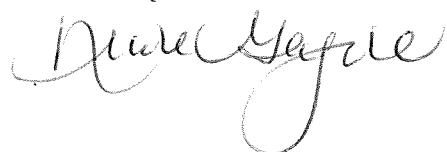
ABSENT: 1 - Director Madelyne A. Misheloff

  
Georgean M. Vonheeder-Leopold  
Richard M. Halket, President

ATTEST:

  
Nicole Genzale, District Secretary

CERTIFIED AS A TRUE AND CORRECT COPY OF  
THE ORIGINAL ON FILE IN THE OFFICE OF  
DUBLIN SAN RAMON SERVICES DISTRICT  
Secretary



NOV 08 2017



**TITLE:** Selection of President and Vice President of the Board of Directors for 2018

**RECOMMENDATION:**

Staff recommends the Board of Directors select and approve, by separate Motions (2), first the President and then the Vice President of the Board, and that these appointments become effective immediately and run through the next selection of Board officers scheduled for December 2018.

**SUMMARY:**

Each year, typically at the first meeting in December, but in an election year at the first meeting after the new Board is seated, the Board elects from its members its President and Vice President for the ensuing term. The Board has adopted a policy on the election of its officers, a copy of which is attached. In accordance with that policy, Vice President Vonheeder-Leopold would be next in line for the office of President and Director Misheloff would be next in line for the office of Vice President.

Also, attached for your information is a summary of recent Board officers.

Traditionally, the term for the officers begins immediately upon the Board's action in this matter and runs through the next selection of officers in December 2018.

Originating Department: Executive Services	Contact: V. Chiu	Legal Review: Not Required
Cost: \$0	Funding Source: N/A	
Attachments: <input type="checkbox"/> None <input type="checkbox"/> Staff Report <input type="checkbox"/> Resolution <input type="checkbox"/> Ordinance <input type="checkbox"/> Task Order <input type="checkbox"/> Proclamation <input checked="" type="checkbox"/> Other (see list on right)	Attachment 1 – Election and Rotation of Board Officers policy (P100-15-2) Attachment 2 – Listing of Recent Board Officers	254 of 257



# Policy

Policy No.	P100-15-2	Type of Policy:	Board Business
Policy Title:	Election and Rotation of Board Officers		
Policy Description:	Election of Board President and Vice President on District Board		

Approval Date:	4/7/2015	Last Review Date:	2015
Approval Resolution No.:	19-15	Next Review Date:	2019
Rescinded Resolution No.:	45-04	Rescinded Resolution Date:	8/17/2004

It is the policy of the Board of Directors of Dublin San Ramon Services District:

1. The election of Board officers, (President, Vice President), shall take place annually: The President shall be elected first, the Vice President second, each by separate motion.
2. The election of Board officers shall occur on:
  - a. In an election year, at the first regular Board Meeting after elected Boardmembers are sworn in.
  - b. In a non-election year, at the first regular Board meeting in December.
3. The President and Vice President must have been elected to the Board of Directors rather than appointed.
4. Eligibility for the office of President and Vice President occurs twelve (12) months following first election to the Board of Directors. (Assuming continuous service since first election.)
5. PRESIDENT:
  - a. The Vice President is the President-elect under normal rotation.
  - b. The elected member who has served the longest on the Board (in continuous service) without ever serving as President and who meets the requirements Nos. 3 and 4 above, shall rotate to the Presidency.
  - c. If all elected members of the Board have been President, the elected member who has served the longest on the Board (in continuous service) since last being President, and who meets the requirements Nos. 3 and 4 above, shall rotate to the Presidency.

**Policy No.** P100-15-2**Policy Title:** Election and Rotation of Board Officers**6. VICE PRESIDENT:**

- a. When the position of the President is filled the elected member next in line shall be rotated to the position of Vice President in accordance with criteria 6(b) and 6(c).
- b. The elected member of the Board of Directors who has served longest on the Board (in continuous service) without ever serving as President and who meets requirements Nos. 3 and 4 above, shall rotate to the Vice Presidency.
- c. If all elected members of the Board have been President, the elected member who has served the longest on the Board (in continuous service) since last being President, and who meets requirements Nos. 3 and 4 above, shall rotate to the Vice Presidency.

7. If no member meets criteria 3, 4, 5, or 3, 4, and 6, or if there are members whose eligibility criteria are the same, then succession shall be determined by which member has served longest on the Board (in continuous service). If a tie still exists, the elected member who received the greatest number of votes at their last election shall be given preference in the rotation.

**LISTING OF RECENT BOARD OFFICERS**

<b>Year</b>	<b>President</b>	<b>Vice President</b>
2017	Halket	Vonheeder-Leopold
2016	Howard	Halket
2015	Duarte	Howard
2014	Vonheeder-Leopold	Duarte
2013	Benson	Vonheeder-Leopold
2012	Halket	Benson
2011	Howard	Halket
2010	Hansen	Howard
2009	Scannell	Hansen / Ford
2008	Halket	Scannell
2007	Howard	Halket
2006	Hansen	Howard