



City of San Juan Bautista

The "City of History"

www.san-juan-bautista.ca.us

AGENDA

SPECIAL CITY COUNCIL MEETING AND JOINT CITY COUNCIL/PLANNING COMMISSION WORKSHOP

TUESDAY ~ JANUARY 31, 2023 ~ 5:30 P.M.

CITY HALL COUNCIL CHAMBERS

311 Second Street

San Juan Bautista, California

– HYBRID MEETING – PUBLIC PARTICIPATION BY ZOOM AND IN PERSON

PUBLIC NOTICE

This Meeting Will Be Conducted Pursuant to Govt. Code §54953(E)(1)(A). In order to minimize the spread of the COVID 19 virus the City Council is conducting this meeting by Zoom webinar and will be offering alternative options for public participation. You are encouraged to watch the meeting live on Zoom or Facebook.

THIS MEETING WILL BE OPEN TO THE PUBLIC UNDER THE FOLLOWING CONDITIONS:

All Attendees must comply and wear a face covering if not fully vaccinated and show proof. If providing proof attendees will not need to wear a face covering. If you are exempt from the state face covering guidance or not fully vaccinated, you will be required to wear a mask to attend the meeting; All attendees must comply with any other rules of procedures/instructions announced by the Mayor and/or City Staff. Any violations of the above may result in the Mayor closing the meeting, effective immediately, or clearing the room, as well as other enforcement actions. The meeting will be available through Zoom for those who wish to join or require accommodations with the instructions below:

ZOOM WEBINAR PARTICIPATION

JOIN ZOOM WEBINAR TO PARTICIPATE LIVE

<https://us02web.zoom.us/j/88644108426>

To participate telephonically:

call 1 (669) 900-6833

Webinar ID: 886 4410 8426

PUBLIC COMMENT

Public comments are restricted to items on the special meeting agenda pursuant to California Government Code section § 54954.3(b).

Public comments generally are limited to three minutes per speaker; the Mayor may further limit the time for public comments depending on the agenda schedule. If you wish to make a comment on a specific agenda item, please join the Zoom Webinar and use the "Raise Hand" or if joining by telephone, press *9 on your telephone keypad icon. **If you are unable to join the meeting, written comments may be mailed to the Deputy City Clerk at City Hall (P.O. Box 1420, San Juan Bautista, CA 95045), or emailed to deputycityclerk@san-juan-bautista.ca.us** not later than 5:00 p.m. on January 31, 2023, and will be read into the record during public comment on the item. Public comments will be taken on agenda items before action is taken by the city council.

JOINT CITY COUNCIL/PLANNING COMMISSION WORKSHOP

CALL TO ORDER

- A. Pledge of Allegiance
- B. Roll Call

1. WORKSHOP

- A. **CONDUCT A WORKSHOP REGARDING PUBLIC REVIEW DRAFT OF THE SAN JUAN BAUTISTA ACTIVE TRANSPORTATION AND COMMUNITY CONNECTIVITY PLAN**

Recommendation: No action. Conduct a Hybrid Joint Planning Commission and City Council Workshop in person at San Juan Bautista City Hall Council Chambers and online: <https://zoom.us/j/88644108426>.

CLOSE JOINT MEETING / OPEN CITY COUNCIL SPECIAL MEETING

SPECIAL CITY COUNCIL MEETING AGENDA

1. CONSENT

- A. **Affidavit of Posting Agenda**

Recommendation: Approve the Affidavit of Posting Agenda.

2. ACTION ITEMS

- A. **Authorizing A Financing Agreement with First Foundation Public Finance Providing for The Issuance of Series 2023 Bond Anticipation Notes in The Amount of \$14.6 Million To Construct the City's Sewer Force Main to Hollister.**

Recommendation: Adopt a **RESOLUTION** authorizing and directing the execution of a certain Financing Agreement providing for the issuance of "City of San Juan Bautista, Series 2023 Wastewater Revenue Bond Anticipation Notes (San Juan Bautista to Hollister Force Main Development Project)" in a principal amount not to exceed \$14,600,000 (the "Notes") and providing for other matters properly related thereto.

- B. **Planning Commission / Historic Resources Board Appointments**

Recommendation: Receive report and recommendations from the Ad Hoc Committee to fill two vacancies; Appoint one (1) applicant to fill an open seat for an unexpired term ending December 2024; and Appoint one (1) applicant to fill an open seat for a 4-year term ending December 2026.

ADJOURNMENT

AGENDA MATERIAL / ADDENDUM

Any addendums will be posted within 72 hours of regular meetings or 24 hours of special meetings, unless otherwise allowed under the Brown Act. City Council reports may be viewed at the City of San Juan Bautista City Hall at 311 Second Street San Juan Bautista, and are posted on the City website www.san-juan-bautista.ca.us subject to Staff's ability to post the documents before the meeting, or by emailing deputycityclerk@san-juan-bautista.ca.us or calling the Deputy Clerk (831) 623-4661 during normal business hours.

In compliance with the Americans with Disabilities Act, and Govt. Code 54953(e)(1)(A), the City will make reasonable arrangements to ensure accessibility to this meeting. If you need special assistance to participate in this meeting, please contact the Deputy City Clerk a minimum of 48 hours prior to the meeting at (831) 623-4661.

PUBLIC NOTIFICATION

This agenda was posted on Friday, January 27, 2023 on the bulletin board at City Hall, 311 second street, the bulletin board at the City Library, 801 second street, the bulletin board at the entrance to the United States Post Office, 301 the Alameda, and the City's website.

Meetings are streamed live at <https://www.facebook.com/cityofsanjuanbautista/> and televised live on local Channel 17 on the date of the regularly scheduled meeting.



CITY OF SAN JUAN BAUTISTA CITY COUNCIL STAFF REPORT

AGENDA TITLE: CONDUCT A WORKSHOP REGARDING PUBLIC REVIEW
DRAFT OF THE SAN JUAN BAUTISTA ACTIVE
TRANSPORTATION AND COMMUNITY CONNECTIVITY
PLAN*

DATE: January 31, 2023

DEPARTMENT HEAD: Brian Foucht, Community Development Director

Recommendation:

Conduct a Hybrid Joint Planning Commission and City Council Workshop in person San Juan Bautista City Hall Council Chambers and online: <https://zoom.us/j/88644108426>.

**This plan is not under consideration for adoption at this time. This is an informational session.*

The workshop agenda is as follows:

1. Introductions:
 - Mayor and City Council Members
 - Planning Commissioners
 - Staff: City Manager Don Reynolds
 - Presenters: Tony Hull, BlueZones; Tony Leonard, CivicWell
2. Project overview and presentation of the plan
 - Project Team
 - Project Approach and Process
 - Community Engagement – what we heard
 - Key Themes
 - Recommendation
 - Project Prioritization
 - Next Steps
 - Comments and Questions

Background:

The 2016 General Plan Open Space Element, Section 11, calls for consideration of connectivity between its many historic and recreational assets, and to connect the De Anza Trail and other recreation and transportation resources to the City. The Implementation Matrix in Section 18 of

the 2016 General Plan references the need for “complete streets,” and a bike and pedestrian trail system.

In 2018, the City Council appointed a Parks Master Plan Task Force to further the work of the previous Strategic Plan’s “Arts, Recreation, Culture and Wellness Subcommittee.” In the late summer of 2019, a draft Parks Master Plan was presented to the City Manager referencing a bike/De Anza Trail plan, and Cultural Walking Tour. Subsequently, in August 2020, the City Council accepted a State Department of Transportation (CAL TRANS) Sustainable Transportation Planning Grant in the amount of \$188,596 (with a match of \$24,435, 11.47% of grant funds as City staff support) to develop the San Juan Bautista Active Transportation and Community Connectivity Plan (ATP).

Discussion:

The workshop is the culmination of several community engagement exercises during 2022. The workshop is designed to gather comments on the ATP public review draft, respond to Planning Commission and City Council questions and comments, and make any necessary changes prior to formal hearings and adoption in February. February 28, 2022 is the last date that costs may be incurred for reimbursement with grant funds, and final invoicing will be submitted in March, 2022.

Attachment: Slide Presentation PDF



SAN JUAN BAUTISTA
The City of History

Active Transportation and Community Connectivity Plan

City Council & Planning Commission Joint Workshop

January 31, 2023



With Funding Support from a Caltrans Sustainable Communities Planning Grant

Overview

- OUR PROJECT TEAM
- PROJECT APPROACH & PROCESS
- ENGAGEMENT: WHAT WE HEARD
- KEY THEMES
- RECOMMENDATIONS
- PRIORITIZATION
- WRAP-UP & NEXT STEPS



1

Project Team

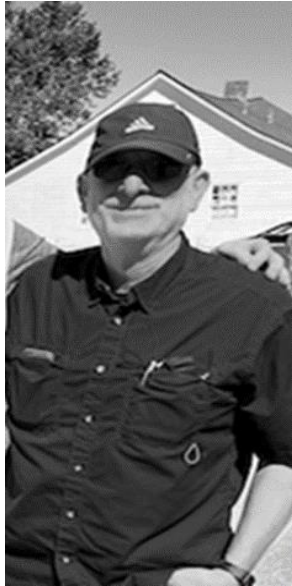
Our Project Team



Tony Leonard



Josh Meyer



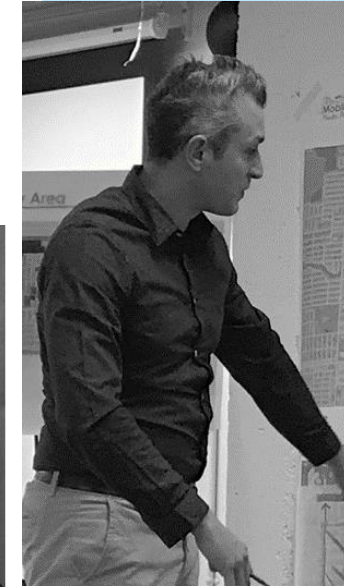
Paul
Zykovsky



Dan Burden



Tony Hull



Fabian De La
Espriella



Michael Moule





2

Project Approach & Process

Project Objectives

- Focus on all ages and abilities
- Assess existing conditions
- Identify opportunities
- Multi-modal network focus
- Context appropriate solutions
- Align with other plans and projects
- Identify best practices
- Identify funding opportunities
- Develop a prioritized implementation strategy



Project Timeline



Engagement Process

- Project Advisory Group (PAG)
- Field Discovery Tour & Initial Assessment
- Project Website with Interactive Map
- Community Design Charrette
- Walking Audits
- Bicycling Tour
- Pop-up Tables
- Stakeholder & Focus Group Meetings
- Draft Recommendation Workshop
- Draft Plan Workshop



Project Advisory Group (PAG)

NAME	AGENCY	TITLE
Arielle Goodspeed	San Benito County Resource Management Agency	Principal Planner
Cara Vonk	San Juan Bautista Historical Society	Board Member
Charlie Bedolla	San Juan Bautista Fire Department	Battalion Chief
David Medeiros	San Juan Bautista Planning Commission	Commissioner
Heidi Jumper	San Benito County Arts Council	Marketing/Community Engagement Manager
Jill Leal	Caltrans, District 5	Associate Transportation Planner
Leslie Q. Jordan	City of San Juan Bautista	Mayor
Lt. Silvestre Yerena	San Benito County Sheriff	Lieutenant
Michelle Huntoon	Aromas-San Juan USD	Superintendent
Rene Anchieta	San Benito County	GIS Analyst
Valentin Lopez	Amahmutsun Tribal Band	Chairman
Valerie Egland	REACH San Benito Parks Foundation	Executive Director
Veronica Lezama	Council of San Benito County Governments (COG)	Transportation Planner
Wanda Guibert	San Juan Bautista Historical Society	Board Member



PAG Meetings: March, May & June 2022

Field Discovery Tour

March 2022

- Initial Field Data Collection
- Walking & Windshield Tours
- Stakeholder Conversations
- Convene PAG
- Listen & Learn about San Juan Bautista



Community Design Charrette

June 26-28, 2022

Three-day Charrette

- Walking Audits
- Bicycle Tour
- Pop-up Tables
- Community Workshop
- Open Design Studio

Plan de Transporte Activo y Conectividad Comunitaria de San Juan Bautista



Domingo, 26 de junio
Recorrido a pie # 1 | 3-4:30 pm
 Lugar: Plaza Square
 Participe en un recorrido para discutir el Camino Real, el Sendero del Terremoto (Earthquake Trail), el sendero De Anza, y recursos históricos.

Lunes, 27 de junio
Recorrido a pie # 2 | 4:30-5:30 pm
 Lugar: Salón VFW, Calle Monterey #58
 Camine con el equipo para hacer una evaluación de las condiciones desde la calle Monterey hasta el parque Abbe.

Taller comunitario | 6-8 pm
 Lugar: Salón VFW, Calle Monterey #58
 Participe para compartir sus inquietudes e ideas para mejorar el caminar y andar en bicicleta y la conectividad en todo San Juan Bautista.
*¡Comida y refrescos gratis!
 ¡Traiga a toda la familia!*

Participe en una serie de eventos públicos gratuitos para dar sus comentarios para mejorar las conexiones a destinos clave, las mejoras de infraestructura necesarias e identificar los obstáculos que dificultan el caminar y andar en bicicleta — incluido el acceso a discapacitados — en San Juan Bautista.

Martes, 28 de junio
Tour en bicicleta | 9-10:30 am
 Lugar: Ayuntamiento, Calle 2nd #311
 Únase al equipo para una evaluación de ciclismo (Traiga su propia bicicleta)

Taller a puertas abiertas | 5-7 pm
 Lugar: Ayuntamiento, Calle 2nd #311
 Venga a aprender lo que escuchamos de la comunidad y vea las recomendaciones iniciales del equipo.

¡Tome nuestra encuesta de mapas!
 Utilice nuestro mapa wiki interactivo para informarnos sobre los desafíos para caminar o andar en bicicleta en San Juan Bautista y sus ideas sobre cómo resolverlos.
bit.ly/sjbatpmap

Visítenos en línea:
bit.ly/sjbatp



San Juan Bautista Active Transportation and Community Connectivity Plan



Sunday, June 26
Walking Tour #1 | 3-4:30 pm
 Location: Plaza Square
 Join us for a tour to discuss the El Camino Real, Earthquake Trail, De Anza Trail, and historic resources.

Monday, June 27
Walking Tour #2 | 4:30-5:30 pm
 Location: VFW Hall, 58 Monterey St
 Walk with the team to do an assessment of the conditions from Monterey Street to Abbe Park.

Community Workshop | 6-8 pm
 Location: VFW Hall, 58 Monterey St
 Join us during the evening to share your concerns and ideas for improving walking and biking and the connectivity throughout San Juan Bautista.
*Free food and refreshments!
 Families welcome!*

Tuesday, June 28
Bicycling Tour | 9-10:30 am
 Location: City Hall, 311 2nd St
 Join the team for a biking assessment. (Bring your own bike)

Open Studio | 5-7 pm
 Location: City Hall, 311 2nd St
 Come learn what we heard from the community and see the team's initial recommendations.

Join us for a series of free public events to provide your feedback for improving connections to key destinations, needed infrastructure improvements, and identifying any barriers to walking and bicycling in San Juan Bautista, including ADA access.

Take our Map Survey!
 Use our interactive wiki map to inform us about the challenges for walking or biking in San Juan Bautista and your ideas about how to solve them.
bit.ly/sjbatpmap

Visit us online:
bit.ly/sjbatp




SAN JUAN BAUTISTA
 The City of History

Para más información
 Brian Foucht, City of San Juan Bautista
 831-623-4661 x 20
ACM-CDDirector@san-juan-bautista.ca.us



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 The City of History

For More information
 Brian Foucht, City of San Juan Bautista
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ACM-CDDirector@san-juan-bautista.ca.us



Community Design Charrette Walk Audits & Bicycle Tour

June 26-28, 2022



Community Design Charrette Pop-up Tables

June 26, 2022: Pop-Up Tables on 3rd Street and at Mission San Juan Bautista



Community Design Charrette Community Workshop

June 27, 2022



Community Design Charrette Open Design Studio

June 28, 2022



Draft Recommendations Workshop

September 28, 2022





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Engagement: What We Heard

Engagement: What We Heard



During engagement activities, participants identified several opportunities for improvements and issues that should be addressed. Common themes and priorities that came up included:

- The need for improved bike and pedestrian facilities
- Safety concerns
- Opportunities to improve connectivity
- The benefits of a trail network
- Reduced traffic speeds within the city
- Better connections to schools
- To respect the history of San Juan Bautista
- To address universal design and accessibility challenges
- To address parking needs and event management

Engagement: What We Heard



Participants also offered their suggestions about several opportunities they felt could be considered:

- Adding more bike lanes
- Increased access to the Anza Trail and open space
- A pedestrian bridge across SR-156
- Curb extensions at intersections
- Charging stations
- Improved Washington Street underpass
- Historical / cultural trail with connection to San Juan Elementary
- Improved maintenance of the Anzar High School Bike Trail
- Roundabouts
- Wider sidewalks at key locations
- Street alignment on 4th
- Angled parking where appropriate



4

Key Themes

Key Themes



Theme 1: PLACE FIRST

Celebrate and honor local history, character & natural beauty.



Theme 2: CONNECTED COMMUNITY

Provide a complete network of bicycling and walking infrastructure prioritizing access to community destinations



Theme 3: PRIORITIZE MULTIMODAL ACCESS TO ENCOURAGE MODE SHIFT

Strengthen access and connectivity to transit and mobility options to regional destinations



Theme 4: BE A COMMUNITY FOR ALL

Foster a place that serves people of all socio-economic backgrounds, ages and physical ability.



Theme 5: GROW SMART & BE SUSTAINABLE

Embrace sustainability, innovation & economic development



Theme 6: CREATE A HEALTHY COMMUNITY

Maximize opportunities for healthy lifestyles including physical activity and access to local healthy food



Theme 7: PRIORITIZE SAFETY

Maintain the safe, comfortable human-scale and pace of streets in and around San Juan Bautista



5

Recommendations

Recommendations



Bicycle Multi-Modal Network



Sidewalk Network



Streetscape Design



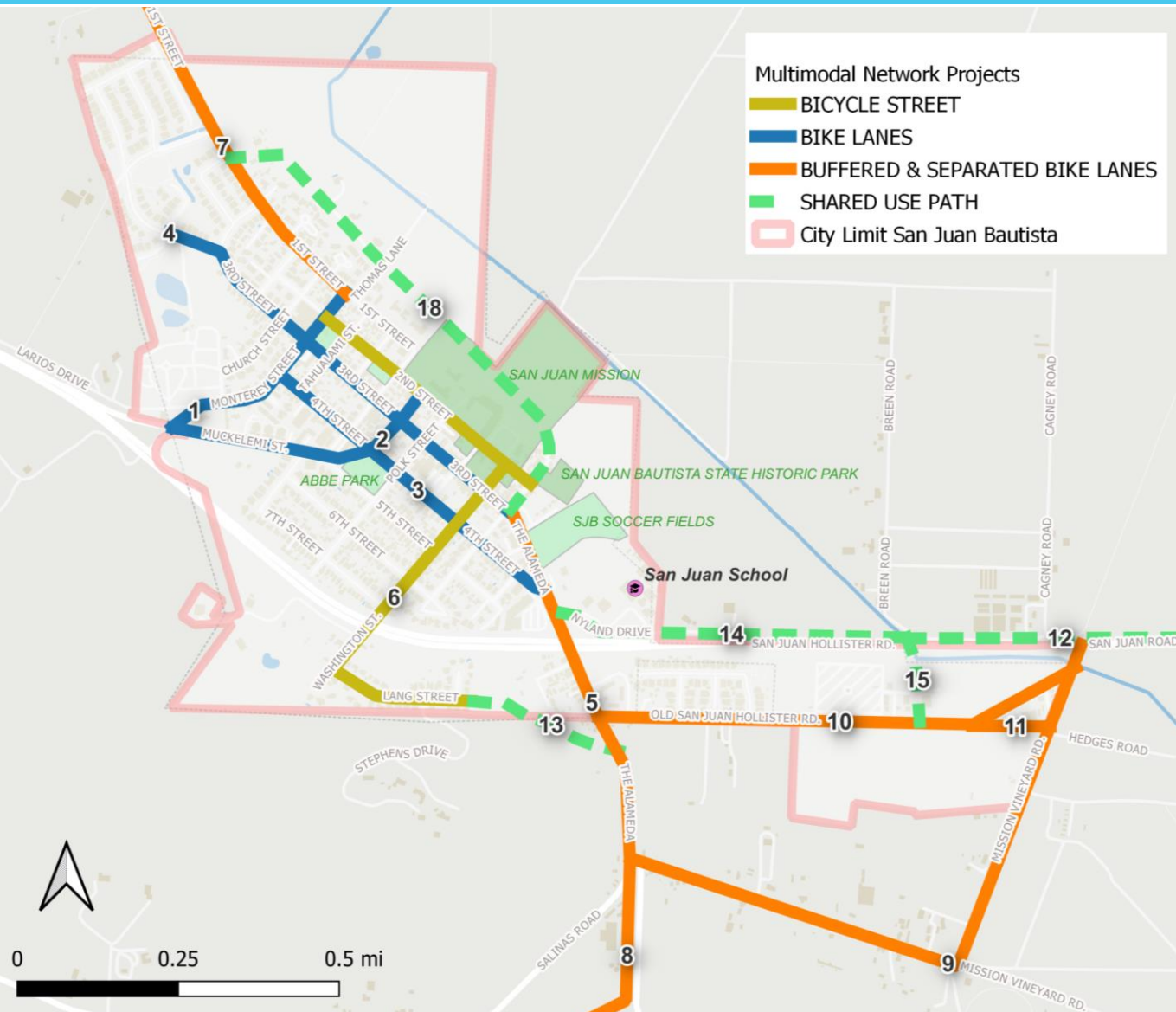
Intersections



Multi-Modal Hub



Bicycle Multi-Modal Network

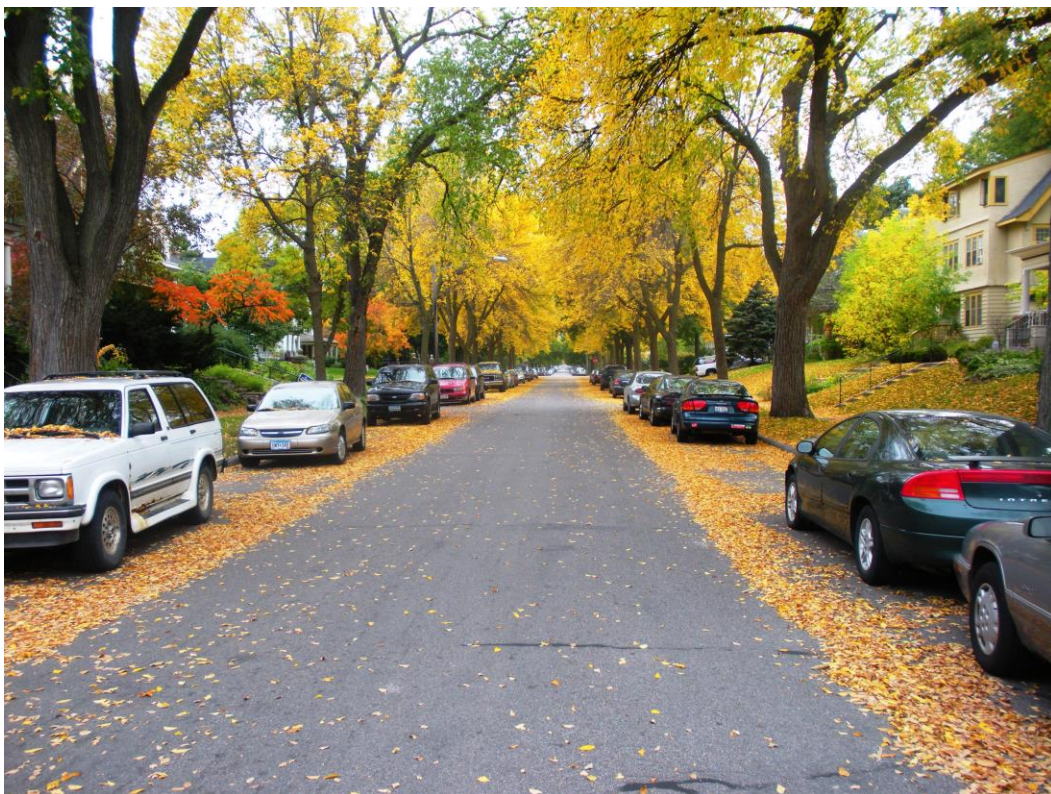


MULTIMODAL NETWORK CATEGORY	PROJECTS	LENGTH (MILES)
BICYCLE FRIENDLY SREETS	2	1.05
BIKE LANES	4	2.01
BUFFERED & SEPARATED BIKE LANES	6	5.50
SHARED USE PATHS	5	5.12
TOTAL PROJECTS	17	13.68

Bicycle Multi-Modal Network

Bicycle Friendly Streets

MAP ID	LOCATION	LENGTH (MILES)
6	WASHINGTON STREET / LANG STREET	0.64
19	2 ND STREET FRANKLIN TO MONTEREY	0.41
TOTAL	2 PROJECTS	1.05



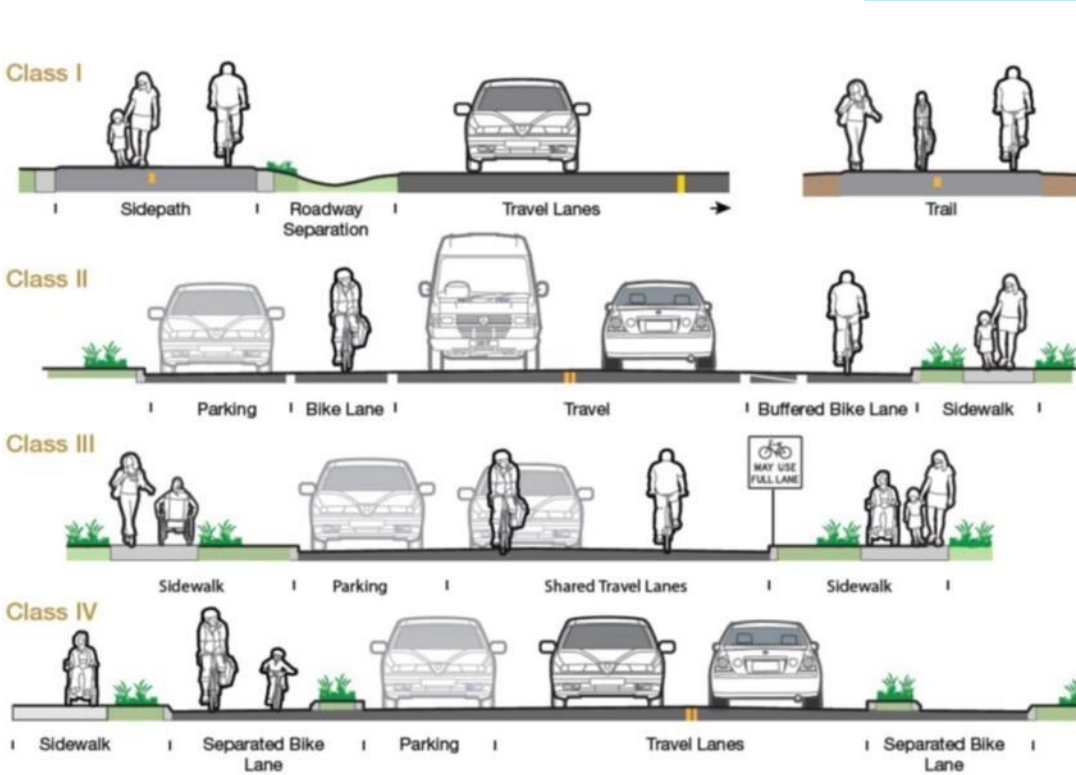
Bicycle Friendly Streets

Sometimes called “bicycle boulevards” or “neighborhood greenways”, these are low-volume low-speed streets where bicyclists can safely and comfortably share space with motorists.

Bicycle Multi-Modal Network

Bicycle Lanes

MAP ID	LOCATION	LENGTH (MILES)
1	MONTEREY STREET	0.35
2	MUCKELEMI STREET	0.43
3	4 TH STREET	0.53
4	3 RD STREET	0.70
TOTAL	4 PROJECTS	2.01



Bicycle Lanes

Perhaps the most common on-street bicycle facility type, the bicycle lane provides bicyclists with dedicated space defined by pavement markings.

Bicycle Multi-Modal Network

Buffered & Separated Bike Lanes

MAP ID	LOCATION	LENGTH (MILES)
5	THE ALAMEDA	0.57
7	FIRST AVE/SAN JUAN HIGHWAY	2.48
8	COTTAGE COACH ROAD CONNECT ANZA TRAIL HEAD	0.50
9	MISSION VINEYARD ROAD	1.07
10	OLD SJ HOLLISTER ROAD	0.76
11	OLD SJ-HOLLISTER ROAD (CONNECT TO HEDGES)	0.12
TOTAL	6 PROJECTS	5.50



Buffered & Separated Bicycle Lanes

In situations where traffic volume and/or speed detract from the comfort or safety of bicycling in a traditional marked lane, adding space for a buffer and/or physical separation is desired.

Bicycle Multi-Modal Network

Shared Use Paths

MAP ID	LOCATION	LENGTH (MILES)
12	SIDEPATH NEW SR-156 SERVICE ROAD	3.38
13	LANG STREET TO THE ALAMEDA	0.24
14	NYLAND DRIVE THE ALAMEDA TO BREEN ROAD	0.54
15	SAN JUAN CREEK UNDERPASS CONNECT BREEN TO SJ-HOLLISTER	0.14
18	CAMINO REAL/CUTURAL TRAIL FROM FIRST ST TO FRANKLIN	0.82
TOTAL	5 PROJECTS	5.12

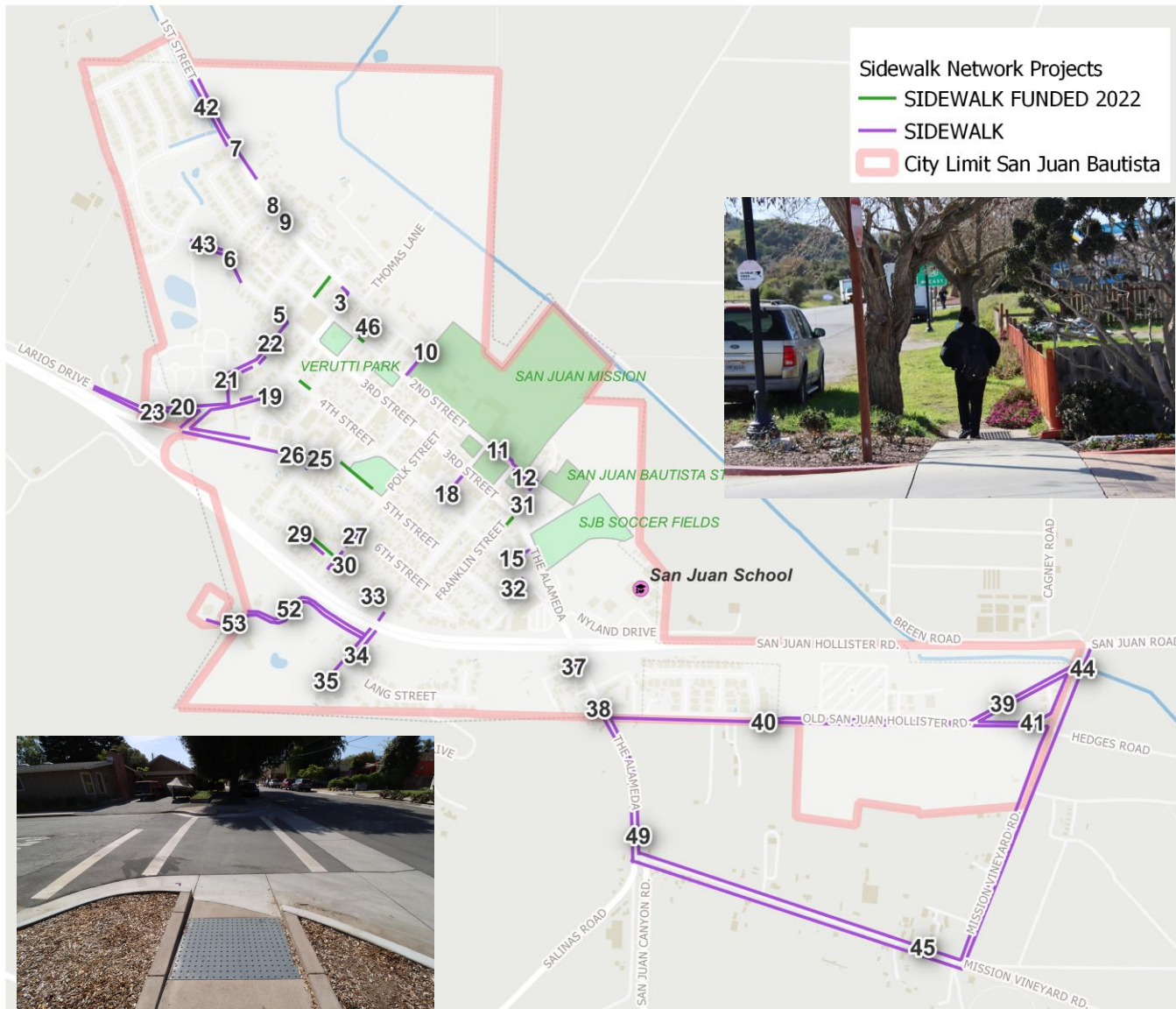


Shared Use Paths

Commonly referred to as trails or greenways, shared use paths provide the highest level of comfort, access and safety for users. Shared use paths can exist in independent right-of-way or adjacent to a street or highway.



Sidewalk Network Gaps



TIER I SIDEWALK GAPS: 26 GAPS, 1.22 MILES OF SIDEWALK
TIER II SIDEWALK GAPS: 20 GAPS, 5.64 MILES OF SIDEWALK

ADA Transition Plan Update

Under Title II of the Americans with Disabilities Act (ADA, 1990 Public Law 101-336), states and local government agencies have a legal responsibility to ensure that all public programs, activities and services are accessible to persons with disabilities.

ADA Transition Plans document current conditions via an inventory of current non-compliant facilities and a detailed plan for continuous implementation for meeting compliance over time.

ADA Transition Plans must:

- **Inventory physical obstacles**
- **Provide for public input**
- **Detail methods for meeting accessibility**
- **Provide a schedule for implementation**
- **Identify official responsible for implementation**
- **Set aside a budget for implementation**



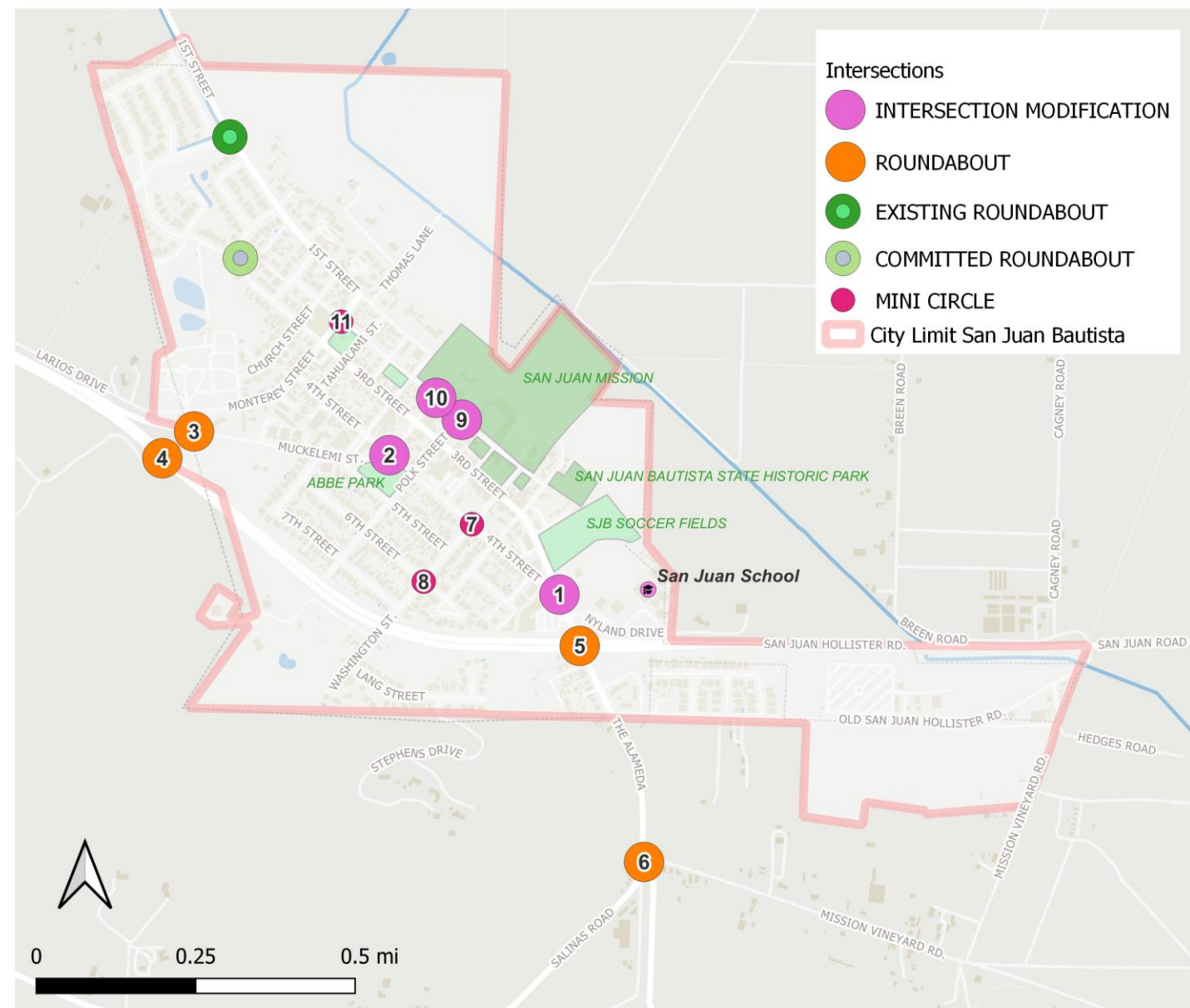


Streetscape Design

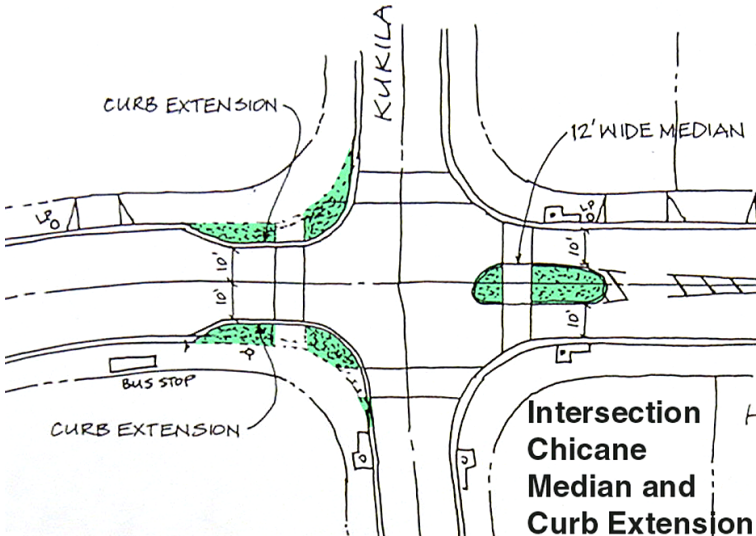
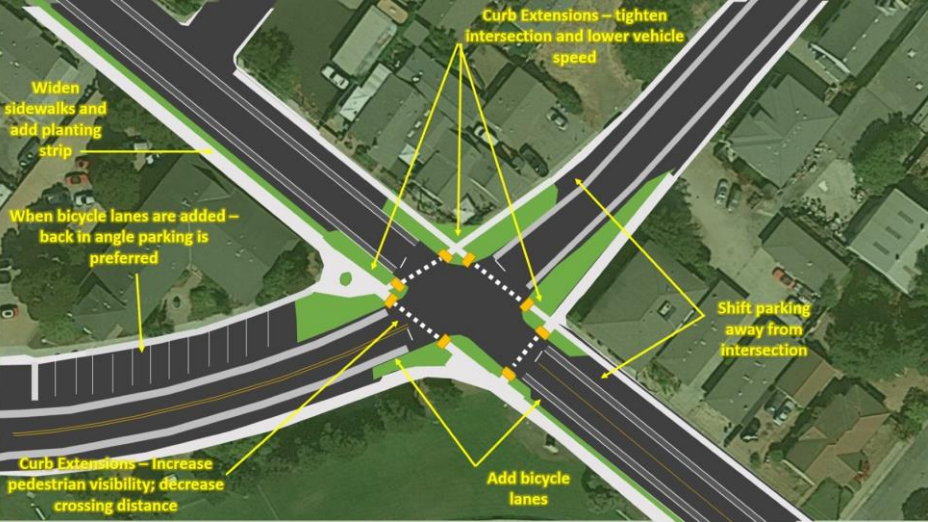




Intersections



Intersection Modifications



MAP ID	INTESECTION MODIFICATION LOCATIONS
1	4TH STREET AT THE ALAMEDA
2	MUCKELEMI STREET AT 4TH STREET
9	2ND STREET AT POLK STREET
10	2ND STREET AT MUCKELEMI STREET
TOTAL	4 PROJECTS

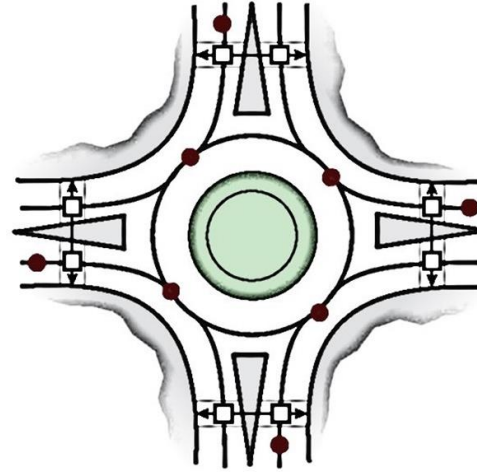
Mini Circles



MAP ID	MINI CIRCLES LOCATION
7	4TH STREET AT WASHINGTON STREET
8	6TH STREET AT WASHINGTON STREET
11	2ND STREET AT MONTEREY STREET
TOTAL	3 PROJECTS

Roundabouts

MAP ID	ROUNDBABOUT LOCATIONS
4	SR-156 AT MONTEREY STREET
5	THE ALAMEDA AT SR-156
6	THE ALAMEDA AT MISSION VINEYARD ROAD
TOTAL	3 PROJECTS



Proposed roundabout concept for The Alameda and SR-156 Developed During the June Charrette

Non-Infrastructure Projects



Bike Parking Program & Standards



Complete Streets / Traffic Calming



Funding Strategies



Access to Transit



Transportation Demand Management



Parking Management



Street Lighting



Facility Maintenance



Street Tree Program



Update/Implement ADA Transition Plan



Wayfinding



Safe Routes to School



Public Art Program



Updated Facility Design Guides



Technology and Micro-mobility



Green Infrastructure



5

Prioritization Criteria

Prioritization Criteria



PROJECT IMPACT

- **Connect to Business District and Key Destinations**
- **Consistent with General Plan and/or Relevant Studies**
- **Supports Equitable Approach**
- **Supports Economic Development Goals**
- **Enhances Regional Connectivity**

PROJECT READINESS

- **Community Desire/Support**
- **Project Estimated Cost**
- **Project Complexity**
- **Funding Alignment**

Prioritization Criteria

	Project Impact					Project Readiness			
	PRIORITIZATION CRITERIA / CONSIDERATIONS								
	Connect to Business District and Key Destinations	Consistent with General Plan and/or Relevant Studies	Supports Equitable Approach	Supports Economic Development Goals	Enhances Regional Connectivity	Community Desire/Support	Project Estimated Cost	Project Complexity	Funding Alignment
PROJECT									
Project Readiness	0	0	0	0	0	0	0	0	0
	TOTAL 					TOTAL 			

PROBABLE COST

- \$ \$ \$ \$ \$

UNDER \$100K
- \$ \$ \$ \$ \$

\$100 - \$200K
- \$ \$ \$ \$ \$

\$200 - \$500K
- \$ \$ \$ \$ \$

\$500K - \$2M
- \$ \$ \$ \$ \$

OVER \$2M

PROBABLE TIMELINE


- SHORT RANGE

1- 2 YEARS
- MID RANGE

3 – 5 YEARS
- LONG RANGE

6 – 10 YEARS





Prioritization Criteria




Project
MM-01

type: Bike Lanes
 location: Monterey Street
 length: 0.35 miles

Bike lanes should be added with resurfacing, providing bicycling access between the west edge of the City and the growing north part of the City.





Readiness LOW 	Impact MEDIUM 
Project Timeline  Short Range Mid Range Long Range	Probable Cost  \$ \$ \$ \$ \$




Project
MM-02

type: Bike Lanes
 location: Muckelemi Street
 length: 0.43 miles

Bike lanes should be added with resurfacing from Monterey Street to 4th Street (no lanes needed from 4th Street to 2nd Street), providing bicycling access between the west edge of the City and downtown.





Readiness MEDIUM 	Impact HIGH 
Project Timeline  Short Range Mid Range Long Range	Probable Cost  \$ \$ \$ \$ \$



Project
MM-03

type: Bike Lanes
 location: 4th Street
 length: 0.53 miles

Bike lanes should be added on 4th Street via restriping, providing bicycle access from Monterey to the Alameda.

Readiness MEDIUM 	Impact HIGH 
Project Timeline  Short Range Mid Range Long Range	Probable Cost  \$ \$ \$ \$ \$



7

Wrap-up & Next Steps

Wrap-up & Next Steps

- January 31, 2023: City Council Workshop
- February 3, 2023: Public Comment Deadline
- February 21, 2023: Present to City Council for adoption



Questions / Discussion

Thank You!



Project Team Contacts:

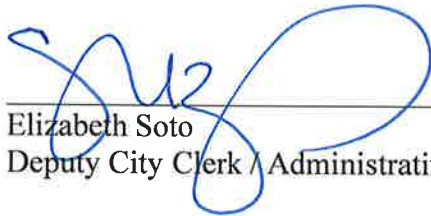
- Brian Foucht: ACM-CDDirector@san-juan-bautista.ca.us (SJB)
- Tony Hull: tonyhull@bluezones.com (Blue Zones, LLC)
- Tony Leonard: aleonard@civicwell.org (Civicwell)

AFFIDAVIT OF POSTING

I, Elizabeth Soto, do now declare, under the penalties of perjury that I am the Deputy City Clerk / Administrative Services Manager for the City of San Juan Bautista, and that I posted three (3) true copies of the attached city council meeting agenda. I further declare that I posted said agenda on the 27th day of January 2023, and I posted them in the following locations in said city of San Juan Bautista, county of San Benito, California.

- 1. On the bulletin board at City Hall, 311 second street.**
- 2. On the bulletin board at the City Library, 801 second street.**
- 3. On the bulletin board at the entrance to the United States Post Office, 301 the Alameda**

Signed at San Juan Bautista, County of San Benito, California, on the 27th day of January 2023.



Elizabeth Soto
Deputy City Clerk / Administrative Services Manager



CITY OF SAN JUAN BAUTISTA CITY COUNCIL STAFF REPORT

AGENDA TITLE: **AUTHORIZING A FINANCING AGREEMENT WITH
FIRST FOUNDATION PUBLIC FINANCE PROVIDING
FOR THE ISSUANCE OF SERIES 2023 BOND
ANTICIPATION NOTES IN THE AMOUNT OF \$14.6
MILLION TO CONSTRUCT THE CITY'S SEWER FORCE
MAIN TO HOLLISTER**

DATE: January 31, 2023

DEPARTMENT HEAD: Don Reynolds, City Manager

RECOMMENDED ACTION

Adopt a Resolution authorizing and directing the execution of a certain Financing Agreement providing for the issuance of "City of San Juan Bautista, Series 2023 Wastewater Revenue Bond Anticipation Notes (San Juan Bautista to Hollister Force Main Development Project)" in a principal amount not to exceed \$14,600,000 (the "Notes") and providing for other matters properly related thereto.

BACKGROUND

Over the last three years the City has been working with the EPA and the California State Water Resources Control Board to address the wastewater discharge quality requirement violations. On August 18, 2020, the City Council adopted Resolution 2020-42, and the City and the EPA executed an Administrative Order on Consent, ("AOC") agreeing that the City will bring its wastewater system into Permit compliance by December 31, 2023. That deadline was approved by the EPA to be extended to June 30, 2024. The import of surface drinking water is on a schedule being managed by the San Benito County Water District, is not affiliated with this financing agreement, and is 6-9 months behind the schedule of the wastewater project.

Since then, the City has completed the following tasks related to the Wastewater System's Compliance Project (the Force Main to Hollister, or "Project"):

- Completed Project design;
- Adopted new sewer rates to be able to pay for the Project;
- Applied and was approved for three grants totaling approximately \$8.3 million;
- Applied and was approved for the USDA low-interest loan of approximately \$10.3 million.

The City is currently in the final stages of obtaining the necessary environmental permits for the Project. Once obtained, and all pre-bid conditions are approved by the USDA, the project will be ready to bid. The EPA and Waterboard schedules anticipate bid process to begin in February.

The USDA, as a part of conditions for their low-interest loan and grant, requires the City to obtain interim financing for the Project from a third-party lender, which will later be repaid by the proceeds of the USDA loan.

To fulfil the USDA's interim financing requirement, staff worked with the financing team to develop and release its "Request for Proposals" to targeted financial institutions inviting 28 of such institutions to provide the terms and conditions under which they would agree to purchase the Notes. The bids were received and presented to Council at the January 24, 2023 Council Meeting. First Foundation Bank through its wholly owned subsidiary First Foundation Public Finance, a Delaware statutory trust, was awarded the opportunity to purchase the Notes pursuant to the terms set forth in their corresponding Term Sheet.

DISCUSSION

The Notes are being structured as interest only Notes, to be issued as one fully registered note with a term of 3 years. Once the Project is complete the City will issue long-term revenue bonds (the "Bonds") that will be purchased by USDA, the proceeds of which will be used to pay off and replace the Notes. The City Council has previously appointed The Weist Law Firm to serve as Bond Counsel for the issuance of the Notes and Ridgeline Municipal Strategies, LLC to serve as municipal advisor. Both firms will be available to answer any questions that the Council may have.

The subject Resolution being recommended for adoption authorizes the issuance of the Notes and approves the form of the Financing Agreement. The adoption of the Resolution is necessary for the City to move forward with the issuance of the Notes.

The Mayor, Mayor Pro Tem, City Manager, City Attorney, Finance Director and City Clerk have each been designated an "Authorized Representative" of the City for the purposes of structuring and providing for the execution and delivery of the Financing Agreement and the corresponding issuance and delivery of the Notes, and pursuant to the Resolution are each authorized, jointly and severally, for and in the name of and on behalf of the City, to execute and deliver any and all documents and certificates that may be required to be executed in connection with the execution and delivery of the Notes, and to do any and all things and take any and all actions which may be necessary or advisable, in their discretion, to effectuate the actions which the Council has intended with the adoption of the Resolution.

The Notes are to be issued as limited obligation bond anticipation notes, payable only from the Take-Out Financing and from Net Revenues (and any other funds that the City chooses to deploy, grants, etc.) of the City's Wastewater Enterprise Fund.

Please note that the Financing Agreement is being presented to the Council as a form document, as it cannot be fully completed until all closing certificates have been prepared and executed at Closing, which is expected to occur sometime in mid-July. This method of approval is the normal method of approving municipal financing transactions in California.

The Financing Agreement provides for all of the terms and conditions of the of the Notes, including, but not limited to, closing conditions, prepayment provisions, Project fund application, draw procedures, insurance requirements, rate covenants, parity bond provisions, as well as all other legal and financial parameters governing the Notes.

ALTERNATIVES

1. Adopt the Resolution as presented, thereby authorizing, and approving the Notes.
2. Do not approve but provide alternative direction to staff.

FISCAL IMPACT

The Notes will bear interest at a rate of 4.93%, but will not begin to accrue interest unless and until draws have been made thereon, and are expected to be paid off within two years. The Notes are expected to be replaced with long-term bond (40 years) financing from USDA at a rate of approximately 2.75%. Debt service is covered by the net revenues of the Wastewater Enterprise fund including recent rate increases.

ATTACHMENTS

1. Resolution
2. Form of Financing Agreement

RESOLUTION NO. 2023-__

**A RESOLUTION OF CITY COUNCIL OF THE CITY OF SAN JUAN
BAUTISTA APPROVING THE FORM OF AND AUTHORIZING AND
DIRECTING EXECUTION AND DELIVERY OF A FINANCING AGREEMENT
PROVIDING FOR THE ISSUANCE OF SERIES 2023 WASTEWATER
REVENUE BOND ANTICIPATION NOTES FOR THE INTERIM FINANCING
OF THE SAN JUAN BAUTISTA TO HOLLISTER FORCE MAIN
DEVELOPMENT PROJECT; AND PROVIDING FOR OTHER MATTERS
PROPERLY RELATED THERETO**

WHEREAS, the City Council (the “City Council”) of the City of San Juan Bautista (the “City”), after due investigation and deliberation, has determined that it is in the public interests of the City at this time to provide for the financing for the acquisition and construction of its San Juan Bautista to Hollister Force Main Development Project, as well as all necessary work and appurtenances thereto in accordance with the applicable plans and specifications therefor (the “Project”); and

WHEREAS, the City has received a commitment from the United States Department of Agriculture (“USDA”) to provide long-term take-out funding for the Project; and

WHEREAS, in order to make payments on the Project prior to being reimbursed by USDA (which occurs at completion of the Project), the City desires to execute and issue “City of San Juan Bautista, Series 2023 Wastewater Revenue Bond Anticipation Notes (San Juan Bautista to Hollister Force Main Development Project)” in a principal amount not to exceed \$14,600,000 (the “2023 Notes”), pursuant to a Financing Agreement, dated as of February 1, 2023, by and between First Foundation Public Finance (the “Bank”) and the City (the “Financing Agreement”), a copy of which has been presented at this meeting and is on file with the City Clerk; and

WHEREAS, the City is authorized under the provisions of Title 5, Division 2, Part 1, Chapter 4, Article 7. 7 (commencing with Section 53859) of the California Government Code (the “Bond Law”), to issue its bond, loan or grant anticipation notes for the purpose of financing the Project; and

WHEREAS, pursuant to the Financing Agreement, the City will make installment payments from the net revenues of its wastewater enterprise (the “Wastewater Enterprise”) operations, sufficient in amount to repay a certain portion of the debt service on the 2023 Notes, with any residual balance projected to be paid from the United States Department of Agriculture (the “USDA”) or any other take-out sources of financing, as more particularly set forth in the Financing Agreement; and

WHEREAS, the City Council, with the aid of its staff, has reviewed the Financing Agreement, the form of which is on file with the City Clerk, and the City Council wishes at this time to approve the foregoing documents, subject to final review and any non-substantive revision approved by the City Manager, City Attorney and City Bond Counsel, as being within the public interests of the City; and

WHEREAS, Section 5852.1 of the Government Code of the State of California (“Section 5852.1”) provides that the City Council obtain from the Bank and disclose, in a meeting open to the public, prior to authorization of the 2023 Notes, good faith estimates of: (a) the true interest cost of

the 2023 Notes, (b) the finance charge of the 2023 Notes, meaning the sum of all fees and charges paid to third parties, (c) the amount of proceeds of the 2023 Notes received less the finance charge described above and any reserves or capitalized interest paid or funded with proceeds of the 2023 Notes and (d) the sum total of all debt service payments on the 2023 Notes calculated to the final maturity of the 2023 Notes plus the fees and charges paid to third parties not paid with the proceeds of the 2023 Note; and

WHEREAS, in accordance with Section 5852.1, the City Council has obtained such good faith estimates from the Bank, and such estimates are disclosed in Section 5 hereof; and

WHEREAS, the City Council wishes at this time to authorize all actions and proceedings relating to the execution and delivery of the Financing Agreement, and the corresponding acquisition and construction of the Project; and

WHEREAS, all acts, conditions and things required by the laws of the State of California to exist, to have happened and to have been performed precedent to and in connection with the consummation of such financing authorized hereby do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the City is now duly authorized and empowered, pursuant to each and every requirement of law, to consummate such financing for the purpose, in the manner and upon the terms herein provided.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF SAN JUAN BAUTISTA DOES HEREBY RESOLVE, DETERMINE AND ORDER AS FOLLOWS:

Section 1. Recitals and Findings. The City Council hereby specifically finds and declares that each of the statements, findings and determinations set forth in the recitals set forth above are true and correct and are incorporated herein by this reference.

Section 2. Authorization of the 2023 Notes. The City Council hereby authorizes the issuance of the 2023 Notes pursuant to the Financing Agreement and the Bond Law.

Section 3. Authorized Representatives. The Mayor, Mayor Pro Tem, City Manager, City Attorney, Finance Director, City Clerk and any other person authorized by the City Manager to act on behalf of the City shall each be an “Authorized Representative” of the City for the purposes of structuring and providing for the execution of the Financing Agreement and the corresponding issuance and delivery of the corresponding 2023 Notes, and are hereby authorized, jointly and severally, for and in the name of and on behalf of the City, to execute and deliver any and all documents and certificates that may be required to be executed in connection with the execution and delivery of the 2023 Notes, and to do any and all things and take any and all actions which may be necessary or advisable, in their discretion, to effectuate the actions which the City Council has intended with the adoption of this Resolution.

Section 4. Approval of Financing Agreement. The City Council hereby authorizes and approves the execution and delivery of the 2023 Notes pursuant to the terms and conditions of the Financing Agreement. The City Council hereby approves the Financing Agreement in substantially the form on file with the City Clerk, subject to final review and any non-substantive revision approved by the City Manager, City Attorney and City Bond Counsel, together with any additions thereto or changes therein (including, but not limited to, the final rate and amount of the 2023 Notes, the final

debt service payment schedule, and prepayment and parity bond provisions) deemed necessary or advisable by an Authorized Representative of the City. Any Authorized Representative of the City is hereby authorized and directed to execute, and the City Clerk is hereby authorized and directed to attest and affix the seal of the City to, the final form of the Financing Agreement for and in the name and on behalf of the City, and the execution thereof shall be conclusive evidence of the City Council's approval of any such additions and changes. The City Council hereby authorizes the delivery and performance of the Financing Agreement.

Section 5. Good Faith Estimates. Set forth below are the good faith estimates required under Section 5852.1 of the Code. The following estimates have no bearing on, and should not be misconstrued as, any not-to-exceed financial parameters authorized by this Resolution.

(a) The true interest cost of the 2023 Notes is estimated at 4.93%, calculated as provided in Section 5852.1(a)(1)(A) of the Code.

(b) The finance charge of the 2023 Notes, including all fees and charges paid to third parties, is estimated at \$80,462.

(c) Proceeds of the 2023 Notes received by the City of \$14,600,000 (conservatively estimated) less the finance charge set forth in (b) above, is equal to \$14,519,538.

(d) The total payment amount calculated as provided in Section 5852.1(a)(1)(D) of the Code is estimated at \$16,727,788, which includes the interest amount estimate of approximately \$2,127,788. This calculation assumes that the entire amount of the 2023 Notes is drawn down at the time of the 2023 Notes closing and remains outstanding until the 2023 Notes mature. The calculation does not reflect the actual financing plan, which contemplates that funds are only be drawn when project costs are incurred, and the 2023 Notes are repaid when certain grant funds and the USDA loan proceeds become available. The actual total payment and interest amounts are expected to be significantly lower and will depend on the timing of the draws and payments.

The foregoing are estimates and the final costs will depend on the amount of 2023 Notes ultimately issued, as well as the amount and timing of draws and can be expected to vary from the estimated amounts set forth above.

Section 6. Official Actions. All actions heretofore taken by the officers and agents of the City with respect to the execution and delivery of the 2023 Notes are hereby approved, confirmed and ratified. The Authorized Representatives and any and all other officers of the City are hereby authorized and directed, for and in the name and on behalf of the City, to do any and all things and take any and all actions, including execution and delivery of any and all assignments, certificates, requisitions, including requisitions for the payment of costs of issuance of the 2023 Notes, 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. Whenever in this Resolution any officer of the City is authorized to execute or countersign any document or take any action, such execution, countersigning or action may be taken on behalf of such officer by any person designated and confirmed in a closing certificate by such officer to act on his or her behalf in the case such officer shall be absent or unavailable.

Section 7. Full Compliance. The City Council hereby finds and determines that it has taken all of the foregoing actions, and made all of the foregoing findings, in full compliance with the law, and that all prior proceedings taken with respect to the Project were duly considered, and are hereby considered valid and in conformity with the requirements of law.

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

PASSED AND ADOPTED by the City Council of the City of Juan Bautista at a special meeting duly held this 31st day of January, 2023, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

ATTEST:

Leslie Q. Jordan, Mayor

Elizabeth Soto, Deputy City Clerk

THE UNDERSIGNED CERTIFIES THAT THIS A TRUE AND CORRECT COPY OF
RESOLUTION NO. 2023-__ AS ADOPTED BY THE CITY COUNCIL AT ITS MEETING HELD
JANUARY 31, 2023.

Elizabeth Soto, Deputy City Clerk

2023 FINANCING AGREEMENT

Dated as of February 1, 2023

By and Between

CITY OF SAN JUAN BAUTISTA

And

FIRST FOUNDATION ~~BANK~~ PUBLIC FINANCE

Providing for the

\$

\$14,600,000 (not to exceed)

CITY OF SAN JUAN BAUTISTA

**SERIES 2023 WASTEWATER REVENUE BOND ANTICIPATION NOTES
(SAN JUAN BAUTISTA TO HOLLISTER FORCE MAIN DEVELOPMENT PROJECT)**

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2023 FINANCING AGREEMENT

This 2023 FINANCING AGREEMENT (as amended and supplemented hereafter, this “Agreement”), dated for convenience as of February 1, 2023, is by and between FIRST FOUNDATION ~~BANK~~PUBLIC FINANCE, a Delaware statutory trust and wholly owned subsidiary of First Foundation Bank (including its successors and assigns, the “Bank”), and the CITY OF SAN JUAN BAUTISTA, a municipal corporation and general law city, duly organized and existing under and by virtue of the laws and Constitution of the State of California (the “City”);

WITNESSETH:

WHEREAS, the City presently owns and operates certain facilities and property for its wastewater system (as more particularly defined herein, the “Wastewater Enterprise”), and in order to finance the acquisition and construction of certain capital improvements to the Wastewater Enterprise (as further defined herein, the “Project”) the City has determined that it is in the interests of the City at this time to provide for the execution and delivery of its “City of San Juan Bautista, Series 2023 Wastewater Revenue Bond Anticipation Notes (San Juan Bautista to Hollister Force Main Development Project~~);~~” to be issued as one fully registered note (the “2023 Notes”); and

WHEREAS, the City has executed a certain Letter of Conditions dated November 28, 2022 (the “Letter of Conditions”) setting forth conditions under which the United States Department of Agriculture, Rural Development (the “USDA-RD”) will provide Take-Out Financing (as defined herein) for the 2023 Notes; and

WHEREAS, the principal of and interest ~~and redemption premium (if any)~~ on the 2023 Notes, and any bonds or other obligations issued on a parity therewith as provided herein, will be payable from and secured by the Take-Out Financing and by a pledge of and lien on the Net Revenues (as defined herein) derived from the Wastewater Enterprise, as expressly set forth in this Agreement; and

WHEREAS, in order to provide for the execution and delivery of this Agreement, to establish and declare the terms and conditions upon which the 2023 Notes are made and secured, and to secure the payment of the principal thereof, ~~premium (if any)~~ and interest thereon, the City has authorized the execution and delivery of this Agreement; and

WHEREAS, the City is authorized under the provisions of Title 5, Division 2, Part 1, Chapter 4, Article 7. 7 (commencing with Section 53859) of the California Government Code (the “Bond Law”), to issue its bond, loan or grant anticipation notes for the purpose of financing the Project; and

WHEREAS, all things necessary to make the 2023 Notes when issued, executed and delivered, the valid and binding obligation of the City, and to constitute this Agreement as a valid pledge of the revenues herein pledged to the payment of the principal of, prepayment premium, if any, and interest on the 2023 Notes have been done and performed, as required by law, and the City is now fully authorized to enter into this Agreement, subject to the terms hereof; and

NOW, THEREFORE, THIS AGREEMENT WITNESSETH, that in order to secure the payment of the principal of and the interest and premium (if any) on the 2023 Notes at any time outstanding under this Agreement, 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 2023 Notes are premised, and in consideration of the premises and of the mutual covenants herein contained and of the purchasing of the 2023 Notes by the Bank, and for other valuable considerations, the receipt whereof is hereby acknowledged, the City does hereby covenant and agree, for the benefit of the Bank from time to time of the 2023 Notes, as follows:

ARTICLE I

DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICABILITY

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

“Accounting Standards” means United States generally accepted accounting principles, or those required of the regulatory agency having jurisdiction over the City, including but not limited to the system of accounts established by USDA-RD, if applicable, or such other commission or body as may be agreeable to Bank.

“Accreted Value” means, with respect to any capital appreciation obligation, the principal amount thereof plus the interest accrued thereon, compounded at the approximate interest rate thereon on each date specified therein. The Accreted Value of any capital appreciation obligation at any date shall be the amounts set forth in the accreted value table for the capital appreciation obligation as of such date, if such date is a compounding date, and if not, as of the immediately preceding compounding date.

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

(a) An allowance for Net Revenues from any additions or improvements to or extensions of the Wastewater Enterprise to be made with the proceeds of such Parity Obligations and also for Net Revenues from any such additions, improvements or extensions which have been made from moneys from any source but in any case which, during all or any part of the latest Fiscal Year or for any more recent consecutive twelve (12) month period selected by the City, were not in service, all in an amount equal to ninety percent (90%) of the estimated additional average annual Net Revenues to be derived from such additions, improvements and extensions for the first thirty-six (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 an Independent Engineer; or

(b) An allowance for earnings arising from any increase in the charges made for service from the Wastewater Enterprise which has become effective prior to the incurring of such Parity

Obligation but which, during all or any part of such Fiscal Year, was not in effect, in an amount equal to 100% of the 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 and any period prior to the incurring of such additional obligations, as shown by the certificate or opinion of an Independent Financial Consultant.

“Adjusted Annual Gross Revenues” means, for any Fiscal Year or twelve (12) calendar month period, the Revenues during such Fiscal Year or twelve (12) calendar month period plus the deposits in the Wastewater Utility Fund and/or the Rate Stabilization Fund during or allocable to such Fiscal Year or twelve (12) calendar month period minus the deposits in the Rate Stabilization Fund from the Wastewater Utility Fund during or allocable to such Fiscal Year or twelve (12) calendar month period.

“Adjusted Annual Net Revenues” means, for any Fiscal Year or twelve (12) calendar month period, the Adjusted Annual Gross Revenues during such Fiscal Year or twelve (12) calendar month period minus the Maintenance and Operation Costs during such Fiscal Year or twelve (12) calendar month period.

“Advance” means each payment made by the Bank on account of the purchase price of the 2023 Notes, as established by the terms of sale of the 2023 Notes to the Bank.

“Agreement” means this 2023 Financing Agreement, dated as of February 1, 2023, between the Bank and the City, as amended and supplemented hereafter.

“Annual Debt Service” means, with respect to this Financing Agreement, for any Fiscal Year or twelve (12) calendar month period, the Parity Payments required to be made under all Parity Obligations Documents in such Fiscal Year or twelve (12) calendar month period.

“Authorized Representative” means the City’s Mayor, Mayor Pro Tem, City Manager, Finance Director, City Clerk, or any other person designated as an Authorized Representative of the City by the City Manager and filed with the Bank.

“Authority” means the San Juan Bautista Public Financing Authority.

“Availability Period” means the period from and including the Closing Date to and including the Full Funding Date.

“Balloon Indebtedness” means, with respect to the 2023 Notes or Parity Obligations twenty-five percent (25%) or more of the principal or other similar amount of which matures or becomes due on the same date or within a 12-month period (with mandatory sinking fund payments deemed to be payments of matured principal), that portion of the principal or other similar amount of the 2023 Notes or Parity Obligations which matures or becomes due on such date or within such 12 month period.

“Bank” means (a) initially, [First Foundation Public Finance, a Delaware statutory trust and wholly owned subsidiary of](#) First Foundation Bank, or (b) any assignee of Bank’s right, title or interest in this Agreement and other amounts due hereunder.

“City Council” means the City Council of the City.

“Bond Counsel” means The Weist Law Firm, or any other attorney or firm of attorneys acceptable to the City of nationally recognized expertise with respect to legal matters relating to obligations the interest on which is excludable from gross income pursuant to Section 103 of the Code.

“Bond Law” means Title 5, Division 2, Part 1, Chapter 4, Article 7.7 (commencing with Section 53859) of the California Government Code.

“Business Day” means any day other than a Saturday or Sunday on which the Bank and the Federal Reserve Banks are open for business.

“Certificate,” “Request” and “Requisition” of the City means a written certificate, request or requisition signed in the name of the City by its Authorized Representative. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument.

“City” means the City of San Juan Bautista, a municipal corporation and general law city, duly organized and existing under and by virtue of the laws and Constitution of the State of California.

“City Manager” means the City Manager of the City.

“Closing Date” means the date on which the 2023 Notes are purchased by the Bank in exchange for the advance by the Bank of the Initial Advance Proceeds.

“Code” means the Internal Revenue Code of 1986, as amended. Each reference to a section of the Code herein shall be deemed to include the United States Treasury regulations, including temporary and proposed regulations relating to each such section that are applicable to the Parity Obligations or the use of the proceeds thereof.

“Computation Year” means, with respect to the 2023 Notes, the period beginning on the Closing Date and ending on February 15, 2024, and each successive one-year period thereafter through the Term of the 2023 Notes.

“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the City relating to the execution and delivery of this 2023 Notes, including but not limited to City administration costs and expenses, fees and expenses of consultants and professionals, fees and expenses of the municipal advisor and any placement agents, legal fees and charges (including legal fees of Bond Counsel and Bank’s counsel), ~~insurance fees and charges~~, filing costs, settlement costs, printing costs, reproduction and binding costs, regulatory fees, including, but not limited to, fees charged by the California Debt and Investment Advisory Commission, and fees for execution, transportation and safekeeping of this Agreement and the 2023 Notes, and all other charges and fees in connection with the foregoing.

“Coverage Requirement” means, for any Fiscal Year or twelve (12) calendar month period:

(1) an amount of Adjusted Annual Net Revenues equal in each case to at least (i) one hundred twenty-five percent (125%) of the Annual Debt Service for such Fiscal Year or twelve (12) calendar month period, (ii) one hundred five percent (105%) of the sum of the Annual Debt Service plus the Subordinate Annual Debt Service for such Fiscal Year or twelve (12) calendar month period, and (iii) one hundred percent (100%) of all obligations of the City which are charges, liens or encumbrances upon or payable from the Wastewater Utility Fund in such Fiscal Year or twelve (12) calendar month period; and (2) an amount of Net Revenues equal to at least one hundred percent (100%) of all obligations of the City which are charges, liens or encumbrances upon or payable from the Wastewater Utility Fund in such Fiscal Year or twelve (12) calendar month period (including all amounts owed to any issuer of a Financial Guaranty then in effect in a reserve fund or a reserve account under the terms of such Financial Guaranty); provided, that for purposes of determining compliance with the Coverage Requirement, the following provisions shall apply:

(A) Generally. Except as otherwise provided by subparagraph (B) of this proviso with respect to Variable Interest Rate Contracts, interest on Obligations shall be calculated based on the actual amount of interest that is payable under such Obligations;

(B) Interest on Variable Interest Rate Contracts. Interest deemed to be payable on any Variable Interest Rate Contract for periods when the actual interest rate can be determined shall be the actual Variable Interest Rates and for periods when the actual interest rate cannot yet be determined shall be calculated on the assumption that the interest rate on such Variable Interest Rate Contract would be equal to the rate (the “assumed SIFMA Index rate”) that is ninety percent (90%) of the average SIFMA Index during the twelve (12) calendar month period immediately preceding the date in which such calculation is made; and

(C) Balloon Indebtedness. For purposes of calculating the Annual Debt Service or the Subordinate Annual Debt Service on any Balloon Indebtedness, it shall be assumed that the principal of such Balloon Indebtedness, together with interest thereon at a rate equal to the assumed SIFMA Index rate, will be amortized in equal annual installments of principal and interest over a term of thirty (30) years from the date thereof.

“County” means the County of San Benito, California.

“Date of Operation” means, with respect to any uncompleted portion of the Project, the estimated date by which such portion of the Project will have been completed and, in the opinion of an Independent Engineer, will be ready for commercial operation by or on behalf of the City.

“Debt Service” when used with respect to the 2023 Notes and Parity Obligations, means, for any period, the sum of (1) the interest payable during such period on the 2023 Notes and Parity Obligations, (2) the principal or mandatory sinking fund payments to be paid with respect to the 2023 Notes and Parity Obligations during such period, and (3) any other scheduled payments coming due on the 2023 Notes and outstanding Parity Obligations in such period and not otherwise included in clauses (1) and (2) of this definition, all of which are to be computed on the assumption that no portion of the 2023 Notes or Parity Obligations shall cease to be outstanding during such period except by reason of the application of scheduled payments; provided that, for purposes of such computation:

(a) unless a different subsection of this definition applies for purposes of determining maturities or amortization, in determining the amount due in any period, payment shall be assumed to be made in accordance with any amortization schedule established for the 2023 Notes (treating the 2023 Notes as Balloon Indebtedness for purposes of the Coverage Requirement) and Parity Obligations, including any mandatory sinking fund payments or any scheduled redemption or payment of Parity Obligations on the basis of Accreted Value, and for such purpose, the redemption payment or payment of Accreted Value shall be deemed a principal payment and interest that is compounded and paid as Accreted Value shall be deemed due on the scheduled redemption or payment date and any contingencies that may result in a request for earlier payment shall be disregarded;

(b) Balloon Indebtedness shall be treated as if the principal of such Balloon Indebtedness, together with interest thereon at a rate equal to the assumed SIFMA Index rate, will be amortized in equal annual installments of principal and interest over a term of thirty (30) years from the date thereof; (for the purposes of this Agreement, the principal of Balloon Indebtedness will be the principal amount outstanding on the 2023 Notes on the last day of the Fiscal Year for which Debt Service calculations are being made);

(c) if any Parity Obligations bear, or if any Parity Obligations proposed to be issued, incurred or created will bear, interest at a variable interest rate, the rate of interest used to calculate Debt Service shall, for all purposes, be assumed to bear interest at a fixed rate equal to the higher of (i) the then current variable interest rate borne by such Parity Obligations plus 1%; and (ii) the highest variable rate borne over the preceding 24 months by outstanding variable rate debt issued by the City or, if no such variable rate debt is at the time outstanding, by variable rate debt of which the interest rate is computed by reference to an index acceptable to the Bank which is comparable to that to be utilized in determining the interest rate for the debt then proposed to be issued;

(d) payments on the 2023 Notes and Parity Obligations shall be excluded to the extent such payments are to be paid from amounts on deposit with a trustee or other fiduciary in escrow specifically therefor, and interest payments shall be excluded to the extent that such interest payments are to be paid from the proceeds of the 2023 Notes or Parity Obligations, including any investment earnings thereon, held by a trustee or other fiduciary as capitalized interest specifically to pay such interest;

(e) with respect to 2023 Notes or Parity Obligations for which a reserve fund is in place, the calculation of Debt Service for such 2023 Notes or Parity Obligations for any period shall be reduced by the amount of investment earnings on amounts on deposit in such reserve fund used or expected to be used to pay Debt Service on such 2023 Notes or Parity Obligations during such period, as reasonably estimated by the City; and

(f) with respect to 2023 Notes or Parity Obligations for which a reserve fund is in place, the amount on deposit in such reserve fund on any date of calculation of Debt Service shall be deducted from the amount due on the final maturity or due date of such 2023 Notes or Parity Obligations if such amount on deposit in such reserve fund would be released at such maturity or due date and, to the extent the amount on deposit in such reserve fund is in excess of the amount due on the final maturity or due date of such 2023 Notes or Parity Obligations, such excess shall

be applied to the full amount due on each preceding payment date for such 2023 Notes or Parity Obligations, in inverse order, until such amount on deposit in such reserve fund is exhausted.

“Default Rate” means the then applicable interest rate on the 2023 Notes plus 3%.

“Determination of Taxability” means and shall be deemed to have occurred on the first to occur of the following:

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

(b) the date on which the Bank receives written notification from the City, supported by a written Opinion of Counsel, to the effect that an Event of Taxability has occurred;

(c) the date on which the City is advised in writing by the Commissioner or any director of the Internal Revenue Service (or any other government official or agent exercising the same or a substantially similar function from time to time) that, based upon filings of the City (or a statutory notice of deficiency, or a document of substantially similar import), or upon any review or audit of the City, or upon any other ground whatsoever, an Event of Taxability has occurred; or

(d) on the date when the City receives notice from the Bank that the Internal Revenue Service (or any other governmental authority exercising the same or a substantially similar function from time to time) has assessed as includable in the gross income of the Bank due to the occurrence of an Event of Taxability;

provided, however, that no Determination of Taxability shall occur under clauses (c) or (d) above unless the City has been afforded the opportunity, at its expense, to contest any such assessment, and, further, no Determination of Taxability shall occur until such contest, if made, has been finally determined (provided that the City shall establish reasonable reserves to cover all additional interest and other costs which would be due and owing for the period of such contest in the event the City’s contest is unsuccessful).

“Engineer’s Report” means a report signed by an Independent Engineer.

“Environmental Laws” means any federal, state, or local law, rule or regulation now or hereafter in effect and in each case as amended, and any judicial or administrative interpretation thereof, relating to health, safety, or the environment.

“Event of Default” means an event described in Section 6.1 hereof.

“Event of Taxability” means: (i) the occurrence or existence of any fact, event or circumstance (including, without limitation, the taking of any action by the City, or the failure to take any action by the City, or the making by the City of any misrepresentation herein or in any certificate required to be given in connection with this Agreement) which has the effect of causing interest on the 2023 Notes to become includable, in whole or in part, in the gross income of the Bank or any assignee thereof for federal income tax purposes; or (ii) the entry of any decree or judgment by a court of competent jurisdiction, or the taking of any official action by the Internal

Revenue Service or the Department of the Treasury, which decree, judgment or action shall be final under applicable procedural law, in either case, which has the effect of causing the interest on the 2023 Notes to become includable, in whole or in part, in the gross income of the Bank or any assignee thereof for federal income tax purposes.

“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 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 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 Code, (iii) the investment is a United States Treasury Security – State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or (iv) any commingled investment fund in which the City and related parties do not own more than a ten percent (10%) beneficial interest therein if the return paid by the fund is without regard to the source of the investment.

“Federal Securities” means: (a) any 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), for which the full faith and credit of the United States of America are pledged; and (b) obligations of any agency, department or instrumentality of the United States of America, the timely payment of principal and interest on which are fully, unconditionally and directly or indirectly secured or guaranteed by the full faith and credit of the United States of America.

“Financial Guaranty” means a policy of municipal bond insurance or surety bonds issued by a municipal bond insurer or a letter of credit issued by a bank or other institution if the obligations insured by such insurer or issued by such bank or other institution, as the case may be, have ratings at the time of issuance of such policy or surety bond or letter of credit in at least one of the three highest rating categories by S&P and Moody’s and, if rated by A.M. Best & Company, also in at least one of the three highest rating categories by A.M. Best & Company.

“Fiscal Year” means any twelve-month period extending from July 1 in one calendar year to June 30 of the succeeding calendar year, both dates inclusive, or any other twelve-month period selected and designated by the City, as applicable, as its official fiscal year period.

“Full Funding Date” means no later than the date that is three years following the Closing Date.

“Governmental Authority” means any governmental or quasi-governmental entity, including any court, department, commission, board, bureau, agency, administration, central bank, service, district or other instrumentality of any governmental entity or other entity exercising executive, legislative, judicial, taxing, regulatory, fiscal, monetary or administrative powers or

functions of or pertaining to government, or any arbitrator, mediator or other person with authority to bind a party at law.

“Independent Certified Public Accountant” means any firm of certified public accountants appointed by the City that is independent according to the Statement of Auditing Standards No. 1 of the American Institute of Certified Public Accountants.

“Independent Engineer” means any registered engineer or firm of engineers generally recognized to be well-qualified in engineering matters relating to wastewater systems similar to the Wastewater Enterprise, appointed and paid by the City, and who or each of whom:

- (1) is in fact independent and not under the domination of the City;
- (2) does not have a substantial financial interest, direct or indirect, in the City, the Wastewater Enterprise or the Project; and
- (3) is not connected with the City as a council member, officer or employee of the City, but may be regularly retained to make reports to the City.

“Independent Financial Consultant” means a financial consultant qualified in the field of municipal finance, appointed and paid by the City, and who:

- (1) is in fact independent and not under the domination of the City or any member thereof;
- (2) does not have a substantial financial interest, direct or indirect, in the operations of the City, the Wastewater Enterprise or the Project; and
- (3) is not connected with the City as an officer or employee of the City or any member thereof, but may be regularly retained to audit the accounting records of and make reports thereon to the City.

“Initial Advance Proceeds” means the \$ _____ amount received by the City from the Bank on the Closing Date.

“Insurance Consultant” means any nationally recognized independent actuary, insurance company or broker that has actuarial personnel knowledgeable with respect to insurance carried, by, required for and available to municipalities operating facilities similar to the Wastewater Enterprise, including a pooled self-insurance program in which premiums are established on the basis of the recommendation of an actuary of national reputation.

“Interest Account” means the account by that name in the Wastewater Utility Fund established pursuant to Section 4.3 hereof.

“Interest Component” means the portion of each 2023 Note Payment attributable to interest.

“Interest Payment Date” means April 1 and October 1 of each year, commencing October 1, 2023, and continuing to and including the date on which the 2023 Note Payments have been paid in full.

“Letter of Conditions” means the Letter of Conditions from USDA-RD to the City, dated November 28, 2022, a copy of which is attached as Exhibit A hereto, providing a conditional commitment to make a loan to the City for eligible costs and expenses of the Project in an amount of not to exceed \$10,268,000 and a corresponding grant in an amount of not to exceed \$4,303,000, as the same may be amended from time to time, and with the City’s obligation to repay the loan, with interest, to be evidenced by the Take-Out Financing.

“Maintenance and Operation Costs” means the reasonable and necessary costs paid or incurred by the City for maintaining and operating the Wastewater Enterprise, determined in accordance with Accounting Standards, including all reasonable expenses of management and repair and all other expenses necessary to maintain and preserve the Wastewater Enterprise in good repair and working order, and including all administrative costs of the City that are charged directly or apportioned to the operation of the Wastewater Enterprise, such as salaries and wages of employees, overhead, taxes (if any) and insurance premiums (including payments required to be paid into any self-insurance funds), and including all other reasonable and necessary costs of the City or charges required to be paid by it to comply with the terms hereof or of any resolution authorizing the execution of any Parity Obligations; but excluding in all cases (i) payment of Parity Obligations and Subordinate Obligations, (ii) costs of capital additions, replacements, betterments, extensions or improvements which under Accounting Standards are chargeable to a capital account, and (iii) depreciation, replacement and obsolescence charges or reserves therefor and amortization of intangibles and other bookkeeping entries of a similar nature.

“Material Adverse Effect” means an event or occurrence which adversely affects in a material manner (a) the assets, liabilities, condition (financial or otherwise), business, facilities or operations of the Wastewater Enterprise, (b) the ability of the City to carry out its business in the manner conducted as of the date of this Agreement or to meet or perform its obligations under this Agreement on a timely basis, (c) the validity or enforceability of this Agreement, or (d) the exclusion of interest on the 2023 Notes from gross income for federal income tax purposes or the exemption of such interest for state income tax purposes.

“Material Litigation” means any action, suit, proceeding, inquiry or investigation against the City in any court or before any arbitrator of any kind or before or by any Governmental Authority, of which the City has notice or knowledge and which, (i) if determined adversely to the City, may have a Material Adverse Effect, (ii) seeks to restrain or enjoin any of the transactions contemplated hereby, or (iii) may adversely affect ~~(A) the exclusion of interest with respect to the 2023 Note Payments from gross income for federal income tax purposes or the exemption of such interest for state income tax purposes or (B)~~ the ability of the City to perform its obligations under this Agreement.

“Maturity Date” means the maturity date of the 2023 Notes, being February 1, ~~2023~~2026, or such later date as may be permitted upon written consent of the Bank.

“Maximum Annual Debt Service” means the greatest amount of Debt Service with respect to the Parity Obligations to which reference is made coming due in any Fiscal Year including the Fiscal Year in which the calculation is made or any subsequent Fiscal Year.

“Mayor” means the Mayor of the City.

“Mayor Pro Tem” means the Mayor Pro Tem of the City.

“Net Proceeds” means insurance proceeds or an eminent domain award (including any proceeds of sale to a governmental entity under threat of the exercise of eminent domain powers), paid with respect to the Wastewater Enterprise, to the extent remaining after payment therefrom of all expenses incurred in the collection thereof.

“Net Revenues” means for any period, all of the Revenues during such period less all of the Maintenance and Operation Costs during such period.

“Noteholder” “Noteowner” “Holder” “Owner” means the registered owner of any outstanding 2023 Note or 2023 Notes, it being anticipated that the initial registered owner will be the Bank.

“2023 Note Payment Dates” means collectively, the Interest Payment Dates and the Principal Payment Dates; provided that if any Interest Payment Date or Principal Payment Date shall fall on a non-Business Day, the 2023 Note Payment due on such date shall be paid not later than the next succeeding Business Day and interest for such payment shall accrue to and including such next succeeding Business Day to account for the accrual of the outstanding principal of the 2023 Notes to such Business Day.

“2023 Note Payments” means all payments required to be paid by the City hereunder, including payments of interest on each Interest Payment Date, and payment of all outstanding principal and accrued interest and other sums due hereunder on each 2023 Note Payment Date (including Outstanding principal due on the Maturity Date), and including any prepayment thereof pursuant to Section 3.6 or 3.7 hereof.

“2023 Notes” means the City of San Juan Bautista, Series 2023 Wastewater Revenue Bond Anticipation Notes (San Juan Bautista to Hollister Force Main Development Project), structured and consummated pursuant to this Agreement, the form of which is attached hereto as Exhibit C.

“Obligations” means all Parity Obligations and all Subordinate Obligations.

“Opinion of Counsel” means a written opinion of The Weist Law Firm or other attorney or firm of attorneys of recognized national standing in the field of law relating to municipal bonds, appointed and paid by the City.

“Outstanding” means all 2023 Notes theretofore issued by the City, except:

(1) 2023 Notes theretofore canceled or surrendered for cancellation in accordance hereof;

(2) 2023 Notes for the payment or redemption of which moneys shall have been deposited in trust (whether upon or prior to the maturity or the redemption date of such 2023 Notes), provided that, if such 2023 Notes are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as provided in this Agreement; and

(3) 2023 Notes paid or defeased pursuant to Sections 8.2 hereof.

“Parity Obligations” means the Prior Obligations, the 2023 Notes and corresponding 2023 Note Payments, and all other bonds, notes, loan agreements, installment sale agreements, leases, or other obligations of the City payable from and secured by a pledge of and lien upon any of the Net Revenues incurred on a parity with the Prior Obligations and the 2023 Notes, issued in accordance with Section 5.13 hereof.

“Parity Obligations Documents” means, collectively, the indenture of trust, trust agreement, installment sale agreement, loan agreement or other document authorizing the issuance of any Parity Obligations and any securities which evidence Parity Obligations.

“Parity Payments” means all payments scheduled to be paid by the City under Parity Obligations Documents.

“Permitted Investments” means any of the following to the extent the same are lawful investments for the City under applicable laws (*provided*, to the extent that the criteria below an investment require a certain minimum rating, such rating shall be determined at the time of purchase of such investment):

- (1) Cash;
- (2) Obligations of, or obligations guaranteed as to principal and interest by, the United States of America or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the United States of America including:
 - A. U.S. Treasury obligations;
 - B. All direct or fully guaranteed obligations;
 - C. General Services Administration;
 - D. Guaranteed Title XI financing;
 - E. Government National Mortgage Association (GNMA); and
 - F. U.S. Treasury - State and Local Government Series.
- (3) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including:
 - A. Export-Import Bank;
 - B. Farm Credit System Financial Assistance Corporation;
 - C. Rural Economic Community Development Administration;
 - D. U.S. Maritime Administration;
 - E. Small Business Administration;
 - F. U.S. Department of Housing & Urban Development (PHAs)
 - G. Federal Financing Bank; and
 - H. Federal Housing Administration;
- (4) Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America:

- A. Senior debt obligations rated “Aaa” by Moody’s and “AAA” by S&P issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC);
- B. Obligations of the Resolution Funding Corporation (REFCORP);
- C. Senior debt obligations of the Federal Home Loan Bank System; and
- D. Senior debt obligations of other government sponsored agencies.

(5) U.S. dollar denominated deposit accounts, federal funds and bankers’ acceptances with domestic commercial banks which have a rating on their short-term certificates of deposit on the date of purchase of “A-1” or “A-1+” by S&P and “P-1” by Moody’s and maturing no more than three hundred sixty (360) days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank);

(6) Commercial paper which is rated at the time of purchase in the single highest classification, “P-1” by Moody’s and “A-1+” by S&P and which matures not more than 270 calendar days after the date of purchase;

(7) Investments in a money market fund rated “AAAm” or “AAAm-G” or better by S&P;

(8) “Pre-refunded Municipal Obligations,” defined as follows: any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice and (A) which are rated, based on an irrevocable escrow account or fund (the “escrow”), in the highest Rating Category of Moody’s or S&P or any successors thereto; or (B) (i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in clause (2) of the definition of Permitted Investments, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which escrow is sufficient, as verified by a nationally recognized Independent Certified Public Accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate;

(9) Any bonds or other obligations of any agency, instrumentality or local governmental unit of any state of the United States of America which are rated “Aaa/AAA” or general obligations of any such state with ratings of “A2” or higher by Moody’s and “A” or higher by S&P;

(10) Investment agreements (as and to the extent approved by the Bank and supported by appropriate opinions of counsel);

(11) Shares in the California Asset Management Program (established pursuant to Title 1, Division 7, Chapter 5 of the Government Code of the State) that invests exclusively in investments permitted by Section 53635 of the Government Code of the State, as now existing and as it may be amended from time to time;

(12) The Local Agency Investment Fund of the State or any state administered pool investment fund in which the City is statutorily permitted or required to invest; and

(13) Investments that comply with California Government Code Sections 53601.8 or 53635.8.

Unless otherwise provided herein, the value of the above investments shall be determined at Fair Market Value.

“Person” means an individual, corporation, firm, association, partnership, limited liability company, trust or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

“Potential Default” means an event or circumstance which, with the passage of time or the giving of notice (or both) would constitute an Event of Default.

“Principal Account” means the account by that name in the Wastewater Utility Fund established pursuant to Section 4.3 hereof.

“Principal Component” means the total of all principal Advances on the 2023 Notes.

“Principal Payment Date” means February 1, 2026 and continuing to and including the date on which the 2023 Notes have been paid in full.

“Prior Obligations” means the Installment Sale Agreement, dated as of December 1, 2015, by and between the Authority and the City relating to the San Juan Bautista Wastewater Project.

“Project” means the Project described in Exhibit B attached hereto and by this reference incorporated herein, or any additions, betterments, extensions or improvements to the Wastewater Enterprise designated by the City Council of the City as a designated Project, the design, acquisition or construction of which (together with the incidental costs and expenses related thereto) is to be financed by the proceeds of any Parity Obligations.

“Project Costs” means the costs, expenses and liabilities paid or incurred or to be paid or incurred by the City, all calculated in accordance with Accounting Standards, in connection with acquisition, financing, planning, engineering, design, construction and installation relating to the Project or any portion thereof, including but not limited to: (a) the obtaining of all governmental approvals, certificates, permits and licenses with respect thereto, (b) the costs of acquisition, construction or installation by or for the City of real and personal property or any interest therein, (c) any good faith or other similar payment or deposits, (d) the costs of any demolitions or relocation necessary in connection therewith, (e) costs of physical construction or installation and costs incidental to such construction, installation or acquisition, (f) all costs relating to injury and damage claims, (g) the costs of any indemnity or surety bonds and premiums on insurance,

including obligations to a stock, mutual or reciprocal insurance company or exchange, (h) preliminary investigation and development costs, including without limitation costs for feasibility studies, (i) engineering fees, contractors' fees, legal fees and expenses, and any other fees and expenses of professional consultants, (j) the costs of labor, materials, equipment and utility services and supplies, (k) the costs of supporting equipment, including telecommunication equipment, computers and vehicles, (l) administrative and general overhead expenses and costs of keeping accounts and making reports required by this Agreement prior to or in connection with the completion of the Project, (m) all federal, state and local taxes and payments in lieu of taxes legally required to be paid in connection with the Project prior to or in connection with the completion of the Project, ~~and (n) environmental mitigation costs.~~ It is intended that this definition of Project Costs be broadly construed to encompass all costs, expenses and liabilities of the City which are chargeable to the capital accounts of the Project in accordance with Accounting Standards.

"Rate Stabilization Fund" means the fund by that name established and maintained pursuant to Parity Obligations Documents.

"Redemption Account" means the account within the Wastewater Utility Fund by that name established and maintained pursuant to Section 4.3 hereof.

"Request of the City" or "Written Request" means a request in writing signed by the Mayor, Mayor Pro Tem, City Manager, Finance Director, City Clerk, or by any other officer of the City duly authorized for that purpose.

"Resolution" means Resolution No. 2023-__, adopted by the City Council on January 31, 2023, authorizing the execution and delivery of this Agreement, and otherwise providing for the execution and delivery of the 2023 Notes.

"Revenues" means for any Fiscal Year or other period, all gross income and revenue received by the City from the ownership and operation of the Wastewater Enterprise, including, without limiting the generality of the foregoing, (a) all rates, fees and charges received for, and all other income and receipts derived by the City from the operation of the Wastewater Enterprise or arising from the Wastewater Enterprise determined in accordance with generally accepted accounting principles, including all rates, fees and charges received by the City for the Wastewater Enterprise service and the other services of the Wastewater Enterprise, (b) all proceeds of insurance (if any) covering business interruptions loss relating to the Wastewater Enterprise, (c) the earnings on and income derived from the investment of such income, rents, rates, fees, charges or other monies to the extent that the use of such earnings and income is limited by or pursuant to law to the Wastewater Enterprise, including all income from the investment of amounts on deposit in the Wastewater Utility Fund and the Rate Stabilization Fund, (d) the proceeds derived by the City directly or indirectly from the sale, lease or other disposition of a part of the Wastewater Enterprise, and (e) all other monies howsoever derived by the City from the operation of the Wastewater Enterprise or arising from the Wastewater Enterprise, including major facility charges; provided, that the term "Revenues" shall not include contributions in aid of construction or refundable customers' deposits or any other deposits subject to refund until such deposits have become the property of the City.

“S&P” means S&P Global Ratings, a Standard and Poor’s Financial Services LLC business, and its successors or assigns, but only to the extent that such entity is then rating any Parity Obligations at the request of the City.

“SIFMA” means the Securities Industry and Financial Markets Association, its successors and assigns.

“SIFMA Index” means, with respect to any date, the “SIFMA Municipal Swap Index” announced on such date and based upon the weekly interest rate resets of tax-exempt variable rate issues included in a database maintained by Bloomberg which meets specified criteria established by SIFMA. If for any reason the SIFMA Index for any date is not announced or is otherwise unavailable on the applicable date, the SIFMA Index for such date shall be the SIFMA Index for the next preceding date within the preceding 180 days on which the SIFMA Index was available. If for any reason the SIFMA Index for any date is not announced or is otherwise unavailable on any date in the immediately preceding 180 days, the SIFMA Index for such date shall be an index selected by the City which is a composite of bid-side yields of obligations (a) which (i) provide for a weekly adjustment of the interest rate, and (ii) which (A) must be purchased on demand of the owner thereof at any time upon notice of up to seven (7) days or (B) are payable in full not later than seven (7) days after the date of evaluation and (b) the interest on which is tax-exempt and is not subject to any personal “alternative minimum tax” or similar tax under the Code unless all tax-exempt securities are subject to such tax. If no such index is so selected by the City, the SIFMA Index for the applicable date shall be an index computed by the City which shall be equal to 95% of the yield applicable to 91-day United States Treasury bills, such yield to be computed on the basis of the coupon equivalent of the average per annum discount rate at which such Treasury bills shall have been sold at the most recent Treasury auction conducted prior to the applicable date.

“State” means the State of California.

“Subordinate Annual Debt Service” means, for any Fiscal Year or twelve (12) calendar month period, the Subordinate Payments required to be made under all Supplemental Installment Sale Agreements in such Fiscal Year or twelve (12) calendar month period.

“Subordinate Obligations” means indebtedness or other obligations (including but not limited to loans, leases and installment sale agreements) hereafter issued or incurred and secured by a pledge of and lien on Net Revenues subordinate to the pledge and lien securing the 2023 Notes.

“Subordinate Payments” means all installment payments scheduled to be paid by the City under all Subordinate Obligations.

“Take-Out Financing” means obligations incurred by the City as described in Section 5.11 hereof, all or a portion of the proceeds which will be used to prepay or pay outstanding 2023 Notes or otherwise cause a refunding of all or a portion of the 2023 Notes. Take-Out Financing specifically includes, but is not limited to, all proceeds under the loans and grants contemplated under the Letter of Conditions and the letter from USDA-RD to the City providing two Request for Obligation of Funds forms dated December 12, 2022. Take-Out Financing may include, among

other obligations, (i) wastewater revenue bonds or certificates of participation purchased directly by USDA-RD, or (ii) any other wastewater revenue bonds or certificates of participation.

“Take-Out Financing Proceeds” means the proceeds of a Take-Out Financing designated to be used for the prepayment or payment of outstanding 2023 Notes or applied to the refunding of all or a portion of the 2023 Notes.

“Tax Certificate” means the Tax Certificate delivered by the City in connection with the issuance and delivery of the 2023 Notes, as the same may be amended or supplemented in accordance with its terms.

“Tax Regulations” means temporary and permanent regulations promulgated under or with respect to Sections 103, 141, 148 and all related sections of the Code.

“Taxable Rate” means 6.75% per annum.

“Term” means the time during which this Agreement and/or the 2023 Notes are in effect, as provided in Section 3.1 hereof.

“USDA-RD” means the United States Department of Agriculture, Rural Development, or any successor agency which assumes the rights and obligations of USDA-RD.

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

“Variable Interest Rate Contracts” means, for any period of time, any Parity Obligations Documents that bear a Variable Interest Rate during such period.

“Wastewater Enterprise” means, collectively, the whole and each and every part of the Wastewater Enterprise of the City, including all properties and assets, real and personal, tangible and intangible, of the City, now or hereafter existing, used or pertaining to the collection, transmission, treatment and disposal of wastewater existing on the date hereof, and including sewage treatment plants, outfall, force mains, pumping stations, ejector stations, pipes, valves, machinery and all other appurtenances necessary, useful or convenient for the collection, treatment, transmission or disposal of sewage, and any necessary lands, rights of way and other real or personal property useful in connection therewith, and all additions, extensions, expansions, improvements and betterments thereto and equipments thereof; provided, that to the extent the City is not the sole owner of an asset or property or to the extent that an asset or property is used in part for the above-described Wastewater Enterprise purposes, only the City’s ownership, leasehold, easement or other interest in such asset or property or only the part of the asset or property so used for Wastewater Enterprise purposes shall be considered to be part of the Enterprise.

“Wastewater Utility Fund” means the fund by that name established and maintained pursuant to Section 4.3 hereof.

Section 1.2. Liability of City Limited to Net Revenues and Take-Out Financing Proceeds. Notwithstanding anything to the contrary contained in this Agreement, the City shall not be required to advance any money derived from any source of income other than the Net Revenues and Take-Out Financing Proceeds, for the payment of the principal of or interest or prepayment premiums, if any, on the 2023 Notes or for the performance of any covenants herein contained, nor for the maintenance and operation of the Wastewater Enterprise from any source of income other than the Revenues and Take-Out Financing Proceeds. The City may, however, advance funds for any such purpose so long as such funds are derived from a source legally available for such purpose without incurring any indebtedness. The 2023 Notes shall be payable exclusively from the Net Revenues and Take-Out Financing Proceeds as in this Agreement provided. The credit of the City is not pledged for the payment of the 2023 Notes or its interest. The principal of and interest on the 2023 Notes and any prepayment premiums upon the prepayment thereof shall not be a debt of the City, nor a legal or equitable pledge of, or charge, lien or encumbrance upon, any of the property of the City or any of its income, receipts, or revenues, except the Net Revenues and Take-Out Financing Proceeds pledged to the payment thereof as provided in this Agreement.

Section 1.3. Benefits of Agreement Limited to Parties. Nothing contained herein, expressed or implied, is intended to give to any person other than the City and the Bank any right, remedy or claim under or pursuant hereto. Any agreement or covenant required herein to be performed by or on behalf of the City shall be for the sole and exclusive benefit of the Bank.

Section 1.4. Successor Is Deemed Included in all References to Predecessor. Whenever the City is named or referred to herein, such reference shall be deemed to include the successor to the powers, duties and functions that are presently vested in the City, and all agreements and covenants required hereby to be performed by or on behalf of the City shall bind and inure to the benefit of the successors thereof whether so expressed or not.

Section 1.5. Waiver of Personal Liability. No member of the City Council and no officer, agent, or employee of the City, or of any department or agency thereof, shall be individually or personally liable for the payment of the principal of or interest on the 2023 Notes or any other matter related hereto, but nothing contained herein shall relieve any such member, officer, agent or employee from the performance of any official duty provided by law or hereby.

Section 1.6. Article and Section Headings, Gender and References. The headings or titles of the several articles and sections hereof and the table of contents appended hereto shall be solely for convenience of reference and shall not affect the meaning, construction or effect hereof. Words of any gender shall be deemed and construed to include all genders. All references herein to “Articles,” “Sections” and other subdivisions or clauses are to the corresponding articles, sections, subdivisions or clauses hereof; and the words “hereby,” “herein,” “hereof,” “hereto,” “herewith” and other words of similar import refer to this Agreement as a whole and not to any particular article, section, subdivision or clause hereof.

Section 1.7. Partial Invalidity. If any one or more of the agreements or covenants or portions thereof required hereby to be performed by or on the part of the City shall be contrary to law, then such agreement or agreements, such covenant or covenants or such portions thereof shall be null and void and shall be deemed separable from the remaining agreements and covenants or portions thereof and shall in no way affect the validity hereof or the 2023 Notes; but the Bank shall retain all the rights and benefits accorded to it under any applicable provisions of law. The City hereby declares that it would have adopted this Agreement and each and every other article, section, paragraph, subdivision, sentence, clause and phrase hereof irrespective of the fact that any one or more articles, sections, paragraphs, subdivisions, sentences, clauses or phrases hereof or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

ARTICLE II

COVENANTS, REPRESENTATIONS AND WARRANTIES

Section 2.1. Covenants, Representations and Warranties of the City. The City makes the following covenants, representations and warranties to the Bank as of the date of the execution and delivery of this Agreement:

- (a) The City is a municipal corporation and general law city, duly organized and existing under and by virtue of the laws and Constitution of the State.
- (b) The City has full legal right, power and authority under the laws of the State to adopt the Resolution and to enter into this Agreement and the transactions contemplated herein, and to carry out its obligations hereunder and thereunder.
- (c) The pledge of the Net Revenues made hereunder is on parity with the pledge of Net Revenues made under the Prior Obligations. There are no other liens against the Net Revenues that are senior to the 2023 Note Payments.
- (d) By all necessary official action, the City has duly adopted the Resolution, has duly authorized and approved the execution and delivery of, and the performance of its obligations under, this Agreement and the consummation by it of all other transactions contemplated by this Agreement. When executed and delivered by the City, this Agreement and the 2023 Notes will be in full force and effect and will constitute legal, valid and binding agreements or obligations of the City, 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.
- (e) The City's ~~comprehensive annual~~audited financial ~~report~~statements for the period ended June 30, 2022; was prepared in accordance with generally accepted accounting principles, consistently applied, and presents fairly the financial condition of the City and the Wastewater Enterprise as of the date hereof and the results of operation for the period covered thereby. There has been no change in the financial condition of the City or the Wastewater

Enterprise since June 30, 2022, that will, in the reasonable opinion of the City, materially impair its ability to perform its obligations under this Agreement. All information provided by the City to the Bank with respect to the financial performance of the Wastewater Enterprise is accurate in all material respects as of its respective date and does not omit any information necessary to make the information provided not misleading.

- (f) As currently conducted, except for the existing violations that are intended to be remedied by the Project, the City's activities with respect to the Wastewater Enterprise are in all material respects in compliance with all applicable laws, (including but not limited to Environmental Laws), administrative regulations of the State of California and of the United States and any agency or instrumentality of either, and any judgment or decree to which the City is subject.
- (g) ~~The~~Except for the existing violations that are intended to be remedied by the Project, the City is not in any material respect in breach of or default under any constitutional provision, law (including but not limited to Environmental Laws) or administrative regulation of the State or of the United States or any agency or instrumentality of either or any judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the City is a party or to which the City or any of its property or assets is otherwise subject (including, without limitation, the Resolution, this Agreement and any Parity Obligations), and no event has occurred and is continuing which with the passage of time or the giving of notice, or both, would constitute a default or event of default under any such instrument; and the adoption of the Resolution, the execution, delivery of the 2023 Notes and the execution and delivery of this Agreement and compliance with the City's obligations therein and herein will not in any material respect conflict with, violate or result in a breach of or constitute a default under, any constitutional provision, law, administrative regulation, judgment, decree, loan agreement, indenture, agreement, mortgage, lease or other instrument to which the City is a party or to which the City or any of its property or assets is otherwise subject, 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 City or under the terms of any such law, regulation or instruments, except as provided by the Resolution and this Agreement. All conditions, consents and other requirements of the Parity Obligations Documents exist and have been satisfied, received or obtained, as applicable.
- (h) No action, suit, proceeding, inquiry or investigation at law or in equity before or by any court, government agency, public board or body, is pending or, to the best of the City's knowledge, threatened against the City: (i) in any way affecting the existence of the City or in any way challenging the respective powers of the several offices or the titles of the officials of the City to such offices; (ii) affecting or seeking to prohibit, restrain or enjoin the making, execution or delivery of this Agreement or the application of the 2023 Note Proceeds; (iii) in any way contesting or affecting, as to the City, the validity or enforceability of the Bond Law, the Resolution or this Agreement; (iv) in any way contesting the powers of the City or its authority with respect to execution or delivery of the 2023 Notes, the adoption of the Resolution, or the execution and delivery of this Agreement; (v) contesting the exclusion from gross income of interest on the 2023 Notes for federal income tax purposes; or (vi) in

any way contesting or challenging the consummation of the transactions contemplated hereby or thereby or that might materially adversely affect the ability of the City to perform and satisfy its obligations under the 2023 Notes or this Agreement; nor to the best of the City's knowledge is there any basis for any such action, suit, proceeding, inquiry or investigation, wherein an unfavorable decision, ruling or finding would materially adversely affect the Bond Law, the proceedings authorizing the Resolution, the 2023 Notes or this Agreement or the performance by the City of its obligations thereunder, or the authorization, execution, delivery or performance by the City of the 2023 Notes, the Resolution or this Agreement.

- (i) The City is not in default, and at no time has 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.
- (j) All consents, approvals, authorizations, elections, orders, licenses or permits of any governmental authority, legislative body, board, agency or commission having jurisdiction of the matter, that are required for the due authorization by, or that would constitute a condition precedent to or the absence of which would materially adversely affect the execution or delivery of the 2023 Notes and the execution, delivery of and performance of this Agreement by the City have been duly obtained (except for such approvals, consents and orders, if any, as may be required under the Blue Sky or securities laws of any state in connection with the offering and sale of the 2023 Notes, as to which no representation is made).
- (k) The City has the legal authority to apply and will apply, or cause to be applied, the 2023 Note Proceeds as provided in and subject to all of the terms and provisions of the Bond Law, the Resolution and this Agreement, and will not take or omit to take any action which action or omission will adversely affect the exclusion from gross income for federal income tax purposes of the interest on the 2023 Notes.
- (l) The City has not been notified of any listing or proposed listing by the Internal Revenue Service to the effect that the City is a bond issuer whose arbitrage certificates may not be relied upon.
- (m) Any certificate, signed by any official of the City authorized to do so in connection with the transactions described in this Agreement, shall be deemed a representation and warranty by the City to the Bank as to the statements made therein.
- (n) As of the Closing Date:
 - (i) There has been no change since June 30, 2022, in the assets, liabilities, financial position or results of operations of the City which might reasonably be anticipated to cause a Material Adverse Effect;
 - (ii) The City has not incurred any obligations or liabilities which might reasonably be anticipated to cause a Material Adverse Effect; and

(iii) Relative to the Wastewater Enterprise, the City has not (A) incurred any material indebtedness, other than the 2023 Notes and the Prior Obligations, as well as [a subordinate interfund loan to the City's general fund and](#) the trade accounts payable arising in the ordinary course of the Wastewater Enterprise business and not past due, or (B) guaranteed the indebtedness of any other person.

- (o) This Agreement represents a negotiated transaction, and the City understands, and hereby confirms, that the Bank is not acting as a fiduciary of the City, but rather is acting solely in its capacity as Bank, for its own account. The City acknowledges and agrees that (i) the transaction contemplated herein is an arm's length commercial transaction between the City and the Bank and its affiliates, (ii) in connection with such transaction, the Bank and its affiliates are acting solely as a principal and not as an advisor including, without limitation, a "Municipal Advisor" as such term is defined in Section 15B of the Securities and Exchange Act of 1934, as amended, and the related final rules (the "Municipal Advisor Rules"), (iii) the Bank and its affiliates have not provided any advice or assumed any advisory or fiduciary responsibility in favor of the City with respect to the transaction contemplated hereby and the discussions, undertakings and procedures leading thereto (whether or not the Bank, or any affiliate of the Bank, has provided other services or advised, or is currently providing other services or advising the City on other matters), (iv) the Bank and its affiliates have financial and other interests that differ from those of the City, and (v) the City has consulted with its own financial, legal, accounting, tax and other advisors, as applicable, to the extent it deemed appropriate.
- (p) The City will proceed with diligence to cause the acquisition and construction of the Project in accordance with billing statements, contracts and documents relating thereto and approved by the City pursuant to all applicable requirements of law. The City has obtained all necessary easements, rights of way and rights of access in and to all real property or interests therein now or hereafter acquired as may be necessary or convenient to enable the City to proceed with diligence to cause the acquisition and construction of the Project. The City covenants that it will execute, deliver and record any and all additional documents as may be required or appropriate to be executed, delivered and/or recorded to establish such easements, rights of way and rights of access. The City will enter into and, administer and enforce all purchase orders or other contracts relating to the Project.
- (q) The City is (and covenants to remain) in compliance with the requirements and conditions set forth in the Letter of Conditions, [which such Letter of Conditions has not been amended or supplemented, or revoked as of the Closing Date, and remains in good standing](#) and will perform as necessary to ensure that the Project is timely completed and the requisite Take-Out Financing is consummated by the City and USDA-RD as intended herein and in the Letter of Conditions and that the Take-Out Financing Proceeds are applied to the repayment of the 2023 Notes.

ARTICLE III

TERMS OF THE 2023 NOTES

Section 3.1. Authorization and Terms of the 2023 Notes; 2023 Notes Proceeds.

(a) For the purpose of raising funds to pay Project Costs, the 2023 Notes are hereby authorized to be issued in a principal amount of not to exceed \$~~15,000~~14,600,000. The 2023 Notes shall be designated “City of San Juan Bautista, Series 2023 Wastewater Revenue Bond Anticipation Notes (San Juan Bautista to Hollister Force Main Development Project).” Absent circumstances not presently anticipated, the entire issue of the 2023 Notes shall be represented by a single, fully registered 2023 Note in the principal amount of not to exceed \$~~15,000~~14,600,000, and registered in the name of the Bank. Each Advance shall be notated on the 2023 Notes in the form and manner and place provided therein or, while First Foundation ~~Bank~~Public Finance is the registered owner of the 2023 Notes, records of Advances shall be maintained by the Bank in such manner as the Bank shall determine, which records shall be deemed conclusive absent manifest error. The 2023 Notes shall be substantially in the form attached hereto as Exhibit C with necessary or appropriate variations, omissions and insertions as permitted or required by this Agreement.

(b) The 2023 Notes shall be dated February 15, 2023, and shall mature on the February 1, 2026 Maturity Date; provided that the maturity of the 2023 Notes may be extended with the written consent of the Bank ~~and in compliance with law.~~ The Notes shall bear interest at a fixed rate of 4.93% per annum (calculated on the basis of a 360-day year and the actual number of days elapsed). The 2023 Notes shall bear interest from their date, to be due and payable on each 2023 Note Payment Date; *provided, however*, that interest shall accrue only on each Advance from the date of disbursement by the Bank of such Advance. From and during the continuance of an Event of Default, the 2023 Notes shall, at the option of Bank and with written notice to the City, bear interest at the Default Rate ~~until such time as the Event of Default is cured or is otherwise no longer applicable. Anything to the contrary in this Agreement notwithstanding, from and after the occurrence of an Event of Taxability following a Determination of Taxability, the 2023 Notes shall bear interest at the Taxable Rate.~~

(c) The 2023 Notes shall be payable as to principal and interest in legal tender of the United States of America.

(d) The Term of this Agreement and the 2023 Notes shall commence on the Closing Date and shall end on the date on which the 2023 Notes shall be paid in full or provision for such payment shall be made as provided herein. The first Advance on the 2023 Notes shall be made by the Bank in the amount of the Initial Advance Proceeds (and collectively with all subsequent Advances, the “2023 Note Proceeds”). On the Closing Date, the Bank shall transfer the Initial Advance Proceeds as set forth in Section 3.2 below.

(e) After the Initial Advance, during the Availability Period the City may request up to two (2) additional Advances per month by delivering a Request of the City substantially in the form of Exhibit G to the Bank, executed by an Authorized Representative and approved by USDA-RD. Subject to satisfaction of the requirements of this Section, the Bank shall satisfy each Advance no later than three (3) Business Days after the receipt of such Request of the City. The date and

amount of each Advance shall be noted on the Record of Advances attached to the 2023 Note; provided that the failure to record any such Advance on the Record of Advances shall not affect the principal amount due. In no event may the total amount of all Advances exceed ~~\$15,000~~14,600,000. Within the foregoing limits, the City may request Advances during the Availability Period provided that no Event of Default or Potential Default has occurred and is continuing, the City has complied with all requests for information in connection with the Advance required by the Bank pursuant to Section 5.17(f) hereof, and all other conditions set forth in the Request of the City and Certificate of the City are met to the Bank's satisfaction. Amounts advanced under this Agreement and later repaid may not be re-borrowed.

Section 3.2. Deposit and Application of Initial Advance Proceeds. The City hereby instructs the Bank (to which the Bank agrees, subject to the written concurrence of USDA-RD) to set aside the \$_____ Initial Advance Proceeds (the "COI Set-Aside") on the City's behalf for payment of Costs of Issuance with respect to the 2023 Notes, which shall be disbursed by the Bank on behalf of the City on the Closing Date in accordance with a requisition, substantially in the form attached hereto as Exhibit D, executed by an Authorized Representative of the City, which shall be submitted by the City to the Bank prior to the Closing Date.

Section 3.3. Establishment and Application Project Fund. The City shall maintain and hold in trust a separate fund to be known as the "Project Fund." The City shall keep such fund separate and apart from all other funds and moneys held by the City; and shall administer such fund as provided herein. Except as otherwise provided herein, moneys in the Project Fund shall be used solely for the payment of Project Costs approved in writing by the Bank and USDA/RD. The City shall maintain on file a record of all expenditures of such moneys withdrawn from the Project Fund, including all Requisitions of the City and records evidencing the person to whom payment is to be made, the amount of money to be paid, the purpose for which the obligation to be paid was incurred and that such payment was a proper charge against the Project Fund and has not been the subject of previous Requisitions or payments of the City.

Section 3.4. Payment of Project Costs.

(a) The (i) \$_____ Initial Advance Proceeds received on the Closing Date (less the COI Set-Aside amount paid by the Bank for Costs of Issuance on the Closing Date), and (ii) amount received for each subsequent Advance, shall be immediately deposited by the City into the Project Fund for the purpose of paying Project Costs.

(b) Except as otherwise provided herein, moneys in the Project Fund shall be used solely for the payment of the Project Costs approved in writing by the Bank and USDA/RD. The City shall disburse moneys in the Project Fund from time to time to pay Project Costs approved in writing by the Bank and USDA/RD (or to reimburse the City for payment of Project Costs approved in writing by the Bank and USDA/RD) upon execution of a Requisition of the City, substantially in the form attached hereto as Exhibit E, which: (A) states with respect to each disbursement to be made (i) the requisition number, (ii) the name and address of the person, firm or corporation to whom payment will be made, (iii) the amount to be disbursed, (iv) the purpose for which the obligation was incurred, and (v) that each obligation mentioned therein is a proper charge against the Project Fund and has not previously been disbursed by the City from amounts

in the Project Fund; (B) specifies in reasonable detail the nature of the obligation; and (C) is accompanied by a bill or statement of account (if any) for each obligation.

(c) The City shall be responsible for payment of all other Project Costs.

Upon the filing of a Written Certificate of the City stating that the Project has been completed or that all Requisitions intended to be filed by the City have been filed, the City shall withdraw all amounts then on deposit in the Project Fund and transfer such amounts to the Bank as a prepayment of the 2023 Notes, and the Project Fund shall then be closed.

Section 3.5. Costs of Issuance. All costs of issuance shall be paid pursuant to a requisition, substantially in the form attached hereto as Exhibit D, executed by an Authorized Representative of the City.

Section 3.6. Optional and Mandatory Prepayment. Upon ~~ten (10)~~five (5) days' prior written notice to the Bank, the ~~District~~City may prepay the 2023 Notes without prepayment premium in full or in part on any ~~Interest Payment Date beginning or after April 1, 2023~~date from any lawfully available source of funds, by depositing with the Bank immediately available funds equal to a prepayment price equal to 100% of the principal amount of 2023 Notes, together with accrued interest thereon to the prepayment date. In addition, the City shall mandatorily prepay the 2023 Notes immediately upon receipt of Take-Out Financing Proceeds on any Business Day, by depositing with the Bank immediately available funds equal to a prepayment price equal to 100% of the Outstanding principal amount of 2023 Notes being prepaid, without prepayment premium, together with accrued interest thereon to the prepayment date.

Section 3.7. Prepayment upon Casualty Loss or Governmental Taking. The 2023 Notes shall be subject to prepayment as a whole or in part on any date, from the Net Proceeds of casualty insurance or a governmental taking of the Wastewater Enterprise or portions thereof by eminent domain proceedings, under the circumstances and upon the conditions and terms prescribed herein, at a prepayment price equal to the sum of the principal prepaid plus accrued interest thereon to the date fixed for prepayment, without prepayment premium.

Section 3.8. Execution of the Agreement. The execution of this Agreement by an Authorized Representative shall constitute conclusive evidence of such officers' and the City Council's approval hereof, including any changes, insertions, revisions, corrections, or amendments as may have been made hereto.

Section 3.9. Assignment by the Bank. The Bank's right, title and interest in and to this Agreement and the Note may be assigned and reassigned to a single assignee by Bank without the necessity of obtaining the consent of City. The Bank shall provide the City with notice of any assignment made pursuant to this Section along with a purchaser's letter executed by the assignee and addressed to the City and the Bond Counsel substantially in the form of the Purchaser Letter delivered by the Bank on the Closing Date attached hereto as Exhibit F as a condition to the City's obligation to register this Agreement and the Note in the name of the assignee thereof. The City shall pay all 2023 Note Payments hereunder to the Bank, as provided in Section 4.2 hereof, or under the written direction of the assignee named in the most recent assignment or notice of assignment filed with the City.

Section 3.10. Closing Conditions. The Bank has entered into this Agreement in reliance upon the representations and warranties of the City contained in this Agreement and to be contained in the documents and instruments to be delivered ~~on~~no later than 2 Business Days prior to the Closing Date and upon the performance by the City of the obligations of the City pursuant to this Agreement at or prior to the Closing Date. Accordingly, the obligation of Bank to execute this Agreement is subject to the fulfillment to the reasonable satisfaction of the Bank of the following conditions:

(a) The representations and warranties of the City contained in this Agreement shall be true, complete and correct on the Closing Date.

(b) On the Closing Date, the Resolution, this Agreement and the 2023 Notes shall be in full force and effect and shall not have been amended, modified or supplemented, except as may have been agreed to in writing by the Bank.

(c) On the Closing Date, the City will have adopted and there will be in full force and effect such resolutions as in the opinion of Bond Counsel shall be necessary in connection with the transactions contemplated by this Agreement, and all necessary action of the City relating to the issuance of the 2023 Notes will have been taken, will be in full force and effect and will not have been amended, modified or supplemented, except as may have been agreed to in writing by the Bank.

(d) At or prior to no later than 2 Business Days prior to the Closing Date, the Bank will have received the following documents:

(i) the approving opinions, dated the Closing Date and addressed to the Bank, of Bond Counsel in form and content satisfactory to the Bank, to the effect that (I) the interest on the 2023 Notes is excluded from gross income for State and federal income tax purposes, (II) this Agreement and 2023 Notes have been duly authorized, executed and delivered by the City and are legal, valid and binding obligations of the City, enforceable in accordance with their respective terms, subject to customary exceptions for bankruptcy and judicial discretion, and (III) the Net Revenues of the Wastewater Enterprise have been irrevocably pledged to the payment of the 2023 Notes in accordance with the Agreement;

(ii) a certificate or certificates, dated the Closing Date and signed on behalf of the City by an Authorized Representative, to the effect that (I) the representations and warranties contained in this Agreement are true and correct in all material respects on and as of the Closing Date with the same effect as if made on the Closing Date; (II) no litigation of any nature is then pending or, to his or her knowledge, threatened, seeking to restrain or enjoin the issuance and delivery of the 2023 Notes or the levy or collection of revenues to pay the principal thereof and interest thereon, questioning the proceedings and authority by which such pledge is made, affecting the validity of the 2023 Notes or contesting the existence or boundaries of the City or the title of the present officers to their respective offices; (III) no authority or proceedings for the issuance of the 2023 Notes has been repealed, revoked or rescinded and no petition or petitions to revoke or alter the authorization to issue the 2023 Notes has been filed with or received by the City; and (IV)

the City has complied with all the agreements and covenants and satisfied all the conditions on its part to be performed or satisfied at or prior to, and to the extent possible before, the Closing Date;

- (iii) a conformed certified copy of the Resolution;
- (iv) the items required by the Resolution as conditions for execution and delivery of the 2023 Notes;
- (v) a Tax Certificate of the City, in form and substance satisfactory to Bond Counsel;
- (vi) the preliminary filings with the California Debt and Investment Advisory Commission;
- (vii) the opinion of the City Attorney, dated the Closing Date, addressed to the Bank and Bond Counsel, to the effect that:

(A) the City is a municipal corporation and general law city, duly organized and existing under and by virtue of the laws and Constitution of the State of California, and has all requisite power and authority thereunder: (a) to adopt the Resolution, and to enter into, execute, deliver and perform its covenants and agreements under the Agreement and the 2023 Notes; (b) to make, execute and deliver the Agreement and the 2023 Notes; (c) to pledge the Net Revenues as contemplated by the Agreement; and (d) to carry on its activities as currently conducted;

(B) the City has taken all actions required to be taken by it prior to the Closing Date material to the transactions contemplated by the Resolution, the Agreement and the 2023 Notes, and the City has duly authorized the execution and delivery of, and the due performance of its obligations under, the Agreement and the 2023 Notes;

(C) the adoption of the Resolution, the execution and delivery by the City of the Agreement and the 2023 Notes and the compliance with the provisions of the Agreement and the 2023 Notes, to the best of such counsel's current knowledge, do not and will not conflict with or violate in any material respect any California or federal constitutional, statutory or regulatory provision, or, to the best of such counsel's current knowledge, conflict with or constitute on the part of the City a material breach of or default under any agreement or instrument to which the City is a party or by which it is bound;

(D) to the best of such counsel's current knowledge, after due inquiry, no litigation is pending with service of process completed or, to the best of such counsel's knowledge after due inquiry, threatened against the City in any court in any way affecting the titles of the officials of the City to their respective positions, or seeking to restrain or to enjoin the execution and delivery of the Agreement or the 2023 Notes, or the collection of revenues pledged or to be pledged to pay the

principal of and interest on the 2023 Notes, or in any way contesting or affecting the validity or enforceability of the Agreement, the 2023 Notes or the Resolution, or contesting the powers of the City or its authority with respect to the Agreement, the 2023 Notes or the Resolution;

(E) to the best of such counsel's current knowledge, [after due inquiry](#), no authorization, approval, election, consent or other order of the State or any local agency of the State, other than such authorizations, approvals and consents which have been obtained, is required for the valid authorization, execution and delivery by the City of the Agreement or the 2023 Notes; and

(F) to the best of such counsel's current knowledge, [after due inquiry](#), the City is not in breach of or default under any applicable law or administrative regulation of the State or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the City is a party or is otherwise subject, which breach or default would materially adversely affect the City's ability to enter into or perform its obligations under the Agreement or the 2023 Notes, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute a default or an event of default under any such instrument; and

(viii) such additional legal opinions, certificates, instruments and other documents as the Bank or its counsel may reasonably request to evidence the truth and accuracy, as of the date of this Agreement and as of the Closing Date, of the representations, warranties, agreements and covenants of the City contained herein and the due performance or satisfaction by the City at or prior to the Closing Date of all agreements then to be performed and all conditions then to be satisfied by the City.

Section 3.11. 2023 Notes Register. The City will keep or cause to be kept, sufficient books for the registration and transfer of the 2023 Notes which shall be open at all reasonable times with reasonable prior notice during normal business hours of the City; and, upon presentation, the City shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books, the 2023 Notes.

Section 3.12. No CUSIP Numbers; No Rating; No DTC; No Offering Document. The 2023 Notes shall not bear CUSIP numbers, shall not be rated by any rating agency, shall not be held by The Depository Trust Company, and shall not be offered pursuant to any offering document.

Section 3.13. Investments. All money held by the City in any of the accounts or funds established pursuant hereto shall be invested in Permitted Investments, which Permitted Investments shall, as nearly as practicable, mature (or be subject to redemption or disposition) on or before the dates on which such money is anticipated to be needed for disbursement hereunder. The City shall not be liable for any loss from any Permitted Investments acquired, held or disposed of in compliance with this Section 3.13. Earnings on the investment of amounts in the Project Fund shall be retained therein. All interest or gain derived from the investment of amounts in other funds or accounts established hereunder shall be deposited in the Wastewater Utility Fund.

Section 3.14. Valuation and Disposition of Investments. For the purpose of determining the amount in any fund or account established hereunder, any investments credited to such fund or account shall be valued at least annually, on or before June 30th. For the purpose of determining the amount in any fund or account, Permitted Investments credited to such fund or account shall be valued at the Fair Market Value thereof (based on accepted industry standards from accepted industry providers); provided that as to certificates of deposit and banker acceptances, the value thereof shall equal the face amount, plus accrued interest thereon. In making such evaluations City may rely upon such valuation services as may be available to the City.

ARTICLE IV

SECURITY

Section 4.1. Pledge of Net Revenues and Take-Out Financing Proceeds. The City hereby irrevocably pledges all of the Net Revenues and Take-Out Financing Proceeds (if any) along with amounts on deposit in the Wastewater Utility Fund to the punctual payment of the 2023 Note Payments. This pledge shall constitute a first lien on the Net Revenues for the payment of the 2023 Notes in accordance with the terms hereof, which lien is on parity with the lien on Net Revenues that secures the payment of Parity Obligations. The Net Revenues will not be used for any other purpose while any of the 2023 Note Payments are unpaid, except as otherwise set forth herein. The Take-Out Financing Proceeds will not be used for any purpose other than payment of the 2023 Note Payments unless and until all obligations of the City under the 2023 Notes and this Agreement have been satisfied in full.

Section 4.2. Repayment of the 2023 Notes. The City hereby agrees to repay the 2023 Notes from Net Revenues and Take-Out Financing Proceeds (if any) in the aggregate principal amount of the total of all Advances, together with interest (calculated at a fixed rate of 4.93%, on the basis of a 360-day year and the actual number of days elapsed) on the unpaid principal balance thereof, payable in semi-annual 2023 Note Payments of interest only on each Interest Payment Date, and a final payment of the outstanding principal amount of the 2023 Notes and all accrued but unpaid interest thereon on the Maturity Date. All payments will be applied first to interest and then to principal as of the date received by the Bank. The City may make additional principal payments on any date as other funding sources may become available.

Pursuant to Section 5451 of the Government Code of the State of California, the pledge of the Net Revenues and Take-Out Financing Proceeds by the City for the repayment of the principal of, premium, if any, and interest components of the 2023 Note Payments constitutes a first lien and security interest which immediately attaches to such Net Revenues and Take-Out Financing Proceeds, and is effective and binding against the City, its successors, creditors and all others asserting rights therein irrespective of whether those parties have notice of the pledge, irrespective of whether such amounts are or may be deemed to be a fixture and without the need for physical delivery, recordation, filing or further act.

So long as the 2023 Notes are owned by the Bank, all principal and interest payments with respect to the 2023 Notes shall be made by wire transfer in accordance with wire instructions provided by the Bank from time to time.

From and during the continuance of an Event of Default, the 2023 Notes shall, at the option of Bank and with written notice to the City, bear interest at the Default Rate until such time as the Event of Default is cured or is otherwise no longer applicable. Anything to the contrary in this Agreement notwithstanding, from and after the occurrence of an Event of Taxability following a Determination of Taxability, the 2023 Notes shall bear interest at the Taxable Rate.

Section 4.3. Revenues; Establishment and Application of Wastewater Utility Fund. The City has heretofore established the Wastewater Utility Fund, which the City shall continue to hold and maintain for the purposes and uses set forth herein. Within the Wastewater Utility Fund the City shall establish and maintain a separate Interest Account, Principal Account and Redemption Account therein. The Wastewater Utility Fund shall be kept separate and apart from all other funds and accounts held by the City and shall be administered as provided herein. The City hereby covenants and agrees that all Revenues, when and as received, will be received and held by the City in trust for the benefit of the Bank and owners of any Parity Obligations, and will be allocated and deposited by the City in the Wastewater Utility Fund. All Revenues shall be disbursed, allocated and applied solely to the uses and purposes set forth as follows:

(a) All Revenues in the Wastewater Utility Fund shall be set aside or used by the City to pay all Maintenance and Operation Costs of the Wastewater Enterprise (including amounts reasonably required to be set aside in contingency reserves for the Wastewater Enterprise, the payment of which is not then immediately required) from the Wastewater Utility Fund as they become due and payable. The City shall annually prepare a budget for Maintenance and Operation Costs.

(b) All Net Revenues remaining in the Wastewater Utility Fund (after payment of all Maintenance and Operation Costs) on each 2023 Note Payment Date, shall be transferred by the City from the Wastewater Utility Fund and allocated to the following respective accounts (each of which the City shall establish and maintain within the Wastewater Utility Fund), the following amounts in the following order of priority, the requirements of each such account (including the funding of any deficiencies in any such account resulting from insufficient Net Revenues necessary to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account subsequent in priority:

(1) Interest Account. On each Interest Payment Date, the City shall deposit in the Interest Account an amount required to cause the aggregate amount on deposit in the Interest Account to equal the amount of interest becoming due and payable on such Interest Payment Date on all outstanding Parity Obligations. No deposit need be made into the Interest Account if the amount contained therein is at least equal to the interest becoming due and payable upon all outstanding Parity Obligations on such Interest Payment Date. All moneys in the Interest Account shall be used and withdrawn by the City solely for the purpose of paying interest on the Parity Obligations as it shall become due and payable (including accrued interest on any Parity Obligations purchased or redeemed prior to maturity pursuant to this Agreement). In the event that the amounts on deposit in the Interest Account on any Interest Payment Date are insufficient for any reason to pay the aggregate amount of interest then coming due and payable on the outstanding Parity

Obligations, the City shall apply such amounts to the payment of interest on each of the outstanding Parity Obligations on a pro rata basis.

(2) Principal Account. On each Principal Payment Date on which the principal of Parity Obligations is payable, the City shall deposit in the Principal Account an amount required to cause the aggregate amount on deposit in the Principal Account to equal the principal amount of the Parity Obligations coming due and payable on such Principal Payment Date and the amount of principal becoming due and payable on any mandatory sinking account payment due on all outstanding Parity Obligations, if any. All moneys in the Principal Account shall be used and withdrawn by the City solely for the purpose of paying the principal of the Parity Obligations at the Maturity Date or upon early redemption, as the case may be. In the event that the amounts on deposit in the Principal Account on any Principal Payment Date are insufficient for any reason to pay the aggregate amount of principal then coming due and payable on the outstanding Parity Obligations, the City shall apply such amounts to the payment of principal on each of the outstanding Parity Obligations on a pro rata basis.

(3) Redemption Account. The City shall establish and maintain a Redemption Account, amounts in which shall be used and withdrawn by the City solely for the purpose of paying the principal, interest and premium (if any) on the Principal Components to be redeemed pursuant to Section 3.6 or 3.7, as applicable.

(4) Subordinate Obligations Repayment. Payments relating to principal and interest on or with respect to Subordinate Obligations in accordance with the terms of such Subordinate Obligations, without preference or priority, and in the event of any insufficiency of such moneys, ratably based on the respective principal amounts without any discrimination or preference.

(5) Subordinate Obligations Reserve Accounts. To make payments required with respect to Subordinate Obligations to replenish reserve accounts established therefor in accordance with the terms of such Subordinate Obligations, without preference or priority, and in the event of any insufficiency of such moneys, ratably based on the respective principal amounts without any discrimination or preference.

(6) General Expenditures. For any lawful purpose of the City, including, but not limited to, any costs of capital improvements to the Wastewater Enterprise.

Section 4.4. Rebate Fund. The City shall establish the Rebate Fund and shall comply with the requirements below. All money at any time deposited in the Rebate Fund shall be held by the City in trust, for payment to the United States Treasury. All amounts on deposit in the Rebate Fund shall be governed by this Section and the applicable Tax Certificate, unless the City obtains an opinion of Bond Counsel that the exclusion from gross income of interest on the 2023 Notes will not be adversely affected for federal income tax purposes if such requirements are not satisfied.

(a) Excess Investment Earnings.

(i) Computation. Within 55 days of the end of each fifth Computation Year with respect to the 2023 Notes, the City shall calculate or cause to be calculated the amount of rebatable arbitrage, in accordance with Section 148(f)(2) of the Code and Section 1.148-3 of the Rebate Regulations (taking into account any applicable exceptions with respect to the computation of the rebatable arbitrage, described, if applicable, in the Tax Certificate (e.g. the temporary investments exception of Section 148(f)(4)(B) and the construction expenditure exception of Section 148(f)(4)(C) of the Code), for this purpose treating the last day of the applicable Computation Year as a computation date, within the meaning of Section 1.148-1(b) of the Rebate Regulations (the “Rebatable Arbitrage”). The City shall obtain expert advice as to the amount of the Rebatable Arbitrage to comply with this Section.

(ii) Transfer. Within 55 days of the end of each fifth Computation Year with respect to the 2023 Notes, an amount shall be deposited to the Rebate Fund by the City from any legally available funds, including the other funds and accounts established herein, so that the balance in the Rebate Fund shall equal the amount of Rebatable Arbitrage so calculated in accordance with clause (i) of this Section 4.4(a). In the event that immediately following the transfer required by the previous sentence, the amount then on deposit to the credit of the Rebate Fund exceeds the amount required to be on deposit therein, the City shall withdraw the excess from the Rebate Fund and then credit the excess to the Wastewater Utility Fund.

(iii) Payment to the Treasury. The City shall pay to the United States Treasury, out of amounts in the Rebate Fund.

(X) Not later than 60 days after the end of (A) the fifth Computation Year with respect to the 2023 Notes, and (B) each applicable fifth Computation Year thereafter, an amount equal to at least 90% of the Rebatable Arbitrage calculated as of the end of such Computation Year; and

(Y) Not later than 60 days after the payment of all the 2023 Notes, an amount equal to 100% of the Rebatable Arbitrage calculated as of the end of such applicable Computation Year, and any income attributable to the Rebatable Arbitrage, computed in accordance with Section 148(f) of the Code.

In the event that, prior to the time of any payment required to be made from the Rebate Fund, the amount in the Rebate Fund is not sufficient to make such payment when such payment is due, the City shall calculate or cause to be calculated the amount of such deficiency and deposit an amount received from any legally available source, including the other funds and accounts established herein, equal to such deficiency in the Rebate Fund prior to the time such payment is due. Each payment required to be made pursuant to this Subsection 4.4(a)(iii) shall be made to the Internal Revenue Service Center, Ogden, Utah 84201 on or before the date on which such payment is due, and shall be accompanied by Internal Revenue Service Form 8038-T prepared by the City, or shall be made in such other manner as provided under the Code.

(b) Disposition of Unexpended Funds. Any funds remaining in the Rebate Fund after redemption, if any, and payment of the 2023 Notes and the payments described in Section 4.4(a)(iii), shall be utilized in any manner by the City.

(c) Survival of Defeasance. Notwithstanding anything in this Section 4.4 or this Agreement to the contrary, the obligation to comply with the requirements of this Section shall survive the defeasance of this Agreement and any Parity Obligations.

Section 4.5. Special Obligation of the City; Obligations Absolute. The City's obligation to pay the 2023 Note Payments shall be a special obligation of the City limited solely to Net Revenues, Take-Out Financing Proceeds (if any) and amounts on deposit in the Wastewater Utility Fund. Under no circumstances shall the City be required to advance moneys derived from any source of income other than Net Revenues Take-Out Financing Proceeds and other sources specifically identified herein for the payment of the 2023 Note Payments, nor shall any other funds or property of the City be liable for the payment of the 2023 Note Payments. Notwithstanding the foregoing provisions of this Section, however, nothing herein is intended to prohibit the City voluntarily from making any payment hereunder from any source of available funds of the City.

The obligations of the City to pay the 2023 Note Payments from Net Revenues Take-Out Financing Proceeds, and to perform and observe the other agreements contained herein, shall be absolute and unconditional and shall not be subject to any defense or any right of setoff, counterclaim or recoupment arising out of any breach of the City, the Bank of any obligation to the City or otherwise with respect to the Wastewater Enterprise, whether hereunder or otherwise, or out of indebtedness or liability at any time owing to the City by the Bank.

Until such time as all of the 2023 Note Payments shall have been fully paid or prepaid, the City (a) will not suspend or discontinue payment of any 2023 Note Payments, (b) will perform and observe all other agreements contained in this Agreement, and (c) will not terminate this Agreement for any cause, including, without limiting the generality of the foregoing, the occurrence of any acts or circumstances that may constitute failure of consideration, eviction or constructive eviction, destruction of or damage to the Wastewater Enterprise, sale of the Wastewater Enterprise, the taking by eminent domain of title to or temporary use of any component of the Wastewater Enterprise, commercial frustration of purpose, any change in the tax or other laws of the United States of America or the State or any political subdivision of either thereof or any failure of the Bank to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with this Agreement.

ARTICLE V

COVENANTS OF THE CITY

Section 5.1. Operation and Maintenance of the Wastewater Enterprise. The City will maintain and preserve the Wastewater Enterprise in good repair and working order at all times and will operate the Wastewater Enterprise in an efficient and economical manner and will pay all Maintenance and Operation Costs of the Wastewater Enterprise as they become due and payable.

Section 5.2. Against Sale or Other Disposition of Property. The City will not sell, lease, or otherwise dispose of the Wastewater Enterprise or any part thereof essential to the proper operation of the Wastewater Enterprise or to the maintenance of the Revenues. The City will not enter into any agreement or lease that impairs the operation of the Wastewater Enterprise or any part thereof necessary to secure adequate Net Revenues for the payment of the 2023 Notes and all Parity Obligations or that would otherwise impair the rights of the City with respect to the Revenues or the operation of the Wastewater Enterprise. Any real or personal property that has become nonoperative or that is not needed for the efficient and proper operation of the Wastewater Enterprise, or any material or equipment that has become worn out, may be sold at not less than the Fair Market Value thereof. The City shall deposit the proceeds of such sale in the Wastewater Utility Fund. Nothing herein shall restrict the ability of the City to sell any portion of the Wastewater Enterprise if such portion is immediately repurchased by the City (or other entity required as part of a financing structure) and if such arrangement cannot by its terms result in the purchaser of such portion of the Wastewater Enterprise exercising any remedy which would deprive the City of or otherwise interfere with its right to own and operate such portion of the Wastewater Enterprise or interfere with its right to collect the Revenues therefrom.

Section 5.3. Rates, Fees, and Charges. (a) The City will, at all times while the 2023 Notes remains outstanding, fix, prescribe and collect rates, fees and charges in connection with the Wastewater Enterprise so as to yield Revenues at least sufficient, after making reasonable allowances for contingencies and errors in the estimates, to pay all Maintenance and Operation Costs of the Wastewater Enterprise.

(b) Furthermore, the City shall fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Wastewater Enterprise during each Fiscal Year which are sufficient to yield estimated Net Revenues which, when added to other funds transferred from the Rate Stabilization Fund, are at least equal to one hundred twenty-five percent (125%) of the aggregate amount of Debt Service on all Parity Obligations payable from Net Revenues coming due and payable during such Fiscal Year. The City may make adjustments, from time to time, in its rates, fees and charges as it deems necessary, but shall not reduce its rates, fees and charges below those in effect unless the Net Revenues resulting from such reduced rates, fees and charges shall at all times be sufficient to meet the requirements set forth in this paragraph.

(c) If the City violates the covenants set forth in subsections (a) or (b) hereof, such violation shall not, in and of itself, be a default under this Agreement and shall not give rise to a declaration of an Event of Default so long as (i) Net Revenues (calculated without taking into account any amounts transferred into the Wastewater Utility Fund from the Rate Stabilization Fund pursuant to subsection (d) below), are at least equal to the Maximum Annual Debt Service, and

(ii) within 120 days after the date such violation is discovered, the City either (1) transfers enough moneys from the Rate Stabilization Fund sufficient to yield estimated Net Revenues which are at least equal to one hundred twenty-five percent (125%) of the aggregate amount of Debt Service on all Parity Obligations payable from Net Revenues coming due and payable during such Fiscal Year in compliance with subsection (b) hereof, or (2) receives a written waiver from the Bank; *provided, however*, that, if the City does not, or cannot, transfer from the Rate Stabilization Fund the amount necessary to comply with subsection (b) hereof, an Event of Default shall be deemed to have occurred under Section 6.1(a)(2) hereof, unless the Bank provides otherwise in writing at its sole option.

(d) There is hereby created a separate fund to be known as the “Rate Stabilization Fund,” to be held and maintained by the City. The Rate Stabilization Fund is not pledged to secure payment of the 2023 Note Payments. Amounts in the Rate Stabilization Fund shall be applied solely for the uses and purposes set forth in this subsection (d). The City shall have the right to deposit into the Rate Stabilization Fund from time to time any amount of funds which are legally available therefor; provided that deposits for each Fiscal Year may be made until (but not after) one hundred twenty (120) days following the end of such Fiscal Year (unless otherwise agreed by the Bank).

For the purpose of computing the amount of Revenues for any Fiscal Year for purposes of the preceding subsection (a), or the amount of Net Revenues for any Fiscal Year for purposes of the preceding subsection (b), the City shall be permitted to transfer amounts on deposit in the Rate Stabilization Fund to the Wastewater Utility Fund, such transfers to be made until (but not after) one hundred twenty (120) days after the end of such Fiscal Year (unless otherwise agreed by the Bank). In addition, the City shall be permitted to withdraw amounts on deposit in the Rate Stabilization Fund for any other lawful purpose. The Rate Stabilization Fund is not pledged to secure payment of the 2023 Note Payments.

Section 5.4. Collection of Rates and Charges. The City will have in effect at all times rules and regulations requiring each consumer or customer utilizing the Wastewater Enterprise facilities to pay the rates, fees and charges applicable to such use or benefit received. The City will not permit any part of the Wastewater Enterprise or any facility thereof to be used or taken advantage of free of charge by any corporation, firm or person, or by any public agency (including the United States of America, the State and any city, county, district, political subdivision, public corporation or agency of any thereof).

Section 5.5. Competitive Facilities. Except for any Wastewater Enterprise facilities existing as of the date hereof, the City will not, to the extent permitted by law, acquire, maintain or operate and will not, to the extent permitted by law and within the scope of its powers, permit any other public or private agency, authority, city, special district, or political subdivision or any person whomsoever to acquire, maintain or operate within the sphere of influence of the City any wastewater system competitive with the Wastewater Enterprise; *provided, however*, that the City may, with the written consent of the Bank first had and obtained, assign all or a portion of the Wastewater Enterprise to another entity upon delivery to the Bank of an opinion of counsel experienced in the field of law relating to municipal bonds that such assignment will not adversely affect the tax-exempt status of the interest with respect to the 2023 Notes, and provided such entity assumes the obligations of the City hereunder.

Section 5.6. Insurance. (a) The City will procure and maintain insurance on the Wastewater Enterprise with commercial insurers or through participation in a joint powers insurance authority, in such amounts, with such deductibles and against such risks (including accident to or destruction of the Wastewater Enterprise) as are usually insurable in accordance with industry standards with respect to similar enterprises.

In the event of any damage to or destruction of the Wastewater Enterprise caused by the perils covered by such insurance, the proceeds of such insurance shall be applied to the repair, reconstruction or replacement of the damaged or destroyed portion of the Wastewater Enterprise. The City shall cause such repair, reconstruction or replacement to begin promptly after such damage or destruction shall occur and to continue and to be properly completed as expeditiously as possible, and shall pay out of the proceeds of such insurance all costs and expenses in connection with such repair, reconstruction or replacement so that the same shall be completed and the Wastewater Enterprise shall be free and clear of all liens and claims. If the proceeds received by reason of any such loss shall exceed the costs of such repair, reconstruction or replacement, the excess shall be applied to prepay the 2023 Notes and any other Parity Obligations, on a pro rata basis, in the manner provided in Section 3.7 hereof and in the instruments authorizing such Parity Obligations.

Alternatively, if the proceeds of such insurance are sufficient to enable the City to retire all outstanding Parity Obligations and all other amounts due hereunder, the City may elect not to repair, reconstruct or replace the damaged or destroyed portion of the Wastewater Enterprise, and thereupon such proceeds shall be applied to the prepayment of such Parity Obligations and to the payment of all other amounts due hereunder, and as otherwise required by the documents pursuant to which other Parity Obligations were issued.

(b) The City will procure and maintain commercial general liability insurance covering claims against the City for bodily injury or death, or damage to property, occasioned by reason of the ownership or operation of the Wastewater Enterprise, such insurance to afford protection in such amounts and against such risks as are usually covered in connection with similar Wastewater Enterprises.

(c) The City will procure and maintain workers' compensation insurance against liability for compensation under the Workers' Compensation Insurance and Safety Act of California, or any act hereafter enacted as an amendment or supplement or in lieu thereof; such insurance to cover all persons employed in connection with the Wastewater Enterprise.

(d) In lieu of obtaining insurance coverage as required by this Section, such coverage may, with the prior written consent of the Bank, be maintained by the City in the form of self-insurance. The City shall certify to the Bank that (i) the City has segregated amounts in a special insurance reserve meeting the requirements of this Section; (ii) an Insurance Consultant certifies annually, on or before July 1 of each year in which self-insurance is maintained, in writing to the Bank that the City's general insurance reserves are actuarially sound and are adequate to provide the necessary coverage; and (iii) such reserves are held in a separate trust fund by an independent trustee. Any statements of self-insurance shall be delivered to the Bank. The City shall pay or cause to be paid when due the premiums for all insurance policies required hereby.

Section 5.7. Eminent Domain. If all or any part of the Wastewater Enterprise shall be taken by eminent domain proceedings, the resulting Net Proceeds thereof shall be applied as follows:

(a) If (1) the City delivers to the Bank a Certificate of the City showing (i) the estimated loss of annual Net Revenues, if any, suffered or to be suffered by the City by reason of such eminent domain proceedings, (ii) a general description of the additions, betterments, extensions or improvements to the Wastewater Enterprise proposed to be acquired by the City from any Net Proceeds, and (iii) an estimate of the additional annual Net Revenues to be derived from such additions, betterments, extensions or improvements, and (2) on the basis of such certificate, determines that the estimated additional annual Net Revenues will sufficiently offset the estimated loss of annual Net Revenues resulting from such eminent domain proceedings so that the ability of the City to meet its obligations hereunder will not be substantially impaired (which determination shall be subject to the reasonable review and concurrence of the Bank); then the City shall promptly proceed with the acquisition of such additions, betterments, extensions or improvements substantially in accordance with such Certificate of the City and such Net Proceeds shall be applied for the payment of the costs of such acquisition, and any balance of such Net Proceeds not required by the City for such purpose shall be applied to prepay the Principal Components and the principal amount of any other Parity Obligations, on a pro rata basis, in the manner provided in Section 3.5 hereof and in the instruments authorizing such other Parity Obligations.

(b) If the foregoing conditions are not met, then such Net Proceeds shall be applied to prepay the Principal Components of the 2023 Notes and the principal amounts of any other Parity Obligations, on a pro rata basis, in the manner provided in Section 3.5 hereof and in the instruments authorizing such other Parity Obligations.

Section 5.8. Additional Information. The City agrees to furnish to the Bank, promptly, from time to time, such information regarding the operations, financial condition and property of the City and the Wastewater Enterprise, and the construction of the Project as the Bank may reasonably request, including, without limitation, reports on the Revenues, customer utilization and collection metrics, independent rate analysis, to the extent prepared by the City, reports on other capital projects under way and proposed, and a general narrative of the physical condition of the Wastewater Enterprise.

Section 5.9. Compliance with Law and Contracts. The City will faithfully comply with, keep, observe, and perform all valid and lawful obligations or regulations now or hereafter imposed on its operation of the Wastewater Enterprise by contract, or prescribed by any law of the United States of America or of the State of California, or by any officer, board, or commission having jurisdiction or control.

Section 5.10. Punctual Payment. The City will punctually pay the principal and interest to become due in respect of the 2023 Notes, in strict conformity with the terms hereof, and will faithfully observe and perform all the agreements, conditions, covenants and terms contained herein required to be observed and performed by it, and will not rescind this Agreement for any cause.

Section 5.11. Take Out Financing. No later than October 1, 2025, to the extent that any 2023 Notes remain outstanding hereunder, the City shall use its best efforts to initiate and consummate proceedings for Take-Out Financing, so that the 2023 Notes will be paid in full by not later than February 1, 2026. The Bank hereby agrees to cooperate with the City and provide such assistance to the City as reasonably necessary and proper in connection with any Take-Out Financing. Notwithstanding the foregoing, if the City reasonably believes and provides the Bank with sufficient evidence that there will be sufficient moneys available in the Wastewater Utility Fund to pay the 2023 Notes in full by February 1, 2026 without any Take-Out Financings, then no initiation of proceedings for Take-Out Financings will be required pursuant to this Section.

Section 5.12. Protection of Security and Rights of the Bank. The City will preserve and protect the security of the 2023 Notes and the rights of the Bank and will defend the Bank's rights against all claims and demands of all persons. From and after the Closing Date, the 2023 Notes shall be incontestable by the City.

Section 5.13. Parity Obligations.

(a) So long as the 2023 Notes are outstanding, the City shall not issue or incur any obligations payable from Revenues or Net Revenues senior or superior to the payment of Debt Service on the 2023 Notes. The City may at any time issue Parity Obligations payable from Net Revenues on parity with Debt Service on the 2023 Notes to provide financing or refinancing for the Wastewater Enterprise in such principal amount as shall be determined by the City. The City may issue or incur any such Parity Obligations subject to the following specific conditions, which are hereby made conditions precedent to the issuance and delivery of such Parity Obligations:

(1) No Event of Default shall have occurred and be continuing;

(2) There shall be on file with the City either:

(i) A Certificate of an Independent Financial Consultant demonstrating that, during the last audited Fiscal Year or any twelve (12) calendar month period during the immediately preceding eighteen (18) calendar month period, the Adjusted Annual Net Revenues were at least equal to the Coverage Requirement for all outstanding Parity Obligations plus the Parity Obligations proposed to be executed; provided, that for the purpose of providing this Certificate, the City may adjust the foregoing Adjusted Annual Net Revenues to reflect Additional Revenues; or

(ii) An Engineer's Report that the estimated Adjusted Annual Net Revenues for each of the five (5) Fiscal Years next following the earlier of (i) the end of the period during which interest on the Parity Obligations proposed to be executed is to be capitalized or, if no interest is capitalized, the Fiscal Year in which the Parity Obligations proposed to be executed is executed, or (ii) the date on which substantially all Projects financed with the Parity Obligations proposed to be executed plus all Projects financed with all existing Parity Obligations are expected to commence operations, will be at least equal to the Coverage Requirement for such period; provided, that for the purpose of providing this Engineer's Report, the

Independent Engineer may adjust the foregoing estimated Adjusted Annual Net Revenues to reflect Additional Revenues;

(3) A Certificate of the City that the Project to be acquired and constructed with the proceeds of such Parity Obligation is technically feasible and the estimated cost of the acquisition and construction thereof is reasonable, and (after giving effect to the completion of all uncompleted Projects) the rates, fees and charges estimated to be fixed and prescribed for the wastewater service for each Fiscal Year from the Fiscal Year in which such Parity Obligation is executed to and including the first complete Fiscal Year after the latest Date of Operation of any uncompleted Project are economically feasible and reasonably considered necessary based on projected operations for such period; and

(4) Upon the issuance of such Parity Obligations a reserve account may, but is not required to, be established for such Parity Obligations in an amount at least equal to the reserve requirement of such Parity Obligations.

(b) The provisions of subsection (a)(2) of this Section shall not apply to any Parity Obligations if, and to the extent that (i) all of the proceeds of such Parity Obligations (other than proceeds applied to pay costs of issuing such Parity Obligations and to make the reserve fund deposit required pursuant to subsection (a)(4) of this Section) shall be deposited in an irrevocable escrow held in cash or invested in Federal Securities for the purpose of paying the principal of and interest and premium (if any) on such outstanding Parity Obligations, and (ii) at the time of the incurring of such Parity Obligations, the City certifies in writing that Maximum Annual Debt Service on such Parity Obligations will not exceed Maximum Annual Debt Service on the outstanding Parity Obligations being refunded, and (iii) the final maturity of such Parity Obligations is not later than the final maturity of the Parity Obligations being refunded.

(c) The City may at any time execute any Subordinate Obligations payable as provided in this Section 5.13 provided that (i) no Event of Default has occurred and is continuing, (ii) the provisions of Section 5.13 relating to the conditions for the execution of Parity Obligations are satisfied for the execution of such Subordinate Obligation, and (iii) for purposes of Subordinate Obligations only, the first paragraph of the definition of Coverage Requirement shall be defined as (i) one hundred five percent (105%) of the sum of the Annual Debt Service plus the Subordinate Annual Debt Service for such Fiscal Year or twelve (12) calendar month period and (ii) one hundred percent (100%) of all obligations of the City payable in such Fiscal Year or twelve (12) calendar month period; provided, however, that any such bonds or other indebtedness shall provide for substantially level debt service, and shall not be subject to acceleration while the 2023 Notes remain outstanding.

Section 5.14. Compliance with USDA-RD Requirements. The City agrees to comply in all respects with all requirements and conditions of USDA-RD for the provision of permanent financing for the Project

Section 5.15. Against Encumbrances. The City hereby covenants and agrees that it shall not incur any obligations that are secured by a pledge and lien on the Net Revenues that is senior to the pledge and lien on the Net Revenues contained herein. The City will not make any pledge of or place any lien on the Net Revenues except as provided herein. The City may pledge Net

Revenues to secure Parity Obligations issued in accordance with Section 5.13 hereof. The City may at any time, or from time to time, but subject to compliance with Section 5.13(c), issue evidences of indebtedness for any lawful purpose that are payable from and secured by a pledge of and lien on Net Revenues that is subordinate in all respects to the pledge of and lien on the Net Revenues provided herein.

Section 5.16. Further Assurances. The City will adopt, make, execute and deliver any and all further resolutions, instruments, and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance hereof and for the better assuring and confirming unto the Bank of the rights and benefits provided to it herein.

Section 5.17. Financial Reports and Notices. The City shall furnish to the Bank:

(a) Annual Financial Statements. As soon as available, but in no event more than ~~240~~270 days after the end of each fiscal year of the City occurring during the term hereof, annual consolidated and consolidating financial statements of the City and its consolidated subsidiaries, if any, prepared in accordance with the Accounting Standards. Such financial statements will: (1) be audited by Independent Certified Public Accountants selected by the City and acceptable to Bank; (2) be accompanied by a report of such accountants containing an opinion thereon acceptable to Bank; (3) be prepared in reasonable detail and in comparative form; and (4) include a balance sheet and a statement of income, showing the assets, liabilities, reserves, revenues and expenditures of the Wastewater Enterprise. Such financial statements shall be accompanied by a certificate of an Authorized Representative certifying the City's compliance with the requirements of Section 5.3 hereof for such fiscal year.

(b) Budget. A copy of the City's approved budget for each fiscal year not later than 30 days after the ~~beginning of each such fiscal year~~adoption thereof.

(c) Notice of Default. Promptly after becoming aware thereof, notice of the occurrence of an Event of Default or a Potential Default, including, without limitation, any error in the City's financial information previously provided to Bank and the occurrence of any breach, default, event of default or event that, with the giving of notice and/or the passage of time and/or the occurrence of any other condition, would become a breach, default or event of default under any loan agreement, indenture, mortgage, or other credit or security agreement or instrument to which the City is a party or by which it or any of its property may be bound or affected.

(d) Notice of Litigation, Environmental Matters, Etc. Promptly after becoming aware thereof, notice of: (1) the commencement of any action, suit or proceeding before any court, arbitrator or governmental department, commission, board, bureau, agency, or instrumentality having jurisdiction over the City or the Wastewater Enterprise, that, if adversely decided, could have a Material Adverse Effect; (2) the receipt of any notice, indictment, pleading or other communication alleging a condition that may require the City to undertake or to contribute to a clean-up or other response under any environmental law, or that seeks penalties, damages, injunctive relief, criminal sanctions or other relief as a result of an alleged violation of any such law, or that claims personal injury or property damage as a result of environmental factors or conditions; and (3) any matter that could have a material adverse effect on the City or the Wastewater Enterprise, including any decision of any regulatory authority or commission.

(e) Notice of Certain Events. (1) Notice at least 30 days prior thereto, of any change in the City's name or corporate structure; (2) notice at least 30 days prior thereto, of any change in the City's organizational documents which changes must be approved in writing by Bank in its reasonable discretion; (3) notice at least 30 days prior thereto, of any change in the principal place of business of the City or the office where its records concerning its accounts are kept; (4) as soon as available after any changes thereto, copies of the City's organizational documents certified by the City's Clerk or equivalent officer acceptable to Bank; and (5) all other notices required to be provided hereunder.

(f) Project Progress Reports. Such progress reports and other information, accompanying each request for an Advance and as Bank otherwise requests from time to time for the Project, in reasonable detail acceptable to Bank, that reflect the Project progress and status, budgeted and actual expenses to date and those remaining of the capital expenditures being funded on an interim basis by the 2023 Notes, including, without limitation, evidence of the approval of all Advances by the general contractor for the Project and the Project engineer, copies of all inspection reports related to the Project upon the Bank's request, quarterly reconciliation to budget of the funds disbursed by the Bank and all resolutions, documentation and other information the Bank may request regarding the provision of permanent or additional interim financing relating to the Project. In addition, the City shall also provide any changes to the Letters of Conditions or otherwise from the USDA.

Section 5.18. Observance of Laws and Regulations. The City will well and truly keep, observe and perform or cause to be kept, observed and performed all valid and lawful obligations or regulations now or hereafter imposed on it by contract, or prescribed by any law of the United States, or of the State, or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of any and every right, privilege or franchise now owned or hereafter acquired and enjoyed by the City, including the City's right to exist and carry on business as a city, to the end that such rights, privileges and franchises shall be maintained and preserved, and shall not become abandoned, forfeited or in any manner impaired.

Section 5.19. Private Activity Bond Limitation. The City shall assure that monies deposited pursuant to this Agreement, and facilities financed with proceeds of the 2023 Notes, are not so used as to cause this Agreement to satisfy the private business tests of section 141(b) of the Code or the private loan financing test of section 141(d) of the Code.

Section 5.20. Federal Guarantee Prohibition. The City shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause this Agreement or the Interest Components of the 2023 Note Payments to be "federally guaranteed" within the meaning of section 149(b) of the Code.

Section 5.21. Maintenance of Tax Exemption. The City shall take all reasonable actions necessary to assure the exclusion of the Interest Components of the 2023 Note Payments from the gross income under the Code.

Section 5.22. Rebate Requirement. The City shall 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.

Section 5.23. No Arbitrage. The City shall not take any action with respect to the proceeds of the 2023 Notes which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the date this Agreement was entered into would have caused the 2023 Notes to be an “arbitrage bond” within the meaning of Section 148 of the Code.

Section 5.24. Budget. The City hereby covenants to take such action as may be necessary to include all 2023 Note Payments and all other amounts due hereunder in its annual budget and to make the necessary annual appropriations for all such 2023 Note Payments and all other amount due hereunder.

Section 5.25. Notices. The City shall provide to the Bank:

(a) Immediate notice by telephone, promptly confirmed in writing, of any event, action or failure to take any action which constitutes an Event of Default under this Agreement, together with a detailed statement by an Authorized Representative of the steps being taken by the City to cure the effect of such Event of Default.

(b) Prompt written notice (i) of any action, suit or proceeding or any investigation, inquiry or similar proceeding by or before any court or other governmental authority, domestic or foreign, against the City or the Wastewater Enterprise or the Revenues which involve claims equal to or in excess of \$~~100~~500,000 or that seeks injunctive relief, or (ii) of any loss or destruction of or damage to any portion of the Wastewater Enterprise in excess of \$~~100~~500,000.

(c) Prompt written notice of any Material Litigation, or any investigation, inquiry or similar proceeding by any Governmental Authority with respect to any matter that relates to or could impact any Revenues.

(d) Prompt written notice of any Event of Taxability.

(e) Promptly upon notice thereof, any termination or cancellation of any insurance policy which the City is required to maintain, or any uninsured or partially uninsured loss through liability or property damage, or through fire, theft or any other cause affecting the City property in excess of an aggregate of \$~~100~~500,000.

(f) With reasonable promptness, such other information respecting the City, Wastewater Enterprise, and the operations, affairs and financial condition of the City as the Bank may from time to time reasonably request.

ARTICLE VI

EVENTS OF DEFAULT AND REMEDIES

Section 6.1. Events of Default and Remedies.

(a) Events of Default. The following shall be Events of Default hereunder:

(1) Failure by the City to pay any Principal Component or Interest Component on the 2023 Notes when due.

(2) Failure by the City to observe and perform any covenant, condition or agreement on its part contained herein pertaining to the Wastewater Enterprise, other than in clause (1) of this subsection, for a period of thirty (30) days after written notice specifying such failure and requesting that it be remedied has been given to the City by the Bank; *provided, however*, if in the reasonable opinion of the City the failure stated in the notice can be corrected, but not within such thirty (30) day period, the Bank shall not unreasonably withhold its consent to an extension of such time (not to exceed ~~90~~60 days) if corrective action is instituted by the City within such thirty (30) day period and diligently pursued until the default is corrected.

(3) Default by the City under any Parity Obligation (or Subordinate Obligations which requires or permits the immediate acceleration thereof).

(4) Institution of any proceeding under the United States Bankruptcy Code or any federal or state bankruptcy, insolvency, or similar law or any law providing for the appointment of a receiver, liquidator, trustee, or similar official of the City or of all or substantially all of its assets, by or with the consent of the City, or institution of any such proceeding without its consent that is not permanently stayed or dismissed within sixty (60) days, or agreement by the City with the City's creditors to effect a composition or extension of time to pay the City's debts, or request by the City for a reorganization or to effect a plan of reorganization, or for a readjustment of the City's debts, or a general or any assignment by the City for the benefit of the City's creditors.

(5) Any statement, representation or warranty made by the City in or pursuant to this Agreement or its execution, delivery or performance proves to have been false, incorrect, misleading or breached in any material respect on the date made; provided, however, that the occurrence of the foregoing shall not constitute an Event of Default until 30 days after the Bank has given notice to the City. Upon receiving notice from the Bank, the City shall have a reasonable opportunity to discuss the matter with the Bank and remedy accordingly before an Event of Default occurs.

(6) This Agreement or any material provision of this Agreement shall at any time for any reason cease to be the legal, valid and binding obligation of the City or shall cease to be in full force and effect, or shall be declared to be unenforceable, invalid or void, or the validity or enforceability thereof shall be contested by the City, or the City shall renounce the same or deny that it has any further liability hereunder.

(7) Dissolution, termination of existence or insolvency of the City.

(8) Any court of competent jurisdiction with jurisdiction to rule on the validity of any provision of this Agreement shall find or rule that this Agreement is not valid or not binding on the City.

(b) Remedies on Default. Whenever any Event of Default shall have happened and be continuing, the Bank shall have the right, at its option upon notice to the City, to cease making Advances hereunder and to declare the unpaid aggregate Principal Components of the 2023 Notes,

and the interest accrued thereon, to be immediately due and payable, whereupon the same shall immediately become due and payable.

The Bank shall also have the right, at its option upon notice to the City, to (i) apply to and obtain from any court of competent jurisdiction such decree or order as may be necessary to require officials of the City to charge and collect rates for services provided by the City and the Wastewater Enterprise sufficient to meet all requirements of this Agreement, and (ii) take whatever action at law or in equity as may appear necessary or desirable to collect the 2023 Note Payments then due or thereafter to become due during the Term of this Agreement, or enforce performance and observance of any obligation, agreement or covenant of the City under this Agreement, subject to the following paragraph.

Notwithstanding any provision of this Agreement, the City's liability to pay the 2023 Note Payments and other amounts hereunder shall be limited solely to Net Revenues and Take-Out Financing Proceeds as provided in Article IV hereof. In the event that Net Revenues shall be insufficient at any time to pay a Principal Component and/or Interest Component in full, the City shall not be liable to pay or prepay such delinquent 2023 Note Payment other than from Net Revenues.

Section 6.2. Application of Funds Upon Acceleration. Upon the date of the declaration of acceleration as provided in Section 6.1, all Revenues remaining in the Wastewater Utility Fund and all Revenues thereafter received by the City shall be applied in the following order:

First, to the payment of the fees, costs and expenses necessary to protect the interests of the Bank and the holders of Parity Obligations, including the fees, costs and expenses of the Bank and any trustee, paying agent or holder of Parity Obligations in connection with such declaration, including reasonable compensation to their respective accountants and counsel; and

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

Third, to the payment of the entire unpaid aggregate Interest Components of the 2023 Notes and the accrued interest on any Parity Obligations, with interest on the overdue payments at the rate or rates of interest applicable to the 2023 Notes and any such Parity Obligations if paid in accordance with their respective terms, and, if the amount available shall not be sufficient to pay in full the whole amount so due and unpaid, then to the payment thereof ratably, without preference or priority, according to the amounts due respectively, to the Persons entitled thereto without any discrimination or preference; and

Fourth, to the payment of the entire unpaid aggregate Principal Components of the 2023 Notes and the principal due on any unpaid Parity Obligations, and, if the amount available shall not be sufficient to pay in full the whole amount so due and unpaid, then to the payment thereof ratably, without preference or priority, according to the amounts due respectively, to the Persons entitled thereto without any discrimination or preference.

Section 6.3. Other Remedies of the Bank. The Bank shall have the right:

- (a) by mandamus or other action or proceeding or suit at law or in equity to enforce its rights against the City;
- (b) by suit in equity to enjoin any acts or things that are unlawful or violate the rights of the Bank; or
- (c) by suit in equity upon the happening of an Event of Default to require the City and its City Council, officers and employees to account as the trustee of an express trust.

Section 6.4. Non-Waiver. Nothing in this article or in any other provision hereof, or in the 2023 Notes, shall affect or impair the obligation of the City, which is absolute and unconditional, to pay the principal of and interest on the 2023 Notes to the Bank when due, as herein provided, out of the Net Revenues herein pledged for such payment, or shall affect or impair the right of the Bank, which is also absolute and unconditional, to institute suit to enforce such payment by virtue of the contract embodied in this Agreement.

A waiver of any default or breach of duty or contract by the Bank shall not affect any subsequent default or breach of duty or contract or impair any rights or remedies on any such subsequent default or breach of duty or contract. No delay or omission by the Bank to exercise any right or remedy accruing upon any default or breach of duty or contract shall impair any such right or remedy or shall be construed to be a waiver of any such default or breach of duty or contract or an acquiescence therein, and every right or remedy conferred upon the Bank by law or by this article may be enforced and exercised from time to time and as often as shall be deemed expedient by the Bank.

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

Section 6.5. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Bank 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.

Section 6.6. Prosecution and Defense of Suits. The City shall promptly, upon request of the Bank or its assignee, from time to time take or cause to be taken such action as may be necessary or proper to remedy or cure any defect in or cloud upon the title to the Wastewater Enterprise whether now existing or hereafter arising and shall prosecute all such suits, actions and other proceedings as may be appropriate for such purpose.

ARTICLE VII

NOTICES

Section 7.1. Notices. All written notices under this Agreement 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. Notice is effective either (a) upon actual receipt after deposit in the United States mail, postage prepaid, or (b) in any other case, upon actual receipt. The City or the Bank may, by written notice to the other parties, from time to time modify the address or number to which communications are given hereunder.

If to the City: City of San Juan Bautista
311 Second Street
San Juan Bautista, CA 95045
Attention: City Manager

If to the Bank: First Foundation ~~Bank~~Public Finance
2233 Douglas Boulevard, Suite 300
Roseville, California 95661
Attention: Trevor Mael

ARTICLE VIII

AMENDMENTS; DISCHARGE; GENERAL AUTHORIZATION; EFFECTIVE DATE

Section 8.1. Amendments Permitted. (a) This Agreement and the rights and obligations of the City and of the Bank may be modified or amended at any time by a written supplemental agreement entered into by the City and the Bank.

(b) From and after the time any supplemental agreement becomes effective pursuant to this Article, this Agreement shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties, and obligations under this Agreement and the Bank shall thereafter be determined, exercised, and enforced hereunder subject in all respects to such modification and amendments, and all the terms and conditions of any such supplemental agreement shall be deemed to be part of the terms and conditions of this Agreement for any and all purposes.

Section 8.2. Discharge of Agreement . If the City shall pay or cause to be paid or there shall otherwise be paid to the Bank the principal of and the interest and the prepayment premium, if any, on the 2023 Notes at the times and in the manner stipulated herein, then all agreements, covenants and other obligations of the City to the Bank hereunder shall thereupon cease, terminate and become void and be discharged and satisfied.

Section 8.3. General Authorization. The Authorized Representatives of the City, and each of them individually, are hereby authorized and directed, for and in the name of and on behalf

of the City, to execute and deliver any and all documents (including specifically this Agreement and the 2023 Notes), to do any and all things and take any and all actions that may be necessary or advisable, in their discretion, in order to consummate the financing and to effect the purposes of this Agreement and the 2023 Notes. All actions heretofore taken by officers, employees, and agents of the City that are in conformity with the purposes and intent of this Agreement are hereby approved, confirmed, and ratified.

Section 8.4. Cancellation of 2023 Notes. All 2023 Notes surrendered to the City for payment upon maturity or for redemption shall upon payment therefor be cancelled forthwith and shall not be reissued.

Section 8.5. Reserved.

Section 8.6. Binding Effect. This Agreement shall inure to the benefit of and shall be binding upon the Bank and the City and their respective successors and assigns.

Section 8.7. Severability. In the event any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 8.8. Further Assurances and Corrective Instruments. The Bank and the City agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for carrying out the expressed intention of this Agreement.

Section 8.9. Applicable Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California. In the event of any legal action to enforce or interpret this Agreement, including any challenge to or review of arbitration, the sole and exclusive venue shall be a court of competent jurisdiction located in San Benito County, California, or the Northern District of California if moved to federal venue, and the parties hereto agree to and do hereby submit to such jurisdiction, notwithstanding Code of Civil Procedure section 394.

Section 8.10. Captions. The captions or headings in this Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provisions or Section of this Agreement.

Section 8.11. Expenses. The fees and disbursements of Bond Counsel and municipal advisor, the cost of preparing the documentation, CDIAC fees, fees of Bank's Counsel and other miscellaneous expenses of the City incurred in connection with the execution and delivery of the 2023 Notes shall all be the obligation of the City. The Bank shall have no responsibility for any expenses associated with the issuance of the 2023 Notes, including, but not limited to, the expenses identified above as the obligation of the City.

Section 8.12. Judicial Reference.

(a) The Bank and the City hereby agree: (i) each proceeding or hearing based upon or arising out of, directly or indirectly, this Agreement or any document related thereto, any dealings between the City and the Bank related to the subject matter of this Agreement or any related

transactions, and/or the relationship that is being established between the City and the Bank (hereinafter, a "Claim") shall be determined by a consensual general judicial reference (the "Reference") pursuant to the provisions of Section 638 et seq. of the California Code of Civil Procedure, as such statutes may be amended or modified from time to time; (ii) upon a written request, or upon an appropriate motion by either the Bank or the City, as applicable, any pending action relating to any Claim and every Claim shall be heard by a single Referee (as defined below) who shall then try all issues (including any and all questions of law and questions of fact relating thereto), and issue findings of fact and conclusions of law and report a statement of decision. The Referee's statement of decision will constitute the conclusive determination of the Claim. The Bank and the City agree that the Referee shall have the power to issue all legal and equitable relief appropriate under the circumstances before the Referee; (iii) the Bank and the City shall promptly and diligently cooperate with one another, as applicable, and the Referee, and shall perform such acts as may be necessary to obtain prompt and expeditious resolution of all Claims in accordance with the terms of this Section 8.10; (iv) either the Bank or the City, as applicable, may file the Referee's findings, conclusions and statement with the clerk or judge of any appropriate court, file a motion to confirm the Referee's report and have judgment entered thereon. If the report is deemed incomplete by such court, the Referee may be required to complete the report and resubmit it; (v) the Bank and the City, as applicable, will each have such rights to assert such objections as are set forth in Section 638 et seq. of the California Code of Civil Procedure; and (vi) all proceedings shall be closed to the public and confidential, and all records relating to the Reference shall be permanently sealed when the order thereon becomes final.

(b) The parties to the Reference proceeding shall select a single neutral referee (the "Referee"), who shall be a retired judge or justice of the courts of the State of California, or a federal court judge, in each case, with at least ten (10) years of judicial experience in civil matters. The Referee shall be appointed in accordance with Section 638 of the California Code of Civil Procedure (or pursuant to comparable provisions of federal law if the dispute falls within the exclusive jurisdiction of the federal courts). If within ten (10) days after the request or motion for the Reference, the parties to the Reference proceeding cannot agree upon a Referee, then any party to such proceeding may request or move that the Referee be appointed by the Presiding Judge of the San Benito County Superior Court, or of the U.S. District Court for the Northern District of California. The Referee shall determine all issues relating to the applicability, interpretation, legality and enforceability of this Section 8.12.

(c) No provision of this Section 8.12 shall limit the right of either the Bank or the City, as the case may be, to (i) exercise such self-help remedies as might otherwise be available under applicable law, or (ii) obtain or oppose provisional or ancillary remedies, including without limitation injunctive relief, writs of possession, the appointment of a receiver, and/or additional or supplementary remedies from a court of competent jurisdiction before, after, or during the pendency of any Reference. The exercise of, or opposition to, any such remedy does not waive the right of the Bank or the City to the Reference pursuant to this Section 8.12(c).

(d) Promptly following the selection of the Referee, the City shall advance the estimated fees and costs of the Referee. In the statement of decision issued by the Referee, the Referee shall award costs, including reasonable attorneys' fees, to the prevailing party, if any, and may order the Referee's fees to be paid or shared by the parties to such Reference proceeding in such manner as the Referee deems just.

Section 8.13. Agreement to Pay Attorneys' Fees and Expenses. The City will pay the Bank its reasonable attorney fees and costs incurred subsequent to an Event of Default.

Section 8.14. Net-Net-Net Contract. This Agreement is a “net-net-net contract” and the City hereby agrees that the 2023 Note Payments are an absolute net return to the Bank, free and clear of any expenses, charges or set-offs whatsoever.

Section 8.15. 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.

[Signature Page to Follow on Next Page]

IN WITNESS WHEREOF, the Bank has caused this Agreement to be executed in its corporate name by its duly authorized officer; and the City has caused this Agreement to be executed in its name by its City Manager, as of the date first above written.

FIRST FOUNDATION ~~BANK~~PUBLIC
FINANCE

By: _____
Authorized Signatory

CITY OF SAN JUAN BAUTISTA

By: _____
Don Reynolds, City Manager

EXHIBIT A

~~Reserved~~

LETTER OF CONDITIONS

EXHIBIT B

DESCRIPTION OF PROJECT

The Project generally consists of (i) the decommissioning of the existing Sequencing Batch Reactor pond plan and converting it into an emergency storage basin, (ii) the construction of a new pump station to deliver equalized and screened raw sewage to the City of Hollister Wastewater Treatment Plant, (iii) a new 10-inch diameter high-density polyethylene pipe for treatment disposal at the City of Hollister Wastewater Treatment Plant. The projected scope of work also includes site piping and grading, demolition, construction, instrumentation, as well as all necessary work and appurtenances thereto, as well as any necessary permits, rights of way and other real or personal property useful in connection therewith, together with all additions, extensions, expansions, improvements and betterments thereto and equipments thereof.

The Project may also include any other capital addition to or replacement of any portion of the Wastewater Enterprise so long as the same are approved in writing by the Bank and USDA/RD and the payment of the costs of such capital addition or replacement with moneys in the Project Fund will not, in and of itself, adversely affect the tax-exempt status of 2023 Notes issued and Outstanding under this Agreement.

EXHIBIT C
FORM OF BOND ANTICIPATION NOTE

No. R-1

Not to Exceed: ~~\$15,000~~\$14,600,000.00

UNITED STATES OF AMERICA
STATE OF CALIFORNIA

\$ _____

\$14,600,000 (not to exceed)

CITY OF SAN JUAN BAUTISTA
SERIES 2023 WASTEWATER REVENUE BOND ANTICIPATION NOTES
(SAN JUAN BAUTISTA TO HOLLISTER FORCE MAIN DEVELOPMENT PROJECT)

INTEREST RATE: 4.930%~~%~~%*

CLOSING DATE: February 15, 2023

MATURITY DATE: February 1, 2026

REGISTERED OWNER: FIRST FOUNDATION ~~BANK~~PUBLIC FINANCE (and its successors and assigns)

PRINCIPAL AMOUNT: NOT TO EXCEED FIFTEEN MILLION DOLLARS

This Bond Anticipation Note (the “2023 Note”) evidences the obligations (the “2023 Notes”) of the City of San Juan Bautista (the “City”) under the 2023 Financing Agreement dated as of February 1, 2023 (the “Agreement”), by and between the City and First Foundation ~~Bank~~Public Finance (the “Bank”), which is being executed and delivered by the City. The City for value received, hereby promises to pay to the registered owner named above, or registered assigns (the “Owner”), on the Maturity Date set forth above, unless prepaid prior thereto as hereinafter provided, the principal amount set forth above, and to pay interest on such principal amount from the Closing Date set forth above, or from the most recent 2023 Note Payment Date (as hereinafter defined) to which interest has been paid or duly provided for. Interest on the unpaid principal balance of this 2023 Note shall be payable semiannually on each October 1 and April 1, commencing October 1, 2023 (each, a “2023 Note Payment Date”), at the interest rate per annum set forth above (unless payable at the Default Rate or the Taxable Rate, as defined and set forth in the Agreement), until the principal amount hereof is paid in full or made provision for such payment has been made.

Interest will be calculated on the actual number of days this 2023 Note is outstanding on the basis of a year consisting of 360 days.

* Assuming no Event of Default or Event of Taxability

The City covenants for the benefit of the Bank that it will not take any action or omit to take any action with respect to this 2023 Note, the proceeds thereof, any other funds of the City or any facilities financed or refinanced with the proceeds of this 2023 Note if such action or omission would cause the interest on this 2023 Note to lose its exclusion from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). The foregoing covenant shall remain in full force and effect notwithstanding the payment in full or defeasance of this 2023 Note until the date on which all obligations of the City in fulfilling the above covenant under the Code have been met.

The City is authorized to enter into the Agreement and to issue the 2023 Notes in the aggregate principal amount of not to exceed ~~\$15,000~~ 14,600,000 pursuant to Resolution No. 2023-__ (the "Resolution"), adopted by the City Council of the City on January 31, 2023, and Section 53859 *et seq.* of the California Government Code (the "Bond Law").

Reference is made to the Agreement for the complete provisions thereof, and by acceptance hereof the registered owner of this 2023 Note assents to said terms and conditions as if fully set forth herein. The Agreement is authorized under, and this 2023 Note is issued under, and both are to be construed in accordance with, the Bond Law and other laws of the State of California.

Pursuant to the Bond Law, the Resolution and the Agreement, the principal of and interest on the 2023 Notes are payable from Net Revenues and Take-Out Financing Proceeds (each as defined in the Agreement), and funds held under the Agreement. The City has agreed in the Agreement to collect Net Revenues sufficient to pay the payments on the 2023 Notes when due.

The 2023 Notes are subject to optional prepayment as set forth in the Agreement. The 2023 Notes are also subject to extraordinary prepayment in accordance with the Agreement.

The 2023 Notes shall be registered in the name of the Registered Owner hereof, as to both principal and interest. Each registration and transfer of registration of this 2023 Note shall be entered by the City in books kept by it for this purpose and authenticated by its manual signature upon the certificate of authentication endorsed hereon.

The Agreement and the rights and obligations of the City thereunder may be modified or amended as set forth therein. The principal of this 2023 Note is subject to acceleration upon a default as prescribed in the Agreement.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED by the City that all acts, conditions and things required by law to exist, happen and be performed precedent to and in the issuance of the 2023 Notes have existed, happened and been performed in due time, form and manner as required by law, and that the amount of the 2023 Notes, together with all other indebtedness of the City, does not exceed any debt limit prescribed by the laws or Constitution of the State of California.

IN WITNESS WHEREOF, the City has caused this 2023 Note to be dated the Closing Date shown first above, to be signed by the manual signature of its Mayor or City Manager, and attested to by the manual

signature of its City Clerk or Deputy City Clerk, and has caused this 2023 Note to be dated as of the dated date set forth above.

CITY OF SAN JUAN BAUTISTA

By:_____

ATTEST:

By:_____

EXHIBIT D

~~\$ _____~~

\$14,600,000 (not to exceed)

CITY OF SAN JUAN BAUTISTA

**SERIES 2023 WASTEWATER REVENUE BOND ANTICIPATION NOTES
(SAN JUAN BAUTISTA TO HOLLISTER FORCE MAIN DEVELOPMENT PROJECT)**

**FORM OF REQUISITION
FOR DISBURSEMENT OF COSTS OF ISSUANCE**

The undersigned, as an Authorized Representative (as defined below) of the City of San Juan Bautista (the "City"), in connection with the above-captioned ~~\$ _____~~ \$14,600,000 (not to exceed) aggregate maximum principal amount of the City of San Juan Bautista, Series 2023 Wastewater Revenue Bond Anticipation Notes (San Juan Bautista to Hollister Force Main Development Project) (the "2023 Notes"). The 2023 Notes were approved by the City pursuant to Resolution No. 2023-__ (the "Resolution"), adopted by the City Council of the City on ~~February __,~~ January 31, 2023, and was executed and delivered pursuant to a 2023 Financing Agreement, dated as of February 1, 2023, by and between First Foundation ~~Bank~~ Public Finance (the "Bank") and the City (the "Agreement"), does hereby certify on behalf of the City that:

(i) the undersigned is a duly Authorized Representative (as defined in the Agreement) with authority to act on behalf of the City as necessary in connection with execution and delivery of the 2023 Notes, and as such, is authorized to disburse money for the payment of Costs of Issuance (the "Costs of Issuance"), which moneys have been set aside by Bank for the purpose of paying the Costs of Issuance provided for in the Agreement;

(ii) an obligation in the not-to-exceed amount stated for each of the payees set forth on Attachment I, attached hereto and by this reference incorporated herein, has been properly incurred under and pursuant to the Agreement, and each such obligation is a proper charge Cost of Issuance, and has not been the basis of any previous disbursement;

(iii) that pursuant to the Agreement, the Bank is hereby instructed to pay to the parties listed on Attachment I hereto the sum listed opposite such parties names as a payment for the items listed and the expenses incidental thereto for Costs of Issuance (but no more than the amount set forth opposite each such payee). These costs have been properly incurred, are each a proper charge under the Agreement and have not been the basis of any previous disbursements; and

(iv) all payments shall be made by check or wire transfer in accordance with payment instructions contained in Attachment I attached hereto, or in the invoice submitted in accordance herewith, and the Bank may rely on such payment instructions as though given by the City with no duty to investigate or inquire as to the authenticity of the invoice or the payment instructions contained therein.

Dated: February __, 2023

CITY OF SAN JUAN BAUTISTA

By: _____

EXHIBIT E

\$ _____

\$14,600,000 (not to exceed)

**CITY OF SAN JUAN BAUTISTA
SERIES 2023 WASTEWATER REVENUE BOND ANTICIPATION NOTES
(SAN JUAN BAUTISTA TO HOLLISTER FORCE MAIN DEVELOPMENT PROJECT)**

**FORM OF REQUISITION
FOR DISBURSEMENT OF PROJECT COSTS**

The undersigned hereby states and certifies that:

1. the undersigned is an Authorized Representative (as defined below) of the City of San Juan Bautista (the “City”), and as such, is familiar with the facts herein certified and is authorized and qualified to certify the same;
2. the undersigned is a duly designated “Authorized Representative,” as such term is defined in that certain 2023 Financing Agreement, dated as of February 1, 2023, by and between ~~the~~ First Foundation ~~Bank~~ Public Finance (the “Bank”) and the City (the “Agreement”);
3. pursuant to the Agreement, the City is authorized to disburse this date, from the Project Fund established under the Agreement, to the payees set forth on Attachment I attached hereto and by this reference incorporated herein, at the addresses identified thereon, the amount set forth opposite such payee for payment of Project Costs;
4. the amounts to be disbursed constitute Project Costs, that said amounts are required to be disbursed pursuant to a contract entered into by or on behalf of the City, or were necessarily and reasonably incurred, and that said amounts are not being paid in advance of the time, if any, fixed for payment;
5. no amount set forth in this requisition was included in any requisition requesting disbursement previously filed with the City pursuant to the Agreement;
6. insofar as such requisition relates to payment for work, materials, equipment or supplies, such work was actually performed, or such materials, equipment or supplies were actually utilized or installed in furtherance of the Project or delivered to the appropriate site for such purpose, or delivered for storage or fabrication at a place approved by the City in connection with the Project;
7. if such requisition relates to payment to a contractor, that no liens have been imposed on the Project as a result of said construction except liens that have not yet ripened or that would attach by operation of law; and
8. any capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in the Agreement.

Dated: _____, 202__

CITY OF SAN JUAN BAUTISTA

By: _____

Title: _____

By: _____
Don Reynolds, City Manager

APPROVED:

United States Department of Agriculture, Rural Development

By: _____

Title: _____

First Foundation ~~Bank~~ Public Finance

By: _____

Title: _____

ATTACHMENT I

Payee Name and Address

Purpose of Obligation

Amount

EXHIBIT F

~~\$ _____~~

\$14,600,000 (not to exceed)

**CITY OF SAN JUAN BAUTISTA
SERIES 2023 WASTEWATER REVENUE BOND ANTICIPATION NOTES
(SAN JUAN BAUTISTA TO HOLLISTER FORCE MAIN DEVELOPMENT PROJECT)**

FORM OF PURCHASER LETTER

City of San Juan Bautista
San Juan Bautista, California

The Weist Law Firm
Los Gatos, California

This letter (this “Purchaser Letter”) is to provide you with certain representations and agreements with respect to the above-referenced ~~\$ _____~~ \$14,600,000 (not to exceed) aggregate maximum principal amount of the City of San Juan Bautista, Series 2023 Wastewater Revenue Bond Anticipation Notes (San Juan Bautista to Hollister Force Main Development Project) (the “2023 Notes”). The 2023 Notes were approved by the City pursuant to Resolution No. 2023-__ (the “Resolution”), adopted by the City Council of the City of San Juan Bautista (the “City”) on ~~February __,~~ January 31, 2023, and was executed and delivered pursuant to a 2023 Financing Agreement, dated as of February 1, 2023, by and between First Foundation ~~Bank~~ Public Finance (the “Bank”) and the City (the “Agreement”). Capitalized terms not otherwise defined herein will have the meanings set forth in the Agreement.

We (the “undersigned,” “us” or “we,” as applicable) hereby represent and warrant to you and agree with you as follows:

(i) the Bank is duly organized, validly existing and in good standing under the laws of the jurisdiction in which it was incorporated or formed and has the full legal right, power and authority to sign this Purchaser Letter;

(ii) the undersigned is a duly authorized, qualified, and acting officer of the Bank and is authorized to cause the Bank to make the representations and warranties contained herein on behalf of the Bank, and this Purchaser Letter has been duly authorized, executed, and delivered by the Bank;

(iii) the Bank has sufficient knowledge and experience in financial and business matters, including municipal and other tax-exempt obligations similar to the 2023 Notes, to be able to evaluate the risks and merits of the obligation represented by the 2023 Notes and is able to bear the economic risks of the purchase of such obligation;

(iv) the Bank understands that the neither the 2023 Notes nor the Agreement have been registered with any federal or state securities agency or commission; and further understands that the 2023 Notes and the Agreement (a) are not being registered or otherwise qualified for sale under the “Blue Sky” laws and

regulations of any state; (b) will not be listed in any stock or other securities exchange; and (c) will not carry a rating from any rating service;

(v) as a banking institution, we have made our own credit inquiry and analysis with respect to the City, the City's Wastewater Enterprise (the "Wastewater Enterprise") and the 2023 Notes, and the Bank acknowledges that it has either been supplied with or has been given access to such information as we have requested, and the Bank has had the opportunity to ask questions and receive answers from knowledgeable individuals concerning the legal, physical and fiscal condition of the City and the Wastewater Enterprise, as well as the insurance, security and prepayment arrangements set forth in the Agreement and the 2023 Notes, so that the Bank has been able to make an informed decision to purchase the 2023 Notes;

(vi) the Bank understands and acknowledges that no official statement, offering memorandum or any disclosure document has been prepared, nor is any contemplated to be prepared, and that there is no reserve fund required for the 2023 Notes;

(vii) the Bank understands and acknowledges it is purchasing the 2023 Notes as a loan for its loan portfolio, and it is not intended that the transaction be subject to the requirements of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended, and therefore the City has not undertaken, other than as provided in the Agreement, to provide to or for the benefit of holders of the 2023 Notes financial or operating data or any other information with respect to the City, the Wastewater Enterprise or the 2023 Notes on an ongoing basis, other than as specifically set forth in the Agreement;

(viii) the Bank has made its own inquiry and analysis with respect to the 2023 Notes and the security therefore, and other material factors affecting the security and payment of the 2023 Notes;

(ix) the Bank is either:

(a) an "accredited investor" as such term is defined in Section 2(15) of the Securities Act of 1933, as amended (the "Securities Act"); or

(b) a "qualified institutional buyer" as such term is defined in Rule 144A promulgated under the Securities Act;

(x) the Bank is purchasing the 2023 Notes for its own account and not with present view toward resale or distribution, and we have not offered, offered to sell, offered for sale or sold any of the 2023 Notes by means of any form of general solicitation or general advertising, and we are not an underwriter of the 2023 Notes within the meaning of Section 2(11) of the Securities Act; *provided, however*, that the Bank reserves the right to sell, transfer, assign or redistribute the 2023 Notes without the consent of the City in accordance with the Agreement and all applicable securities laws, but agrees that any such sale, transfer or redistribution by the Bank shall be:

(a) to any subsidiary of the Bank, any affiliate of the Bank, any entity arising out of any merger or consolidation of the Bank, or a trustee in bankruptcy of the Bank, as certified to the City by an officer of such transferee, but only to the extent allowable under the Securities Act;

(b) to any “accredited investor” (within the meaning of Section 2(15) of the 1933 Securities Act) or any “qualified institutional buyer” (within the meaning of Rule 144A promulgated under the Securities Act);

(c) to any bank, savings institution or insurance company (whether acting in a trustee or custodial capacity for any “accredited investor” as defined in clause (x), above, “qualified institutional buyer” as defined in clause (x), above, or on its own behalf as a “qualified institutional buyer” as defined in clause (x), above or an “accredited investor” as defined in clause (x), above), as certified to the City by an officer of such transferee; or

(d) to any trust or custodial arrangement each of the beneficial owners of which is required to be an “accredited investor” or “qualified institutional buyer” (as defined in clause (x), above);

(xi) the Bank recognizes that the 2023 Notes involves significant risks, there is no established market for the 2023 Notes and that none is likely to develop and, accordingly, the Bank is able and willing to bear the economic risk of the 2023 Notes for an indefinite period of time;

(xii) the Bank further acknowledges that it is responsible for consulting with its advisors concerning any obligations, including, but not limited to, any obligations pursuant to federal and state securities and income tax laws it may have with respect to subsequent assignments or assignees of the 2023 Notes if and when any such future disposition of the 2023 Notes may occur;

(xiii) No person has made any direct or indirect representation or warranty of any kind to us with respect to the economic return which may accrue to us. We have consulted with our own tax counsel and other advisors with respect to the 2023 Notes;

(xiv) the Bank acknowledges that The Weist Law Firm (“Bond Counsel”) is acting as bond counsel to the City, that Bond Counsel has no attorney-client relationship with the Bank, and that the Bank has sought legal advice from its own counsel to the extent it concluded legal advice was necessary, and further that the Bank has not sought or relied upon financial advice from Bond Counsel relating to its decision to purchase the 2023 Notes (except that the Bank is relying on any opinion letters issued by Bond Counsel in connection with the 2023 Notes and addressed to it); and

(xv) The Bank is not relying upon the City, Bond Counsel or any of their affiliates or employees for advice as to the merits and risks pertaining to the 2023 Notes. The Bank has sought such accounting, legal and tax advice as it has considered necessary to make an informed credit decision.

IN WITNESS WHEREOF, the undersigned has executed this Purchaser Letter as of the ___th day of _____, 20__.

EXHIBIT G

~~\$ _____~~

\$14,600,000 (not to exceed)

**CITY OF SAN JUAN BAUTISTA
SERIES 2023 WASTEWATER REVENUE BOND ANTICIPATION NOTES
(SAN JUAN BAUTISTA TO HOLLISTER FORCE MAIN DEVELOPMENT PROJECT)**

FORM OF REQUEST FOR ADVANCES

TO: First Foundation ~~Bank~~Public Finance (the “Bank”)

FROM: Authorized Representative of the City of San Juan Bautista

The undersigned hereby states and certifies:

(i) that the undersigned is the duly appointed, qualified and acting Authorized Representative of the City of San Juan Bautista, a municipal corporation and general law city, duly organized and existing under and by virtue of the laws and Constitution of the State of California (the “City”), and as such, is familiar with the facts herein certified and is authorized to certify the same;

(ii) that, pursuant to Section 3.1 of that certain Financing Agreement, dated February 1, 2023 (the “Agreement”), by and between the Bank and the City, the undersigned hereby requests the Bank to disburse this date the following Advance under the Agreement, in the amount of \$ _____, to the City for deposit into the Project Fund established and held by the City to cover the Project Costs listed on the attached Exhibit A. The supporting documentation for each requested Project Cost item is enclosed. No portion of the amount herein requested to be disbursed was set forth in any Request of the City, requisition or funding request which was previously submitted to the Bank by the City;

(iii) that each obligation mentioned herein has been incurred by the City and is a proper charge against the Agreement;

(iv) that, upon satisfaction of the Advance requested hereby, the total of all outstanding Advances will not exceed ~~\$ _____~~; \$14,600,000;

(v) that the Bank is entitled to note the principal amount, interest rate and date of the Advance requested hereby in its internal records, and that the City shall make a similar notation in its internal records;

(vi) that any approval required under the California Environmental Quality Act, as amended (Division 13 of the California Public Resources Code), prior to the expenditure of such amount for the purpose set forth on the attached Exhibit A has been received and is final;

(vii) that there has not been filed with or served upon the City notice of any lien, right to lien or attachment upon, or claim affecting the right to receive payment of, any of the moneys payable to any of the vendors named in the supporting documentation enclosed herewith, which has not been released or will not be released simultaneously with the payment of such obligation;

(viii) that no Event of Default or Potential Default has occurred or is continuing under the Agreement;

(ix) that each representation and warranty set forth in the Agreement and the closing certificate of the City dated the Closing Date and relating to the Agreement remains true and correct, except for such representations and warranties that speak as of a specified date, which representations and warranties were true as of that date; and

(x) that capitalized terms which are used herein and not defined have the meanings given to such terms in the Agreement.

Dated: _____, 202_

CITY OF SAN JUAN BAUTISTA

By: _____
Authorized Representative

APPROVED:

United States Department of Agriculture, Rural Development

By:

Title:

EXHIBIT A

DISBURSEMENTS FOR PROJECT COSTS

<i><u>Item Number</u></i>	<i><u>Payee Name and Address</u></i>	<i><u>Purpose of Obligation and Vendor Name</u></i>	<i><u>Amount</u></i>
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