

Agenda

Sacramento Suburban Water District Regular Board Meeting

3701 Marconi Avenue, Suite 100
Sacramento, California 95821

Monday, March 19, 2018
6:00 p.m.

Where appropriate or deemed necessary, the Board may take action on any item listed on the agenda, including items listed as information items. Public documents relating to any open session item listed on this agenda that are distributed to all or a majority of the members of the Board of Directors less than 72 hours before the meeting are available for public inspection in the customer service area of the District's Administrative Office at the address listed above.

The public may address the Board concerning an agenda item either before or during the Board's consideration of that agenda item. Persons who wish to comment on either agenda or non-agenda items should fill out a Comment Card and give it to the General Manager. The President will call for comments at the appropriate time. Comments will be subject to reasonable time limits (3 minutes).

In compliance with the Americans with Disabilities Act, if you have a disability, and you need a disability-related modification or accommodation to participate in this meeting, then please contact Sacramento Suburban Water District Human Resources at 679.3972. Requests must be made as early as possible, and at least one full business day before the start of the meeting.

Call to Order

Pledge of Allegiance

Roll Call

Announcements

Public Comment

This is the opportunity for the public to comment on non-agenda items within the Board's jurisdiction. Comments are limited to 3 minutes.

Consent Items

The Board will be asked to approve all Consent Items at one time without discussion. Consent Items are expected to be routine and non-controversial. If any Board member, staff or interested person requests that an item be removed from the Consent Items, it will be considered with the action items.

1. Minutes of the February 26, 2018 Regular Board Meeting
Recommendation: Approve subject minutes.

2. Resolution No. 18-03 Amending Regulations Nos. 1, 7 and 9 of the Regulations Governing Water Service
Recommendation: Adopt subject resolution.

Items for Discussion and/or Action

3. Resolution No. 18-04 Authorizing the Issuance of Not to Exceed \$22,000,000 Refunding Revenue Bonds and Approving the Execution and Delivery of Certain Documents in Connection Therewith and Certain Other Matters
Recommendation: Approve subject resolution.
4. Review of Debt Obligation Continuing Disclosure Policy (PL – Fin 013)
Recommendation: Approve subject policy.
5. 2018 Water Transfer Program
Recommendation: Approve 2018 Water Transfer Program
6. Status of the San Juan Water District Merger Discussion
Receive written staff report and direct staff as appropriate.
7. Directors Out of State Travel Request
Receive written staff report and direct staff as appropriate.
8. California Special Districts Association Call for Nominations for Seat A
Receive written staff report and direct staff as appropriate.
9. Resolution No. 18-05 Authorizing Application for Funding Assistance through the Bay-Delta Restoration Program: CalFed Water Use Efficiency Grant Program
Recommendation: Adopt subject resolution.

Department/Staff Reports

10. General Manager's Report
 - a. McClellan Business Park Successor Agreement Update
 - b. Assistant General Manager Recruitment
 - c. Antelope Transmission Pipeline Update
 - d. Long Term Warren Act Contract Update

11. Financial Report
 - a. DRAFT - Financial Statements – February 2018
 - b. Cash Expenditures – February 2018
 - c. Credit Card Expenditures – February 2018
 - d. DRAFT - District Reserve Balances – February 2018
 - e. DRAFT - Information Required by Bond Agreement
12. District Activity Report
 - a. Water Operations and Exceptions Report
 - b. Water Quality Report
 - c. Water Conservation and Regional Water Efficiency Program Report
 - d. Customer Service Report
 - e. Community Outreach Report
13. Engineering Report
 - a. Major Capital Improvement Projects
 - b. Other

Director's Reports (Per AB 1234, Directors will report on their meeting activities)

14. a. Regional Water Authority (Director Wichert)
Agenda from the March 8, 2018 Meeting.

Regional Water Authority Executive Committee (General Manager York)
No report.
- b. Sacramento Groundwater Authority (Director Schild)
No report.
- c. Water Caucus Meeting (General Manager York)
No report.

- d. Water Forum Successor Effort (General Manager York)
No report.
- e. Other Reports

Committee Reports

- 15. a. Facilities and Operations Committee (Director Jones)
Draft Minutes from the March 6, 2018 Meeting.
- b. Finance and Audit Committee (Director Schild)
None.

Information Items

- 16. Legislative and Regulatory Update
- 17. Upcoming Water Industry Events
- 18. Upcoming Policy Review
 - a. Disposing of Surplus District Real Property, Vehicles and Large Equipment and Other Personal Property Policy (PL – Adm 003)

Miscellaneous Correspondence and General Information

- 19. Correspondence received by the District
None.

Director’s Comments/Staff Statements and Requests

The Board and District staff may ask questions for clarification, and make brief announcements and comments, and Board members may request staff to report back on a matter, or direct staff to place a matter on a subsequent agenda.

Closed Session (Closed Session Items are not opened to the public)

- 20. Conference with legal counsel – potential litigation; Government Code sections 54954.5(c) and 54956.9(a) and (d)(4); consideration of initiating litigation involving the State Water Resources Control Board’s proceedings related to the California Water Fix and the Bay-Delta Water Quality Control Plan Update.

Adjournment

Upcoming Meetings

Thursday, April 5, 2018 at 2:00 p.m., Finance and Audit Committee Meeting

Monday, April 23, 2018 at 6:00 p.m., Special Board Meeting

I certify that the foregoing agenda for the March 19, 2018 meeting of the Sacramento Suburban Water District Board of Directors was posted by March 15, 2018 in a publicly-accessible location at the Sacramento Suburban Water District office, 3701 Marconi Avenue, Suite 100, Sacramento, California, and was freely available to the public.

Dan York
General Manager/Secretary
Sacramento Suburban Water District

ITEM 1

Minutes

Sacramento Suburban Water District

Regular Board Meeting

Monday, February 26, 2018

Call to Order

President Locke called the meeting to order at 6:02 p.m.

Pledge of Allegiance

President Locke led the Pledge of Allegiance.

Roll Call

Directors Present: Craig Locke, Neil Schild, Kevin Thomas and Robert Wichert.

Directors Absent: Dave Jones.

Staff Present: General Manager Dan York, Finance Director Dan Bills, Heather Hernandez-Fort, Robert Roscoe, Dana Dean, Matt Underwood, Jim Arenz, Annette O’Leary and David Espinoza.

Public Present: William Eubanks, Avery Wiseman, Jim DeHart, Ken Payne, Robert Porr, Doug Brown and Jonathan Ash.

Announcements

General Manager Dan York (GM York) announced:

- Director Jones had a family matter to attend out of town and was unable to participate at the Board meeting;
- Facilities and Operations Committee Meeting on Tuesday, March 6, 2018 at 3:00 pm;
- ACWA 2018 Spring Conference is May 8 through 11, 2018 in Sacramento, and that April 20th is the registration and cancellation deadline;
- A request to pull Consent Item 7 – 2018 Water Transfer Program.

Public Comment

Ken Payne introduced himself as the Chairman of the Auburn Dam Council. He wanted to provide the Board with some documents and also note that they were considering having an advisory vote on whether or not the dam was a good idea.

Election of District Officers

1. Appointment of District Officers – Secretary and Treasurer

GM York introduced the Item.

He noted that currently the General Manager was the Secretary, per the current General Manager contract, and the Finance Director was the Treasurer. He expressed that the

Board could either make a change to those officers, or take no action and leave it as it is.

The Board agreed to take no action and leave the officers as they are.

Consent Items

- 2. **Minutes of the January 22, 2018 Regular Board Meeting**
- 3. **Minutes of the February 14, 2018 Special Board Meeting**
- 4. **Reasonable Accommodations and Interactive Process Policy (PL – HR 014)**
- 5. **Proposed Revisions to Debt Management Policy (PL – Fin 011)**
- 6. **Main Replacement Program – Master Service Contract for Service Lines**
- 7. **2018 Water Transfer Program**

Director Wichert moved the Consent Items except Item 7 which was pulled; Director Schild seconded. The motion passed by unanimous vote.

AYES:	Thomas, Locke, Schild and Wichert.	ABSTAINED:	
NOES:		RECUSED:	
ABSENT:	Jones		

Regarding Item 7, GM York presented the staff report.

Director Schild expressed the he was not comfortable with the \$250 per acre foot. He expressed that if we had to pump groundwater, \$250 would not cover the cost. He noted that the District would be losing money.

GM York expressed that we have transferred surface water before at \$190 and \$230 per acre foot.

GM York further expressed that the price was still being negotiated, but that the starting point was \$250 per acre foot from the State Water Contractors.

Director Schild commented that he still didn't believe that \$250 per acre foot was enough to cover the District's cost.

Director Wichert inquired what the actual cost was to pump groundwater and transfer it through our system. He further inquired if staff would include the infrastructure cost and reinvestment in the Capital Improvement.

Dan Bills (Mr. Bills) expressed that staff would calculate that and report back.

Director Schild moved to table the Item and bring it back with additional information; Director Wichert seconded. The motion passed by unanimous vote.

AYES:	Thomas, Locke, Schild and Wichert.	ABSTAINED:	
NOES:		RECUSED:	
ABSENT:	Jones		

Items for Discussion and/or Action

8. **Potential Refunding Opportunity – 2009B Certificate of Participation (COP)**

Mr. Bills presented the staff report and introduced the financing team; Doug Brown (Mr. Brown) of Stradling, Yocca, Carlson & Rauth, Robert Porr (Mr. Porr) Senior Vice President of Feldman, Rollap and Associates, and Jonathan Ash (Mr. Ash) of Citigroup Global Markets.

Mr. Bills presented the PowerPoint presentation.

Mr. Poor expressed that the financing team looked at 4 different scenarios to structure the debt service and that each scenario produced between 1 and 1.2 million dollars of net present value savings. He further expressed that the recommendation to the Board was to prepare all of the documents so that once the rates dropped and the market was more acceptable, the District could move quickly to execute the transaction.

Director Wichert expressed that he supported refinancing the 2009B COP.

Mr. Ash further expressed the advantages of the refunding opportunity.

Mr. Brown spoke about the preparation of the legal documents and stated staff would most likely be back in March for document approval.

Mr. Bills noted that the reserve fund was always targeted for roughly \$40 million dollars, and reminded the Board that the transaction would draw it down by \$3.5 million to roughly \$36.5 million.

William Eubanks (Mr. Eubanks) commented on the annual savings, interest rate and net present value. He further expressed that he didn't believe it was as an attractive deal as originally presented in the Finance & Audit Committee meeting.

Mr. Brown expressed that the reason that staff was asking to be prepared in advance was if interest rates dropped, the District would be in a position to make the refunding happen quickly.

Director Wichert moved to approve the staff report and to have staff report back to the Board when it's ready; Director Thomas seconded. The motion passed by unanimous vote.

AYES:	Thomas, Locke, Schild and Wichert.	ABSTAINED:	
NOES:		RECUSED:	
ABSENT:	Jones		

9. **April Regular Board Meeting Date**

GM York presented the staff report. He noted that if the Board agreed with the staff recommendation, staff would treat the Special meeting as it would for a regular Board meeting and the changes would be noted on the District website.

Director Thomas moved to approve the staff recommendation; Director Wichert seconded. The motion passed by unanimous vote.

AYES:	Thomas, Locke, Schild and Wichert.	ABSTAINED:	
NOES:		RECUSED:	
ABSENT:	Jones		

10. **Resolution No. 18-02 Approving a Temporary Short Term Warren Act Contract For a Period of Up to Five Years (2018 - 2023) Between the Sacramento Suburban Water District and the United States Bureau of Reclamation**

Robert Roscoe (Mr. Roscoe) presented the staff report.

Director Schild expressed that he didn't see any problem with the staff recommendation, however, he noted that a long term contract would need to represent the entire boundary of the District, not just the North Service Area.

Mr. Roscoe expressed that the contract only covered moving PCWA middle fork water and that the place of use of that water was only designated for the North Service Area according to the State Water Resources Control Board Water Act of 1914.

Director Thomas moved to approve the staff recommendation, Director Schild seconded. The motion passed by unanimous vote.

AYES:	Thomas, Locke, Schild and Wichert.	ABSTAINED:	
NOES:		RECUSED:	
ABSENT:	Jones		

Department/Staff Reports

11. **General Manager's Report**

GM York presented the staff report.

- a. *McClellan Business Park Successor Agreement Update*
A written report was provided.
- b. *Cal WaterFix*
A written report was provided.

c. *Assistant General Manager Recruitment*

A written report was provided.

d. *Rob Roscoe Retirement Event Update*

A written report was provided.

Mr. Eubanks expressed his displeasure with the Board for using public funds as a loan toward Mr. Roscoe's retirement event. He further expressed that public funds should only be used for services of the public.

12. **Financial Report**

Mr. Bills presented the staff report.

Mr. Eubanks inquired about the O&M projected expenses compared to the spending plan, noting that it didn't balance.

Mr. Bills expressed that staff typically straight lined expenses throughout the year.

Avery Wiseman (Mr. Wiseman) inquired about the reserve fund, noting that the current policy stated that it should stay at roughly 40 million dollars in reserves, however, if the Board agrees to draw it down for the potential refunding opportunity, he inquired if the policy would adjust accordingly.

Director Wichert expressed that Mr. Wiseman's idea was logical, but the Board had not addressed it yet.

a. *DRAFT - Financial Statements – January 2018*

A written report was provided.

b. *Cash Expenditures – January 2018*

A written report was provided.

c. *Credit Card Expenditures – January 2018*

A written report was provided.

d. *DRAFT - District Reserve Balances – January 2018*

A written report was provided.

e. *DRAFT - Information Required by Bond Agreement*

A written report was provided.

13. **District Activity Report**

A written report was provided.

Director Wichert inquired about the water quality report, noting that only one well was being reported on in the report.

Matt Underwood (Mr. Underwood) expressed that staff planned to only report on anything out of the ordinary.

Director Wichert expressed that the report was much smaller than he expected.

GM York expressed that staff could include any taste and odor complaints received into the report, and that staff was planning to do a more thorough report on a semiannual basis.

Director Wichert expressed that he would like to see more of a summary of the testing to note if there was an upward trend with anything.

Director Schild inquired on the status of Antelope Transmission Pipeline (ATP) and the PCWA water transfer.

Director Wichert clarified that Director Schild was disappointed that the ATP line was down, causing the District to lose out on surface water that could potentially have been purchased.

GM York expressed that he would bring back a report on the status of the item.

Director Wichert inquired when the ATP line was going to be back on line.

Dana Dean (Mr. Dean) expressed that the line was still down while staff assessed the extent of the corrosion further explaining that the District didn't have any water to take at this time anyway.

Jim Arenz (Mr. Arenz) explained the process of decontamination by super-chlorinating and bacteriological testing in order to restore the line.

Director Wichert inquired how much San Juan Water District (SJWD) was paying for the repairs to the ATP line.

Staff expressed that the ATP line belonged to the District, not SJWD.

Mr. Eubanks expressed his displeasure in the choice of the District's H2o Hero's, expressing that the H2o Hero's that were highlighted were wasting thousands of gallons of water prior to fixing their leaks.

GM York expressed that the H2o Hero's took immediate steps to allow District staff to preform Water Wise House Calls and offer options to repair any discovered leaks.

a. *Water Operations and Exceptions Report*

A written report was provided.

- b. *Water Quality Report*
A written report was provided.
- c. *Water Conservation and Regional Water Efficiency Program Report*
A written report was provided.
- d. *Customer Service Report*
A written report was provided.
- e. *Community Outreach Report*
A written report was provided.

14. **Engineering Report**

A written report was provided.

- a. *Major Capital Improvement Projects*
A written report was provided.
- b. *Other*

Director's Reports (Per AB 1234, Directors will report on their meeting activities)

15. a. Regional Water Authority (Director Wichert)
No report.

Regional Water Authority Executive Committee (General Manager York)
The Agendas for the January 24, 2018 and February 21, 2018 meetings were provided.

GM York provided an oral report of the meeting.

- b. Sacramento Groundwater Authority (Director Schild)
The Agenda for the February 8, 2018 meeting was provided.

Director Schild provided an oral report of the meeting.

- c. Water Caucus Meeting (General Manager York)
No report.

- d. Water Forum Successor Effort (General Manager York)
The Agenda for the February 8, 2018 meeting was provided.

- e. Other Reports

Director Locke reported on the ACWA Fall Conference that he attended and the meeting he had with GM York on November 9, 2017.

Committee Reports

16. a. Facilities and Operations Committee (Director Jones)
The Draft Minutes from the February 12, 2018 meeting was provided.

Director Wichert provided an oral report of the meeting.
- b. Finance and Audit Committee (Director Schild)
The Draft Minutes from the February 7, 2018 meeting was provided.

Director Schild provided an oral report of the meeting.

Information Items

17. **Meter Reading Systems Update Report**
Mr. Underwood presented the staff report, provided an update and answered questions.

Mr. Eubanks inquired on the impact that the additional work was having on staff.

Mr. Underwood expressed that the additional work was tremendously impacting staff's workload.
18. **Permanent Water Use Prohibitions**
A written report was provided.
19. **Legislative and Regulatory Update**
A written report was provided.
20. **Upcoming Water Industry Events**
A written report was provided.

Miscellaneous Correspondence and General Information

21. **Correspondence received by the District**
None.

Director's Comments/Staff Statements and Requests

None.

Closed Session (Closed Session Items are not opened to the public)

The Board convened in closed session at 7:58 p.m. to discuss the following:

22. Conference with Legal Counsel – Anticipated Litigation, Government Code sections 54954.5(c) and 54956.9(a) and (d)(2) and (3); significant exposure to litigation involving discrimination complaint filed by Brenda Davis, DFEH No. 964520-318001; EEOC No. 37A-2018-00815-C.

23. Public employee performance evaluation involving the General Manager under Government Code section 54954.5(e) and 54957.

Return to Open Session

The Board convened in open session at 8:03 p.m. There was no reportable action.

Adjournment

President Locke adjourned the meeting at 8:28 p.m.

Dan York
General Manager/Secretary
Sacramento Suburban Water District

DRAFT



Agenda Item: 2

Date: March 7, 2018

Subject: Resolution No. 18-03 Amending Regulations Nos. 1, 7 and 9 of the Regulations Governing Water Service

Staff Contact: David Espinoza, P.E., Senior Engineer
Daniel A. Bills, Finance Director

Recommended Board Action:

Adopt Resolution No. 18-03 Amending Regulations Nos. 1, 7 and 9 of the Regulations Governing Water Service.

Note: This report was presented to the Facilities and Operations Committee at their March 6, 2018, meeting. The Committee recommended this item be placed on the agenda of the March 19, 2018, Regular Board meeting as a Consent Item.

Background:

The Regulations Governing Water Service (Regulations) is a District Ordinance that was adopted on April 18, 2004. It provides direction for governance of the business related functions necessary to operate the various processes performed to serve water to customers. From time to time, staff reviews the Regulations and recommends changes for Board review and approval. Changes typically reflect updated information, clarity edits, updates to fees and rates, and incorporation of policy changes enacted by the Board.

This Item was previously brought before the Board at the August 21, 2017, Regular Board meeting. At that meeting the Board moved to defer the Item and bring it back for discussion at a later date. At that meeting staff received direction to be prepared to bring it to a Facilities and Operations Committee meeting before bringing it back to a Regular Board meeting.

Discussion:

There are three components of the subject Regulations for which changes are being proposed; a). removal of design standards which is being presented by the Engineering Department; b) adoption of the proposed 2018/19 Facility Development Charges (FDCs) by amending Regulation No. 7, part H.5 of the Regulations Governing Water Services as shown in Exhibit 1, effective April 1, 2018, presented by the Finance Department; and c) elimination of Private Fire Protection Connection Charges (PFPs) as such costs are now included in the monthly bill as of April 1, 2018, presented by the Finance Department. A redline/strikeout version of the proposed amendments is included with this report as Exhibit 1. Regulations requiring amendments to correct spelling,

punctuation and grammatical errors are not included. To save paper, a clean version is available upon request.

Engineering Changes

The changes being proposed are to provide clarity and avoid conflict by removing design standards identified in the Regulations which are already described in the District's Improvement Standards and Technical Specifications. As stipulated in the District's Policy PL – Eng 001, the Improvement Standards and Technical Specifications (“Standards”) is the appropriate document to set requirements for design and construction of water infrastructure improvements. The California Water Code under Section 30580(a) authorizes the General Manager to have “full charge and control of the maintenance, operation, and construction of the water works or water-works system of the District.” With the intent to eliminate conflict or discrepancy between the District's Regulations and Standards, the amendment of Regulations 1, 7, and 9 is recommended by staff.

The following provides a summary of the edits to these Regulations by the Engineering Department:

Regulation 1

Regulation 1 is amended to change language related to Adequate Reserve Capacity:

- Article 1 – Language amended to change reference from Regulation 9 to the District Standards consistent with the proposed changes to Regulation 7.

Regulation 1 is amended to change language related to District Standards:

- Article 22 – Article is inserted to define District Standards.

Regulation 1 is amended to renumber Articles:

- Articles 22 through 51 – Articles are renumbered (+1 each) because a new Article (Article 22) was inserted in alphabetical order after the existing Article 21.

Regulation 1 is amended to change language related to District Standards:

- Article 28 (new Article 29) – Language added and deleted to update District's reference for clarity and consistency.

Regulation 1 is amended to change language related to backflow devices:

- Article 46 (new Article 47) – Language added related to backflow devices for clarity and consistency with other District documents.

Regulation 1 is amended to change language related to Standard Specifications and Plans:

- Article 52 – This Article was removed as it is proposed to be replaced by new Article 22.

Regulation 7

Regulation 7 is amended to change language related to New or Additional Service Connections Generally:

- Article A – Language added and deleted to update District’s reference for clarity and consistency.

Regulation 7 is amended to change language related to easements:

- Article B.2.(d) – Language added to clarify required location of new main.

Regulation 7 is amended to change language related to District Standards:

- Article B.2.(d) – Language added to clarify District’s reference.

Regulation 7 is amended to change language related to California Fire Code:

- Article C.2.(b) – Language both added and removed to update fire code reference.

Regulation 7 is amended to change language related to update District’s reference:

- Article E.1. – Language both added and removed to update District’s reference for water main sizes from the Regulations to the Standards.

Regulation 7 is amended to change language related to update District’s reference:

- Article E.2.(a)(1) – Language both added and removed to update District’s reference for developer submittal requirements from the Regulations to the Standards.

Regulation 7 is amended to change language related to update District’s reference:

- Article E.2.(a)(3) – Language added to District’s reference for clarity and consistency.

Regulation 7 is amended to change language related to update District’s reference:

- Article E.2.(b)(1) – Language both added and removed to update District’s reference for Extension Facilities from the Regulations to the Standards.

Regulation 7 is amended to change language related to update District's reference:

- Article E.2.(b)(4) – Language both added and removed to update District's reference for Extension Facilities from the Regulations to the Standards.

Regulation 7 is amended to change language related to update District's reference:

- Article G – Language added to update District's reference for Expired Plans/Un-Built Projects to include the Standards.

Regulation 7 is amended to change language related to update District's reference:

- Article H.3. – Language both added and removed to District's reference for clarity and consistency.

Regulation 7 is amended to change language related to update District's reference:

- Article H.5.(a)(5) – Language both added and removed to update District's reference for clarity and consistency.
-

Regulation 7 is amended to change language related to District's water model:

- Article H.7 – Language removed to properly reference the District's water model.

Regulation 7 is amended to change language related to update District's reference:

- Article H.11 – Language both added and removed to update District's reference for clarity and consistency.

Regulation 7 is amended to change language related to requirement for new main:

- Article I.1.(a) – Language added to clarify projects included in requirement for new meter location.

Regulation 7 is amended to change language to clarify District's reference:

- Article L – Language both added and removed to update District's reference for clarity and consistency.

Regulation 7 is amended to add language related to clarify District's reference:

- Article M – Language both added and removed to update District's reference for clarity and consistency.

Regulation 9

Regulation 9 is amended to change language to update District's reference:

- Article A – Language both added and removed to update District's reference for consistency with revised language in Regulation 7.

Regulation 9 is amended to change language to update District's reference:

- Article A.1 – Language both added and removed to update District's reference for consistency with proposed revised language in Regulation 7.

Regulation 9 is amended to change language to update District's reference:

- Article B – Language both added and removed to update District's reference for consistency with proposed revised language in Regulation 7.

Regulation 9 is amended to change language to update District's reference:

- Article D – Language both added and removed to update District's reference for consistency with proposed revised language in Regulation 7.

Regulation 9 is amended to change language related to water main size requirements:

- Article N – This Article is deleted in its entirety because it is addressed in the District Standards via proposed changes to Regulation 7.

Regulation 9 is amended to change language related to water velocity requirements:

- Article O – This Article is deleted in its entirety because it is addressed in the District Standards via proposed changes to Regulation 7.

Finance Changes – FDC's

The District updates its FDC charges annually on April 1 in accordance with Regulation 7, Part H.5, to reflect cost changes in materials, labor or real property applied to projects or project capacity.

The primary purpose for FDC charges is to recoup from new customers the capital outlay necessary to buy-in to the District's existing system capacity at an equitable cost with current customers. Based on staff's update, it has been determined that the net cost of the existing system infrastructure assets have increased in value over the prior year by 5.9% using Engineering News – Record's (ENR's) 20-Cities Cost Index, the same Index as used in 2017. Therefore, the proposed 2018/19 FDC charges for new development are as follows:

Meter Size	2017/18 Facilities Development Charge	Proposed 2018/19 Facilities Development Charge	Change
5/8"	\$3,228.00	\$3,418.00	\$190.00
3/4"	\$4,817.00	\$5,102.00	\$285.00
1"	\$8,045.00	\$8,519.00	\$474.00
1 1/2"	\$16,041.00	\$16,989.00	\$948.00
2"	\$25,676.00	\$27,192.00	\$1,516.00
3"	\$48,172.00	\$51,016.00	\$2,844.00
4"	\$80,304.00	\$85,044.00	\$4,740.00
6"	\$160,559.00	\$170,038.00	\$9,479.00
8"	\$256,904.00	\$272,071.00	\$15,167.00
10"	\$369,339.00	\$391,143.00	\$21,804.00
12"	\$541,941.00	\$573,935.00	\$31,994.00

Finance Changes – PFP’s

The District has been charging Private Fire Protection charges (PFPs) for new connections for many years. In addition, a separate monthly billing rate is also charged to such customers. As the FDC connection charges and monthly rate incorporate the connection and servicing costs associated with such connections to the water system, staff recommends removal of PFP charges.

The following provides a summary of the edits to these regulations by the Finance Department:

Regulation 7 is amended to update fees for New Development Charges:

- Article H.5. – Fees have been update in the table in this Article.

Regulation 7 is amended to remove language and fees Private Fire Protection:

- Article H.5. – Fees and accompanying language have been deleted consistent with recommendation to no longer charge for Private Fire Protection.

Fiscal Impact:

No impact is anticipated from the Engineering changes.

Increases in FDCs will potentially increase District revenue. However, as the District is substantially built-out, increases are expected to be minimal. For example, in 2017 and 2016, FDC revenue totaled \$135,073 and \$264,209, respectively.

Strategic Plan Alignment:

Water Supply – 1.B. Provide for the long-term water supply needs of the customers through prudent planning that will ensure capacity to serve system demands.

Water Supply – 1.D. Manage the District’s water supplies to ensure their quality and quantity.

Finance – 4.B. Provide rates and connection fees that are fair, simple to understand, logical and meet the revenue requirements, including bond rate covenants, of the District.

Approval of the amendments to the Regulations Governing Water Service will improve staff’s ability to operate efficiently and allow District customers to better understand the regulations upon which staff bases decisions while implementing Board policy.

EXHIBIT 1

Regulation No. 1 Definitions

Adopted: July 19, 2004

Amended: ~~November 17, 2008; December 21, 2009;~~ June 15, 2015; March 19, 2018

1. Adequate and Reserve Capacity

The amount of capacity in District water mains sufficient to supply potable and all other types of water service to an Applicant's Parcel in accordance with the velocity and pipe size specifications set forth in ~~Regulation 9, Sections N and O~~ the District Standards, Section D.

2. Administration Cost

A charge that is assessed to accounts to pay certain costs of providing special District services, for example large landscape irrigation agreements, wholesale water contracts, and duplicate billing to tenants.

3. Agent

A person or company designated by the Landowner to manage a property or to act on behalf of a Customer.

4. Applicant

A person or entity, including a developer of a subdivision or any individual Parcel, that files an application for services with the District.

5. Application for Water Service

A formal, written application requesting water service from Sacramento Suburban Water District to a specific Premises, in a form provided by the District, together with such plans, specifications, and payment of all fees that the District's then-applicable Regulations shall require.

6. Auxiliary Water Supply

Any water supply on or available to a Premises other than water supplied by the District.

7. AWWA

American Water Works Association, a national nonprofit association that provides scientific and educational assistance to public and private water purveyors for managing and operating water resources and facilities.

8. Backflow

The reverse flow of water or any other fluid or substance or any combination or mixture thereof from a Customer's System into the District's water system caused by Cross-Connection with Auxiliary Water Supplies or with sources of possible contaminated water.

9. Backflow Prevention Assembly

Equipment used to protect the District's water system against actual or potential Backflow. All Backflow Prevention Assemblies installed within the District shall comply with state and local laws and regulations, including District regulations.

10. Certified Tester

A person who is certified as a Backflow Prevention Assembly General Tester by Sacramento County or other agency having jurisdictional authority.

11. Check Valve Assembly

A mechanical device installed on either a main line or service line to restrict the flow of water in one direction only.

12. Contract

A written agreement between the District and a second party that defines and creates one or more obligations to take or to refrain from taking a certain action or actions.

13. Control Valve

A device used to control or shut off the flow of water, including to a Service Connection.

14. Cross-Connection

Any connection or link between District's water distribution system and an Auxiliary Water Supply, piping system, plumbing fixture, appliance, container, receptacle, vessel or

other device of any nature that may permit contaminated or used water or other fluid of questionable or unsafe quality, or any other substance of any nature other than the potable water supplied by District, to enter any part of the District's water distribution system.

15. Cross-Connection Control Representative

A Certified Tester or Cross-Connection Control Specialist authorized by the District to administer the Cross-Connection Control and Backflow Program.

16. Curb Stop

A District Control Valve located in a water service pipe near the curb and between the water main and building. This valve is usually located in the main side of the service meter box and is operated with a valve key or wrench to stop and start flows in the water service line to the building. Lockable Curb stops are also used to lock out a water Service Connection at the Point of Responsibility.

17. Customer

Any Landowner, Tenant or other water user who is entitled to service from or who pays a water bill to the District.

18. Customer's System

Non-Responsible Facilities located and attached to the outlet side of the Point of Responsibility.

19. Developer

Developer and Owner shall mean one and the same.

20. District

The Sacramento Suburban Water District.

21. District Board of Directors

The governing body of the District composed of five Directors elected by divisions of voters residing within the District's boundaries.

22. District Standards

The District's specific requirements for water service plumbing, facilities, and equipment provided in the document entitled District's Improvement Standards and Technical

Specifications and all subsequent amendments or replacements to any such requirements or documents.

223. District Water System

The water transmission and distribution system owned and operated by the District, including all piping, fittings, valves and other equipment used to supply water to Customers up to and including the Point of Responsibility.

234. Existing Non-Metered Water Service

Services installed on single-family residences prior to April 2, 1991 that do not include a Meter and which are billed on a flat rate, also known as “flat rate service.”

245. Extension Facilities

New pipelines and related water service facilities of whatever type installed for the purpose of improving existing District water service and/or extending it to unserved or annexed areas.

256. Facilities Development Charge

A charge imposed by the District to cover a portion of the District’s costs incurred for installing wells, pumps, and treatment, storage and transmission facilities to serve increased demand for water service within the District.

267. Facilities Development Fund

Eighty percent of the fees received from Facilities Development Charges are placed in this fund to offset District costs for infrastructure necessary to meet requirements of the District Master Plan or to serve new development.

278. Facilities Reimbursement Fund

Twenty percent of the fees received from Facilities Development Charges are placed in the fund to reimburse Applicants that upsize Extension Facilities as required by the District to meet planning requirements for future development and redevelopment as related to Master Plan requirements.

289. Final Approval

The District’s written certification that installed water facilities are in compliance with all regulations, ~~plans and specifications~~ District Standards, that all plans and supporting documents have been delivered to the District as its property, that all documents have been approved by the District, and that all required fees have been paid, as evidenced by

a District form dated and signed by the District General Manager or his/her designated representative.

| 3029. Furnish Only Materials

Meters and related materials supplied by the District and required to be installed by an Applicant at its cost, which are supplied to an Applicant upon payment of furnish-only fees established by the District.

| 301. Inactive Account

An account applicable to a Parcel with an existing service connection to which the District is not currently supplying water service and for which water service bill is not being rendered.

| 342. ISO (Insurance Services Office) Fire Suppression Standards

Fire demand pipe size requirements specified by the fire suppression rating schedule published by the ISO, Edition 6.80, or most current edition.

| 323. Local Agency Formation Commission (LAFCO)

A statutory, quasi-judicial, countywide commission responsible for approving boundary changes for, and the consolidation or reorganization of, local public agencies, including the District.

| 334. Landowner

A person who possesses a fee interest in a Parcel located within the District's boundaries.

| 345. Meter

A device capable of measuring the quantity of water delivered by the District to a Service Connection.

| 356. Metered Rates

Water service fees and charges that are calculated from monthly consumption measured by a Meter attached to a Service Connection serving any Water User within the District.

| 367. Meter Setters

A prefabricated copper device constructed to house a water Meter with valves on the inlet and outlet side of the device.

| 378. New Service

A Service Connection provided to a Parcel not previously served by the District or a reactivation of an inactive Service Connection.

| 389. Non-Residential Parcel

A. Any commercial, industrial, institutional and/or multi-family parcel based on the land use code obtained from Sacramento County.

B. For rate purposes Multi-family parcels are defined as:

1. An improved Parcel containing five or more residences each containing a family unit or group.

| 3940. Non-Responsible Facilities

Water service facilities that the District does not own and for which it is not responsible to install, operate, use, repair, maintain or replace. Non-Responsible Facilities include all privately owned and maintained Service Connections located on any Parcel beyond the Point of Responsibility.

| 401. Parcel

Any piece of real property within the District defined on a parcel or subdivision map or designated by any other legal means, and to which the Sacramento County Assessor has or will assign an assessor's parcel number.

| 412. Plan approval

The District's services related to approval of an Applicant's final plans for an improved Parcel, as evidenced by the date and signature of an authorized District representative on the final plans.

| 423. Point of Responsibility

- a. Metered Service: The connection point of the Customer's System at the outlet side of the Meter Setter where a Landowner's responsibility for all conditions, maintenance, repairs, use and replacement of water service facilities begins, and the District's responsibility ends.
- b. Non-Metered Service: The connection point of the Customer's System at the outlet side of either a Curb Stop or an unmetered Meter Setter where a

Landowner's responsibility for all conditions, maintenance, repairs, use and replacement of water service facilities begins, and the District's responsibility ends.

- c. Private Fire Service: The connection point at the District's main shut-off valve connecting the District's water main and the inlet side of the Private Fire Service facilities where a Landowner's responsibility for all conditions, maintenance, repairs, use and replacement of water service facilities begins, and the District's responsibility ends.

434. Point of Service

- a. Private Fire Hydrants: The District's Point of Service begins at the District's main shut-off valve located at the District's supply water main.
- b. Private System: The District's Point of Service begins at the District's main shut-off valve located at the District's supply water main.

445. Premises

A residential or non-residential Parcel together with all buildings, facilities, equipment, and other fixtures and personal property located thereon.

456. Principal Boundary

All boundaries of an Applicant's Parcel that abut one or more public rights-of-way.

467. Private System

Non-Responsible Facilities utilized by a Landowner solely for private use on a Parcel. Private use can be, but is not limited to, fire suppression in the form of fire sprinklers or fire hydrants. Private systems shall be separated from a public system by an approved backflow prevention assembly.

478. Residential Flat Rate

Non-Metered water service fees and charges that are calculated according to estimated water consumption, size of service line and the size of the Parcel per the Sacramento County Tax Assessor's parcel maps.

489. Residential Parcel

An improved Parcel containing a single family residence, or an improved Parcel containing up to four residences each containing a family unit or group. A duplex, triplex, or fourplex shall be considered Residential Parcels.

4950. Service Connection

The water piping system connecting a Customer's System with a District water main beginning at the outlet side of the Point of Responsibility, including all plumbing and equipment located on a Parcel downstream of the Meter outlet, Curb Stop or Meter Setter required for the District's provision of water service to that Parcel.

510. Service Valve

The equipment located at the inlet side of the Point of Responsibility by which the District controls water service to a Parcel.

512. Single Family Parcel

An improved Parcel used as a place of residence by one family unit or group.

~~52. Standard Specifications and Plans~~

~~The District's specific requirements for water service plumbing, facilities, and equipment provided in the document entitled District's Improvement Standards and Specifications approved by the Board of Directors and all subsequent amendments or replacements to any such requirements or documents.~~

53. Surcharge

A limited-term, specific purpose charge assessed to all or to a class of Customers to repay certain costs incurred by the District, such as bond indebtedness issued to finance District capital projects.

54. Tenant

A person or entity leasing or renting a Parcel or Premises from a Landowner.

55. Up-Sized Line

Mainline facilities having capacity in excess of that necessary to supply existing water demand to a specific area or Parcel with an Adequate and Reserve Capacity of water, but

which is deemed necessary by the District to provide an adequate future water supply to the area or Parcel. The District will bear the cost of an Up-Sized Line.

Regulation No. 7 New or Additional Service Connections

Adopted: July 19, 2004

Amended: ~~December 19, 2011; March 19, 2012; January 28, 2013;~~
~~March 18, 2013; April 21, 2014; June 15, 2015; March 21, 2016; March 27, 2017;~~
March 19, 2018

Water Service from Sacramento Suburban Water District is not transferable or assignable and is subject to full compliance with the District's Regulations Governing Water Service, including the following terms and conditions:

A. New or Additional Service Connections Generally

No New Service shall be connected to the District Water System unless there exists a District water main in a street or right-of-way fronting an Applicant's property accessible to the proposed location of the Applicant's service. A New Service will be located only in the front of a Parcel if an existing water main fronts a Customer's property. A New Service shall only be permitted in a backyard when no other viable option is available. A District water main available to serve a New Service shall have Adequate and Reserve Capacity and pressure to provide safe and reliable water service for domestic and fire protection use as solely and conclusively determined by the District. The District, in determining the adequacy of the existing facilities, will take into consideration all factors such as the water requirements of the project to be served by a New Service, the flows required for fire protection, and whether the use of the water will significantly impair service to existing Customers. If the District determines that the New Service will not be connected into the District Water System unless the Applicant provides such adequate extensions or additions as may be necessary in accordance with District Standards, regulations, and Master Plan ~~and technical specifications~~, then the District shall determine the location, capacity, and design of such extensions or additions and provide its determination to the Applicant. In making this determination, the District may consider all factors, including but not limited to, anticipated future land uses, water requirements, the desirability of looping water mains to increase reliability and adequacy of service, required flows needed for fire protection, and the long range plans for capital improvements of the District Water System. The District's determination will be conclusive on the Applicant.

B. No Prior Service

1. Adequate Main Abuts Applicant's Parcel

A New Service will be connected provided the following conditions are fulfilled:

- (a) The Parcel to be served is within the District's geographical boundaries or is annexed to the District in accordance with an order of LAFCO;

- (b) The Applicant's Parcel is or has been made subject to applicable bonded indebtedness of the District, if any;
- (c) The District possesses adequate water supply to serve the Applicant's requested needs;
- (d) A District water main of Adequate and Reserve Capacity exists in a public right-of-way fronting the Principal Boundary or Principal Boundaries of the Applicant's Parcel, where the public right-of-way is less than 80 feet wide. For public rights-of-way 80 feet or wider, a water main of Adequate and Reserve Capacity shall exist fronting the Applicant's Principal Boundary from within the area measured from the centerline of the public right-of-way to the Applicant's property line contiguous to the public right-of-way; and
- (e) An Application for Water Service has been filed with the District in compliance with Section D, hereof.

2. No Adequate Main Abuts Applicant's Parcel

Service will be connected provided the following conditions are fulfilled:

- (a) The Parcel to be served is within the District's geographical boundaries or is annexed to the District in accordance with an order of LAFCO;
- (b) The Applicant's Parcel is or has been made subject to applicable bonded indebtedness of the District, if any;
- (c) The District possesses adequate water supply to serve the Applicant's requested needs;
- (d) The Applicant will provide a main of Adequate and Reserve Capacity at his/her own cost and expense, which main shall be constructed in a public right-of-way fronting the entire frontage of the Applicant's Parcel or an approved easement. Should the Applicant's Parcel front two or more rights-of-way, the Applicant shall be required to install the main along the Parcel's Principal Boundary as designated in the District's Master Plan as the right-of-way necessary to provide for future extension of the District Water System. Should the Applicant be required to service the Parcel from a right-of-way other than the principal right-of-way (service shall also mean fire service if required by the applicable fire agency), then the Applicant shall be required to install water mains of Adequate and Reserve Capacity along both the principal and the service frontage. All provisions for main extensions shall be in accordance with all applicable District Standards, Regulations, Master Plans, Plans and Specifications; and

- (e) An Application for Water Service has been filed with the District in compliance with Section D, hereof.

C. Prior Service

1. A Parcel to which service has been discontinued will be re-connected upon the filing of a new application together with the payment of all fees and the upgrade of all District facilities affected by the re-connection as required by District Regulations.
2. If any one of the following, but not limited to, conditions exists on an Applicant's Parcel, the District will require an upgrade of the existing service before reconnection to the District Water System will be permitted:
 - (a) An improvement on the Parcel requires an increase in water pressure or quantity. The District's increase of water pressure or quantity determination shall be based on the quantity of added water use facilities to be installed as a result of the improvement. The Applicant's engineer shall submit to the District a record of all the plumbing fixtures and flows required to serve all existing and proposed improvements on the Applicant's Parcel. Based on this information, the District shall determine if the existing service is adequate to serve the Premises. The District shall use AWWA Standards to determine the adequacy of all services and the consequent need for upgrades.
 - (b) An improvement on the Parcel requires increased water pressure or quantity ~~in order to satisfy ISO Fire Suppression Standards as more specifically described in Regulation No. 9, Section O~~ in order to meet fire demand as computed under the fire suppression rating schedule, published by the California Fire Code (Edition 2013, or latest edition).
 - (c) An improvement changes a multiple unit Premises from master-metered to individually-metered units.
3. In those cases when service has not been interrupted but the Parcel has been improved, the provisions and requirements of Regulations Nos. 7 and 9 hereof shall apply if any one of the conditions described above in subparagraph 2 exists.

D. Application for Service

1. The District will not provide or continue service to any Parcel unless the present Landowner has filed an Application for Water Service with the District.
2. Application for service shall be made in writing on forms provided by the District and signed by the Landowner.
3. Applications shall be supported by plat maps and a legal description of the Parcel, and a project description that includes construction type and number of living

units, plan of water distribution, project approval by the appropriate fire service district, the planned service date, the name and billing address of the Landowner, the domestic water requirements in gallons per minute, and the total fire-flow requirements, as well as the location of existing and/or proposed fire hydrants to meet applicable fire-flow requirements.

4. The failure of an Applicant to request the connection of his or her Parcel to the District Water System within one year of the District's Plan Approval shall automatically terminate the application and entitle the Applicant to the return of all fees paid except the plan check fee, any annexation fee, and other fees as described in Subsection G hereof. A request for refunding of fees shall be made in writing to the District.
5. The Applicant must deposit with the District, on or before the Plan Approval date, an amount equal to the cost of all Extension Facilities proposed to be constructed by the District, together with all service charges, fees, and Facilities Development Charges in effect on the date of the Final Approval.
6. Any decision by the District's staff concerning an application for service is appealable to the District Board of Directors or the Board's Facilities and Operations Committee. An Applicant's appeal must comply with the applicable requirements provided in Regulation 17, Procedures for Variance Application.
7. In situations where a retail municipal water supplier must allocate service connections due to supply limitations, Government Code section 65889.7 requires the District to provide a service priority to proposed residential developments that include units affordable to lower income households, as such are defined in Health & Safety Code sections 50052.5, 50053 and 50079.5. The District currently has sufficient supplies to serve all anticipated new demands and given its largely built-out condition, expects to have sufficient supplies to meet all future new demands. If, however, an allocation of new services becomes necessary, the following states the District's low income housing priority policy. An application for service to a proposed development that includes housing units affordable to lower income households, as defined by Government Code section 65589.7(d)(1), shall not be denied, conditionally approved, or the amount of service applied for reduced without specific written findings that the denial, condition, or reduction is necessary due to one or more of the following:
 - a. The District does not have "sufficient water supply," as defined in paragraph (2) of subdivision (a) of Section 66473.7, or is operating under a water shortage emergency or distribution capacity to serve the needs of the proposed development, as demonstrated by a written engineering analysis and report;
 - b. The District is subject to a compliance order issued by the State Department of Public Health that prohibits new water connections;

- c. The Applicant has failed to agree to reasonable terms and conditions relating to the provisions of service generally applicable to development projects seeking service from the District, including, but not limited, the requirements of local, state, or federal laws and regulations or payment of a connection fee or capacity charge imposed pursuant to Government Code section 66013.

In accordance with Water Code section 10631.1, the District will include in its Urban Water Management Plans projections of water use by single- and multiple-family housing needed for low income families.

E. Water Main Sizes

1. The size of water mains to be installed in accordance with this Regulation 7 shall be in compliance with ~~the provisions of Regulation 9, Sections N and O~~ District Standards, Section D - Design Standards.
2. Whenever Extension Facilities are required to be installed in accordance with this Regulation 7, the District may require, in accordance with its approved Master Plan and for the purposes of public convenience, necessity, and safety, the installation of an Up-Sized Line. Whenever the District requires the installation of an Up-Sized Line, the line shall be designed in accordance with one of the following procedures at the District's option:
 - (a) An Applicant, with approval from the District, shall have his or her engineer design the Up-Sized Line. The Applicant shall competitively bid and in accordance with the lowest responsive and responsible bid, construct the extension facility in accordance with the following conditions:
 - (1) The Applicant's engineer will prepare a spreadsheet detailing the Applicant's cost of installation of the line size required in accordance with provisions of ~~Regulation 9, Sections N and O~~ District Standards, Section D - Design Standards.
 - (2) The Applicant's engineer will prepare a spreadsheet detailing the cost of the installation of the Up-Sized Line.
 - (3) The Applicant's engineer shall design plans and specifications for both the main size required in accordance with District Standards and Regulations and the Up-Sized Line. The design of the water mains shall be according to District Standards with plan review, revisions, and Plan Approval by District staff.
 - (4) The District shall pay to the Applicant, when the job is completed and accepted by the District, the difference in cost between the cost of the Up-Sized Line based on the lowest responsive and responsible bid and the cost of the installation of the line of the

size required to adequately serve his or her Parcel, based on the average of the three lowest responsive and responsible bids. The District shall pay for the Up-Sized Line in accordance with Regulation 9, Section L.

- (5) The Applicant shall pay to the contractor the full cost of the main installed.
 - (6) The Applicant shall pay all of the District's fees, charges and costs required for the installation of the water main.
 - (7) The Applicant shall comply with all applicable regulations of the District and any amendments adopted from time to time by the Board of Directors.
- (b) The District shall design plans and call for separate bidding to construct the Extension Facilities as follows:
- (1) District staff will prepare spreadsheets detailing the cost of installing the line size required in accordance with ~~provisions of Regulation 9, Sections N and O~~ District Standards, Section D - Design Standards.
 - (2) District staff will prepare spreadsheets detailing the cost of installing the Up-Sized Line.
 - (3) The Applicant shall pay to the District the full cost of the installation of the line of the size required to adequately serve his or her Parcel, based on the average of the three lowest responsive and responsible bids, and the District will pay the difference for the cost of the Up-Sized Line as contained in those bids. Applicant's payment to the District shall be no later than 30 calendar days after the District has awarded the project.
 - (4) The Applicant shall comply with all District Standards and Regulations ~~rules and regulations of the District~~ and any amendments adopted from time to time by the Board of Directors.

F. District Final Plan Approval

The date of the District's final Plan Approval is defined as that date when the District shall, after receipt of all applicable fees, charges, applications and grants of easements, date and sign the Applicant's plans as approved for construction, or where no Extension Facilities are required, on that date when the District shall, after receipt of all applicable fees, charges, application and grants of easements, approve and date the said application. Should Applicant not obtain District's approval of his or her plans, the Applicant shall not be allowed to connect to the District Water System until he or she has obtained final Plan Approval. The District's Final Plan Approval is subject to all time limits and other

restrictions provided in this Regulation 7 and such approval does not create any vested right in an Applicant except to the extent provided herein.

G. Expired Plans/Un-Built Projects

If construction of the required extension has not begun on the one-year anniversary date of Plan Approval or the District receives a written statement from an Applicant that the project will not be built, the District shall deem the plans void. The District will refund collected fees upon the Applicant's written request, except for plan review, hydrant permit, construction water, annexation, and fire hydrant flow test fees. Should an Applicant resubmit plans for approval, the District will review the plans in accordance with District Standards, this Regulation 7 and Regulation 9. New and/or additional fees will be calculated and assessed for review of resubmitted plans. New Plan Approval shall be per Section F hereof.

H. Charges for New or Improved Service Connections

1. Plan Check Fee

A charge shall be assessed by the District for the review of the Applicant's construction plans for new or improved water service. The charge will be assessed at the rate of \$90.00 per hour for each District employee assigned to the review. In addition, the District may charge staff time or consultant fees at cost for any additional services required as part of the review, including but not limited to, hydraulic analyses, site verification, and research. The District shall estimate the cost of reviewing such plans and notify the Applicant of the estimated costs for the services required. The Applicant shall deposit with the District the estimated plan check costs as a condition precedent to plan review. In the event that the actual cost for plan checking incurred by the District exceeds the amount deposited, the Applicant shall pay the excess fees due to the District before final Plan Approval. The charge for Plan Review shall be in accordance with Regulation 3, Section R.

2. Service Line Charge

The District charge for the installation of a new metered water service line from the existing water main to an Applicant's Parcel shall equal the District's actual cost of materials, installation, labor, equipment, and normal overhead charges. The charge for the installation of a new service line shall be in accordance with Regulation 3, Section U.

3. Service Line Relocation

The District charge for the relocation of a service line from the existing water main to an Applicant's Parcel (which will be relocated according to District Standardseurrent specifications) shall equal the District's actual cost of materials, installation, labor, equipment, and normal overhead charges. The charge for relocation of a service line shall be in accordance with Regulation 3, Section V.

4. Water Meters

District charges for installing and setting water meters will consist of the District's actual cost of materials, labor, equipment, installation, and overhead. The installation of a metered New Service shall be charged according to Section H.2 of this Regulation 7, provided that all applicable conditions of the District's Regulations have been satisfied. When the only service rendered is restoring water service by reinstalling a Meter, a charge will be assessed in accordance to Regulation 3, Section I for each reinstallation.

5. Facilities Development Charge

To cover a portion of the District's costs incurred for the installation of wells, pumps, and storage and treatment facilities, and to provide a fund for reimbursement of a portion of Customers' costs of Extension Facilities pursuant to Regulation No. 9, Section A, a Facilities Development Charge will be imposed in accordance with the following schedule for each new or improved service:

Meter Size	Facilities Development Charge*
5/8"	\$3,41228.00
3/4"	\$4,8175,102.00
1"	\$8,519045.00
1 1/2"	\$16,989041.00
2"	\$275,192676.00
3"	\$48,17251,016.00
4"	\$850,044304.00
6"	\$1760,038559.00
8"	\$27256,071904.00
10"	\$39169,143339.00
12"	\$57341,93541.00

* Each year the Facilities Development Charges will be adjusted to reflect cost changes in materials, labor or real property applied to projects or project capacity. This adjustment in cost is not considered a change in the Facilities Development Charge methodology. The cost adjustment shall be made by applying one or more specific cost indexes or other periodic data sources. A specific cost index or periodic data source must be:

1. A relevant measure of the average change in prices or cost over an identified time period for materials, labor, real property or a combination of the three;
2. Published by a recognized organization or agency that produces the index or data source for reasons that are independent of the Facilities Development Charges methodology;
3. Publicly-available and generally recognized in the utility industry as an authoritative resource for calculating periodic cost adjustments; and
4. Shall be adopted from time to time by Resolution of the Board

The effective date of the recalculated Facilities Development Charges will be April 1st. A comprehensive review and update of Facility Development Charge methodology shall occur at least every five years.

The District will determine the Facilities Development Charge for services greater than twelve (12) inches at time of application.

Private Fire Protection

Size of Each Private Fire Service Connection	Private Fire Protection Connection Fee **
4 Inch and under	\$1,750.00
6 inch	\$1,825.00
8 inch	\$1,900.00
10 inch	\$1,975.00
12 inch	\$2,050.00

~~**Each year the Private Fire Protection Connection Fee will be adjusted to reflect cost changes in materials, labor and other relevant costs. The cost adjustment shall be made by applying one or more specific cost indexes or other periodic data sources. A specific cost index or periodic data source must be:~~

- ~~1. A relevant measure of the average change in prices or cost over an identified time period for materials, labor, real property or a combination of the three;~~
- ~~2. Published by a recognized organization or agency that produces the index or data source for reasons that are independent of the Facilities Development Charges methodology;~~
- ~~3. Publicly available and generally recognized in the utility industry as an authoritative resource for calculating periodic cost adjustments; and~~
- ~~4. Shall be adopted from time to time by Resolution of the Board.~~

~~The effective date of the recalculated Private Fire Protection Connection Fee will be April 1st. A comprehensive review and update of Private Fire Protection Connection Fee shall occur at least every five years.~~

~~The District will determine the Facilities Development Charge for services greater than twelve (12) inches at time of application.~~

- (a) In the event that the Facilities Development Charge assessed to the Applicant impose a financial burden on his or her project, the Applicant may request that the District enter into a deferred payment plan on the all of following terms:
- (1) The written application includes a request for deferment of the payment of all or part of the Facilities Development Charge.
 - (2) The District Board of Directors must approve the request.
 - (3) The request is accompanied by a surety bond or an irrevocable letter of credit in an amount equal to the Facilities Development Charge imposed on the Applicant as specified above, and the specified security is issued by a surety or financial institution authorized to do business and in good standing with the appropriate agency of the State of California.
 - (4) The deferment request is accompanied by an executed Contract on a form provided by the District, which Contract includes the provisions of this subsection and provides for the payment of such Facilities Development Charge as may be in effect on the date of payment, together with interest at the legal rate. The Contract also will provide that the Applicant will pay the Facilities Development Charge in full no later than a date that is no more than 12 months from the date of the filing of the Service Application with the District.
 - (5) The written application and accompanying plans must comply with all applicable District Standards, Ordinances, and Regulations, Plans and Specifications.
 - (6) The deferment rights granted to an Applicant, if any, are not assignable except upon the District's written consent.

6. Supervision and Inspection Charges

A charge shall be assessed for District supervision and inspection of water system improvements based upon hourly rate of \$75.00 per hour. At the time of service application, the District will estimate the minimum cost for District supervision and inspection of the proposed water system improvements, which the Applicant shall deposit with the District in advance of Plan Approval, in addition to all other charges owing under the District's regulations. In the event that actual supervision and inspection costs for supervision and inspection incurred by the District exceed the amount deposited, the Applicant will pay the excess fees due

to the District as a condition precedent to final District acceptance of the water system improvements and connection of service. Should any additional costs be required due to damage to District facilities by Applicant's contractor during construction, the cost shall be billed separately to the contractor. The contractor's payment of billed damages shall be due as a condition of commencing water service and final District acceptance of the improvements. The charge for Supervision and Inspection shall be in accordance with Regulation 3, Section S.

Should the need for an inspection occur weekdays between 4:30 p.m. and 8:00 a.m. the following day, or on weekends or holidays, the requested inspection shall be scheduled through the District to ensure the availability of personnel for the time requested. Overtime costs for inspections outside of normal business hours by District personnel shall be calculated and paid by the Applicant in advance of scheduling the after-hours work. The overtime charge shall be at least one and one-half (1½) times the standard hourly rate for inspection.

7. Fire Hydrant Flow Test

When requested by the local fire agency having jurisdiction over a project within the District, a fire hydrant flow test will be performed to determine the flow available at the test date. The flow test will only demonstrate the pressure and distribution capabilities at the time and under the conditions existing when the test is performed. The District will not guarantee that the flow test results obtained will be consistent with flows available at all times and under all conditions.

Flow tests will be performed either in the field or using the District's updated water model. Tests will be performed by District staff as time allows but not to exceed 4 weeks after a request is made. For design purposes, fire flow tests using the water model will be run with the most conservative assumptions reasonable in order to establish the projected worst case conditions prevailing in the District's water system.

A charge will be assessed for the District to supervise and perform the test and to provide written results. The charge shall be in accordance with Regulation 3, Section T.

8. Bacteriological Testing

After installation and disinfection, the District will sample all new Extension Facilities and have the sample tested by a certified laboratory for bacteria. The Extension Facilities will be super-chlorinated and flushed using at least three times the volume of water in the facilities before bacteria testing is to begin. After flushing is complete, the first set of bacteria testing will be collected from the Extension Facilities. Twenty-four (24) hours after the first collection, a second set of bacteria testing will be collected. If the new Extension Facilities fail to meet applicable federal, state and local bacteriological standards, the Applicant will be responsible for re-disinfecting and re-testing those facilities until they

pass. A charge for this test and any required retests will be assessed in accordance to Regulation 3, Section J.

9. Backflow Prevention Assembly Test Charge

A charge will be assessed for the District to test all Backflow Prevention Assemblies as part of a new development to verify the operating status of each such device. If a Backflow Prevention Assembly does not pass the first inspection, the Applicant will be required to repair the Backflow Prevention Assembly and re-test it at the Applicant's expense. Each backflow test charge shall be in accordance with Regulation 3, Section D.

10. Environmental Document Charge

Whenever the District determines that an environmental impact report or other environmental document is required for a proposed Extension Facility necessary to serve an Applicant's Parcel, the District will estimate the cost of preparing such a document, including overhead expenses, preparation, and hearings. In addition to all other costs that may be due to the District for provision of service, the Applicant shall deposit with the District the estimated Environmental Document Charge as a condition precedent to the District's approval of an environmental document. In the event that the actual cost to prepare an environmental document exceeds the amount deposited, the Applicant will pay the excess amount before Final Approval. If the deposit exceeds the cost, the District will refund the balance.

In the event that the Applicant delivers to the District a certified copy of an environmental document duly approved and filed by the County of Sacramento relevant to the Applicant's Parcel, the District may determine, in its sole discretion, that the provisions of this paragraph do not apply.

11. Furnish-Only Fees

Meters, as shown on the standard detail drawing of the District's ~~Improvement Standards and Technical Specifications adopted by the Board of Directors and any revision thereto~~ Standards, are required on all new or improved Service Connections and shall be Furnish-Only Materials by the District. The District will charge fees for Furnish-Only Materials to an Applicant in accordance with the number, the cost, and the District's inventory and overhead cost for furnishing the required Meter(s).

I. Water Service

The District shall make water service available to an Applicant's new or improved Service Connection subject to the following terms and conditions:

1. No service shall be granted or continued unless an Applicant has filed an application for service on a District-furnished form.

- (a) All new construction, and improved Parcels, and replacement mains shall have a Meter installed on the Principal Boundary no more than one foot behind a sidewalk or curb.
 - (b) Monthly water billing shall be computed on actual consumption based on the Metered Rates in Regulation No. 3.
 - (c) A separate Service Connection and Meter shall be installed on each Parcel. A separate Service Connection may include multiple meters except as otherwise limited by this Regulation 7.
 - (d) If a Parcel is found to be served by more than one Service Connection, it will be at the sole discretion of the District, in consultation with the Customer, to determine how the parcel will receive water through a metered connection(s). The owner of the parcel will be responsible for the cost of any changes to the service configuration, including the abandonment of any existing unused Service Connection or the upgrade to District current standards of additional Service Connections as determined necessary by the District.
 - (e) The minimum water service size for a new residential Service Connection shall be one inch in diameter.
 - (f) No more than one Service Connection per Single Family Residential Parcel will be permitted unless otherwise determined by the District.
 - (g) Each residential unit is required to have its own District-approved Service Connection.
 - (h) A separate metered irrigation service shall be required for all non-residential units.
 - (i) No credit will be allowed for vacancies in multiple family residential units.
 - (j) All non-residential services and multi-family residential structures containing 5 or more units fed from a single connection services shall have water meters with an approved Backflow Prevention Assembly.
2. Use of a 5/8" meter shall be limited to multi-family residential units fed by a single water service such as, but not limited to, duplexes, triplexes, fourplexes, apartment buildings with five or more residential units, and condominiums.
 3. Voluntary Meter Installation on an Existing Residential Service
 - (a) At a Customer's request, the District will install a permanent Meter on an existing un-metered Service Connection for a residential Parcel at no

direct charge. However, should the Parcel be within a current main replacement project area that is scheduled for a new water service installation a new meter will be installed only after the installation of the new water main.

- (b) Upon installation of a Meter, the District will compute and charge the Parcel's water bill based on actual consumption at the Metered Rates stated in Regulation No. 3.

J. Connection to Facilities Extended by District

1. If an Applicant for water service to a Parcel fronting Extension Facilities built with District funds desires to connect to such facilities, he or she shall deposit with the District, together with a New Service application, a portion of the total cost of designing and installing the Extension Facilities. The Applicant's cost share shall be determined by comparing the length of the Applicant's frontage along the right-of-way in which the water service facilities will or have been located to the total combined frontage along said right-of-way of all Parcels served by the Extension Facilities. The District also will calculate and charge all other applicable fees and charges established by District Regulations.
2. If an Applicant chooses, payment of the costs and charges to connect to District-constructed Extension Facilities as defined in Regulation 9, Section A may be deferred for a period not to exceed 12 months from the date on which the District approves the Application for Water Service, provided:
 - (a) The Applicant requests the District defer the charges in writing before the date the application is approved, and
 - (b) The full amount of such fees and charges together with interest thereon at the legal rate is guaranteed by a surety bond issued by a surety company acceptable to the District, and the Applicant executes an agreement to make such payment together with interest at the legal rate within the 12-month deferment period, and
 - (c) The deferment is not transferable.
3. Reimbursement for eligible costs of Extension Facilities as defined by Regulation 9, Section A will not be made until all connection charges have been paid by the Applicant.

K. Abandonment of Service Line

The District charge for the abandonment of an existing water service from the existing water main to the Applicant's Parcel shall equal the District's actual cost of materials, labor, equipment and normal overhead charges. The charge for service abandonment shall be in accordance with Regulation 3, Section W.

L. Existing Services

All Service Connections that are not directly affected by an improvement, but which exist on a Parcel to be improved, shall be upgraded to current District Standards if the Landowner intends to use such service(s) in the future. If the unaffected Service Connection(s) will not be used, the Landowner shall be required to abandon such service(s) in accordance with District Standards. This requirement applies to all services that serve other buildings or appurtenances on the Parcel being improved.

District-required upgrades of existing Service Connection(s) shall include, but are not limited to, repair, upgrade and/or replacement of existing facilities to current District ~~Specifications and Standards~~ Details.

Credit will be given for existing unused services on improvement projects affecting the Parcel. Credit will be given in the amount of the existing Facilities Development Charge on the Plan Approval date, subject to abandonment of the unused Service Connection(s) as required herein. Credit will only apply to new Facilities Development Charges and will not exceed the total for the project.

M. Existing Services on Split Parcels

After a parcel split, the existing service will serve only the Parcel on which it is installed. If any unserved portion of a split Parcel will be developed, the Landowner shall be required to install a New Service on such Parcel in accordance with all applicable District Standards, Ordinances, rules, and Regulations, ~~plans and specifications~~.

Regulation No. 9

Extensions of and Additions to District Facilities

Adopted: July 19, 2004

Amended: ~~December 21, 2009; December 20, 2010; January 28, 2013;~~
June 15, 2015; March 19, 2018

A. Extension Facilities

Extension Facilities are a water distribution system, including without limitation, water mains, storage tanks, pumps, wells, and appurtenances, which provide for water transportation and/or production to a Parcel or Parcels not presently served by an adequate water supply as the same is defined in ~~Sections N and O~~ of the District Standards hereof. There are two classes of such facilities, namely:

1. Applicant's Cost: In those situations where the District does not maintain a main line of Adequate and Reserve Capacity in a street or public right-of-way completely fronting the Applicant's Parcel(s), the Applicant shall install, at Applicant's sole cost, Extension Facilities of the size defined in ~~Sections N and O~~ District Standards, Section D fronting his, her or its Parcel(s) in the public right-of-way. As used in this Section, street or public right-of-way shall be plural when the Applicant's Parcel(s) fronts streets or public rights-of-way on two (2) or more sides. In this situation, the Applicant shall provide Extension Facilities on the Principal Boundary that correlates to the District Master Plan as a necessary extension to provide for future extension of the District Water System. Should the Applicant be required to service the Parcel(s) on the other right-of-way, then the Applicant shall be required to also provide a water main of Adequate and Reserve Capacity along this frontage; said mains shall be of the size defined in ~~Sections N and O~~ District Standards, Section D hereof from a point where a water main of Adequate and Reserve Capacity exists to the point most distant from that main on the Principal Boundaries of the Applicant's Parcel(s).
2. District's Cost: There will be situations where additional water demand will require the installation of additional Extension Facilities beyond Applicant's Principal Boundary or Up-Sized Lines, or where future development will require the installation or construction of such facilities that otherwise would be prohibited from construction for a period of time by the County of Sacramento. In such cases, the District may, at its cost, authorize the construction of such Extension Facilities or Up-Sized Lines as are deemed necessary by the Board of Directors to comply with the current District Master Plan.

B. Location, Design, and Specifications of Extension Facilities

The location, design, and specifications of all Extension Facilities shall be determined by the District's Master Plan and by the application of the provisions of this Regulation and Regulation 7, and the application of the District's ~~Standards, Specifications and Plans~~ and all revisions thereof.

C. Ownership and Operation

Extension Facilities constructed in accordance with the District's requirements shall, upon acceptance by the District, be owned, operated, and maintained by the District as part of its water storage and distribution system. As a condition of approval of Extension Facilities, the Applicant will convey the new facilities to the District if constructed at Applicant's cost. Prior to acceptance by the District in writing, ownership and responsibility of all Extension Facilities shall remain the Applicant or the Applicant's contractor, agent or other authorized representative. The Applicant shall provide and fund a one-year guarantee bond or similar security on all Extension Facilities. The guarantee period shall begin on the date of final acceptance by the District.

D. Location of Existing Facilities

~~All~~ Any existing facilities located on an Applicant's Parcel or Parcels that are situated above ground or at ground level shall be relocated below ground as specified in the District's ~~Standards, Specifications and Plans~~. All such relocations shall be at Applicant's cost.

E. Location of Extension Facilities

Extension Facilities shall be located as determined in the District's sole discretion on land granted to or owned by the District in fee, in a public right-of-way, or in an easement granted to and accepted by the District. The Applicant will, without cost to the District, cause to be conveyed or granted such lands and/or easements as the District determines to be necessary for the Extension Facilities. The land and/or easement shall be conveyed to the District free and clear of all liens and encumbrances. An Applicant's failure to cause to be conveyed or granted the lands and/or easements required by the District as a condition of acceptance of Extension Facilities shall be grounds for the District to refuse to provide water service to the Applicant or cause discontinuance of any existing service until such facilities are furnished.

F. Payment of Cost of Extension Facilities

Except for the incremental cost of any required Up-Sized Lines or other facilities to be built at the District's cost in accordance with Section A.2, the Applicant shall pay all costs of constructing the Extension Facilities required to serve his, her or its Parcel or Parcels in accordance with the provisions of Section A.1 hereof and Regulation 7. In cases where the District constructs the Extension Facilities in accordance with Section A.2 of this Regulation 9, the District's actual costs and party responsible for construction will be determined solely by the District. The District's actual costs for any facilities

shall include labor, materials, equipment, engineering, inspection, and usual overhead expenses related to such work.

G. Deposit of Installation Costs

The Applicant shall deposit with the District, as a condition precedent to written District approval of plans for Extension Facilities, a sum equal to the estimated total cost of those facilities, including all charges defined in accordance with provisions of Regulation 7, Section F hereof. The required deposit shall be in cash or an irrevocable letter of credit in a form and issued by a bank or financial institution acceptable to the District. Upon completion of the work, and if the deposit paid to the District is less than the actual cost of the work, the difference shall be paid by the Applicant prior to the District's commencement of water service. Any amount paid, including Facilities Development Charges, Supervision and Inspection fees, overhead costs, and any other charges that may be owing, which are in excess of the actual cost of installation of the Extension Facilities, will be refunded by the District after Final Approval of the new facilities.

H. Acknowledgement of Necessity for and Reasonableness of Extension Facilities

Anyone who pays, deposits, or agrees to pay all or part of the cost of Extension Facilities thereby acknowledges that such facilities are necessary and reasonable.

I. Installation

Extension Facilities will be installed by the District or by the Applicant, unless the District elects to require the installation of Up-Sized Lines, in which case the District will install or pay the incremental cost of those facilities. The Applicant may, when permitted, hire a competent and experienced licensed contractor to install the Extension Facilities. Such contractor must have specific experience in the construction of water facilities and be approved in writing by the District. All work performed by an Applicant's contractor is subject to final inspection and approval by the District as a condition of its acceptance of the Extension Facilities and provision of water service to the Applicant. The District reserves the exclusive right to construct with its own personnel or by Contract, all Extension Facilities required, including Up-Sized Lines and complicated connections or extensions involving interference with existing District Water System facilities.

J. Reimbursable Costs

1. Whenever the Applicant is required in accordance with the provisions of this Regulation or Regulation 7 to install Extension Facilities that include the construction of an Up-Sized Line or the extension of facilities beyond the frontage of the Parcel or Parcels to be developed, the Applicant shall be entitled to a reimbursement for a portion of such installation, if the Parcel or Parcels that Extension Facilities cross is already developed with service from a backyard main or has not been developed. For Parcels that have service from an existing water

main in the front yard, reimbursements for Extension Facilities that are in addition to or replacing existing facilities as necessary per District regulations will not be eligible for reimbursement.

2. Reimbursement shall be made in accordance with the following terms and conditions:
 - a. The Applicant has furnished the District the bid or cost of the Facilities Extension.
 - b. The Applicant approves in writing of the reimbursement calculated by the District based on the supplied bidder costs.
 - c. The main extension is installed per plans and District standards with all deficiencies corrected to the satisfaction of the District.
 - d. The Extension Facilities are successfully completed, and all required tests are performed and satisfactorily passed (including a hydro-test, and sanitary test).
 - e. If applicable, performance of a certified on-site test of Backflow Prevention Assembly(s) demonstrating compliance with Sacramento County requirements.
 - f. The District has issued final written acceptance of all Extension Facilities as installed per the approved plans.
 - g. When the above items have been completed, the Applicant shall then request, in writing, the reimbursement. Reimbursements will not be provided if any of the above conditions are not satisfied.

K. Reimbursement Fund

There is established a separate Facilities Reimbursement Fund. The District will credit to said fund 20% of all Facilities Development Charges paid to the District during each fiscal year. The deposits so obtained shall be the sole source of income to said fund for that year. Any remaining balance in the said fund after payment in that fiscal year to all reimbursement entitlements shall be transferred into the District's General Fund.

L. Reimbursement Payments

On or before April 1st of each year, the District shall pay to Applicants eligible for reimbursement as provided in paragraph J above, that proportionate share of the total amount deposited into the Facilities Development Fund during the year of his/her payment for the work as his/her contribution bears to the total amount paid into the fund during the fiscal year.

On or before April 1st of the second and successive years, the District shall pay to the Applicant that proportionate share of the total amount credited to the Facilities Development Fund during the year of payment as the balance due the Applicant bears to the total amount paid into said fund during the each of the second and successive years.

An Applicant's reimbursement entitlement shall expire and terminate when the District has paid the same in full without interest, or has made payments for a ten (10) year period from the date of first payment, whichever comes first.

M. Assignment of Reimbursement Entitlement

The District will not recognize any assignment or attempted assignment of a reimbursement entitlement unless the assignment is on a form satisfactory to the District and is signed and acknowledged by the assignor. The District will furnish such forms of assignment upon request.

N. ~~Minimum Water Main Size~~

~~The minimum size for water distribution mains necessary to adequately deliver domestic water and public fire protection to all new developments and construction of whatever kind or size shall be determined with reference to real property use zones established by the County of Sacramento, including any variance granted thereto, and specifically in compliance with the following provisions:~~

Sacramento County Zoning	Minimum Water Pipeline Size
Industrial (All Types)	16-Inch
Commercial (PB, SC, LG, GC, AC, TC)	12-Inch
Mobile Home Park (RM-1)	12-Inch
High Density Residential (RD-20, RD-30, RD-40)	12-Inch
Public (Schools, Parks, etc.)	12-Inch
Quasi-Public (Hospitals, Churches, etc.)	12-Inch
All Other Zoning*	8-Inch
*Exception: Cul-de-sacs, Single Family (No Fire Hydrant Requirement)	6-Inch

~~For infill parcels, a variance for the minimum pipeline sizes in this section will be considered if the proposed new development or construction of whatever kind or size complies with Section O.~~

O. ~~Maximum Water Velocity~~

~~All new Extension Facilities are required to be designed to provide for a maximum water velocity within those facilities of five (5) feet per second under maximum day and fire demand conditions, as fire demand is computed under the fire suppression rating schedule, published by the California Fire Code (Edition 2013, or latest edition). If a conflict between Sections N and O shall exist, the provisions of this Section O shall control.~~

RESOLUTION NO. 18-03

**A RESOLUTION OF THE BOARD OF DIRECTORS OF THE
SACRAMENTO SUBURBAN WATER DISTRICT
AMENDING REGULATIONS NOS. 1, 7 AND 9 OF THE
REGULATIONS GOVERNING WATER SERVICE**

WHEREAS, on July 19, 2004, the Board enacted Ordinance 2004-03, entitled “An Ordinance of the Board of Directors of Sacramento Suburban Water District Adopting Regulations Governing Water Service”;

WHEREAS, the Board now desires to amend Regulation Nos. 1, 7 and 9 of the Regulations Governing Water Service as described in this Resolution; and

WHEREAS, none of the described amendments to Regulation Nos. 1, 7 and 9 are subject to Proposition 218’s notice and hearing requirements as provided in Article XIII D, section 6 of the California Constitution.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Sacramento Suburban Water District as follows:

1. Regulation Nos. 1, 7 and 9 are hereby amended as shown in Exhibit 1, which is attached to and made a part of this Resolution.
2. The Board authorizes and directs the General Manager and staff to take all actions necessary to amend Regulation Nos. 1, 7 and 9 and to enforce such amended regulations in accordance with the authority granted by this Resolution.
3. Except as modified by the terms of this Resolution, the existing District Regulations Governing Water Service shall remain in full force and effect. Any provisions in the existing regulations that conflict with the amendments set forth in this Resolution are deemed superseded and of no further effect.
4. This Resolution shall take effect as of April 1, 2018.

PASSED AND ADOPTED by the Board of Directors of the Sacramento Suburban Water District on the 19th day of March 2018, by the following vote:

AYES:

NOES:

ABSENT:

By: _____

Craig M. Locke
President, Board of Directors
Sacramento Suburban Water District

I hereby certify that the foregoing resolution was duly and regularly adopted and passed by the Board of Directors of Sacramento Suburban Water District at a regular meeting hereof held on the 19th day of March 2018.

(SEAL)

By: _____
Dan York
General Manager/Secretary
Sacramento Suburban Water District



Agenda Item: 3

Date: March 13, 2018

Subject: Resolution No. 18-04 Authorizing the Issuance of Not to Exceed \$22,000,000 Refunding Revenue Bonds and Approving the Execution and Delivery of Certain Documents in Connection Therewith and Certain Other Matters

Staff Contact: Daniel A. Bills, Finance Director

Recommended Board Action:

Approve Resolution No. 18-04 Authorizing the Issuance of Not to Exceed \$22,000,000 Refunding Revenue Bonds and Approving the Execution and Delivery of Certain Documents in Connection Therewith and Certain Other Matters.

Discussion:

At the February 26, 2018, meeting of the Board of Directors (Board), the Board directed staff to work with the approved Financing Team to assemble all the documents necessary for an advance refunding of the 2009B Certificates of Participation (2009B Certificates) by issuing a Refunding Revenue Bonds at a taxable interest rate.

This action was sought due to an opportunity for the District to save roughly \$1.4 million in cash over the period 2018 to 2027; on a net present value basis savings of roughly \$1.2 million over the same period, while reducing the maturity by one year. See PowerPoint presentation attached for further details.

Set forth below are good faith estimates of Fieldman, Rolapp & Associates, Inc., the municipal advisor, as required under Section 5852.1 of the California Government Code (the "Code") as follows:

- (a) The true interest cost of the bonds is estimated at 3.48%, calculated as provided in Section 5852.1(a)(1)(A) of the Code.
- (b) The finance charge of the Refunding Revenue Bonds, including underwriter's discount and all other fees and charges paid to third parties, is estimated at \$268,965.
- (c) Proceeds of the Refunding Revenue Bonds received by the District for the sale of the Refunding Revenue Bonds, including the estimated principal amount of the proposed Refunding Revenue Bonds of \$19,770,000 less the finance charges set forth in (b) above, is equal to \$19,501,035, which, together with approximately \$3,517,500 of additional moneys

Resolution No. 18-04 Authorizing the Issuance of Not to Exceed \$22,000,000 Refunding Revenue Bonds and Approving the Execution and Delivery of Certain Documents in Connection Therewith and Certain Other Matters

March 13, 2018

Page 2 of 2

held in the funds established with respect to the 2009B Certificates, will be available to refinance the 2009B Certificates.

- (d) The total payment amount calculated as provided in Section 5852.1(a)(1)(D) of the Code is estimated at \$22,656,707.

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

Closing the above transactions at this point is primarily dependent on market conditions and Standard & Poor's assignment of a credit rating to the Refunding Revenue Bonds. It is anticipated that such assignments will occur by or around April 16th.

Attached are 6 documents for Director review and approval. Behind this staff report is a Power Point presentation prepared by Fieldman, Rolapp & Associates, Inc. that summarizes the refinancing. The 6 Bond documents that follow are:

Bond Documents

1. Resolution 18-04
2. Indenture of Trust
3. Purchase Contract
4. Preliminary Official Statement
5. Continuing Disclosure Certificate
6. Escrow Agreement

Fiscal Impact:

Approximately \$270,000 in closing costs on the Refunding Revenue Bonds. Cash savings of approximately \$1.4 million for the period 2018 to 2027.

Strategic Plan Alignment:

4.F. Monitor the District's debt portfolio to manage debt risk and minimize District costs.



REFUNDING REVENUE BONDS, SERIES 2018A (TAXABLE) BOARD PRESENTATION

March 19, 2018

REFUNDING OF 2009B REFUNDING REVENUE
CERTIFICATES OF PARTICIPATION



REFUNDING OVERVIEW

➤ 2009B Refunding Revenue Certificates of Participation (“Certificates”)

- ◆ 2009B Certificates issued to refund Series 2004 Adjustable Rate Revenue COPs
 - ✓ Due to federal tax code rules, the 2009B Certificates cannot be advance refunded prior to the 2019 call date using tax-exempt debt
 - ✓ Additionally, federal tax code changes in 2017 prohibit advance refundings of tax-exempt debt on a tax-exempt basis
 - ✓ Taxable refunding bonds offer an opportunity to secure savings in the current market
- ◆ ~\$22 million outstanding
- ◆ Subject to prepayment on November 1, 2019 without premium

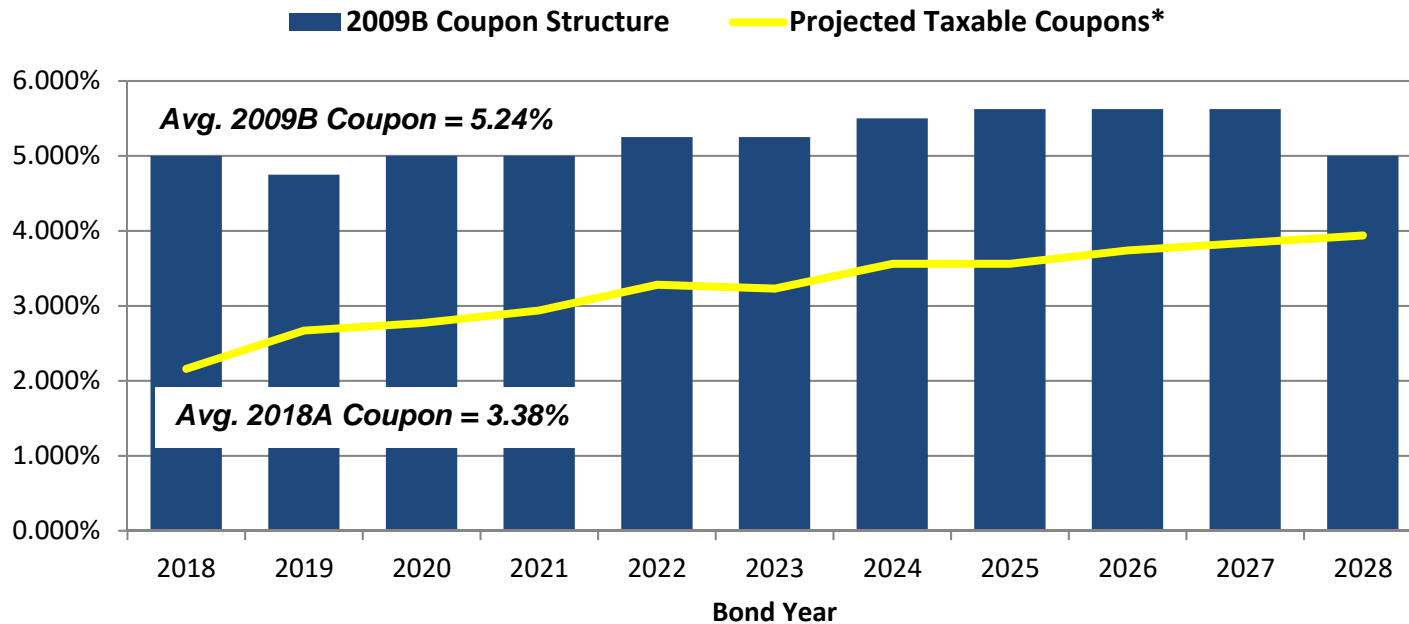
➤ Proposed 2018A Refunding Revenue Bonds*

- ◆ Par: \$19.8 Million
- ◆ Maturity: November 2027
- ◆ Fixed Rate:
 - ✓ True Interest Cost: 3.48%
 - ✓ Average Coupon Rate: 3.38%
- ◆ Reserve Fund: None
- ◆ Issuance Cost: ~\$268,000

**Preliminary, subject to change.*

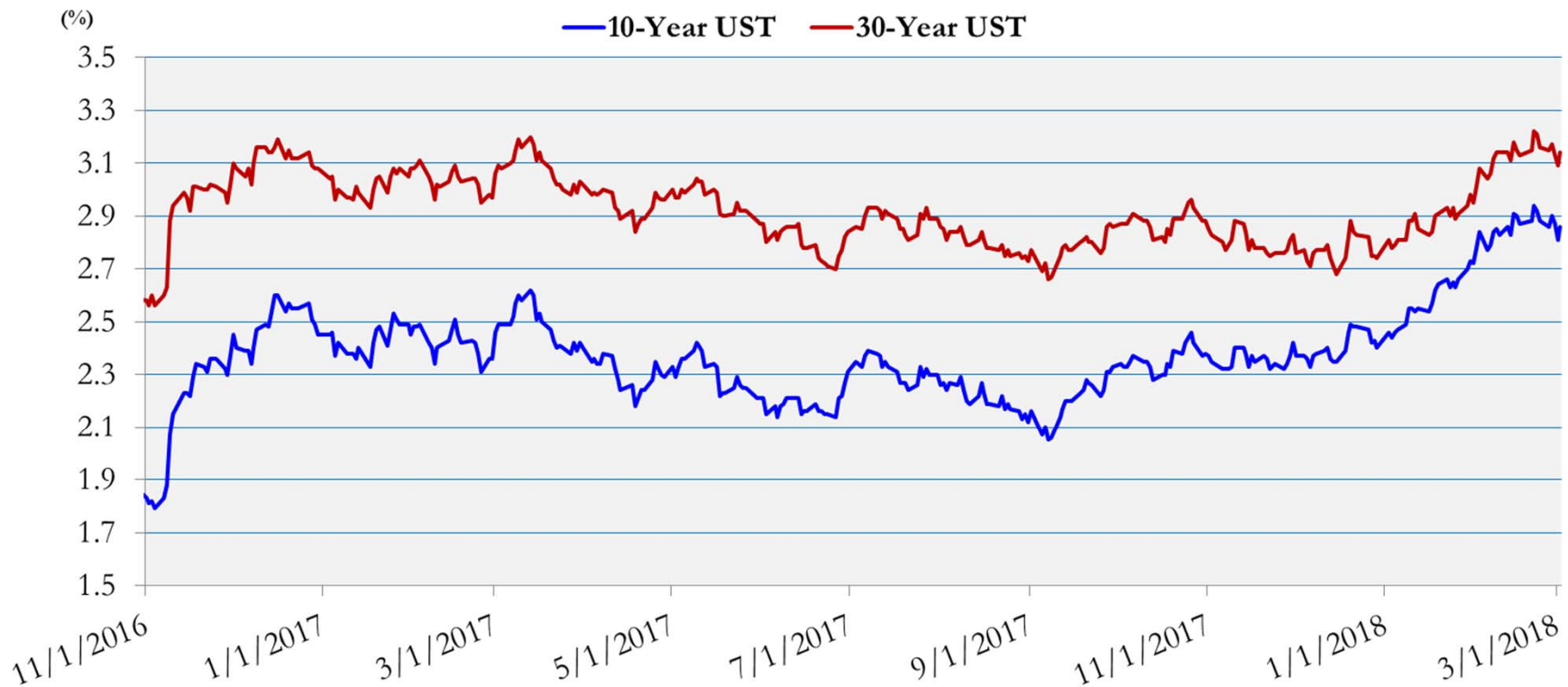
REFUNDING OPPORTUNITY

- ◆ Interest rates range from 4.75% to 5.625%
- ◆ Industry standard suggests 5% NPV savings in total and maturity by maturity for advance refundings.
- ◆ Industry standard suggests 70% or higher for escrow efficiency
- ✓ Escrow efficiency shows NPV savings as a percentage of total possible NPV savings with no negative arbitrage

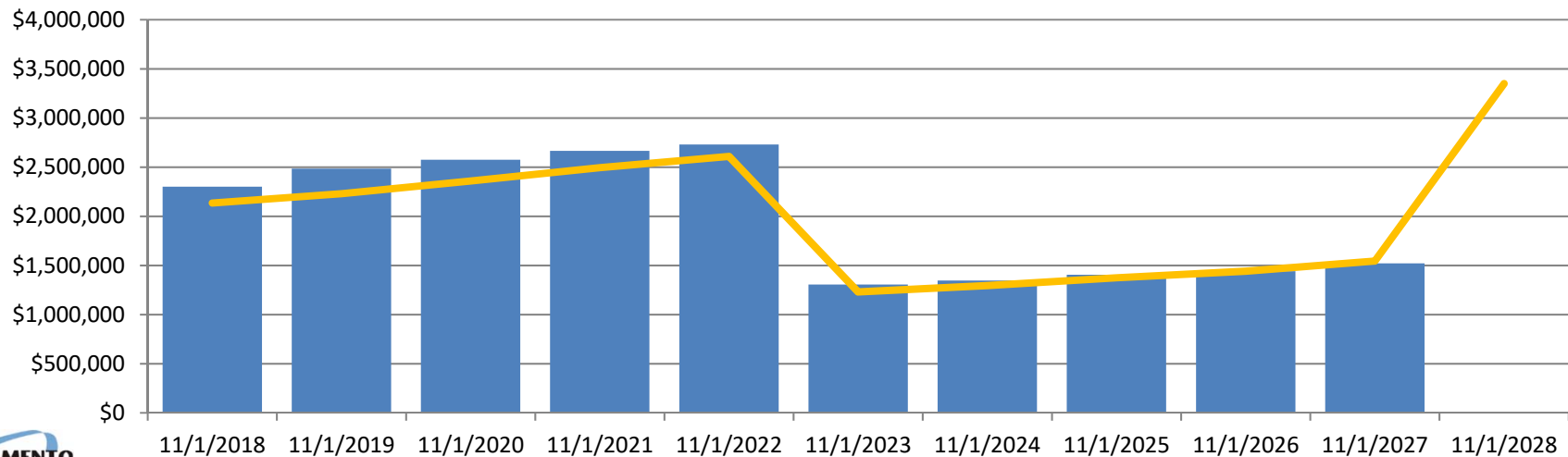
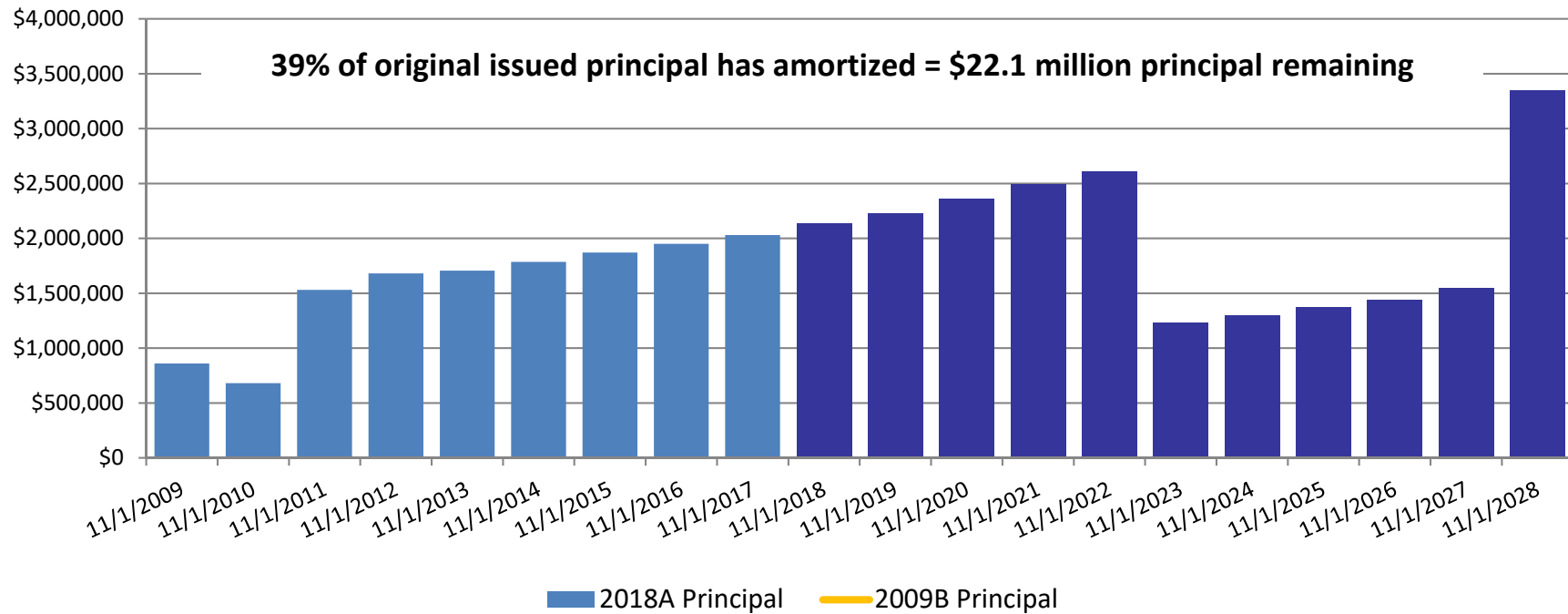


US TREASURY YIELDS

10-Year and 30-Year U.S. Treasury
(November 1, 2016 through March 2, 2018)



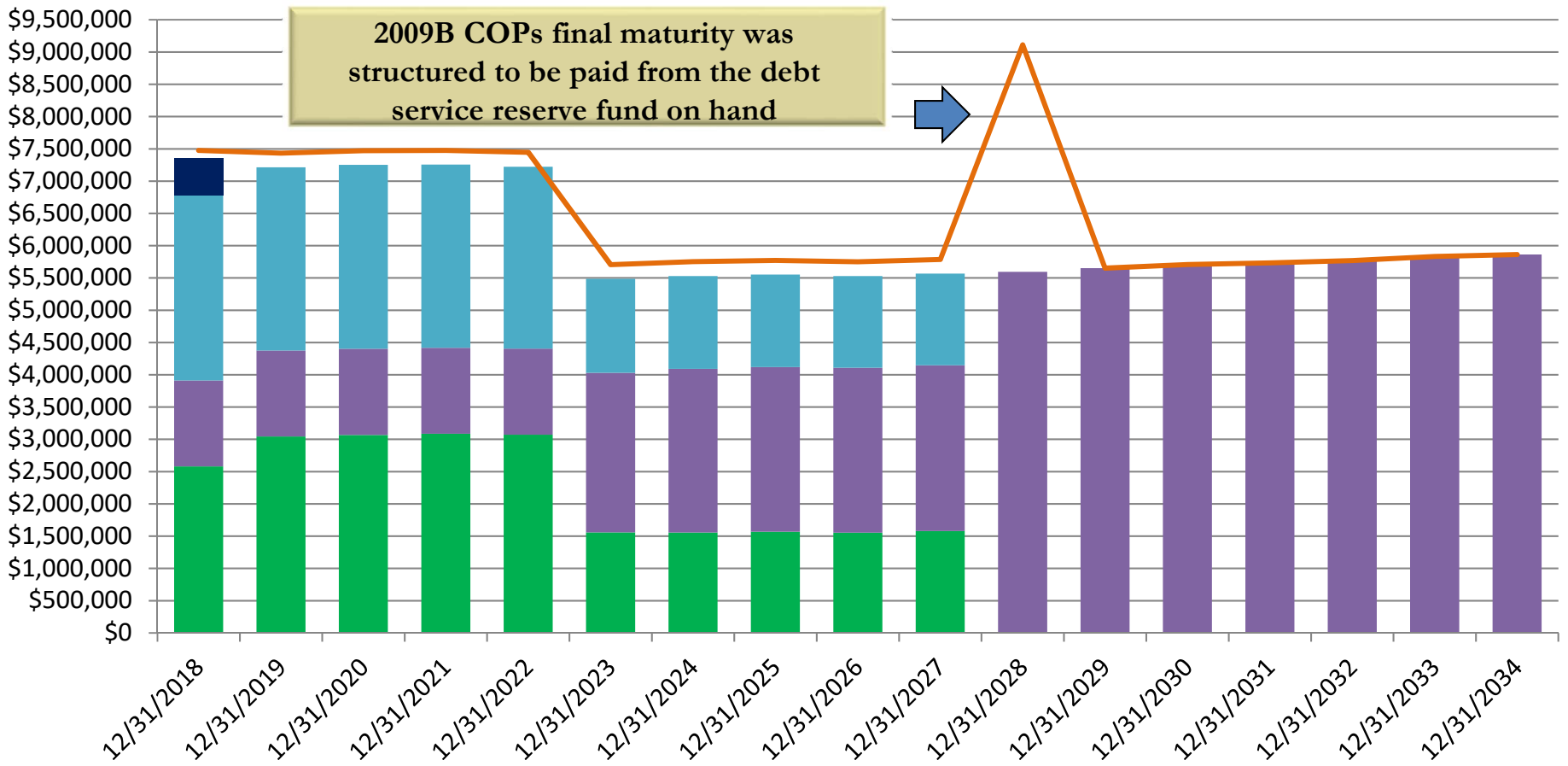
SERIES 2009B Vs. PROPOSED SERIES 2018A



AGGREGATE DEBT SERVICE PROFILE

Aggragate Debt Service Profile

Series 2018A Bonds 2009A COPs* 2012 Bonds Prior 2009B COPs Agg. Debt Service Pre Refunding



*Interest projected at 2012 Swap Agreement rate of 3.283% for \$33,300,000 aggregate principal amount of 2009A Certificates and projected at rate of 2.75% for \$8,700,000 aggregate principal amount of 2009A Certificates.

2009B CERTIFICATES REFUNDING SAVINGS*

FY Ending	Existing 2009 Bonds Debt Service ⁽¹⁾	Refunding Debt Service	Annual Savings	Present Value Annual Savings
12/31/2018	2,673,061	2,580,138	92,923	91,503
12/31/2019	3,193,900	3,042,848	151,053	147,113
12/31/2020	3,217,975	3,066,498	151,477	142,364
12/31/2021	3,234,975	3,085,171	149,805	135,846
12/31/2022	3,225,225	3,071,820	153,406	134,149
12/31/2023	1,708,200	1,557,276	150,925	127,341
12/31/2024	1,708,625	1,555,124	153,501	125,081
12/31/2025	1,717,400	1,567,242	150,158	118,213
12/31/2026	1,705,056	1,552,224	152,832	116,171
12/31/2027	1,729,056	1,578,368	150,688	110,624
12/31/2028	(70,350)		(70,350)	(49,024)
Total Savings				\$1,386,417
Net Present Value Savings				\$1,201,688
Percentage savings of refunded bonds				5.45%

- **2018A Bonds will use the release of \$3.5 million debt service reserve fund to pay down the escrow**
- **Taxable advance refunding will generate ~\$1.2 million (5.4% of refunded amount)* in NPV savings**
- **Produces annual savings between \$92,000 and \$153,000, excluding final year (reflects shortening of final maturity by one year)**

(1) Prior Debt Service reflects the use of the reserve fund in 2028 and earnings at 2.00% annually from 2018 through 2028.

**All figures are preliminary and subject to change. Based on estimated market conditions as of February 22, 2018. Refer to Disclaimer on last page of this presentation.*

LEGAL DOCUMENTATION



DOCUMENTATION

- **Bond Resolution:** approves form of proposed documentation and authorizes staff to complete refunding under certain parameters
- **Indenture:** governs flow of funds, 2018 Bond terms, interest rates and maturities and District covenants for the benefit of the owners of the 2018 Bonds.
- **Continuing Disclosure Certificate:** District covenants to periodically provide certain key credit information on the District to the market.
- **Escrow Agreement:** governs use of proceeds to pay and retire 2009 Certificates.
- **Official Statement:** District's disclosure document that provides description of the 2018 Bonds, the sources of repayment, risk factors and other material facts about the District.
 - ◆ Preliminary Official Statement is distributed by underwriter to potential investors and does not include 2018 Bonds pricing information (principal amount, interest rates, maturity dates)
 - ◆ Final Official Statement is the same as the POS but includes pricing information
 - ◆ Official Statement should include all “material information” about the 2018 Bonds (a fact is material if there is a substantial likelihood that, under all of the circumstances, the fact would have actual significance in the deliberations of the reasonable investor)
- **Bond Purchase Agreement:** governs purchase of 2018 Bonds by Citigroup.

RECOMMENDATION

- **Approve refunding strategy selected by Staff and FRA**
- **Adopt Resolutions authorizing documents in substantially final form with issuance parameters**
- **Resolutions authorize Staff to proceed with refunding and execute necessary documentation**

QUESTIONS AND DISCUSSION



DISCLAIMER

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

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

RESOLUTION NO. 18-04

**A RESOLUTION OF THE BOARD OF DIRECTORS OF THE
SACRAMENTO SUBURBAN WATER DISTRICT
AUTHORIZING THE ISSUANCE OF NOT TO EXCEED
\$22,000,000 REFUNDING REVENUE BONDS AND
APPROVING THE EXECUTION AND DELIVERY OF
CERTAIN DOCUMENTS IN CONNECTION THEREWITH
AND CERTAIN OTHER MATTERS**

WHEREAS, the Sacramento Suburban Water District (the “District”) is a county water district duly organized and existing under and pursuant to the Constitution and laws of the State of California (the “State”);

WHEREAS, the Board of Directors of the District (the “Board”) has previously caused Refunding Revenue Certificates of Participation, Series 2009B (the “2009B Certificates”) to be executed and delivered to refinance certain capital improvements to the District (the “Project”); and

WHEREAS, the Board has determined that it is in the best interest of the District to cause fixed rate refunding revenue bonds (the “Bonds”) to be issued to refinance the Project;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Sacramento Suburban Water District as follows:

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

2. The Board hereby authorizes the issuance, sale and delivery of the Bonds in an aggregate principal amount not to exceed \$22,000,000 (except that such amount may be increased with the approval of the General Manager to provide for original issue discount to the extent that such original issue discount will result in a lower interest rate or yield to maturity on the Bonds) in accordance with the terms and provisions of the Indenture of Trust. The sale and issuance of the Bonds is determined to be consistent with the District’s debt policy and to the extent the sale and issuance of the Bonds is not in compliance with the District’s debt policy, such noncompliance is waived in accordance with the terms of the District’s debt policy.

3. The Purchase Contract between the District and Citigroup Global Markets Inc., in substantially the form attached hereto as Exhibit B and, upon execution as authorized below, made a part hereof as though set forth in full herein, is hereby approved. The President of the Board or the General Manager or the designee thereof is hereby authorized and directed to execute and deliver the Purchase Contract with such changes, insertions and omissions as may be recommended by General Counsel or Bond Counsel and approved by the officers executing the same, said execution being

conclusive evidence of such approval; provided, however that in no event shall the principal amount exceed \$22,000,000, nor shall the underwriting discount exceed 0.45% of the principal amount, nor shall the all-in true interest cost of the Bonds in the aggregate exceed 4.5% per annum.

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

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

6. The Escrow Agreement (Series 2009B), in substantially the form attached hereto as Exhibit E is hereby approved. The President of the Board, the General Manager or the designee thereof is hereby authorized and directed to execute and deliver the Escrow Agreement with such changes, insertions and omissions as may be recommended by General Counsel or Bond Counsel, and approved by the officers executing the same, said execution being conclusive evidence of such approval.

7. The Board hereby authorizes the General Manager to select a municipal bond insurer to insure payments of the principal of and interest on all or a portion of the Bonds so long as the General Manager determines that obtaining the municipal bond insurance policy provided thereby will result in a lower interest rate or yield to maturity with respect to such Bonds. Bond Counsel is hereby directed to make all changes to the Indenture of Trust, the Purchase Contract, the Continuing Disclosure Certificate, the Escrow Agreement (Series 2009B), the Preliminary Official Statement, the final Official Statement and other related documents as are necessary to reflect the selection of a municipal bond insurer and the reasonable comments thereof.

8. MUFG Union Bank, N.A. is hereby appointed to act as trustee under the Indenture of Trust.

9. The Board acknowledges that the good faith estimates required by Section 5821.1 of the California Government Code are disclosed in Paragraph 4 of the staff report and are available to the public at the meeting at which this resolution is approved;

10. The President of the Board or the General Manager or the designee thereof and any other proper officer of the District, acting singly, is each hereby authorized and directed to execute and deliver any and all documents and instruments and to do and cause to be done any and all acts and things necessary or proper for carrying out the transactions contemplated by the aforementioned Indenture of Trust, the Purchase Contract, the Preliminary Official Statement, the Official Statement, the Continuing Disclosure Certificate, the Escrow Agreement (Series 2009B) and this resolution.

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

12. This resolution shall take effect immediately.

PASSED AND ADOPTED by the Board of Directors of the Sacramento Suburban Water District on March 19, 2018 by the following vote:

AYES:

NOES:

ABSENT:

By: _____

Craig M. Locke
President, Board of Directors
Sacramento Suburban Water District

I certify that the foregoing resolution was duly and regularly adopted and passed by the Board of Directors of the Sacramento Suburban Water District at a regular meeting thereof held on the 19th day of March, 2018.

(SEAL)

By: _____

Daniel R. York
General Manager
Sacramento Suburban Water District

INDENTURE OF TRUST

Dated as of March 1, 2018

By and between

**MUFG UNION BANK, N.A.,
as Trustee**

and the

SACRAMENTO SUBURBAN WATER DISTRICT

Relating to

\$_[]

**SACRAMENTO SUBURBAN WATER DISTRICT
REFUNDING REVENUE BONDS, SERIES 2018A (TAXABLE)**

TABLE OF CONTENTS

Page

ARTICLE I

DEFINITIONS; CONTENT OF CERTIFICATES AND OPINIONS

Section 1.01.	Definitions	3
Section 1.02.	Content of Certificates and Opinions.....	15
Section 1.03.	Interpretation.....	16

ARTICLE II

THE 2018A BONDS

Section 2.01.	Authorization of 2018A Bonds.....	16
Section 2.02.	Terms of the 2018A Bonds.....	16
Section 2.03.	Transfer of 2018A Bonds	17
Section 2.04.	Exchange of 2018A Bonds	18
Section 2.05.	Registration Books.....	18
Section 2.06.	Form and Execution of 2018A Bonds	18
Section 2.07.	2018A Bonds Mutilated, Lost, Destroyed or Stolen.....	19
Section 2.08.	Book Entry System	19

ARTICLE III

ISSUANCE OF 2018A BONDS; APPLICATION OF PROCEEDS

Section 3.01.	Issuance of the 2018A Bonds	22
Section 3.02.	Establishment of Bond Proceeds Fund; Application of Proceeds of the 2018A Bonds	22
Section 3.03.	Establishment and Application of Costs of Issuance Fund.....	22
Section 3.04.	Validity of 2018A Bonds.....	22

ARTICLE IV

REDEMPTION OF 2018A BONDS

Section 4.01.	Terms of Redemption	22
Section 4.02.	Selection of 2018A Bonds for Redemption.....	23
Section 4.03.	Notice of Redemption.....	23
Section 4.04.	Partial Redemption of 2018A Bonds	24
Section 4.05.	Effect of Redemption.....	24

ARTICLE V

REVENUES, FUNDS AND ACCOUNTS; PAYMENT OF PRINCIPAL AND INTEREST

Section 5.01.	Pledge and Assignment; Revenue Fund	24
Section 5.02.	Allocation of Revenues.....	26

TABLE OF CONTENTS
(continued)

Page

Section 5.03.	Application of Interest Account.....	26
Section 5.04.	Application of Principal Account.....	26
Section 5.05.	Application of Redemption Fund	27
Section 5.06.	Investments.....	27
Section 5.07.	Application of Funds and Accounts When No 2018A Bonds are Outstanding....	28

ARTICLE VI

PARTICULAR COVENANTS

Section 6.01.	Punctual Payment	28
Section 6.02.	Extension of Payment of 2018A Bonds.....	28
Section 6.03.	Against Encumbrances	28
Section 6.04.	Power to Issue 2018A Bonds and Make Pledge and Assignment	28
Section 6.05.	Accounting Records and Financial Statements	29
Section 6.06.	Waiver of Laws.....	29
Section 6.07.	Further Assurances	29
Section 6.08.	Budgets	29
Section 6.09.	Observance of Laws and Regulations.....	30
Section 6.10.	Compliance with Contracts.....	30
Section 6.11.	Prosecution and Defense of Suits	30
Section 6.12.	Continuing Disclosure	30
Section 6.13.	Additional Contracts and Bonds.....	31
Section 6.14.	Against Sale or Other Disposition of Property	32
Section 6.15.	Against Competitive Facilities	32
Section 6.16.	Maintenance and Operation of the Water System	32
Section 6.17.	Payment of Claims.....	32
Section 6.18.	Insurance.....	33
Section 6.19.	Payment of Taxes and Compliance with Governmental Regulations	33
Section 6.20.	Amount of Rates and Charges	33
Section 6.21.	Collection of Rates and Charges.....	34
Section 6.22.	Eminent Domain Proceeds	34
Section 6.23.	Enforcement of Contracts	34

ARTICLE VII

EVENTS OF DEFAULT AND REMEDIES OF 2018A BOND OWNERS

Section 7.01.	Events of Default	35
Section 7.02.	Remedies Upon Event of Default.....	36
Section 7.03.	Application of Revenues and Other Funds After Default.....	36
Section 7.04.	Trustee to Represent 2018A Bond Owners	37
Section 7.05.	2018A Bond Owners' Direction of Proceedings	38
Section 7.06.	Suit by Owners	38
Section 7.07.	Absolute Obligation of the District.....	38
Section 7.08.	Remedies Not Exclusive.....	39
Section 7.09.	No Waiver of Default	39

TABLE OF CONTENTS
(continued)

Page

ARTICLE VIII

THE TRUSTEE

Section 8.01.	Duties, Immunities and Liabilities of Trustee	39
Section 8.02.	Merger or Consolidation.....	40
Section 8.03.	Liability of Trustee	40
Section 8.04.	Right to Rely on Documents.....	43
Section 8.05.	Preservation and Inspection of Documents	43
Section 8.06.	Compensation and Indemnification.....	43

ARTICLE IX

MODIFICATION OR AMENDMENT OF THE INDENTURE

Section 9.01.	Amendments Permitted	44
Section 9.02.	Effect of Supplemental Indenture	45
Section 9.03.	Endorsement of 2018A Bonds; Preparation of New 2018A Bonds	45
Section 9.04.	Amendment of Particular 2018A Bonds.....	45

ARTICLE X

DEFEASANCE

Section 10.01.	Discharge of Indenture	46
Section 10.02.	Discharge of Liability on 2018A Bonds.....	46
Section 10.03.	Deposit of Money or Securities with Trustee	46
Section 10.04.	Payment of 2018A Bonds After Discharge of Indenture.....	47

ARTICLE XI

MISCELLANEOUS

Section 11.01.	Liability of District Limited to Revenues.....	48
Section 11.02.	Successor Is Deemed Included in All References to Predecessor	48
Section 11.03.	Limitation of Rights to Parties and 2018A Bond Owners	48
Section 11.04.	Waiver of Notice; Requirement of Mailed Notice.....	48
Section 11.05.	Destruction of 2018A Bonds	48
Section 11.06.	Severability of Invalid Provisions	48
Section 11.07.	Notices	49
Section 11.08.	Evidence of Rights of 2018A Bond Owners	49
Section 11.09.	Disqualified 2018A Bonds	49
Section 11.10.	Money Held for Particular 2018A Bonds.....	50
Section 11.11.	Funds and Accounts.....	50
Section 11.12.	Waiver of Personal Liability.....	50
Section 11.13.	Execution in Several Counterparts	50
Section 11.14.	CUSIP Numbers	50

TABLE OF CONTENTS
(continued)

	<u>Page</u>
Section 11.15. Choice of Law.....	50
Section 11.16. Paired Obligation Provider Guidelines.....	51
Signatures	S-1
Exhibit A Form of 2018A Bond.....	A-1

INDENTURE OF TRUST

THIS INDENTURE OF TRUST, made and entered into and dated as of March 1, 2018 (the “Indenture”), by and between SACRAMENTO SUBURBAN WATER DISTRICT, a county water district duly organized and existing under and by virtue of the laws of the State of California (the “District”), and MUFG UNION BANK, N.A., a national banking association duly organized and existing under the laws of the United States of America, as trustee hereunder (the “Trustee”);

WITNESSETH:

WHEREAS, the District has determined that it is in the best interest of the public to refund the outstanding Sacramento Suburban Water District Refunding Revenue Certificates of Participation Series 2009B (the “2009B Certificates”); and

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

WHEREAS, in order to provide for the authentication and delivery of refunding revenue bonds (the “2018A Bonds”), to establish and declare the terms and conditions upon which such 2018A Bonds are to be issued and secured and to secure the payment of the principal thereof and interest and premium, if any, thereon, the District has authorized the execution and delivery of the Indenture; and

WHEREAS, the District has determined that all acts and proceedings required by law necessary to make the 2018A Bonds, when executed by the District, authenticated and delivered by the Trustee, and duly issued, the valid, binding and legal special obligations of the District, and to constitute the Indenture a valid and binding agreement for the uses and purposes herein set forth in accordance with its terms, have been done and taken, and the execution and delivery of the Indenture have been in all respects duly authorized;

NOW, THEREFORE, THE INDENTURE WITNESSETH:

GRANTING CLAUSES

The District, in consideration of the premises and the acceptance by the Trustee of the trusts hereby created and of the mutual covenants herein contained and of the purchase and acceptance of the 2018A Bonds by the owners thereof, and for other valuable considerations, the receipt of which is hereby acknowledged, in order to secure the payment of the principal of and the interest and premium (if any) on all 2018A Bonds at any time issued and Outstanding under the Indenture, according to their tenor, and to secure the performance and observance of all the covenants and conditions therein and herein set forth, does hereby assign and pledge unto, and grant a security interest in, the following (the “Trust Estate”) to the Trustee, and its successors in trust and assigns forever, for the securing of the performance of the obligations of the District to the 2018A Bond Owners hereinafter set forth:

GRANTING CLAUSE FIRST

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

GRANTING CLAUSE SECOND

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

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

IN TRUST NEVERTHELESS, upon the terms and trusts herein set forth for the equal and proportionate benefit, security and protection of all present and future owners of the 2018A Bonds issued under and secured by the Indenture without privilege, priority or distinction as to the lien or otherwise of any of the 2018A Bonds over any of the other 2018A Bonds;

PROVIDED, HOWEVER, that if the District, its successors or assigns shall well and truly pay, or cause to be paid, the principal of and interest and any redemption premium on the 2018A Bonds due or to become due thereon, at the times and in the manner provided in the 2018A Bonds according to the true intent and meaning thereof, and shall well and truly keep, perform and observe all the covenants and conditions pursuant to the terms of the Indenture to be kept, performed and observed by it, and shall pay or cause to be paid to the Trustee all sums of money due or to become due in accordance with the terms and provisions hereof, then upon such final payments or deposits as herein provided, the Indenture and the rights hereby granted shall cease, terminate and be void; otherwise the Indenture shall remain in full force and effect.

THE INDENTURE FURTHER WITNESSETH, and it is expressly declared, that all 2018A Bonds issued and secured hereunder are to be issued, authenticated and delivered, and all sold property, rights and interests, including, without limitation, the Revenues, hereby assigned and pledged, are to be dealt with and disposed of, under, upon and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes hereinafter expressed, and the District has agreed and covenanted and does hereby covenant and agree with the Trustee, for the benefit of the respective Owners from time to time of the 2018A Bonds, as follows:

ARTICLE I

DEFINITIONS; CONTENT OF CERTIFICATES AND OPINIONS

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

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

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

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

Bond Proceeds Fund. The term "Bond Proceeds Fund" means the fund by that name established pursuant to 3.02.

Bonds. The term "Bonds" means all revenue bonds or notes of the District authorized, executed, issued and delivered by the District, the payments of which are payable from Net Revenues on a parity with the 2018A Bonds and which are secured by a pledge of and lien on Revenues as described in Section 5.01 hereof, including but not limited to the 2012A Bonds.

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

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

Closing Date. The term "Closing Date" means the date on which the 2018A Bonds are delivered to the original purchaser thereof.

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

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

Contracts. The term “Contracts” means any contracts of the District authorized and executed by the District, which are payable from Net Revenues on a parity with the 2018A Bonds and which are secured by a pledge and lien on Revenues as described in Section 5.01 hereof including but not limited to: (1) the 2009A Installment Purchase Agreement; (2) the Interest Rate Swap Agreement; and (3) the Sumitomo Credit Facility Agreement; but excluding contracts entered into for operation and maintenance of the Water System.

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

Costs of Issuance. The term “Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the District and related to the authorization, issuance, sale and delivery of the 2018A Bonds, including but not limited to costs of preparation and reproduction of documents, printing expenses, filing and recording fees, initial fees and charges of the Trustee and counsel to the Trustee, legal fees and charges, fees and disbursements of consultants and professionals, rating agency fees, title insurance premiums, letter of credit fees and bond insurance premiums (if any), fees and charges for preparation, execution and safekeeping of the 2018A Bonds and any other cost, charge or fee in connection with the original issuance of the 2018A Bonds.

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

Date of Operation. The term “Date of Operation” means, with respect to any uncompleted component of a Parity Project, the estimated date by which such uncompleted component of a Parity Project will have been completed and, in the opinion of an engineer, will be ready for operation by or on behalf of the District.

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

(1) the interest payable during such period on all outstanding Bonds, assuming that all outstanding serial Bonds are retired as scheduled and that all outstanding term Bonds are redeemed or paid from sinking fund payments as scheduled (except to the extent that such interest is capitalized or is reasonably anticipated to be reimbursed to the District by the United States of America pursuant to Section 54AA of the Code (Section 1531 of Title I of Division B of the American Recovery and Reinvestment Act of 2009 (Pub. L. No. 111-5, 23 Stat. 115 (2009), enacted February 17, 2009)), or any future similar program);

(2) those portions of the principal amount of all outstanding serial Bonds maturing in such period (but excluding Excluded Principal);

(3) those portions of the principal amount of all outstanding term Bonds required to be redeemed or paid in such period (but excluding Excluded Principal); and

(4) those portions of the Contracts required to be made during such period, (except to the extent that the interest evidenced and represented thereby is capitalized or is reasonably anticipated to be reimbursed to the District by the United States of America pursuant to Section 54AA of the Code (Section 1531 of Title I of Division B of the American Recovery and Reinvestment Act of 2009 (Pub. L. No. 111-5, 23 Stat. 115 (2009), enacted February 17, 2009)), or any future similar program) and except Excluded Principal);

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

provided that, as to any such Bonds or Contracts bearing or comprising interest at other than a fixed rate, the rate of interest used to calculate Debt Service shall, for all purposes, be assumed to bear interest at a fixed rate equal to the higher of: (i) the then current variable interest rate borne by such Bonds or Contracts plus 1%; and (ii) the highest variable rate borne over a 6 month period during the preceding 24 months by outstanding variable rate debt issued by the District 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 comparable to that to be utilized in determining the interest rate for the debt then proposed to be issued; and

provided further that if any series or issue of such Bonds or Contracts have twenty-five percent (25%) or more of the aggregate principal amount of such series or issue due in any one year (and such principal is not Excluded Principal), Debt Service shall be determined: (i) if an irrevocable commitment from a credit facility provider which is rated at least "P1" by Moody's or "A1" by S&P is in effect to pay such Bonds or Contracts when they become due, then the terms of the contractual obligation to repay the credit facility may be used in determining such Debt Service; (ii) if such Bonds or Contracts are subject to prior amortization payment and the verification of timely installment payments are contained in the last audited financial statement, then such amortization payments may be used in determining such Debt Service; or (iii) amortization may be assumed on a level Debt Service basis over a twenty-five (25) year period at an interest rate based on the last published Bond Buyer "Revenue Bond Index" (or comparable index if no longer published) in determining such Debt Service; provided further that the full amount of such Debt Service shall be included in such determination if it is made within twelve (12) months of the actual maturity of such Debt Service and no credit facility exists; and

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

provided further that if the Bonds or Contracts constitute Paired Obligations, the interest rate on such Bonds or Contracts shall be the resulting linked rate or the effective fixed interest rate to be paid by the District with respect to such Paired Obligations but only if the applicable Paired Obligations satisfies the requirement set forth in Section 11.16 hereof; and

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

the full amount of principal due, in each preceding year, in descending order, until such amount is exhausted.

Depository; DTC. The term “Depository” or “DTC” means The Depository Trust Company, New York, New York, a limited purpose trust company organized under the laws of the State of New York in its capacity as securities depository for the 2018A Bonds.

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

Escrow Agent. The term “Escrow Agent” means MUFG Union Bank, N.A., as escrow agent under the Escrow Agreement.

Escrow Agreement. The term “Escrow Agreement” means that certain Escrow Agreement (Series 2009B), dated as of March 1, 2018 by and between the District and MUFG Union Bank, N.A. as escrow agent.

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

Excluded Principal. The term “Excluded Principal” means each payment of principal of any Bond or Contract for which there is on file with the Trustee (i) a certificate of an Independent Municipal Consultant to the effect that such Bond or Contract is commercial paper or otherwise of a revolving nature and has a maturity of less than 42 months and (ii) a certificate of an Authorized Representative to the effect that the District intends to pay such principal from the proceeds of Bonds or Contracts or other bonds, notes or other obligations of the District. No such determination shall affect the security for such Bonds or Contracts or the obligation of the District to pay such Bonds or Contracts from Net Revenues.

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

Fiscal Year. The term “Fiscal Year” means the twelve month period beginning on January 1 of each year and ending on December 31 of such year, both dates inclusive, or any other twelve month period hereafter selected and designated as the official fiscal year period of the District.

Generally Accepted Accounting Principles. The term “Generally Accepted Accounting Principles” means the uniform accounting and reporting procedures set forth in publications of the American Institute of Certified Public Accountants or its successor, or by any other generally accepted authority on such procedures, and includes, as applicable, the standards set forth by the Governmental Accounting Standards Board or its successor.

Indenture. The term “Indenture” means the Indenture of Trust, dated as of March 1, 2018, by and between the District and the Trustee, as originally executed or as it may from time to time be supplemented, modified or amended by any Supplemental Indenture.

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

Independent Municipal Consultant. The term “Independent Municipal Consultant” means a municipal advisor or firm of such municipal advisors appointed by the District, which may, for purposes of the certification described in the definition of “Paired Obligations” be an interest rate swap adviser, and who, or each of whom: (1) is in fact independent and not under domination of the District; (2) does not have any substantial interest, direct or indirect, with the District; (3) is registered as a “municipal advisor,” as defined in Section 15B of the Securities Exchange Act of 1934, as amended; and (4) is not connected with the District as an officer or employee thereof, but who may be regularly retained to make reports thereto.

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

Initial Rating Requirement. The term “Initial Rating Requirement” means the rating requirement described in Section 11.16(a).

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

Interest Payment Date. The term “Interest Payment Date” means November 1, 2018 and each May 1 and November 1 thereafter.

Interest Rate Swap Agreement. The term “Interest Rate Swap Agreement” means, collectively: (i) the International Swaps and Derivatives Association, Inc., Master Agreement (the “Master Agreement”), dated April 11, 2012, by and between Wells Fargo Bank, N.A. and the District; (ii) the Schedule to the Master Agreement, dated April 11, 2012, by and between Wells Fargo Bank, N.A. and the District; (iii) the Credit Support Annex to the Schedule to the Master Agreement, dated April 11, 2012, by and between Wells Fargo Bank, N.A. and the District; and (iv) the Novation Confirmation, dated April 11, 2012, by and among Citibank, N.A., the District and Wells Fargo Bank, N.A.

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

Letter of Representations. The term “Letter of Representations” means the letter of the District delivered to and accepted by the Depository on or prior to delivery of the 2018A Bonds as book entry bonds setting forth the basis on which the Depository serves as depository for such book entry bonds, as originally executed or as it may be supplemented or revised or replaced by a letter from the District delivered to and accepted by the Depository.

Minimum Rating Requirement. The term “Minimum Rating Requirement” means the rating requirement described in Section 11.16(b).

Moody's. The term "Moody's" means Moody's Investors Service, Inc., or any successor thereto.

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

Net Revenues. The term "Net Revenues" means, for any Fiscal Year, the Revenues for such Fiscal Year less the Operation and Maintenance Costs for such Fiscal Year. When held by the Trustee in any funds or accounts established hereunder, Net Revenues shall include all interest or gain derived from the investment of amounts in any of such funds or accounts.

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

Office of the Trustee. The term "Office of the Trustee" means the principal corporate trust office of the Trustee in San Francisco, California, provided that for purposes of payment, redemption, exchange, transfer, surrender and cancellation of 2018A Bonds, such term means the principal corporate trust office of the Trustee in Los Angeles, California, or such other office as the Trustee may from time to time designate in writing to the District and the Owners.

Operation and Maintenance Costs. The term "Operation and Maintenance Costs" means: (1) costs spent or incurred for maintenance and operation of the Water System calculated in accordance with Generally Accepted Accounting Principles, including (among other things) the reasonable expenses of management and repair and other expenses necessary to maintain and preserve the Water System in good repair and working order, and including administrative costs of the District that are charged directly or apportioned to the Water System, including but not limited to salaries and wages of employees, payments to the Public Employees Retirement System, overhead, insurance, taxes (if any), fees of auditors, accountants, attorneys or engineers and insurance premiums, and including all other reasonable and necessary costs of the District or charges (other than debt service payments) required to be paid by it to comply with the terms of the 2018A Bonds or of the Indenture or any Contract or of any resolution or indenture authorizing the issuance of any Bonds or of such Bonds; and (2) costs spent or incurred in the purchase of water for the Water System; but excluding in all cases: (w) depreciation, replacement and obsolescence charges or reserves therefor; (x) losses on the disposal of capital assets; (y) payment of grants received by the District for activities unrelated to the Water System to other entities; and (z) amortization of intangibles and other non-cash operating expenses and other bookkeeping entries of a similar nature and all capital charges.

Opinion of Counsel. The term "Opinion of Counsel" means a written opinion of counsel (including but not limited to counsel to the District) selected by the District. If and to the extent required by the provisions of Section 1.02, each Opinion of Counsel shall include the statements provided for in Section 1.02.

Outstanding. The term "Outstanding," when used as of any particular time with reference to 2018A Bonds, means (subject to the provisions of Section 11.09) all 2018A Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under the Indenture except: (i) 2018A Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (ii) 2018A Bonds with respect to which all liability of the District shall have been discharged in accordance with Section 10.02, including 2018A Bonds (or portions thereof) described in Section 11.09; and

(iii) 2018A Bonds for the transfer or exchange of or in lieu of or in substitution for which other 2018A Bonds shall have been authenticated and delivered by the Trustee pursuant to the Indenture.

Owner; 2018A Bond Owner. The term “Owner” or “2018A Bond Owner,” whenever used herein with respect to a 2018A Bond, means the person in whose name the ownership of such 2018A Bond is registered on the Registration Books.

Paired Obligation Provider. The term “Paired Obligation Provider” means a party to a Paired Obligation other than the District.

Paired Obligations. The term “Paired Obligations” means any Bond or Contract (or portion thereof) designated as Paired Obligations in the resolution, indenture or other document authorizing the issuance or execution and delivery thereof, which are simultaneously issued or executed and delivered: (i) the principal of which is of equal amount maturing and to be redeemed or prepaid (or cancelled after acquisition thereof) on the same dates and in the same amounts; and (ii) the interest rates which, taken together, are reasonably expected to result in a fixed interest rate obligation of the District for the term of such Bond or Contract, as certified by an Independent Municipal Consultant in writing, and which comply with the provisions of Section 11.16 hereof.

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

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

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

Permitted Investments. The term “Permitted Investments” means any of the following obligations if and to the extent that they are permissible investments of funds of the District:

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

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

1. U.S. Export-Import Bank (“Eximbank”) Direct obligations or fully guaranteed certificates of beneficial ownership
2. Farmers Home Administration (“FmHA”) Certificates of beneficial ownership
3. Federal Financing Bank

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

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

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

(d) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of “AAAm-G,” “AAA-m” or “AA-m” and if rated by Moody’s rated “Aaa,” “Aa1” or “Aa2,” including funds for which the Trustee or any of its affiliates (including any holding company, subsidiaries, or other affiliates) provides investment advisory or other management services but

excluding such funds with a floating net asset value, provided such funds satisfy the criteria contained in this Indenture.

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

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

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

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

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

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

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

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

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

B. Banks rated "A" or above by S&P and Moody's.

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

A. Securities which are acceptable for transfer are:

(1) Direct United States governments, or

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

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

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

D. Valuation of Collateral

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

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

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

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

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

Rating. The term “Rating” means any currently effective rating on the 2018A Bonds issued by a Rating Agency.

Rating Agencies. The term “Rating Agencies” means S&P and Moody’s.

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

Redemption Date. The term “Redemption Date” means the date fixed for an optional redemption prior to maturity of the 2018A Bonds.

Redemption Fund. The term “Redemption Fund” means the fund by that name established pursuant to Section 5.04.

Redemption Price. The term “Redemption Price” means, with respect to any 2018A Bond (or portion thereof), the principal amount of such 2018A Bond (or portion) plus the interest accrued to the applicable Redemption Date and the applicable premium, if any, payable upon redemption thereof pursuant to the provisions of such 2018A Bond and the Indenture.

Registration Books. The term “Registration Books” means the records maintained by the Trustee for the registration of ownership and registration of transfer of the 2018A Bonds pursuant to Section 2.05.

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

Revenue Fund. The term “Revenue Fund” means the District account previously established by the District designated as account number 00-11521, and such other funds as the Board of Directors of the District shall establish and designate as a part of the Revenue Fund established pursuant to Section 5.01(b).

Revenues. The term “Revenues” means all income, rents, rates, fees, charges and other moneys derived from the ownership or operation of the Water System, including, without limiting the generality of the foregoing:

(1) all income, rents, rates, fees, charges or other moneys derived by the District from the sale, furnishing and supplying of the water or other services, facilities, and commodities sold, furnished or supplied through the facilities of or in the conduct or operation of the business of the Water System determined in accordance with Generally Accepted Accounting Principles;

(2) the proceeds of any stand-by or water availability charges, development fees and connection charges collected by the District; and

(3) the earnings on and income derived from the investment of amounts described in clauses (1) and (2) above and from District reserves;

but excluding:

(w) customers’ deposits or any other deposits or advances subject to refund until such deposits or advances have become the property of the District;

(x) any proceeds of taxes or assessments restricted by law to be used by the District to pay bonds or other obligations heretofore or hereafter issued;

(y) grant revenues received by the District for activities unrelated to the Water System and to be passed through to other entities; and

(z) revenues of any water system acquired through merger, consolidation or similar action to the extent that the exclusion of such acquired water system is required pursuant to the terms of such merger, consolidation or similar action (provided, however, that the exclusion from Revenues set forth in this subsection (z) shall not apply if the District shall have executed and delivered Contracts or issued Bonds to finance the acquisition of or capital improvement to any such water system).

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

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

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

Sumitomo Credit Facility Agreement. The term “Sumitomo Credit Facility Agreement” means the Reimbursement Agreement dated as of March 1, 2009, by and between the District and Sumitomo Matsui Banking Corporation, as amended by Amendment No. 1 to Reimbursement Agreement, dated April 19, 2012, Amendment No. 2 to Reimbursement Agreement, dated April 15, 2015 and Amendment No. 3 to Reimbursement Agreement dated November 13, 2017.

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

Termination Payment. The term “Termination Payment” means any net settlement, breakage or other termination payment required to be paid under the Interest Rate Swap Agreement or under any other interest rate hedge, swap, cap, collar or similar arrangement entered into by the District as permitted hereunder.

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

2009B Certificates. The term “2009B Certificates” means the Sacramento Suburban Water District Refunding Revenue Certificates of Participation, Series 2009B executed and delivered on June 30, 2009.

2009A Installment Purchase Agreement. The term “2009A Installment Purchase Agreement” means the Installment Purchase Agreement, dated as of March 1, 2009, by and between the District and the Corporation, as it may from time to time be amended or supplemented in accordance therewith.

2012A Bonds. The term “2012A Bonds” means the Sacramento Suburban Water District Refunding Revenue Bonds, Series 2012A.

2018A Bonds. The term “2018A Bonds” means the Sacramento Suburban Water District Refunding Revenue Bonds, Series 2018A (Taxable) issued hereunder.

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

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

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

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

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

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

Water System. The term "Water System" means the whole and each and every part of the water system of the District, including all real property and buildings, including the portion thereof existing on the date hereof, and including all additions, betterments, extensions and improvements to such water system or electric facilities or any part thereof hereafter acquired or constructed, and excluding any water system acquired through merger, consolidation or similar action, to the extent that the exclusion of such acquired water system is required pursuant to the term of such merger, consolidation or similar action unless the District shall have executed and delivered Contracts or issued Bonds to finance the acquisition of or capital improvement to any such acquired water system.

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

Section 1.02. Content of Certificates and Opinions. Every certificate or opinion provided for in the Indenture except the certificate of destruction provided for in Section 1.05 hereof, with respect to compliance with any provision hereof shall include: (1) a statement that the person making or giving such certificate or opinion has read such provision and the definitions herein relating thereto; (2) a brief statement as to the nature and scope of the examination or investigation upon which the certificate or opinion is based; (3) a statement that, in the opinion of such person he has made or caused to be made such examination or investigation as is necessary to enable him to express an informed opinion with respect to the subject matter referred to in the instrument to which his signature is affixed; (4) a statement of the assumptions upon which such certificate or opinion is based, and that such assumptions are reasonable; and (5) a statement as to whether, in the opinion of such person, such provision has been complied with.

Any such certificate or opinion made or given by an officer of the District may be based, insofar as it relates to legal or accounting matters, upon a certificate or opinion of or representation by counsel or an Independent Certified Public Accountant or Independent Municipal Consultant, unless such officer knows, or in the exercise of reasonable care should have known, that the certificate, opinion or

representation with respect to the matters upon which such certificate or statement may be based, as aforesaid, is erroneous. Any such certificate or opinion made or given by counsel or an Independent Certified Public Accountant or Independent Municipal Consultant may be based, insofar as it relates to factual matters (with respect to which information is in the possession of the District) upon a certificate or opinion of or representation by an officer of the District, unless such counsel or Independent Certified Public Accountant or Independent Municipal Consultant knows, or in the exercise of reasonable care should have known, that the certificate or opinion or representation with respect to the matters upon which such person's certificate or opinion or representation may be based, as aforesaid, is erroneous. The same officer of the District, or the same counsel or Independent Certified Public Accountant or Independent Municipal Consultant, as the case may be, need not certify to all of the matters required to be certified under any provision of the Indenture, but different officers, counsel or Independent Certified Public Accountants or Independent Municipal Consultants may certify to different matters, respectively.

Section 1.03. Interpretation.

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

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

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

ARTICLE II

THE 2018A BONDS

Section 2.01. Authorization of 2018A Bonds. The District hereby authorizes the issuance hereunder from time to time of the 2018A Bonds, which shall constitute special obligations of the District, for the purpose of refunding the outstanding 2009B Certificates. The 2018A Bonds are hereby designated the "Sacramento Suburban Water District Refunding Revenue Bonds, Series 2018A (Taxable)" in the aggregate principal amount of \$[_____]. The Indenture constitutes a continuing agreement with the Owners from time to time of the 2018A Bonds to secure the full payment of the principal of and interest and premium (if any) on all the 2018A Bonds, subject to the covenants, provisions and conditions herein contained.

Section 2.02. Terms of the 2018A Bonds. The 2018A Bonds shall be issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple thereof.

(a) The 2018A Bonds shall mature on November 1 in each of the years and in the amounts set forth below and shall bear interest on each Interest Payment Date at the rates set forth below:

<i>Maturity Date</i> <i>(November 1)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>
	\$	%

Interest on the 2018A Bonds shall be payable on each Interest Payment Date to the person whose name appears on the Registration Books as the Owner thereof as of the Record Date immediately preceding each such Interest Payment Date, such interest to be paid by check of the Trustee sent by first class mail on the applicable Interest Payment Date to the Owner at the address of such Owner as it appears on the Registration Books (except that in the case of an Owner of one million dollars (\$1,000,000) or more in principal amount, such payment may, at such Owner's option, be made by wire transfer of immediately available funds to an account in the United States in accordance with written instructions provided to the Trustee by such Owner prior to the Record Date. Principal of and premium (if any) on any 2018A Bond shall be paid by check of the Trustee upon presentation and surrender thereof at maturity or upon the prior redemption thereof, at the Office of the Trustee. Both the principal of and interest and premium (if any) on the 2018A Bonds shall be payable in lawful money of the United States of America.

Each 2018A Bond shall be dated the date of initial delivery, and shall bear interest from the Interest Payment Date next preceding the date of authentication thereof unless: (a) it is authenticated after a Record Date and on or before the following Interest Payment Date, in which event it shall bear interest from such Interest Payment Date; or (b) unless it is authenticated on or before October 15, 2018, in which event it shall bear interest from the date of initial delivery; provided, however, that if, as of the date of authentication of any 2018A Bond, interest thereon is in default, such 2018A Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon. Interest on the 2018A Bonds shall be calculated on the basis of a 360 day year composed of twelve 30 day months.

Section 2.03. Transfer of 2018A Bonds. Any 2018A Bond may, in accordance with its terms, be transferred on the Registration Books by the person in whose name it is registered, in person or by his or her duly authorized attorney, upon surrender of such 2018A Bond at the Office of the Trustee for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form acceptable to the Trustee. The Trustee shall not be required to register the transfer of any 2018A Bond

during the period in which the Trustee is selecting 2018A Bonds for redemption and any 2018A Bond that has been selected for redemption.

Whenever any 2018A Bond or 2018A Bonds shall be surrendered for transfer, the District shall execute and the Trustee shall authenticate and shall deliver a new 2018A Bond or 2018A Bonds of authorized denomination or denominations for a like series and aggregate principal amount of the same maturity. The Trustee shall require the 2018A Bond Owner requesting such transfer to pay any tax or other governmental charge required to be paid with respect to such transfer. Following any transfer of 2018A Bonds, the Trustee will cancel and destroy the 2018A Bonds it has received.

Section 2.04. Exchange of 2018A Bonds. 2018A Bonds may be exchanged at the Office of the Trustee for a like aggregate principal amount of other authorized denominations of the same series and maturity. The Trustee shall not be required to exchange any 2018A Bond during the period in which the Trustee is selecting 2018A Bonds for redemption and any 2018A Bond that has been selected for redemption. The Trustee shall require the 2018A Bond Owner requesting such exchange to pay any tax or other governmental charge required to be paid with respect to such exchange. Following any exchange of 2018A Bonds, the Trustee will cancel and destroy the 2018A Bonds it has received.

Section 2.05. Registration Books. The Trustee will keep or cause to be kept, at the Office of the Trustee, sufficient records for the registration and transfer of ownership of the 2018A Bonds, which shall upon reasonable notice and at reasonable times be open to inspection during regular business hours by the District and the Owners; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on such records, the ownership of the 2018A Bonds as hereinbefore provided.

The person in whose name any 2018A Bond shall be registered shall be deemed the Owner thereof for all purposes hereof, and payment of or on account of the interest on and principal and Redemption Price of by such 2018A Bonds shall be made only to or upon the order in writing of such registered Owner, which payments shall be valid and effectual to satisfy and discharge liability upon such 2018A Bond to the extent of the sum or sums so paid.

Section 2.06. Form and Execution of 2018A Bonds. The 2018A Bonds shall be in substantially the form set forth in Exhibit A hereto. The 2018A Bonds shall be executed in the name and on behalf of the District with the manual or facsimile signature of its President. The 2018A Bonds may carry a seal, and such seal may be in the form of a facsimile of the District's seal and may be reproduced, imprinted or impressed on the 2018A Bonds. The 2018A Bonds shall then be delivered to the Trustee for authentication by it. In case any of the officers who shall have signed or attested any of the 2018A Bonds shall cease to be such officer or officers of the District before the 2018A Bonds so signed or attested shall have been authenticated or delivered by the Trustee, or issued by the District, such 2018A Bonds may nevertheless be authenticated, delivered and issued and, upon such authentication, delivery and issue, shall be as binding upon the District as though those who signed and attested the same had continued to be such officers of the District, and also any 2018A Bonds may be signed and attested on behalf of the District by such persons as at the actual date of execution of such 2018A Bonds shall be the proper officers of the District although at the nominal date of such 2018A Bonds any such person shall not have been such officer of the District.

Only such of the 2018A Bonds as shall bear thereon a certificate of authentication substantially in the form set forth in Exhibit A hereto, manually executed by the Trustee, shall be valid or obligatory for any purpose or entitled to the benefits of the Indenture, and such certificate of or on behalf of the

Trustee shall be conclusive evidence that the 2018A Bonds so authenticated have been duly executed, authenticated and delivered hereunder and are entitled to the benefits of the Indenture.

Section 2.07. 2018A Bonds Mutilated, Lost, Destroyed or Stolen. If any 2018A Bond shall become mutilated, the District, at the expense of the Owner of said 2018A Bond, shall execute, and the Trustee shall thereupon authenticate and deliver, a new 2018A Bond of like tenor, series and authorized denomination in exchange and substitution for the 2018A Bonds so mutilated, but only upon surrender to the Trustee of the 2018A Bond so mutilated. Every mutilated 2018A Bond so surrendered to the Trustee shall be canceled by it. If any 2018A Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and, if such evidence be satisfactory to the Trustee and indemnity satisfactory to the Trustee shall be given, the District, at the expense of the Owner, shall execute, and the Trustee shall thereupon authenticate and deliver, a new 2018A Bond of like tenor, series and authorized denomination in lieu of and in substitution for the 2018A Bond so lost, destroyed or stolen (or if any such 2018A Bond shall have matured or shall be about to mature, instead of issuing a substitute 2018A Bond, the Trustee may pay the same without surrender thereof). The District may require payment by the Owner of a sum not exceeding the actual cost of preparing each new 2018A Bond issued under this Section and of the expenses which may be incurred by the District and the Trustee in the premises. Any 2018A Bond issued under the provisions of this Section in lieu of any 2018A Bond alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the District whether or not the 2018A Bond so alleged to be lost, destroyed, or stolen be at any time enforceable by anyone, and shall be entitled to the benefits of the Indenture with all other 2018A Bonds secured by the Indenture. Notwithstanding any other provision of this Section, in lieu of delivering a new 2018A Bond for a 2018A Bond which has been mutilated, lost, destroyed or stolen and which has matured or has been selected for redemption, the Trustee may make payment of such 2018A Bond upon receipt of indemnity satisfactory to the Trustee.

Section 2.08. Book Entry System.

(a) Election of Book Entry System. Prior to the issuance of the 2018A Bonds, the District may provide that such 2018A Bonds shall be initially issued as book entry 2018A Bonds. If the District shall elect to deliver any 2018A Bonds in book entry form, then the District shall cause the delivery of a separate single fully registered bond (which may be typewritten) for each maturity date of such 2018A Bonds in an authorized denomination corresponding to that total principal amount of the 2018A Bonds designated to mature on such date. Upon initial issuance, the ownership of each such 2018A Bond shall be registered in the 2018A Bond Registration Books in the name of the Nominee, as nominee of the Depository, and ownership of the 2018A Bonds, or any portion thereof may not thereafter be transferred except as provided in Section 2.08(e).

With respect to book entry 2018A Bonds, the District and the Trustee shall have no responsibility or obligation to any Participant or to any person on behalf of which such a Participant holds an interest in such book entry 2018A Bonds. Without limiting the immediately preceding sentence, the District and the Trustee shall have no responsibility or obligation with respect to: (i) the accuracy of the records of the Depository, the Nominee, or any Participant with respect to any ownership interest in book entry 2018A Bonds; (ii) the delivery to any Participant or any other person, other than an Owner as shown in the 2018A Bond Registration Books, of any notice with respect to book entry 2018A Bonds, including any notice of redemption; (iii) the selection by the Depository and its Participants of the beneficial interests in book entry 2018A Bonds to be redeemed in the event the District redeems the 2018A Bonds in part; or (iv) the payment by the Depository or any Participant or

any other person, of any amount of principal of, premium, if any, or interest on book entry 2018A Bonds. The District and the Trustee may treat and consider the person in whose name each book entry 2018A Bond is registered in the 2018A Bond Registration Books as the absolute Owner of such book entry 2018A Bond for the purpose of payment of principal of, premium and interest on such 2018A Bond, for the purpose of giving notices of redemption and other matters with respect to such 2018A Bond, for the purpose of registering transfers with respect to such 2018A Bond, and for all other purposes whatsoever. The Trustee shall pay all principal of, premium, if any, and interest on the 2018A Bonds only to or upon the order of the respective Owner, as shown in the 2018A Bond Registration Books, or his respective attorney duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the District's obligations with respect to payment of principal of, premium, if any, and interest on the 2018A Bonds to the extent of the sum or sums so paid. No person other than an Owner, as shown in the 2018A Bond Registration Books, shall receive a 2018A Bond evidencing the obligation to make payments of principal of, premium, if any, and interest on the 2018A Bonds. Upon delivery by the Depository to the District and the Trustee, of written notice to the effect that the Depository has determined to substitute a new nominee in place of the Nominee, and subject to the provisions herein with respect to Record Dates, the word Nominee in the Indenture shall refer to such nominee of the Depository.

(b) Delivery of Letter of Representations. In order to qualify the book entry 2018A Bonds for the Depository's book entry system, the District shall execute and deliver to the Depository a Letter of Representations if one is not already on file. The execution and delivery of a Letter of Representations shall not in any way impose upon the District or the Trustee any obligation whatsoever with respect to persons having interests in such book entry 2018A Bonds other than the Owners, as shown on the 2018A Bond Registration Books. In addition to the execution and delivery of a Letter of Representations, the District shall take such other actions, not inconsistent with the Indenture, as are reasonably necessary to qualify book entry 2018A Bonds for the Depository's book entry program.

(c) Selection of Depository. In the event that: (i) the Depository determines not to continue to act as securities depository for book entry 2018A Bonds; or (ii) the District determines that continuation of the book entry system is not in the best interest of the beneficial owners of the 2018A Bonds or the District, then the District will discontinue the book entry system with the Depository. If the District determines to replace the Depository with another qualified securities depository, the District shall prepare or direct the preparation of a new single, separate, fully registered 2018A Bond for each of the maturity dates of such book entry 2018A Bonds, registered in the name of such successor or substitute qualified securities depository or its Nominee as provided in subsection (e) hereof. If the District fails to identify another qualified securities depository to replace the Depository, then the 2018A Bonds shall no longer be restricted to being registered in such 2018A Bond Registration Books in the name of the Nominee, but shall be registered in whatever name or names the Owners transferring or exchanging such 2018A Bonds shall designate, in accordance with the provisions of Sections 2.03 and 2.04 hereof.

(d) Payments To Depository. Notwithstanding any other provision of the Indenture to the contrary, so long as all Outstanding 2018A Bonds are held in book entry form and registered in the name of the Nominee, all payments of principal of, redemption premium, if any, and interest on such 2018A Bond and all notices with respect to such 2018A Bond shall be made and given, respectively to the Nominee, as provided in the Letter of Representations or as otherwise instructed by the Depository and agreed to by the Trustee notwithstanding any inconsistent provisions herein.

(e) Transfer of 2018A Bonds to Substitute Depository.

(i) The 2018A Bonds shall be initially issued as provided in Section 2.01 hereof. Registered ownership of such 2018A Bonds, or any portions thereof, may not thereafter be transferred except:

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

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

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

(ii) In the case of any transfer pursuant to clause (A) or clause (B) of subsection (i) of this Section 2.08(e), upon receipt of all Outstanding 2018A Bonds by the Trustee, together with a Written Request of the District to the Trustee designating the Substitute Depository, a single new 2018A Bond, which the District shall prepare or cause to be prepared, shall be issued for each maturity of 2018A Bonds then Outstanding, registered in the name of such successor or such Substitute Depository or their Nominees, as the case may be, all as specified in such Written Request of the District. In the case of any transfer pursuant to clause (C) of subsection (i) of this Section 2.08(e), upon receipt of all Outstanding 2018A Bonds by the Trustee, together with a Written Request of the District to the Trustee, new 2018A Bonds, which the District shall prepare or cause to be prepared, shall be issued in such denominations and registered in the names of such persons as are requested in such Written Request of the District, subject to the limitations of Section 2.01 hereof, provided that the Trustee shall not be required to deliver such new 2018A Bonds within a period of less than sixty (60) days from the date of receipt of such Written Request from the District.

(iii) In the case of a partial redemption or an advance refunding of any 2018A Bonds evidencing a portion of the principal maturing in a particular year, DTC or its successor (or any Substitute Depository or its successor) shall make an appropriate notation on such 2018A Bonds indicating the date and amounts of such reduction in principal, in form acceptable to the Trustee, all in accordance with the Letter of Representations. The Trustee shall not be liable for such Depository’s failure to make such notations or errors in making such notations and the records of the Trustee as to the Outstanding principal amount of such 2018A Bonds shall be controlling.

(iv) The District and the Trustee shall be entitled to treat the person in whose name any 2018A Bond is registered as the Owner thereof for all purposes of the Indenture and any applicable laws, notwithstanding any notice to the contrary received by the Trustee or the District; and the District and the Trustee shall not have responsibility for transmitting payments to, communicating with, notifying, or otherwise dealing with any beneficial owners of the 2018A Bonds. Neither the District nor the Trustee shall have any responsibility or obligation, legal or otherwise, to any such beneficial owners or to any other party, including DTC or its successor (or Substitute

Depository or its successor), except to the Owner of any 2018A Bonds, and the Trustee may rely conclusively on its records as to the identity of the Owners of the 2018A Bonds.

ARTICLE III

ISSUANCE OF 2018A BONDS; APPLICATION OF PROCEEDS

Section 3.01. Issuance of the 2018A Bonds. At any time after the execution of the Indenture, the District may execute and the Trustee shall authenticate and, upon Written Request of the District, deliver the 2018A Bonds in the aggregate principal amount of \$[_____].

Section 3.02. Establishment of Bond Proceeds Fund; Application of Proceeds of the 2018A Bonds. The Trustee shall establish, maintain and hold in trust a separate fund designated the “Bond Proceeds Fund.” The proceeds received from the sale of the 2018A Bonds shall be deposited in the Bond Proceeds Fund with the Trustee, who shall transfer (i) [_____] to the Escrow Agent for deposit in the Escrow Fund created pursuant to the Escrow Agreement with respect to the 2009B Certificates, and (ii) deposit the amount of \$[_____] in the Costs of Issuance Fund. Following the foregoing transfers and deposits, the Trustee shall close the Bond Proceeds Fund. The Trustee may establish temporary funds or accounts in its records to record and facilitate such deposits and transfers.

Section 3.03. Establishment and Application of Costs of Issuance Fund. The Trustee shall establish, maintain and hold in trust a separate fund designated as the “Costs of Issuance Fund.” The moneys in the Costs of Issuance Fund shall be used and withdrawn by the Trustee to pay the Costs of Issuance upon submission of Requisitions of the District stating the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred, that such payment is proper charge against said fund and that payment for such charge has not previously been made. Each such Requisition of the District shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts. On the six month anniversary of the issuance of the 2018A Bonds, or upon the earlier Written Request of the District, all amounts remaining in the Costs of Issuance Fund shall be transferred by the Trustee to the Interest Account and the Costs of Issuance Fund shall be closed. Investment earnings on amounts on deposit in the Costs of Issuance Fund shall be applied in accordance with Section 5.06 hereof.

Section 3.04. Validity of 2018A Bonds. The validity of the authorization and issuance of the 2018A Bonds is not dependent on and shall not be affected in any way by any proceedings taken by the District or the Trustee with respect to any other agreement. The recital contained in the 2018A Bonds that the same are issued pursuant to the Constitution and laws of the State shall be conclusive evidence of the validity of and compliance with the provisions of law in their issuance.

ARTICLE IV

REDEMPTION OF 2018A BONDS

Section 4.01. Terms of Redemption.

(a) The 2018A Bonds shall be subject to extraordinary redemption prior to their respective stated maturities, as a whole or in part on any date in the order of maturity and within maturities as directed by the District in a Written Request provided to the Trustee at least 60 days (or such lesser number of days acceptable to the Trustee in the sole discretion of the Trustee, such notice

for the convenience of the Trustee) prior to such date and by lot within each maturity in integral multiples of \$5,000 from Net Proceeds, upon the terms and conditions of, and as provided for in, Sections 6.18 and 6.22, at a Redemption Price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption, without premium.

(b) The 2018A Bonds with stated maturities on or after November 1, 20__ shall be subject to redemption prior to their respective stated maturities, as a whole or in part on any date in the order of maturity as directed by the District in a Written Request provided to the Trustee at least 60 days (or such lesser number of days acceptable to the Trustee in the sole discretion of the Trustee, such notice for the convenience of the Trustee) prior to such date and by lot within each maturity in integral multiples of \$5,000, on or after November 1, 20__, at a Redemption Price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption, without premium.

(c) [The 2018A Bonds shall be subject to redemption prior to November 1, 20__ at the option of the District, as a whole or in part on Business Day in the order of maturity as directed by the District in a Written Request provided to the Trustee at least 30 days (or such lesser number of days acceptable to the Trustee in the sole discretion of the Trustee, such notice for the convenience of the Trustee) prior to such date and by lot within each maturity in integral multiples of \$5,000, at the "Make-Whole Redemption Price." The "Make-Whole Redemption Price," as determined by the District, is the greater of (1) 100% of the principal amount of the 2018A Bonds to be redeemed; or (2) the sum of the present value of the remaining scheduled payments of principal of and interest to the maturity date on the 2018A Bonds to be redeemed, not including any portion of those payments of interest thereon accrued and unpaid as of the date on which the 2018A Bonds are to be redeemed, discounted to the date on which the 2018A Bonds are to be redeemed on a semiannual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate plus __ basis points, plus, in each case, accrued and unpaid interest on the 2018A Bonds to be redeemed on the date of redemption.]

Section 4.02. Selection of 2018A Bonds for Redemption. Whenever provision is made in the Indenture for the redemption of less than all of the 2018A Bonds, the Trustee shall select the 2018A Bonds for redemption as a whole or in part on any date as directed by the District and by lot within each maturity in integral multiples of \$5,000 in accordance with Section 4.01 hereof. The Trustee will promptly notify the District in writing of the numbers of the 2018A Bonds or portions thereof so selected for redemption.

Section 4.03. Notice of Redemption. Notice of redemption shall be mailed by first class mail at least twenty (20) days but not more than thirty (30) days before any Redemption Date, to the respective Owners of any 2018A Bonds designated for redemption at their addresses appearing on the Registration Books, to the Securities Depositories and the Information Services; provided that, in the case of notice of optional redemption not related to an advance or current refunding, such notice may be given only if sufficient funds have been deposited with the Trustee to pay the applicable Redemption Price of the 2018A Bonds to be redeemed, provided that such notice may be cancelled by the District upon Written Request delivered to the Trustee not less than five (5) days prior to such Redemption Date. Each notice of redemption shall state the date of notice, the Redemption Date, the place or places of redemption, the Redemption Price, will designate the maturities, CUSIP numbers, if any, and, if less than all 2018A Bonds of any such maturity are to be redeemed, the serial numbers of the 2018A Bonds of such maturity to be redeemed by giving the individual number of each 2018A Bond or by stating that all 2018A Bonds between two stated numbers, both inclusive, have been called for redemption and, in the case of 2018A Bonds to be redeemed in part only, the respective portions of the principal

amount thereof to be redeemed. Each such notice shall also state that on the Redemption Date there will become due and payable on each of said 2018A Bonds or parts thereof designated for redemption the Redemption Price thereof or of said specified portion of the principal thereof in the case of a 2018A Bond to be redeemed in part only, together with interest accrued thereon to the Redemption Date, and that (provided that moneys for redemption have been deposited with the Trustee) from and after such Redemption Date interest thereon shall cease to accrue, and shall require that such 2018A Bonds be then surrendered to the Trustee. Neither the failure to receive such notice nor any defect in the notice or the mailing thereof will affect the validity of the redemption of any 2018A Bond. Notice of redemption of 2018A Bonds shall be given by the Trustee, at the expense of the District, for and on behalf of the District.

With respect to any notice of optional redemption of 2018A Bonds, such notice may state that such redemption shall be conditional upon the receipt by the Trustee on or prior to the date fixed for such redemption of moneys sufficient to pay the principal of, premium, if any, and interest on such 2018A Bonds to be redeemed and that, if such moneys shall not have been so received, said notice shall be of no force and effect and the Trustee shall not be required to redeem such 2018A Bonds. In the event that such notice of redemption contains such a condition and such moneys are not so received, the redemption shall not be made, and the Trustee shall within a reasonable time thereafter give notice, in the manner in which the notice of redemption was given, that such moneys were not so received.

Section 4.04. Partial Redemption of 2018A Bonds. Upon surrender of any 2018A Bond redeemed in part only, the District shall execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the District, a new 2018A Bond or 2018A Bonds of authorized denominations equal in aggregate principal amount to the unredeemed portion of the 2018A Bonds surrendered and of the same series, interest rate and maturity.

Section 4.05. Effect of Redemption. Notice of redemption having been duly given as aforesaid, and moneys for payment of the Redemption Price of, together with interest accrued to the date fixed for redemption on, the 2018A Bonds (or portions thereof) so called for redemption being held by the Trustee, on the Redemption Date designated in such notice, the 2018A Bonds (or portions thereof) so called for redemption shall become due and payable, interest on the 2018A Bonds so called for redemption shall cease to accrue, said 2018A Bonds (or portions thereof) shall cease to be entitled to any benefit or security under the Indenture, and the Owners of said 2018A Bonds shall have no rights in respect thereof except to receive payment of the Redemption Price thereof. The Trustee shall, upon surrender for payment of any of the 2018A Bonds to be redeemed on their Redemption Dates, pay such 2018A Bonds at the Redemption Price.

All 2018A Bonds redeemed pursuant to the provisions of this Article shall be canceled upon surrender thereof to the Trustee.

ARTICLE V

REVENUES, FUNDS AND ACCOUNTS; PAYMENT OF PRINCIPAL AND INTEREST

Section 5.01. Pledge and Assignment; Revenue Fund.

(a) All of the Revenues, all amounts held in the Revenue Fund described in subsection (b) below and any other amounts (including proceeds of the sale of the 2018A Bonds) held

in any fund or account established pursuant to the Indenture are hereby irrevocably pledged to secure the payment of the principal of and interest, and the premium, if any, on the 2018A Bonds in accordance with their terms and the provisions of the Indenture, and the Revenues shall not be used for any other purpose while the 2018A Bonds remain Outstanding; provided that out of the Revenues there may be apportioned such sums for such purposes as are expressly permitted herein. Said pledge, together with the pledge created by all other Contracts and Bonds, shall constitute a first lien on and security interest on Revenues and, subject to application of Revenues and all amounts on deposit therein as permitted herein, the Revenue Fund and other funds and accounts created hereunder for the payment of the principal of and interest, and the premium, if any, on the 2018A Bonds and all Contracts and Debt Service on Bonds in accordance with the terms hereof, and shall attach, be perfected and be valid and binding from and after the Closing Date, without any physical delivery thereof or further act and shall be valid and binding against all parties having claims of any kind in tort, contract or otherwise against the District, irrespective of whether such parties have notice hereof.

(b) In order to carry out and effectuate the pledge and lien contained herein, the District agrees and covenants that all Revenues shall be received by the District in trust hereunder and shall be deposited when and as received in a special fund designated as the "Revenue Fund," which fund is hereby continued and which fund the District agrees and covenants to maintain and to hold separate and apart from other funds so long as the 2018A Bonds and any Contracts or Debt Service on Bonds remain unpaid. Moneys in the Revenue Fund shall be used and applied by the District as provided herein. All moneys in the Revenue Fund shall be held in trust and shall be applied, used and withdrawn for the purposes set forth in this Section.

The District shall, from the moneys in the Revenue Fund, pay all Operation and Maintenance Costs (including amounts reasonably required to be set aside in contingency reserves for Operation and Maintenance Costs, the payment of which is not then immediately required) as such Operation and Maintenance Costs become due and payable. All remaining moneys in the Revenue Fund shall be set aside by the District at the following times for the transfer to the following respective special funds in the following order of priority:

(i) Interest and Principal Payments. Not later than the fifth Business Day prior to each Interest Payment Date, the District shall, from the moneys in the Revenue Fund, transfer to the Trustee for deposit in the Payment Fund the payments of interest and principal on the 2018A Bonds due and payable on such Interest Payment Date. The District shall also, from the moneys in the Revenue Fund, transfer to the applicable trustee for deposit in the respective payment fund, without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, any other Debt Service in accordance with the provisions of any Bond or Contract.

(ii) Reserve Funds. On or before each Interest Payment Date the District shall, from the remaining moneys in the Revenue Fund, thereafter, without preference or priority and in the event of any insufficiency of such moneys ratably without any discrimination or preference, transfer to the Trustee for payment to the applicable trustee for reserve funds and/or accounts, if any, as may have been established in connection with Bonds or Contracts, that sum, if any, necessary to restore such funds or accounts to an amount equal to the reserve requirement with respect thereto.

(iii) Surplus. Moneys on deposit in the Revenue Fund on any date when the District reasonably expects such moneys will not be needed for the payment of Operation and Maintenance Costs or for any of the purposes described in clauses (b)(i) or (b)(ii) may be expended by

the District at any time for any purpose permitted by law, including but not limited to any Termination Payment or other unpaid amounts due to obligations subordinate hereto.

(iv) Investments. All moneys held by the District in the Revenue Fund shall be invested in Permitted Investments and the investment earnings thereon shall remain on deposit in the Revenue Fund, except as otherwise provided herein.

Section 5.02. Allocation of Revenues. There is hereby established with the Trustee the Payment Fund, which the Trustee covenants to maintain and hold in trust separate and apart from other funds held by it so long as any principal of and interest on the 2018A Bonds remain unpaid. Except as directed herein, all payments of interest and principal on the 2018A Bonds received by the Trustee pursuant to Section 5.01(b) shall be promptly deposited by the Trustee upon receipt thereof into the Payment Fund; except that all moneys received by the Trustee and required hereunder to be deposited in the Redemption Fund shall be promptly deposited therein. All payments of interest and principal on the 2018A Bonds deposited with the Trustee shall be held, disbursed, allocated and applied by the Trustee only as provided in the Indenture. The Trustee shall also establish and hold an Interest Account and a Principal Account within the Payment Fund.

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

(a) Not later than the Business Day preceding each Interest Payment Date, the Trustee shall deposit in the Interest Account that sum, if any, required to cause the aggregate amount on deposit in the Interest Account to be at least equal to the amount of interest becoming due and payable on such date on all 2018A Bonds then Outstanding. No deposit need be made into the Interest Account so long as there shall be in such fund moneys sufficient to pay the interest becoming due and payable on such date on all 2018A Bonds then Outstanding.

(b) Not later than the Business Day preceding each date on which the principal of the 2018A Bonds shall become due and payable hereunder, the Trustee shall deposit in the Principal Account that sum, if any, required to cause the aggregate amount on deposit in the Principal Account to equal the principal amount of the 2018A Bonds coming due and payable on such date or subject to mandatory sinking fund redemption on such date. No deposit need be made into the Principal Account so long as there shall be in such fund moneys sufficient to pay the principal becoming due and payable on such date on all 2018A Bonds then Outstanding.

Section 5.03. Application of Interest Account. All amounts in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying interest on the 2018A Bonds as it shall become due and payable (including accrued interest on any 2018A Bonds purchased or accelerated prior to maturity pursuant to the Indenture).

Section 5.04. Application of Principal Account. All amounts in the Principal Account shall be used and withdrawn by the Trustee solely to pay the principal amount of the 2018A Bonds at maturity, mandatory sinking fund redemption, purchase or acceleration; provided, however, that at any time prior to selection for redemption of any such 2018A Bonds, upon written direction of the District, the Trustee shall apply such amounts to the purchase of 2018A Bonds at public or private sale, as and

when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as shall be directed pursuant to a Written Request of the District, except that the purchase price (exclusive of accrued interest) may not exceed the Redemption Price then applicable to the 2018A Bonds.

Section 5.05. Application of Redemption Fund. There will be established with the Trustee when needed a special fund designated as the “Redemption Fund.” All amounts in the Redemption Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the Redemption Price of the 2018A Bonds to be redeemed on any Redemption Date pursuant to Section 4.01; provided, however, that at any time prior to selection for redemption of any such 2018A Bonds, upon written direction of the District, the Trustee shall apply such amounts to the purchase of 2018A Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as shall be directed pursuant to a Written Request of the District, except that the purchase price (exclusive of accrued interest) may not exceed the Redemption Price then applicable to the 2018A Bonds.

Section 5.06. Investments. All moneys in any of the funds or accounts established with the Trustee pursuant to the Indenture shall be invested by the Trustee solely in Permitted Investments. Such investments shall be directed by the District pursuant to a Written Request of the District filed with the Trustee at least two (2) Business Days in advance of the making of such investments. In the absence of any such directions from the District, the Trustee shall invest any such moneys in Permitted Investments described in clause (d) of the definition thereof; provided, however, that any such investment shall be made by the Trustee only if, prior to the date on which such investment is to be made, the Trustee shall have received a written direction from the District specifying a specific money market fund and, if no such written direction from the District is so received, the Trustee shall hold such moneys uninvested. Obligations purchased as an investment of moneys in any fund shall be deemed to be part of such fund or account.

All interest or gain derived from the investment of amounts in any of the funds or accounts established hereunder shall be deposited in the Interest Account unless otherwise provided in the Indenture. For purposes of acquiring any investments hereunder, the Trustee may commingle funds held by it hereunder upon the Written Request of the District. The Trustee may act as principal or agent in the acquisition or disposition of any investment and may impose its customary charges therefor. The Trustee shall incur no liability for losses arising from any investments made pursuant to this Section 5.06.

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

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

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

Section 5.07. Application of Funds and Accounts When No 2018A Bonds are Outstanding. On the date on which all 2018A Bonds shall be retired hereunder or provision made therefor pursuant to Article X and after payment of all amounts due the Trustee hereunder, all moneys then on deposit in any of the funds or accounts established with the Trustee pursuant to the Indenture shall be withdrawn by the Trustee and paid to the District for use by the District at any time for any purpose permitted by law.

ARTICLE VI

PARTICULAR COVENANTS

Section 6.01. Punctual Payment. The District shall punctually pay or cause to be paid the principal and interest to become due in respect of all of the 2018A Bonds, in strict conformity with the terms of the 2018A Bonds and of the Indenture, according to the true intent and meaning thereof, but only out of Net Revenues and other assets pledged for such payment as provided in the Indenture.

Section 6.02. Extension of Payment of 2018A Bonds. The District shall not directly or indirectly extend or assent to the extension of the maturity of any of the 2018A Bonds or the time of payment of any claims for interest by the purchase of such 2018A Bonds or by any other arrangement, and in case the maturity of any of the 2018A Bonds or the time of payment of any such claims for interest shall be extended, such 2018A Bonds or claims for interest shall not be entitled, in case of any default hereunder, to the benefits of the Indenture, except subject to the prior payment in full for the principal of all of the 2018A Bonds then Outstanding and of all claims for interest thereon which shall not have been so extended. Nothing in this Section shall be deemed to limit the right of the District to issue Bonds for the purpose of refunding any Outstanding 2018A Bonds, and such issuance shall not be deemed to constitute an extension of maturity of 2018A Bonds.

Section 6.03. Against Encumbrances. The District will not make any pledge of or place any lien on Revenues or the moneys in the Revenue Fund except as provided herein. The District may at any time, or from time to time, execute Contracts or issue Bonds as permitted herein. The District may also at any time, or from time to time, incur evidences of indebtedness or incur other obligations for any lawful purpose which are payable from and secured by a pledge of lien on Revenues on any moneys in the Revenue Fund as may from time to time be deposited therein, provided that such pledge and lien shall be subordinate in all respects to the pledge of and lien thereon provided herein.

Section 6.04. Power to Issue 2018A Bonds and Make Pledge and Assignment. The District is duly authorized pursuant to law to issue the 2018A Bonds and to enter into the Indenture and to pledge and assign the Revenues and other assets purported to be pledged and assigned under the

Indenture in the manner and to the extent provided in the Indenture. The 2018A Bonds and the provisions of the Indenture are and will be the legal, valid and binding special obligations of the District in accordance with their terms, and the District and the Trustee shall at all times, subject to the provisions of Article VIII and to the extent permitted by law, defend, preserve and protect said pledge and assignment of Revenues and other assets and all the rights of the 2018A Bond Owners under the Indenture against all claims and demands of all persons whomsoever.

Section 6.05. Accounting Records and Financial Statements.

(a) The Trustee shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with corporate trust industry standards, in which complete and accurate entries shall be made of all transactions made by it relating to the proceeds of 2018A Bonds and all funds and accounts established by it pursuant to the Indenture. Such books of record and account shall be available for inspection by the District upon reasonable prior notice during business hours and under reasonable circumstances.

(b) The District will keep appropriate accounting records in which complete and correct entries shall be made of all transactions relating to the Water System, which records shall be available for inspection by the Trustee (which shall have no duty to inspect such records) at reasonable hours and under reasonable conditions.

(c) The District will prepare and file with the Trustee annually within two hundred seventy (270) days of each Fiscal Year (commencing with the Fiscal Year ending December 31, 2017) financial statements of the District for the preceding Fiscal Year prepared in accordance with Generally Accepted Accounting Principles, together with an Accountant's Report thereon. The Trustee shall have no duty to review such financial statements.

Section 6.06. Waiver of Laws. The District shall not at any time insist upon or plead in any manner whatsoever, or claim or take the benefit or advantage of, any stay or extension law now or at any time hereafter in force that may affect the covenants and agreements contained in the Indenture or in the 2018A Bonds, and all benefit or advantage of any such law or laws is hereby expressly waived by the District to the extent permitted by law.

Section 6.07. Further Assurances. The District will make, execute and deliver any and all such further indentures, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Indenture and for the better assuring and confirming unto the Owners of the 2018A Bonds of the rights and benefits provided in the Indenture.

Section 6.08. Budgets. On or prior to the fifteenth day of each Fiscal Year, the District shall certify to the Trustee that the amounts budgeted for payment of the principal of and interest on the 2018A Bonds are fully adequate for the payment of all such payments for such Fiscal Year. If the amounts so budgeted are not adequate for the payment of the principal of and interest on the 2018A Bonds due under the Indenture, the District will take such action as may be necessary to cause such annual budget to be amended, corrected or augmented so as to include therein the amounts required to be raised by the District in the then ensuing Fiscal Year for the payment of the principal of and interest on the 2018A Bonds due under the Indenture and will notify the Trustee of the proceedings then taken or proposed to be taken by the District.

Section 6.09. Observance of Laws and Regulations. To the extent necessary to assure its performance hereunder, the District will well and truly keep, observe and perform all valid and lawful obligations or regulations now or hereafter imposed on the District by contract, or prescribed by any law of the United States of America, or of the State, or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of any and every right, privilege or franchise now owned or hereafter acquired by the District, respectively, including its right to exist and carry on its business, to the end that such contracts, rights and franchises shall be maintained and preserved, and shall not become abandoned, forfeited or in any manner impaired.

Section 6.10. Compliance with Contracts. The District will neither take nor omit to take any action under any contract if the effect of such act or failure to act would in any manner materially impair or materially adversely affect the ability of the District to pay principal of or interest on the 2018A Bonds; and the District will comply with, keep, observe and perform all agreements, conditions, covenants and terms, express or implied, required to be performed by it contained in all other contracts affecting or involving the Water System, to the extent that the District is a party thereto.

Section 6.11. Prosecution and Defense of Suits. The District shall promptly, upon request of the Trustee or any 2018A Bond Owner, from time to time take such action as may be necessary or proper to remedy or cure any defect in or cloud upon the title to the Water System or any part thereof, whether now existing or hereafter developing, shall prosecute all such suits, actions and other proceedings as may be appropriate for such purpose and shall indemnify and save the Trustee (including all of its employees, officers and directors), the Trustee and every 2018A Bond Owner harmless from all loss, cost, damage and expense, including attorneys' fees, which they or any of them may incur by reason of any such defect, cloud, suit, action or proceeding.

The District shall defend against every suit, action or proceeding at any time brought against the Trustee (including all of its employees, officers and directors) or any 2018A Bond Owner upon any claim arising out of the receipt, application or disbursement of any of the payments of principal of or interest on the 2018A Bonds or involving the rights of the Trustee or any 2018A Bond Owner under the Indenture; provided that the Trustee or any 2018A Bond Owner at such party's election may appear in and defend any such suit, action or proceeding. The District shall indemnify and hold harmless the Trustee and the 2018A Bond Owners against any and all liability claimed or asserted by any person, arising out of such receipt, application or disbursement, and shall indemnify and hold harmless the 2018A Bond Owners against any attorneys' fees or other expenses which any of them may incur in connection with any litigation (including pre-litigation activities) to which any of them may become a party by reason of ownership of 2018A Bonds. The District shall promptly reimburse any 2018A Bond Owner in the full amount of any attorneys' fees or other expenses which such Owner may incur in litigation or otherwise in order to enforce such party's rights under the Indenture or the 2018A Bonds, provided that such litigation shall be concluded favorably to such party's contentions therein.

Section 6.12. Continuing Disclosure. The District hereby covenants and agrees that it will comply with and carry out all of its obligations under the Continuing Disclosure Certificate to be executed and delivered by the District in connection with the issuance of the 2018A Bonds. Notwithstanding any other provision of the Indenture, failure of the District to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default; however, any Owner or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Section, subject to the terms and conditions of the Continuing Disclosure Certificate. For purposes of this Section, "Beneficial Owner" means any person which (a) has or shares the power,

directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any 2018A Bond (including persons holding 2018A Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any 2018A Bonds for federal income tax purposes.

Section 6.13. Additional Contracts and Bonds. The District may at any time execute any Contract or issue any Bonds, as the case may be, in accordance herewith; provided:

(i) The Net Revenues for any consecutive twelve calendar month period during the eighteen calendar month period preceding the date of adoption by the Board of Directors of the District of the resolution authorizing the issuance of such Bonds or the date of the execution of such Contract, as the case may be, as evidenced by a special report prepared by an Independent Certified Public Accountant or Independent Municipal Consultant on file with the District, shall have produced a sum equal to at least one hundred fifteen percent (115%) of the Debt Service for such twelve month period; and

(ii) The Net Revenues for any consecutive twelve calendar month period during the eighteen calendar month period preceding the date of the execution of such Contract or the date of adoption by the Board of Directors of the District of the resolution authorizing the issuance of such Bonds, as the case may be, including adjustments to give effect as of the first day of such twelve month period to increases or decreases in rates and charges for the Water Service approved and in effect as of the date of calculation, as evidenced by a special report prepared by an Independent Certified Public Accountant or Independent Municipal Consultant on file with the District, shall have produced a sum equal to at least one hundred fifteen percent (115%) of the Debt Service for such twelve month period, plus the Debt Service which would have accrued on any Contracts executed or Bonds issued since the end of such twelve month period, assuming that such Contracts had been executed or Bonds had been issued at the beginning of such twelve month period, plus the Debt Service which would have accrued had such Contract been executed or Bonds been issued at the beginning of such twelve month period; and

(iii) The estimated Net Revenues for the then current Fiscal Year and for each Fiscal Year thereafter, to and including the first complete Fiscal Year after the latest Date of Operation of any uncompleted Project to be financed from proceeds of such Contracts or Bonds, as evidenced by a certificate of the General Manager on file with the District, including (after giving effect to the completion of all such uncompleted Projects) an allowance for estimated Net Revenues for each of such Fiscal Years arising from any increase in the income, rents, fees, rates and charges estimated to be fixed, prescribed or received for Water Service and which are economically feasible and reasonably considered necessary based on projected operations for such period, as evidenced by a certificate of the General Manager on file with the District, shall produce a sum equal to at least one hundred fifteen percent (115%) of the estimated Debt Service for each of such Fiscal Years, after giving effect to the execution of all Contracts and the issuance of all Bonds estimated to be required to be executed or issued to pay the costs of completing all uncompleted Projects within such Fiscal Years, assuming that all such Contracts and Bonds have maturities, interest rates and proportionate principal repayment provisions similar to the Contract last executed or then being executed or the Bonds last issued or then being issued for the purpose of acquiring and constructing any of such uncompleted Projects.

Notwithstanding the foregoing, Bonds issued or Contracts executed to refund Bonds or Contracts may be delivered without satisfying the conditions set forth above if Debt Service in each Fiscal Year after the Fiscal Year in which such Bonds are issued or Contracts executed is not greater

than 110% of the Debt Service which would have been payable in each such Fiscal Year prior to the issuance of such Bonds or execution of such Contracts.

Section 6.14. Against Sale or Other Disposition of Property. The District will not enter into any agreement or lease which impairs the operation of the Water System or any part thereof necessary to secure adequate Revenues for the payment of the principal of and interest on the 2018A Bonds, or which would otherwise impair the operation of the Water System. Any real or personal property which has become nonoperative or which is not needed for the efficient and proper operation of the Water System, or any material or equipment which has become worn out, may be sold if such sale will not impair the ability of the District to pay the principal of and interest on the 2018A Bonds and if the proceeds of such sale are deposited in the Revenue Fund.

Notwithstanding the foregoing, the District may sell or transfer assets representing less than 10% of the book value of the assets of the Water System in connection with the transfer of a portion of the District service area to another retail water provider so long as in connection with such sale or transfer of such assets: (i) the Board of Directors of the District determines that such sale or transfer will not adversely affect the ability of the District to pay the principal of and interest on the 2018A Bonds and all other Debt Service; and (ii) the District delivers to the Trustee a special report of the General Manager to the effect that estimated Net Revenues for the current and two Fiscal Years after the date of such sale or transfer shall produce a sum equal to one hundred fifteen percent (115%) of the estimated Debt Service for each such Fiscal Year.

Nothing herein shall restrict the ability of the District to sell any portion of the Water System if such portion is immediately repurchased by the District and if such arrangement cannot by its terms and does not: (a) result in the purchaser of such portion of the Water System exercising any remedy which would deprive the District of or otherwise interfere with its right to own and operate such portion of the Water System; or (b) impair or otherwise affect the pledge of and first lien on the Revenues and the Revenue Fund.

Section 6.15. Against Competitive Facilities. To the extent that it can so legally obligate itself, the District covenants that it will not acquire, construct, maintain or operate and will not, to the extent permitted by law and within the scope of its powers, permit any other public or private agency, corporation, district or political subdivision or any person whomsoever to acquire, construct, maintain or operate within the District any water system competitive with the Water System.

Section 6.16. Maintenance and Operation of the Water System. The District will maintain and preserve the Water System in good repair and working order at all times and will operate the Water System in an efficient and economical manner and will pay all Operation and Maintenance Costs as they become due and payable.

Section 6.17. Payment of Claims. The District will pay and discharge any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien on the Revenues or the funds or accounts created hereunder or on any funds in the hands of the District pledged to pay the principal of or interest on the 2018A Bonds or to the Owners prior or superior to the lien under the Indenture.

Section 6.18. Insurance.

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

In the event of any damage to or destruction of the Water System caused by the perils covered by such insurance, the Net Proceeds thereof shall be applied to the reconstruction, repair or replacement of the damaged or destroyed portion of the Water System. The District shall begin such reconstruction, repair or replacement promptly after such damage or destruction shall occur, and shall continue and properly complete such reconstruction, repair or replacement as expeditiously as possible and in any event prior to the time that a failure to reconstruct, repair or replace such portions would impair or adversely affect the ability of the District to pay the principal of and interest on the 2018A Bonds, and shall pay out of such Net Proceeds and, if necessary, out of all other funds available to it, all costs and expenses in connection with such reconstruction, repair or replacement so that the same shall be completed and the Water System shall be free and clear of all claims and liens.

If such Net Proceeds exceed the costs of such reconstruction, repair or replacement, then the excess Net Proceeds shall be applied in part to the redemption of 2018A Bonds as provided in Section 4.01(a) and in part to such other fund or account as may be appropriate and used for the retirement of Bonds and Contracts in the same proportion which the aggregate unpaid principal balance of 2018A Bonds then bears to the aggregate unpaid principal amount of such Bonds and Contracts. If such Net Proceeds are sufficient to enable the District to retire the entire obligation evidenced hereby prior to the final due date of the 2018A Bonds as well as the entire obligations evidenced by Bonds and Contracts then remaining unpaid prior to their final respective due dates, the District may elect not to reconstruct, repair or replace the damaged or destroyed portion of the Water System, and/or not to construct other additions, betterments, extensions or improvements to the Water System; and thereupon such Net Proceeds shall be applied to the redemption of 2018A Bonds as provided in Section 4.01(a) and to the retirement of such Bonds and Contracts.

(b) Any insurance required to be maintained by paragraph (a) above may be maintained under a self-insurance program so long as such self-insurance is maintained in the amounts and manner usually maintained in connection with water systems similar to the Water System and is, in the opinion of an accredited actuary, actuarially sound.

Section 6.19. Payment of Taxes and Compliance with Governmental Regulations. The District will pay and discharge all taxes, assessments and other governmental charges which may hereafter be lawfully imposed upon the Water System, or any part thereof or upon the Revenues when the same shall become due. The District will duly observe and conform with all valid regulations and requirements of any governmental authority relative to the operation of the Water System, or any part thereof, but the District shall not be required to comply with any regulations or requirements so long as the validity or application thereof shall be contested in good faith.

Section 6.20. Amount of Rates and Charges. (a) The District shall, to the fullest extent permitted by law, fix and prescribe rates and charges for the Water Service which are reasonably expected, on the first day of each Fiscal Year, to be at least sufficient to yield during such Fiscal Year Net Revenues equal to one hundred fifteen per cent (115%) of the Debt Service for such Fiscal Year.

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

(b) For avoidance of doubt, so long as the District has complied with its obligations set forth in Section 6.20(a) above, the failure of Net Revenues to meet the threshold set forth in Section 6.20(a) above at the end of a Fiscal Year shall not constitute a default or an Event of Default so long as the District has complied with Section 6.20(a) at the commencement of the succeeding Fiscal Year.

Section 6.21. Collection of Rates and Charges. The District will have in effect at all times by-laws, rules and regulations requiring each customer to pay the rates and charges applicable to the Water Service to such customer and providing for the billing thereof and for a due date and a delinquency date for each bill. In each case where such bill remains unpaid in whole or in part after it becomes delinquent, the District may discontinue such service from the Water System, and such service shall not thereafter be recommenced except in accordance with District by-laws or rules and regulations governing such situations of delinquency.

Section 6.22. Eminent Domain Proceeds. If all or any part of the Water System shall be taken by eminent domain proceedings, the Net Proceeds thereof shall be applied as follows:

(a) If: (1) the District files with the Trustee a certificate of the General Manager certifying to the following: (i) the estimated loss of annual Net Revenues, if any, suffered or to be suffered by the District by reason of such eminent domain proceedings; (ii) a general description of the additions, betterments, extensions or improvements to the Water System proposed to be acquired and constructed by the District from such Net Proceeds; and (iii) an estimate of the additional annual Net Revenues to be derived from such additions, betterments, extensions or improvements; and (2) that the estimated additional annual Net Revenues will sufficiently offset the estimated loss of annual Net Revenues resulting from such eminent domain proceedings so that the ability of the District to meet its obligations hereunder will not be substantially impaired (which certification shall be final and conclusive), then the District shall promptly proceed with the acquisition and construction of such additions, betterments, extensions or improvements substantially in accordance with such certificate and such Net Proceeds shall be applied for the payment of the costs of such acquisition and construction, and any balance of such Net Proceeds not required by the District for such purpose shall be deposited in the Revenue Fund.

(b) If the foregoing conditions are not met, then such Net Proceeds shall be applied in part to the redemption of 2018A Bonds as provided in Section 4.01(a) and in part to such other fund or account as may be appropriate and used for the retirement of Bonds and Contracts in the same proportion which the aggregate unpaid principal balance of 2018A Bonds then bears to the aggregate unpaid principal amount of such Bonds and Contracts.

Section 6.23. Enforcement of Contracts. The District will not voluntarily consent to or permit any rescission of, nor will it consent to any amendment to or otherwise take any action under or in connection with any contracts previously or hereafter entered into if such rescission or amendment would in any manner impair or adversely affect the ability of the District to pay principal of and interest on the 2018A Bonds.

ARTICLE VII

EVENTS OF DEFAULT AND REMEDIES OF 2018A BOND OWNERS

Section 7.01. Events of Default. The following events shall be Events of Default hereunder:

(a) Default by the District in the due and punctual payment of the principal of any 2018A Bonds, the principal of any Bonds or the principal with respect to any Contract, when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by acceleration, or otherwise.

(b) Default by the District in the due and punctual payment of any installment of interest on any 2018A Bonds, any installment of interest on any Bond or any installment of interest with respect to any Contract, when and as the same shall become due and payable.

(c) Default by the District in the observance of any of the other covenants, agreements or conditions on its part in the Indenture or in the 2018A Bonds, or required by any Bond or indenture relating thereto or by any Contract, if such default shall have continued for a period of sixty (60) days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the District by the Trustee or by the Owners of not less than a majority in aggregate principal amount of 2018A Bonds Outstanding, a majority in principal amount of such Bond outstanding, or a majority in principal amount outstanding with respect to such Contract, as applicable; provided, however, that if in the reasonable opinion of the District the default stated in the notice can be corrected, but not within such sixty (60) day period and corrective action is instituted by the District within such sixty (60) day period and diligently pursued in good faith until the default is corrected such default shall not be an Event of Default hereunder.

(d) The District shall file a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if a court of competent jurisdiction shall approve a petition filed with or without the consent of the District seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if under the provisions of any other law for the relief or aid of debtors any court of competent jurisdiction shall assume custody or control of the District or of the whole or any substantial part of its property.

(e) Payment of the principal of any Bond or with respect to any Contract is accelerated in accordance with its terms.

Section 7.02. Remedies Upon Event of Default. If any Event of Default specified in Section 7.01(d) or (e) shall occur and be continuing, the Trustee shall, and for any other Event of Default, the Trustee may, and, at the written direction of the Owners of not less than a majority in aggregate principal amount of the 2018A Bonds at the time Outstanding, shall, in each case, upon notice in writing to the District, declare the principal of all of the 2018A Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in the Indenture or in the 2018A Bonds contained to the contrary notwithstanding.

Nothing contained herein shall permit or require the Trustee to accelerate payments due under the Indenture if the District is not in default of its obligation hereunder.

Any such declaration is subject to the condition that if, at any time after such declaration and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the District shall deposit with the Trustee a sum sufficient to pay all the principal of and installments of interest on the 2018A Bonds payment of which is overdue, with interest on such overdue principal at the rate borne by the respective 2018A Bonds to the extent permitted by law, and the reasonable charges and expenses of the Trustee, or shall deposit with the applicable trustee with respect to any Contract a sum sufficient to pay all the principal and installments of interest with respect to such Contract payment of which is overdue, with interest on such overdue principal at the rate borne by such Contract to the extent permitted by law, and the reasonable charges and expenses of the applicable trustee with respect to such Contract, or shall deposit with the applicable trustee with respect to any Bond a sum sufficient to pay all the principal of and installment of interest on such Bond payment of which is overdue, with interest on such overdue principal at the rate borne by such Bonds to the extent permitted by law, and the reasonable charges and expenses of the applicable trustee with respect to such Bonds, and any and all other Events of Default known to the Trustee or the applicable trustee with respect to such Contract or Bonds (other than in the payment of principal of and interest on the 2018A Bonds, payment of principal and interest with respect to such Contract or payment of principal and interest on such Bond, as applicable, due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then, and in every such case the Trustee shall on behalf of the Owners of all of the 2018A Bonds, rescind and annul such declaration and its consequences and waive such Event of Default; but no such rescission and annulment shall extend to or shall affect any subsequent Event of Default, or shall impair or exhaust any right or power consequent thereon.

Section 7.03. Application of Revenues and Other Funds After Default. If an Event of Default shall occur and be continuing, all Revenues held or thereafter received by the Trustee and any other funds then held or thereafter received by the Trustee under any of the provisions of the Indenture shall be applied in the following order:

(i) To the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the Owners of the 2018A Bonds, Contract or Bonds and payment of reasonable fees and expenses of the Trustee (including reasonable fees and disbursements of its accountants and counsel) incurred in and about the performance of its powers and duties under the Indenture;

(ii) To the payment of Operation and Maintenance Costs;

(iii) To the payment of the principal of and interest then due on the 2018A Bonds (upon presentation of the 2018A Bonds to be paid, and stamping or otherwise noting thereon of the payment if only partially paid, or surrender thereof if fully paid), in accordance with the provisions of the Indenture, the payment of the principal and interest then due with respect to such Contract in accordance with the provisions thereof and the payment of the principal of and interest then due on such Bonds in accordance with the provisions thereof and of any indenture related thereto, in the following order of priority:

First: To the payment to the persons entitled thereto of all installments of interest then due on the 2018A Bonds, with respect to such Contract or on such Bonds, as applicable, in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the persons entitled thereto of the unpaid principal of any 2018A Bonds, principal with respect to such Contract (other than Termination Payments) or principal of any Bonds, as applicable, which shall have become due, whether at maturity or by acceleration or redemption, with interest on the overdue principal at the rate of eight percent (8%) per annum, and, if the amount available shall not be sufficient to pay in full all the 2018A Bonds, all amounts due under such Contract or all the Bonds, as applicable, together with such interest, then to the payment thereof ratably, according to the amounts of principal due on such date to the persons entitled thereto, without any discrimination or preference; and

Third: to the payment of any Termination Payment and other unpaid amounts due on obligations subordinate hereto; and

Fourth: If there shall exist any remainder after the foregoing payments, such remainder shall be paid to the District.

Section 7.04. Trustee to Represent 2018A Bond Owners. The Trustee is hereby irrevocably appointed (and the successive respective Owners of the 2018A Bonds, by taking and holding the same, shall be conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney in fact of the Owners of the 2018A Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Owners under the provisions of the 2018A Bonds or the Indenture and applicable provisions of law. Upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the Trustee to represent the 2018A Bond Owners, the Trustee in its discretion may, and upon the written request of the Owners of a majority in aggregate principal amount of the 2018A Bonds then Outstanding, and upon being indemnified to its satisfaction therefor, shall proceed to protect or enforce its rights or the rights of such Owners by such appropriate action, suit, mandamus or other proceedings as it shall deem most effectual to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained herein, or in aid of the execution of any power herein granted, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Trustee or in such Owners under the 2018A Bonds or the Indenture or any law; and upon instituting such proceeding, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver of the Revenues and other assets pledged under the Indenture, pending such proceedings. All rights of action under the Indenture or the 2018A Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the 2018A Bonds or the production thereof in any proceeding relating thereto, and any such suit, action

or proceeding instituted by the Trustee shall be brought in the name of the Trustee for the benefit and protection of all the Owners of such 2018A Bonds, subject to the provisions of the Indenture.

Section 7.05. 2018A Bond Owners' Direction of Proceedings. Anything in the Indenture to the contrary notwithstanding, the Owners of a majority in aggregate principal amount of the 2018A Bonds then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, and upon indemnification of the Trustee to its reasonable satisfaction to direct the method of conduct in all remedial proceedings taken by the Trustee hereunder, provided that such direction shall not be otherwise than in accordance with law and the provisions of the Indenture, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to 2018A Bond Owners not parties to such direction.

Section 7.06. Suit by Owners. No Owner of any 2018A Bonds shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under the Indenture with respect to such 2018A Bonds, unless: (a) such Owners shall have given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of not less than fifty percent (50%) in aggregate principal amount of the 2018A Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such suit, action or proceeding in its own name; (c) such Owner or Owners shall have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; (d) the Trustee shall have failed to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee; and (e) no direction inconsistent with such written request shall have been given to the Trustee during such sixty (60) day period by the Owners of a majority in aggregate principal amount of the 2018A Bonds then Outstanding.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Owner of 2018A Bonds of any remedy hereunder or under law; it being understood and intended that no one or more Owners of 2018A Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Indenture or the rights of any other Owners of 2018A Bonds, or to enforce any right under the 2018A Bonds, the Indenture, or applicable law with respect to the 2018A Bonds, except in the manner herein provided, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner herein provided and for the benefit and protection of all Owners of the Outstanding 2018A Bonds, subject to the provisions of the Indenture.

Section 7.07. Absolute Obligation of the District. Nothing in this Section 7.07 or in any other provision of the Indenture or in the 2018A Bonds shall affect or impair the obligation of the District, which is absolute and unconditional, to pay the principal of and interest on the 2018A Bonds to the respective Owners of the 2018A Bonds at their respective dates of maturity, or upon call for redemption, as herein provided, but only out of the Revenues and other assets herein pledged therefor, or affect or impair the right of such Owners, which is also absolute and unconditional, to enforce such payment by virtue of the contract embodied in the 2018A Bonds.

Section 7.08. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Trustee or to the Owners of the 2018A Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, shall be cumulative and in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or otherwise.

Section 7.09. No Waiver of Default. No delay or omission of the Trustee or of any Owner of the 2018A Bonds to exercise any right or power arising upon the occurrence of any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or an acquiescence therein.

ARTICLE VIII

THE TRUSTEE

Section 8.01. Duties, Immunities and Liabilities of Trustee.

(a) The Trustee shall, prior to an Event of Default, and after the curing or waiving of all Events of Default which may have occurred, perform such duties and only such duties as are expressly and specifically set forth in the Indenture and no implied covenants or duties shall be read into the Indenture against the Trustee. The Trustee shall, during the existence of any Event of Default (which has not been cured or waived), exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

(b) The District may remove the Trustee at any time, unless an Event of Default shall have occurred and then be continuing, and shall remove the Trustee if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Owners of not less than a majority in aggregate principal amount of the 2018A Bonds then Outstanding (or their attorneys duly authorized in writing) or if at any time the Trustee shall cease to be eligible in accordance with subsection (e) of this Section, or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property shall be appointed, or any public officer shall take control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, in each case by giving written notice of such removal to the Trustee and thereupon shall promptly appoint a successor Trustee by an instrument in writing.

(c) The Trustee may at any time resign by giving written notice of such resignation to the District and by giving the 2018A Bond Owners notice of such resignation by mail at the addresses shown on the Registration Books. Upon receiving such notice of resignation, the District shall promptly appoint a successor Trustee by an instrument in writing.

(d) Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee. If no successor Trustee shall have been appointed and have accepted appointment within forty five (45) days of giving notice of removal or notice of resignation as aforesaid, the resigning Trustee or any 2018A Bond Owner (on behalf of himself and all other 2018A Bond Owners) may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under the Indenture shall signify its acceptance of such appointment by executing and

delivering to the District and to its predecessor Trustee a written acceptance thereof, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee herein; but, nevertheless at the Written Request of the District or the request of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it under the Indenture and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Upon request of the successor Trustee, the District shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in this subsection, the District shall mail or cause the successor trustee to mail a notice of the succession of such Trustee to the trusts hereunder to each rating agency which is then rating the 2018A Bonds and to the 2018A Bond Owners at the addresses shown on the Registration Books. If the District fails to mail such notice within fifteen (15) days after acceptance of appointment by the successor Trustee, the successor Trustee shall cause such notice to be mailed at the expense of the District.

(e) Any Trustee appointed under the provisions of this Section in succession to the Trustee shall be a trust company, banking association or bank having the powers of a trust company, having a combined capital and surplus of at least Seventy Five Million Dollars (\$75,000,000), and subject to supervision or examination for federal or state authority. If such bank, banking association or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this subsection the combined capital and surplus of such trust company, banking association or bank shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this subsection (e), the Trustee shall resign immediately in the manner and with the effect specified in this Section.

Section 8.02. Merger or Consolidation. Any trust company, banking association or bank into which the Trustee may be merged or converted or with which it may be consolidated or any trust company, banking association or bank resulting from any merger, conversion or consolidation to which it shall be a party or any trust company, banking association or bank to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such trust company, banking association or bank shall be eligible under subsection (e) of Section 8.01, shall be the successor to such Trustee, without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.

Section 8.03. Liability of Trustee.

(a) The recitals of facts herein and in the 2018A Bonds shall be taken as statements of the District, and the Trustee shall not assume responsibility for the correctness of the same, or make any representations as to the validity or sufficiency of the Indenture or the 2018A Bonds, nor shall the Trustee incur any responsibility in respect thereof, other than as expressly stated herein in connection with the respective duties or obligations herein or in the 2018A Bonds assigned to or imposed upon it. The Trustee shall, however, be responsible for its representations contained in its certificate of authentication on the 2018A Bonds. The Trustee shall not be liable in connection with the performance

of its duties hereunder, except for its own negligence or willful misconduct. The Trustee may become the Owner of 2018A Bonds with the same rights it would have if it were not Trustee, and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of 2018A Bond Owners, whether or not such committee shall represent the Owners of a majority in principal amount of the 2018A Bonds then Outstanding.

(b) The Trustee shall not be liable for any error of judgment made in good faith by a responsible officer, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts.

(c) The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of not less than a majority (or such other percentage provided for herein) in aggregate principal amount of the 2018A Bonds at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under the Indenture.

(d) The Trustee shall not be liable for any action taken by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by the Indenture.

(e) The Trustee shall not be deemed to have knowledge of any Default or Event of Default hereunder or any other event which, with the passage of time, the giving of notice, or both, would constitute an Event of Default hereunder unless and until a Responsible Officer of the Trustee shall have actual knowledge of such event or the Trustee shall have been notified in writing, in accordance with Section 11.07, of such event by the District or the Owners of not less than fifty percent (50%) of the 2018A Bonds then Outstanding. Except as otherwise expressly provided herein, the Trustee shall not be bound to ascertain or inquire as to the performance or observance by the District of any of the terms, conditions, covenants or agreements herein of any of the documents executed in connection with the 2018A Bonds, or as to the existence of an Event of Default thereunder or an event which would, with the giving of notice, the passage of time, or both, constitute an Event of Default thereunder. The Trustee shall not be responsible for the validity, effectiveness or priority of any collateral given to or held by it.

(f) No provision of the Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties hereunder, or in the exercise of any of its rights or powers.

(g) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by the Indenture at the request or direction of Owners pursuant to the Indenture, unless such Owners shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction. No permissive power, right or remedy conferred upon the Trustee hereunder shall be construed to impose a duty to exercise such power, right or remedy and the Trustee shall not be answerable for other than its negligence or willful misconduct.

(h) Whether or not herein expressly so provided, every provision of the Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Article VIII.

(i) The Trustee shall have no responsibility with respect to any information, statement, or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the 2018A Bonds.

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

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

(l) The Trustee shall not be considered in breach of or in default in its obligations hereunder or progress in respect thereto in the event of delay in the performance of such obligations due to unforeseeable causes beyond its control and without its fault or negligence, which affect the Trustee's ability to perform its obligations hereunder, including, but not limited to, Acts of God or of the public enemy or terrorists, acts of a government, acts of the other party, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, earthquakes, explosion, mob violence, riot, inability to procure or general sabotage or rationing of labor, equipment, facilities, sources of energy, material or supplies in the open market, litigation or arbitration involving a party or others relating to zoning or other governmental action or inaction pertaining to the Water System, malicious mischief, condemnation, and unusually severe weather or delays of suppliers or subcontractors due to such causes or any similar event and/or occurrences beyond the control of the Trustee.

(m) The Trustee agrees to accept and act upon instructions or directions pursuant to the Indenture sent by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods, provided, however, that, the Trustee shall have received an incumbency certificate listing persons designated to give such instructions or directions and containing specimen signatures of such designated persons, which such incumbency certificate shall be amended and replaced whenever a person is to be added or deleted from the listing. If the District elects to give the Trustee e-mail or facsimile instructions (or instructions by a similar electronic method) and the Trustee in its discretion elects to act upon such instructions, the Trustee's understanding of such instructions shall be deemed controlling. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The District agrees to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized instructions, and the risk of interception and misuse by third parties.

(n) The Trustee shall not be concerned with or accountable to anyone for the subsequent use or application of any moneys which shall be released or withdrawn in accordance with the provisions hereof.

(o) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it hereby at the request, order or direction of any of the Owners pursuant to the provisions

hereof unless such Owners shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which may be incurred therein or thereby.

(p) The permissive right of the Trustee to do things enumerated herein shall not be construed as a duty and it shall not be answerable for other than its negligence or willful misconduct.

(q) The Trustee shall have no responsibility or liability with respect to any information, statements or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of the 2018A Bonds.

Section 8.04. Right to Rely on Documents. The Trustee shall be protected in acting upon any notice, resolution, requisition, request, consent, order, certificate, report, opinion, notes, direction, facsimile transmission, electronic mail or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee may consult with counsel, who may be counsel of or to the District, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith.

The Trustee may treat the Owners of the 2018A Bonds appearing in the Trustee's Registration Books as the absolute owners of the 2018A Bonds for all purposes and the Trustee shall not be affected by any notice to the contrary.

Whenever in the administration of the trusts imposed upon it by the Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a Certificate, Request or Requisition of the District, and such Certificate, Request or Requisition shall be full warrant to the Trustee for any action taken or suffered in good faith under the provisions of the Indenture in reliance upon such Certificate, Request or Requisition, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as it may deem reasonable.

Section 8.05. Preservation and Inspection of Documents. All documents received by the Trustee under the provisions of the Indenture shall be retained in their respective possession in accordance with its record retention policies and shall be subject at all reasonable times to the inspection of the District and any 2018A Bond Owner, and their agents and representatives duly authorized in writing, at reasonable hours and under reasonable conditions.

Section 8.06. Compensation and Indemnification. The District shall pay to the Trustee from time to time all reasonable compensation for all services rendered under the Indenture, and also all reasonable expenses, charges, legal and consulting fees and other disbursements and those of their attorneys, agents and employees, incurred in and about the performance of their powers and duties under the Indenture.

The District shall indemnify, defend and hold harmless the Trustee, its officers, employees, directors and agents from and against any loss, costs, claims, liability or expense (including fees and expenses of its attorneys and advisors) incurred without negligence on its part, arising out of or in connection with the execution of the Indenture, acceptance or administration of this trust, including costs and expenses of defending itself against any claim or liability in connection with the exercise or

performance of any of its powers hereunder. The rights of the Trustee and the obligations of the District under this Section 8.06 shall survive removal or resignation of the Trustee hereunder or the discharge of the 2018A Bonds and the Indenture.

ARTICLE IX

MODIFICATION OR AMENDMENT OF THE INDENTURE

Section 9.01. Amendments Permitted.

(a) The Indenture and the rights and obligations of the District and of the Owners of the 2018A Bonds and of the Trustee may be modified or amended from time to time and at any time by an indenture or indentures supplemental thereto, which the District and the Trustee may enter into when the written consent of the Owners of a majority in aggregate principal amount of all 2018A Bonds then Outstanding, exclusive of 2018A Bonds disqualified as provided in Section 11.09 hereof, shall have been filed with the Trustee. No such modification or amendment shall: (1) extend the fixed maturity of any 2018A Bonds, or reduce the amount of principal thereof or premium (if any) thereon, or extend the time of payment, or change the rate of interest or the method of computing the rate of interest thereon, or extend the time of payment of interest thereon, without the consent of the Owner of each 2018A Bond so affected; or (2) reduce the aforesaid percentage of 2018A Bonds the consent of the Owners of which is required to affect any such modification or amendment, or permit the creation of any lien on the Revenues and other assets pledged under the Indenture prior to or on a parity with the lien created by the Indenture except as permitted herein, or deprive the Owners of the 2018A Bonds of the lien created by the Indenture on such Revenues and other assets except as permitted herein, without the consent of the Owners of all of the 2018A Bonds then Outstanding. It shall not be necessary for the consent of the 2018A Bond Owners to approve the particular form of any Supplemental Indenture, but it shall be sufficient if such consent shall approve the substance thereof. Promptly after the execution by the District and the Trustee of any Supplemental Indenture pursuant to this subsection (a), the Trustee shall mail a notice, setting forth in general terms the substance of such Supplemental Indenture, to each Rating Agency and the Owners of the 2018A Bonds at the respective addresses shown on the Registration Books. Any failure to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such Supplemental Indenture.

(b) The Indenture and the rights and obligations of the District, the Trustee and the Owners of the 2018A Bonds may also be modified or amended from time to time and at any time by a Supplemental Indenture, which the District and the Trustee may enter into without the consent of any 2018A Bond Owners, if the Trustee shall receive an opinion of Bond Counsel to the effect that the provisions of such Supplemental Indenture shall not materially adversely affect the interests of the Owners of the Outstanding 2018A Bonds, including, without limitation, for any one or more of the following purposes:

(1) to add to the covenants and agreements of the District contained in the Indenture other covenants and agreements thereafter to be observed, to pledge or assign additional security for the 2018A Bonds (or any portion thereof), or to surrender any right or power herein reserved to or conferred upon the District;

(2) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in the

Indenture, or in regard to matters or questions arising under the Indenture, as the District may deem necessary or desirable;

(3) to modify, amend or supplement the Indenture in such manner as to permit the qualification hereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereunder in effect, and to add such other terms conditions and provisions as may be permitted by said act or similar federal statute; and

(c) The Trustee may in its discretion, but shall not be obligated to, enter into any such Supplemental Indenture authorized by subsections (a) or (b) of this Section which materially adversely affects the Trustee's own rights, duties or immunities under the Indenture or otherwise.

(d) Prior to the Trustee entering into any Supplemental Indenture hereunder, there shall be delivered to the Trustee an opinion of Bond Counsel stating, in substance, that such Supplemental Indenture has been adopted in compliance with the requirements of the Indenture and that the adoption of such Supplemental Indenture will not, in and of itself, adversely affect the exclusion of interest on the 2018A Bonds from federal income taxation and from state income taxation.

Section 9.02. Effect of Supplemental Indenture. Upon the execution of any Supplemental Indenture pursuant to this Article, the Indenture shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under the Indenture of the District, the Trustee and all Owners of 2018A Bonds Outstanding shall thereafter be determined, exercised and enforced thereunder subject in all respects to such modification and amendment, and all the terms and conditions of any such Supplemental Indenture shall be deemed to be part of the terms and conditions of the Indenture for any and all purposes.

Section 9.03. Endorsement of 2018A Bonds; Preparation of New 2018A Bonds. 2018A Bonds delivered after the execution of any Supplemental Indenture pursuant to this Article may, and if the Trustee so determines shall, bear a notation by endorsement or otherwise in form approved by the District and the Trustee as to any modification or amendment provided for in such Supplemental Indenture, and, in that case, upon demand on the Owner of any 2018A Bonds Outstanding at the time of such execution and presentation of his or her 2018A Bonds for the purpose at the Office of the Trustee or at such additional offices as the Trustee may select and designate for that purpose, a suitable notation shall be made on such 2018A Bonds. If the Supplemental Indenture shall so provide, new 2018A Bonds so modified as to conform, in the opinion of the District and the Trustee, to any modification or amendment contained in such Supplemental Indenture, shall be prepared and executed by the District and authenticated by the Trustee, and upon demand on the Owners of any 2018A Bonds then Outstanding shall be exchanged at the Office of the Trustee, without cost to any 2018A Bond Owner, for 2018A Bonds then Outstanding, upon surrender for cancellation of such 2018A Bonds, in equal aggregate principal amount of the same maturity.

Section 9.04. Amendment of Particular 2018A Bonds. The provisions of this Article shall not prevent any 2018A Bond Owner from accepting any amendment as to the particular 2018A Bonds held by him.

ARTICLE X

DEFEASANCE

Section 10.01. Discharge of Indenture. The 2018A Bonds may be paid by the District in any of the following ways, provided that the District also pays or causes to be paid any other sums payable hereunder by the District:

- (a) by paying or causing to be paid the principal of and interest and redemption premiums (if any) on the 2018A Bonds, as and when the same become due and payable;
- (b) by depositing with the Trustee, in trust, at or before maturity, money or securities in the necessary amount (as provided in Section 10.03) to pay or redeem all 2018A Bonds then Outstanding; or
- (c) by delivering to the Trustee, for cancellation by it, all of the 2018A Bonds then Outstanding.

If the District shall also pay or cause to be paid all other sums payable hereunder by the District, then and in that case, at the election of the District (as evidenced by a Certificate of the District, filed with the Trustee, signifying the intention of the District to discharge all such indebtedness and the Indenture), and notwithstanding that any 2018A Bonds shall not have been surrendered for payment, the Indenture and the pledge of Revenues and other assets made under the Indenture and all covenants, agreements and other obligations of the District under the Indenture shall cease, terminate, become void and be completely discharged and satisfied. In such event, upon the Written Request of the District, the Trustee shall execute and deliver to the District all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over, transfer, assign or deliver all moneys or securities or other property held by it pursuant to the Indenture which are not required for the payment or redemption of 2018A Bonds not theretofore surrendered for such payment or redemption to the District.

Section 10.02. Discharge of Liability on 2018A Bonds. Upon the deposit with the Trustee, in trust, at or before maturity, of money or securities in the necessary amount (as provided in Section 10.03) to pay or redeem any Outstanding 2018A Bonds (whether upon or prior to the maturity or the Redemption Date of such 2018A Bonds), provided that, if such Outstanding 2018A Bonds are to be redeemed prior to maturity, notice of such redemption shall have been given as provided in Article IV or provisions satisfactory to the Trustee shall have been made for the giving of such notice, then all liability of the District in respect of such 2018A Bonds shall cease, terminate and be completely discharged, and the Owners thereof shall thereafter be entitled only to payment out of such money or securities deposited with the Trustee as aforesaid for their payment, subject however, to the provisions of Section 10.04.

The District may at any time surrender to the Trustee for cancellation by it any 2018A Bonds previously issued and delivered, which the District may have acquired in any manner whatsoever, and such 2018A Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired.

Section 10.03. Deposit of Money or Securities with Trustee. Whenever in the Indenture it is provided or permitted that there be deposited with or held in trust by the Trustee money or securities in the necessary amount to pay or redeem any 2018A Bonds, the money or securities so to be deposited

or held may include money or securities held by the Trustee in the funds and accounts established pursuant to the Indenture and shall be:

(a) lawful money of the United States of America in an amount equal to the principal amount of such 2018A Bonds and all unpaid interest thereon to maturity, except that, in the case of 2018A Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption shall have been given as provided in Article IV or provisions satisfactory to the Trustee shall have been made for the giving of such notice, the amount to be deposited or held shall be the principal amount of such 2018A Bonds and all unpaid interest and premium, if any, thereon to the Redemption Date; or

(b) Federal Securities the principal of and interest on which when due will, in the written opinion of an Independent Certified Public Accountant or Independent Municipal Consultant filed with the District and the Trustee, provide money sufficient to pay the principal of and all unpaid interest to maturity, or to the Redemption Date (with premium, if any), as the case may be, on the 2018A Bonds to be paid or redeemed, as such principal, interest and premium, if any, become due, provided that in the case of 2018A Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as provided in Article IV or provision satisfactory to the Trustee shall have been made for the giving of such notice;

provided, in each case, that: (i) the Trustee shall have been irrevocably instructed (by the terms of the Indenture or by Written Request of the District) to apply such money to the payment of such principal, interest and premium, if any, with respect to such 2018A Bonds; and (ii) the District shall have delivered to the Trustee an opinion of Bond Counsel addressed to the District and the Trustee to the effect that such 2018A Bonds have been discharged in accordance with the Indenture (which opinion may rely upon and assume the accuracy of the Independent Certified Public Accountant's or Independent Municipal Consultant's opinion referred to above).

Section 10.04. Payment of 2018A Bonds After Discharge of Indenture. Notwithstanding any provisions of the Indenture, any moneys held by the Trustee in trust for the payment of the principal of, or interest on, any 2018A Bonds and remaining unclaimed for two (2) years after the principal of all of the 2018A Bonds has become due and payable (whether at maturity or upon call for redemption or by acceleration as provided in the Indenture), if such moneys were so held at such date, or two (2) years after the date of deposit of such moneys if deposited after said date when all of the 2018A Bonds became due and payable, shall be repaid to the District free from the trusts created by the Indenture upon receipt of an indemnification agreement acceptable to the District and the Trustee indemnifying the Trustee with respect to claims of Owners of 2018A Bonds which have not yet been paid, and all liability of the Trustee with respect to such moneys shall thereupon cease; provided, however, that before the repayment of such moneys to the District as aforesaid, the Trustee shall at the written direction of the District (at the cost of the District) first mail to the Owners of 2018A Bonds which have not yet been paid, at the addresses shown on the Registration Books, a notice, in such form as may be deemed appropriate by the Trustee with respect to the 2018A Bonds so payable and not presented and with respect to the provisions relating to the repayment to the District of the moneys held for the payment thereof.

ARTICLE XI

MISCELLANEOUS

Section 11.01. Liability of District Limited to Revenues. Notwithstanding anything in the Indenture or the 2018A Bonds, but subject to the priority of payment with respect to Operation and Maintenance Costs, the District shall not be required to advance any moneys derived from any source other than the Revenues, the Revenue Fund and other moneys pledged under the Indenture for any of the purposes in the Indenture mentioned, whether for the payment of the principal of or interest on the 2018A Bonds or for any other purpose of the Indenture. Nevertheless, the District may, but shall not be required to, advance for any of the purposes hereof any funds of the District which may be made available to it for such purposes.

The obligation of the District to make pay interest and principal on the 2018A Bonds is a special obligation of the District payable solely from the Net Revenues, and does not constitute a debt of the District or of the State of California or of any political subdivision thereof (other than the District) in contravention of any constitutional or statutory debt limitation or restriction.

Section 11.02. Successor Is Deemed Included in All References to Predecessor. Whenever in the Indenture either the District or the Trustee is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in the Indenture contained by or on behalf of the District or the Trustee shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Section 11.03. Limitation of Rights to Parties and 2018A Bond Owners. Nothing in the Indenture or in the 2018A Bonds expressed or implied is intended or shall be construed to give to any person other than the District, the Trustee and the Owners of the 2018A Bonds, any legal or equitable right, remedy or claim under or in respect of the Indenture or any covenant, condition or provision therein or herein contained; and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the District, the Trustee and the Owners of the 2018A Bonds.

Section 11.04. Waiver of Notice; Requirement of Mailed Notice. Whenever in the Indenture the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the person entitled to receive such notice and in any such case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver. Whenever in the Indenture any notice shall be required to be given by mail, such requirement shall be satisfied by the deposit of such notice in the United States mail, postage prepaid, by first class mail.

Section 11.05. Destruction of 2018A Bonds. Whenever in the Indenture provision is made for the cancellation by the Trustee and the delivery to the District of any 2018A Bonds, the Trustee shall destroy such 2018A Bonds as may be allowed by law, and deliver a certificate of such destruction to the District.

Section 11.06. Severability of Invalid Provisions. If any one or more of the provisions contained in the Indenture or in the 2018A Bonds shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in the Indenture and such invalidity, illegality or unenforceability shall not affect any other provision of the Indenture, and the Indenture shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The District hereby declares

that it would have entered into the Indenture and each and every other Section, paragraph, sentence, clause or phrase hereof and authorized the issuance of the 2018A Bonds pursuant thereto irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses or phrases of the Indenture may be held illegal, invalid or unenforceable.

Section 11.07. Notices. Any notice to or demand upon the District or the Trustee shall be deemed to have been sufficiently given or served for all purposes by being sent by facsimile or email or by being deposited, first class mail, postage prepaid, in a post office letter box, addressed, as the case may be, to the District at Sacramento Suburban Water District, 3701 Marconi Avenue, Suite 100, Sacramento, California 95821, Attention: General Manager (or such other address as may have been filed in writing by the District with the Trustee), or to the Trustee at MUFJ Union Bank, N.A., 350 California Street, 17th Floor, San Francisco, California 94104, Attention: Corporate Trust Department, Reference: Sacramento Suburban Water District, Series 2018A (Taxable); Facsimile: (415) 273-2492, Email: AccountAdministrator-CorporateTrust@unionbank.com and CashControlGroup-LosAngeles@unionbank.com. Notwithstanding the foregoing provisions of this Section 11.07, the Trustee shall not be deemed to have received, and shall not be liable for failing to act upon the contents of, any notice unless and until the Trustee actually receives such notice.

Section 11.08. Evidence of Rights of 2018A Bond Owners. Any request, consent or other instrument required or permitted by the Indenture to be signed and executed by 2018A Bond Owners may be in any number of concurrent instruments of substantially similar tenor and shall be signed or executed by such 2018A Bond Owners in person or by an agent or agents duly appointed in writing. Proof of the execution of any such request, consent or other instrument or of a writing appointing any such agent, or of the holding by any person of 2018A Bonds transferable by delivery, shall be sufficient for any purpose of the Indenture and shall be conclusive in favor of the Trustee and the District if made in the manner provided in this Section.

The fact and date of the execution by any person of any such request, consent or other instrument or writing may be proved by the certificate of any notary public or other officer of any jurisdiction, authorized by the laws thereof to take acknowledgments of deeds, certifying that the person signing such request, consent or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer.

The Ownership of 2018A Bonds shall be proved by the Registration Books.

Any request, consent, or other instrument or writing of the Owner of any 2018A Bond shall bind every future Owner of the same 2018A Bond and the Owner of every 2018A Bond issued in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or the District in accordance therewith or reliance thereon.

Section 11.09. Disqualified 2018A Bonds. In determining whether the Owners of the requisite aggregate principal amount of 2018A Bonds have concurred in any demand, request, direction, consent or waiver under the Indenture, 2018A Bonds which are known by the Trustee to be owned or held by or for the account of the District, or by any other obligor on the 2018A Bonds, or by any person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the District or any other obligor on the 2018A Bonds, shall be disregarded and deemed not to be Outstanding for the purpose of any such determination. 2018A Bonds so owned which have been pledged in good faith may be regarded as Outstanding for the purposes of this Section if the pledgee shall establish to the

satisfaction of the Trustee the pledgee's right to vote such 2018A Bonds and that the pledgee is not a person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the District or any other obligor on the 2018A Bonds. In case of a dispute as to such right, any decision by the Trustee taken upon the advice of counsel shall be full protection to the Trustee. Upon request, the District shall certify to the Trustee those 2018A Bonds that are disqualified pursuant to this Section 11.09 and the Trustee may conclusively rely on such certificate.

Section 11.10. Money Held for Particular 2018A Bonds. The money held by the Trustee for the payment of the interest, principal or premium due on any date with respect to particular 2018A Bonds (or portions of 2018A Bonds in the case of registered 2018A Bonds redeemed in part only) shall, on and after such date and pending such payment, be set aside on its books and held in trust by it for the Owners of the 2018A Bonds entitled thereto, subject, however, to the provisions of Section 10.04 hereof but without any liability for interest thereon.

Section 11.11. Funds and Accounts. Any fund or account required by the Indenture to be established and maintained by the Trustee may be established and maintained in the accounting records of the Trustee, either as a fund or an account, and may, for the purposes of such records, any audits thereof and any reports or statements with respect thereto, be treated either as a fund or as an account; but all such records with respect to all such funds and accounts shall at all times be maintained in accordance with corporate trust industry standards to the extent practicable, and with due regard for the requirements of Section 6.05(a) and for the protection of the security of the 2018A Bonds and the rights of every Owner thereof.

Section 11.12. Waiver of Personal Liability. No member, officer, agent, employee, consultant or attorney of the District shall be individually or personally liable for the payment of the principal of or premium or interest on the 2018A Bonds or be subject to any personal liability or accountability by reason of the issuance thereof; but nothing herein contained shall relieve any such member, officer, agent, employee, consultant or attorney from the performance of any official duty provided by law or by the Indenture.

Section 11.13. Execution in Several Counterparts. The Indenture may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts, or as many of them as the District and the Trustee shall preserve undestroyed, shall together constitute but one and the same instrument.

Section 11.14. CUSIP Numbers. Neither the Trustee nor the District shall be liable for any defect or inaccuracy in the CUSIP number that appears on any 2018A Bond or in any redemption notice. The Trustee may, in its discretion, include in any redemption notice a statement to the effect that the CUSIP numbers on the 2018A Bonds have been assigned by an independent service and are included in such notice solely for the convenience of the 2018A Bondholders and that neither the District nor the Trustee shall be liable for any inaccuracies in such numbers.

Section 11.15. Choice of Law. THE INDENTURE SHALL BE GOVERNED BY THE LAWS OF THE STATE OF CALIFORNIA.

Section 11.16. Paired Obligation Provider Guidelines. For purposes of Sections 6.13 and 6.20, Paired Obligations shall comply with the following conditions:

(a) A Paired Obligation Provider shall initially have a long-term rating of A- or better by S&P and A3 or better by Moody's.

(b) So long as the long-term rating of the Paired Obligation Provider is not reduced below Baa2 by S&P or BBB by Moody's, the interest rate of such Paired Obligation shall be deemed to be equal to the fixed interest rate attributable thereto for purposes of Sections 6.13 and 6.20.

(c) In the event that a Paired Obligation Provider does not maintain the Minimum Rating Requirement and the District does not replace such Paired Obligation Provider with another Paired Obligation Provider which maintains the Initial Rating Requirement within ten (10) Business Days of notice that the Paired Obligation Provider has not maintained the Minimum Rating Requirement, interest with respect to such Paired Obligations shall be computed for purposes of Sections 6.13 and 6.20 without regard to payments to be received from the Paired Obligation Provider.

IN WITNESS WHEREOF, the District has caused the Indenture to be signed in its name by its President, and the Trustee, in token of its acceptance of the trusts created hereunder, has caused the Indenture to be signed in its corporate name by its officers thereunto duly authorized, all as of the day and year first above written.

SACRAMENTO SUBURBAN WATER DISTRICT

By: _____
Its: President, Board of Directors

Attest:

Secretary of the Board of Directors

MUFG UNION BANK, N.A., as Trustee

By: _____
Its: Authorized Officer

EXHIBIT A

FORM OF 2018A BOND

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY (AS DEFINED IN THE INDENTURE) TO THE TRUSTEE FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

No. _____

\$ _____

UNITED STATES OF AMERICA
STATE OF CALIFORNIA

SACRAMENTO SUBURBAN WATER DISTRICT
REFUNDING REVENUE BONDS, SERIES 2018A (TAXABLE)

INTEREST RATE	MATURITY DATE	ORIGINAL ISSUE DATE	CUSIP
_____%	November 1, 20__	[_____] , 2018	78607Q__

REGISTERED OWNER CEDE & CO.

PRINCIPAL AMOUNT: _____ DOLLARS

The SACRAMENTO SUBURBAN WATER DISTRICT, a county water district duly organized and existing under the laws of the State of California (the "District"), for value received, hereby promises to pay to the Registered Owner specified above or registered assigns (the "Registered Owner"), on the Maturity Date specified above (subject to any right of prior redemption hereinafter provided for), the Principal Amount specified above, in lawful money of the United States of America, and to pay interest thereon in like lawful money from the interest payment date next preceding the date of authentication of this 2018A Bond, as such term is defined below (unless: (i) this 2018A Bond is authenticated after the fifteenth day of the calendar month preceding an interest payment date, whether or not such day is a business day, and on or before the following interest payment date, in which event it shall bear interest from such interest payment date; or (ii) this 2018A Bond is authenticated on or before October 15, 2018, in which event it shall bear interest from the Original Issue Date identified above; provided, however, that if as of the date of authentication of this 2018A Bond, interest is in default on this 2018A Bond, this 2018A Bond shall bear interest from the interest payment date to which interest has previously been paid or made available for payment on this 2018A Bond), at the Interest Rate per annum specified above, payable semiannually on November 1, 2018 and each May 1 and November 1 thereafter, calculated on the basis of a 360 day year composed of twelve 30 day months. Principal hereof and premium, if any, upon early redemption hereof are payable by check of

the Trustee upon presentation and surrender hereof at the Office of the Trustee (as defined in the hereinafter described Indenture) of MUFJ Union Bank, N.A., as trustee (the "Trustee"). Interest hereon is payable by check of the Trustee sent by first class mail on the applicable interest payment date to the Registered Owner hereof at the Registered Owner's address as it appears on the registration books of the Trustee as of the close of business on the fifteenth day of the month preceding each interest payment date (except that in the case of a registered owner of one million dollars (\$1,000,000) or more in principal amount, such payment may, at such registered owner's option, be made by wire transfer of immediately available funds to an account in the United States in accordance with written instructions provided to the Trustee by such registered owner prior to the fifteenth (15th) day of the month preceding such interest payment date).

This 2018A Bond is not a debt of the State of California, or any of its political subdivisions (other than the District), and neither the State, nor any of its political subdivisions (other than the District), is liable hereon, nor in any event shall this 2018A Bond be payable out of any funds or properties of the District other than the Net Revenues (as such term is defined in the Indenture of Trust, dated as of March 1, 2018 (the "Indenture"), by and between the District and the Trustee) and other moneys pledged therefor under the Indenture. The obligation of the District to make payments in accordance with the Indenture is a limited obligation of the District as set forth in the Indenture and the District shall have no liability or obligation in connection herewith except with respect to such payments to be made pursuant to the Indenture. The 2018A Bonds do not constitute an indebtedness of the District in contravention of any constitutional or statutory debt limitation or restriction.

This 2018A Bond is one of a duly authorized issue of bonds of the District designated as the "Sacramento Suburban Water District Refunding Revenue Bonds, Series 2018A (Taxable)" (the "2018A Bonds"), of an aggregate principal amount of [] Dollars (\$[]), all of like tenor and date (except for such variation, if any, as may be required to designate varying series, numbers or interest rates) and all issued pursuant to the provisions of Article 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California, including but not limited to Section 53583, and pursuant to the Indenture. Reference is hereby made to the Indenture (copies of which are on file at the office of the District) and all supplements thereto for a description of the terms on which the 2018A Bonds are issued, the provisions with regard to the nature and extent of the Net Revenues, and the rights thereunder of the Owners of the 2018A Bonds and the rights, duties and immunities of the Trustee and the rights and obligations of the District hereunder, to all of the provisions of which the Registered Owner of this 2018A Bond, by acceptance hereof, assents and agrees. The 2018A Bonds have been issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple thereof.

The 2018A Bonds have been issued by the District to refund certain obligations of the District, as more fully described in the Indenture.

This 2018A Bond and the interest, premium, if any, hereon and all other 2018A Bonds and the interest and premium, if any, thereon (to the extent set forth in the Indenture) are special obligations of the District, secured by a pledge and lien on the Revenues and any other amounts on deposit in certain funds and accounts created under the Indenture, and payable from the Net Revenues. As and to the extent set forth in the Indenture, all of the Revenues are irrevocably pledged in accordance with the terms hereof and the provisions of the Indenture, to the payment of the principal of and interest and premium (if any) on the 2018A Bonds. The District may issue Bonds or incur Contracts secured by a pledge of Revenues, and payable from Net Revenues, on a parity with the 2018A Bonds, as provided in the Indenture.

The Indenture and the rights and obligations of the District and the Owners of the 2018A Bonds and the Trustee may be modified or amended from time to time and at any time with the written consent of the Owners of a majority in aggregate principal amount of all 2018A Bonds then Outstanding, exclusive of 2018A Bonds disqualified as set forth in the Indenture, in the manner, to the extent and upon the terms provided in the Indenture, but no such modification or amendment shall: (i) extend the fixed maturity of any 2018A Bonds, or reduce the amount of principal thereof or premium (if any) thereon, or extend the time of payment, or change the method of computing the rate of interest thereon, or extend the time of payment of interest thereon, without the consent of the owner of each 2018A Bond so affected; or (ii) reduce the aforesaid percentage of 2018A Bonds the consent of the Owners of which is required to affect any such modification or amendment, or permit the creation of any lien on the Revenues and other assets pledged under the Indenture prior to or on a parity with the lien created by the Indenture except as permitted in the Indenture, or deprive the Owners of the 2018A Bonds of the lien created by the Indenture on such Revenues and other assets, except as expressly provided in the Indenture, without the consent of the Owners of all of the 2018A Bonds then Outstanding.

The Indenture and the rights and obligations of the District, of the Trustee and the Owners of the 2018A Bonds may also be modified or amended for certain purposes described more fully in the Indenture at any time in the manner, to the extent and upon the terms provided in the Indenture by a supplemental indenture, which the District and the Trustee may enter into without the consent of any 2018A Bond Owners, if the Trustee shall receive an opinion of 2018A Bond Counsel to the effect that the provisions of such supplemental indenture will not materially adversely affect the interests of the Owners of the Outstanding 2018A Bonds.

The 2018A Bonds are subject to extraordinary redemption prior to their respective stated maturities, as a whole or in part on any date in the order of maturity and within maturities as directed by the District in a Written Request provided to the Trustee at least 60 days (or such lesser number of days acceptable to the Trustee in the sole discretion of the Trustee, such notice for the convenience of the Trustee) prior to such date and by lot within each maturity in integral multiples of \$5,000 from Net Proceeds, upon the terms and conditions of, and as provided for in, the Indenture at a redemption price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption, without premium.

The 2018A Bonds with stated maturities on or after November 1, 20__ are subject to redemption prior to their respective stated maturities, as a whole or in part on any date as in the order of maturity as directed by the District in a Written Request provided to the Trustee at least 60 days (or such lesser number of days acceptable to the Trustee in the sole discretion of the Trustee, such notice for the convenience of the Trustee) prior to such date and by lot within each maturity in integral multiples of \$5,000, on or after November 1, 20__, at a redemption price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption, without premium.

[The 2018A Bonds shall be subject to redemption prior to November 1, 20__ at the option of the District, as a whole or in part on Business Day in the order of maturity as directed by the District in a Written Request provided to the Trustee at least 30 days (or such lesser number of days acceptable to the Trustee in the sole discretion of the Trustee, such notice for the convenience of the Trustee) prior to such date and by lot within each maturity in integral multiples of \$5,000, at the "Make-Whole Redemption Price." The "Make-Whole Redemption Price," as determined by the District, is the greater of (1) 100% of the principal amount of the 2018A Bonds to be redeemed; or (2) the sum of the present value of the remaining scheduled payments of principal of and interest to the maturity date on the

2018A Bonds to be redeemed, not including any portion of those payments of interest thereon accrued and unpaid as of the date on which the 2018A Bonds are to be redeemed, discounted to the date on which the 2018A Bonds are to be redeemed on a semiannual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate plus ___ basis points, plus, in each case, accrued and unpaid interest on the 2018A Bonds to be redeemed on the date of redemption.]

As provided in the Indenture, notice of redemption shall be mailed by the Trustee by first class mail at least 20 days but not more than 30 days prior to the Redemption Date to the respective Owners of any 2018A Bonds designated for redemption at their addresses appearing on the registration books of the Trustee, but neither the failure to receive such notice nor any defect in the notice or the mailing thereof shall affect the validity of the proceedings for redemption or the cessation of accrual of interest thereon from and after the date fixed for redemption.

If this 2018A Bond is called for redemption and payment is duly provided therefor as specified in the Indenture, interest shall cease to accrue hereon from and after the date fixed for redemption.

If an Event of Default, as defined in the Indenture, shall occur, the principal of all of the 2018A Bonds and the interest accrued thereon may be declared due and payable upon the conditions, in the manner and with the effect provided in the Indenture, but such declaration and its consequences may be rescinded and annulled as further provided in the Indenture.

This 2018A Bond is transferable by the Registered Owner hereof, in person or by his or her duly authorized attorney in writing, at said office of the Trustee but only in the manner subject to the limitations and upon payment of the taxes and charges provided in the Indenture and upon surrender and cancellation of this 2018A Bond. Upon registration of such transfer, a new 2018A Bond or 2018A Bonds of the same series, of authorized denomination or denominations, for the same aggregate principal amount of the same maturity will be issued to the transferee in exchange therefor.

2018A Bonds may be exchanged at said office of the Trustee for a like aggregate principal amount of 2018A Bonds of other authorized denominations of the same series and same maturity, but only in the manner, subject to the limitations and upon payment of the taxes and charges provided in the Indenture.

The Trustee shall not be required to register the transfer or exchange of any 2018A Bond during the period in which the Trustee is selecting 2018A Bonds for redemption or any 2018A Bond that has been selected for redemption.

The District and the Trustee may treat the Registered Owner hereof as the absolute owner hereof for all purposes, and the District and the Trustee shall not be affected by any notice to the contrary.

It is hereby certified that all of the things, conditions and acts required to exist, to have happened or to have been performed precedent to and in the issuance of this 2018A Bond do exist, have happened or have been performed in due and regular time, form and manner as required by the Indenture and the laws of the State of California and that the amount of this 2018A Bond, together with all other indebtedness of the District, does not exceed any limit under any laws of the State of California, and is not in excess of the amount of 2018A Bonds permitted to be issued under the Indenture.

This 2018A Bond shall not be entitled to any benefit under the Indenture or become valid or obligatory for any purpose until the certificate of authentication hereon endorsed shall have been manually signed by the Trustee.

IN WITNESS WHEREOF, the District has caused this 2018A Bond to be executed in its name and on its behalf with the manual or facsimile signature of its President as of this [_____] day of [_____, 2018].

SACRAMENTO SUBURBAN WATER DISTRICT

By: _____
Its: President, Board of Directors

[FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION
TO APPEAR ON 2018A BONDS]

This is one of the 2018A Bonds described in the within-mentioned Indenture.

Dated: [_____, 2018]

MUFG UNION BANK, N.A., as Trustee

By: _____
Its: Authorized Signatory

[FORM OF ASSIGNMENT]

For value received the undersigned hereby sells, assigns and transfers unto

(Name, Address and Tax Identification or
Social Security Number of Assignee)

the within registered 2018A Bond and hereby irrevocably constitute(s) and appoint(s) _____ attorney, to transfer the same on the registration books of the Trustee with full power of substitution in the premises.

Dated: _____

Note: The signature(s) on this Assignment must correspond with the name(s) as written on the face of the within 2018A Bond in every particular without alteration or enlargement or any change whatsoever.

Signature Guaranteed:

Note: Signature guarantee shall be made by a guarantor institution participating in the Securities Transfer Agents Medallion Program or in such other guarantee program acceptable to the Trustee.

PURCHASE CONTRACT

\$ _____
Sacramento Suburban Water District
Refunding Revenue Bonds, Series 2012A

March _____, 2012

Sacramento Suburban Water District
3701 Marconi Avenue, Suite 100
Sacramento, California 95821

Ladies and Gentlemen:

Citigroup Global Markets Inc. (the "Underwriter"), acting on behalf of itself and not as an agent or fiduciary of you, hereby offers to enter into this Purchase Contract (the "Purchase Contract") with the Sacramento Suburban Water District (the "District"), a county water district duly organized and existing under the Constitution and laws of the State of California. Upon the acceptance hereof by the District, this Purchase Contract will be binding upon the District and the Underwriter. This offer is made subject to its acceptance by the District by the execution of this Purchase Contract and its delivery to the Underwriter on or before 11:59 p.m., California time, on the date hereof. All terms used herein and not otherwise defined shall have the respective meanings given to such terms in the Official Statement (as such term is hereinafter defined).

1. Purchase and Sale. Upon the terms and conditions and upon the basis of the representations, warranties and agreements hereinafter set forth, the Underwriter hereby agrees to purchase, and the District hereby agrees to cause to be delivered to the Underwriter, all (but not less than all) of the \$ _____ aggregate principal amount of the Sacramento Suburban Water District Refunding Revenue Bonds, Series 2012A (the "Bonds"), at a purchase price of \$ _____ (representing the par amount of the Bonds, [plus/less] a [net] reoffering [premium/discount] of \$ _____ and less \$ _____ of Underwriter's discount). The Bonds will be dated the date of Closing (as hereafter defined). The Bonds are being executed and delivered to provide funds (i) to refund all of the outstanding Sacramento Suburban Water District Adjustable Rate Refunding Certificates of Participation, Series 2008A-2 (the "Refunded Certificates"); (ii) to pay a partial swap termination payment; and (iii) to pay costs of issuance of the Bonds.

2. Authorizing Instruments and Law. The Bonds shall be issued by the District and shall be authenticated by Union Bank, N.A., as trustee (the "Trustee"), pursuant to an Indenture of Trust, dated as of February 1, 2012 (the "Indenture"), by and between the District and the Trustee. The Bonds shall mature on the dates and in the amounts and shall bear interest as set forth on Appendix A hereto and shall be as more particularly described in the Indenture and the Official Statement dated March _____, 2012 and relating to the Bonds (which, together with all exhibits and appendices included therein or attached

thereto and such amendments or supplements thereto which shall be approved by the Underwriter, is hereinafter called the “Official Statement”).

3. Public Offering. The Underwriter agrees to make an initial public offering of all the Bonds at the prices or yields set forth on the inside front cover page of the Official Statement. Subsequent to the initial public offering, the Underwriter reserves the right to change the public offering prices (or yields) as it deems necessary in connection with the marketing of the Bonds, and to offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into investment trusts) and others at prices lower (or at yields higher) than the initial offering prices (or yields) set forth in the Official Statement; provided, however, that the Underwriter shall not change the interest rates set forth in Appendix A hereto. The Underwriter also reserves the right (i) to engage in transactions that stabilize, maintain or otherwise affect the market price of the Bonds at a level above that which might otherwise prevail in the open market and (ii) to discontinue such transactions, if commenced, at any time.

4. Delivery of Official Statement. Pursuant to the authorization of the District, the Underwriter has distributed copies of the Preliminary Official Statement dated March ___, 2012, relating to the Bonds, which, together with the cover page and appendices thereto, is herein called the “Preliminary Official Statement.” By its acceptance of this Purchase Contract, the District hereby approves and ratifies the distribution and use by the Underwriter of the Preliminary Official Statement. The District agrees to execute and deliver a final Official Statement (the “Official Statement”) in substantially the same form as the Preliminary Official Statement with such changes as may be made thereto, with the consent of the District and the Underwriter, and to provide copies thereof to the Underwriter as set forth in Section 6(m) hereof. The District hereby authorizes the Underwriter to use and distribute, in connection with the offer and sale of the Bonds: the Preliminary Official Statement, the Official Statement, the Indenture, the Continuing Disclosure Certificate (as hereinafter defined), and other documents or contracts to which the District is a party in connection with the transactions contemplated by this Purchase Contract, including this Purchase Contract and all information contained herein, and all other documents, certificates, and statements furnished by the District to the Underwriter in connection with the transactions contemplated by this Purchase Contract.

5. The Closing. At 8:00 a.m., California time, on April 10, 2012, or at such other time or on such earlier or later business day as shall have been mutually agreed upon by the District and the Underwriter, the District will cause to be executed and delivered (i) the Bonds in book-entry form through the facilities of The Depository Trust Company, or its agent, on behalf of the Underwriter, and (ii) the closing documents hereinafter mentioned at the offices of Stradling Yocca Carlson & Rauth, a Professional Corporation (“Special Counsel”), in Newport Beach, California or another place to be mutually agreed upon by the District and the Underwriter. The Underwriter will accept such delivery of the Bonds and pay the purchase price of such Bonds as set forth in Section 1 hereof in immediately available funds to the order of the District. This payment for and delivery of the Bonds, together with the execution and delivery of the aforementioned documents, is herein called the “Closing.”

6. District Representations, Warranties and Covenants. The District represents, warrants and covenants to the Underwriter that:

(a) Due Organization, Existence and Authority. The District is a county water district duly organized and existing under the laws of the State of California (the “State”), with full right, power and authority to execute, deliver and perform its obligations under this Purchase Contract, the Continuing Disclosure Certificate, and the Indenture (collectively, the “District Documents”) and to carry out and consummate the transactions contemplated by the District Documents and the Official Statement.

(b) Due Authorization and Approval. By all necessary official action of the District, the District has duly authorized and approved the execution and delivery of, and the performance by the District of the obligations contained or described in, the Preliminary Official Statement, the Official Statement and the District Documents and as of the date hereof, such authorizations and approvals are in full force and effect and have not been amended, modified or rescinded. When executed and delivered, and assuming the authorization, execution and delivery by the other parties thereto, each District Document will constitute the legally valid and binding obligation of the District enforceable in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or similar laws or equitable principles relating to or affecting creditors’ rights generally or by the exercise of judicial discretion in appropriate cases or by limitations on legal remedies against public agencies in the State.

(c) Official Statement Accurate and Complete. The Preliminary Official Statement was as of its date, and the Official Statement is as of the date hereof and at all times subsequent to the date of the Official Statement up to and including the Closing will be, true and correct in all material respects, and the Preliminary Official Statement and the Official Statement up to and including the Closing will contain no misstatement of any material fact and do not omit any statement necessary to make the statements contained therein, in the light of the circumstances in which such statements were made, not misleading (except no representation is made with respect to information relating to DTC or DTC’s book-entry system).

(d) Underwriter’s Consent to Amendments and Supplements to Official Statement. The District will advise the Underwriter promptly of any proposal to amend or supplement the Official Statement and will not effect or consent to any such amendment or supplement without the consent of the Underwriter, which consent will not be unreasonably withheld. The District will advise the Underwriter promptly of the institution of any proceedings known to it by any governmental agency prohibiting or otherwise affecting the use of the Official Statement in connection with the offering, sale or distribution of the Bonds.

(e) District Agreement to Amend or Supplement Official Statement. If after the date of this Purchase Contract and until twenty-five (25) days after the end of the “underwriting period” (as defined in Section 240 15c2-12 in Chapter II of Title 17 of the Code of Federal Regulations (“Rule 15c2-12”)), any event occurs as a result of which the Official Statement as then amended or supplemented would include an untrue statement of a material fact, or omit to state any material fact necessary in order to make the statements contained therein, in the light of the circumstances under which they were made, not misleading, and, in the reasonable opinion of the Underwriter, an amended or supplemented Official Statement should be delivered in connection with the offers or sales of the Bonds to reflect such event, the District promptly will prepare at its expense an amendment or supplement which will correct such statement or omission and the District shall promptly furnish to the Underwriter a reasonable number of copies of such amendment or supplement. The Underwriter hereby agrees to deposit the Official Statement with the Municipal Securities Rulemaking Board (the “MSRB”). The Underwriter acknowledges that the end of the “underwriting period” will be the date of Closing.

(f) No Breach or Default. As of the time of acceptance hereof, except as otherwise disclosed in the Official Statement, (A) the District is not in default, nor has it been in default, as to principal or interest with respect to a Contract or Bond issued by the District, and (B) the District is not, in any manner which would materially adversely affect the transactions contemplated by the District Documents, in breach of or in default under any applicable constitutional provision, law or administrative rule or regulation of the State or the United States, or any applicable judgment or decree or any trust agreement, loan agreement, bond, note, resolution, ordinance, agreement or other instrument to which the District is a party or is otherwise subject, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute, in any manner which would materially adversely affect the transactions contemplated by the District Documents, a default or event of default under any such instrument; and, as of such time, the authorization, execution and delivery of the District Documents and compliance with the provisions of each of such agreements or instruments do not in any manner which would materially adversely affect the transactions contemplated by the District Documents, conflict with or constitute a breach of or default under any applicable constitutional provision, law or administrative rule or regulation of the State or the United States, or any applicable judgment, decree, license, permit, trust agreement, loan agreement, bond, note, resolution, ordinance, agreement or other instrument to which the District (or any of its officers in their respective capacities as such) is subject, or by which it or any of its properties is bound, nor will any such authorization, execution, delivery 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 its assets or properties or under the terms of any such law, regulation or instrument, except as may be provided by the District Documents.

(g) No Litigation. As of the time of acceptance hereof, 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 knowledge of the District after due investigation, threatened (A) in any way questioning the corporate existence of the District or the titles of the officers of the District to their respective offices; (B) affecting, contesting or seeking to prohibit, restrain or enjoin the issuance, sale or delivery of any of the Bonds, or in any way contesting or affecting the validity of the Bonds or the District Documents or the consummation of the transactions contemplated thereby, or contesting the exclusion of the interest on the Bonds from gross income for federal income tax purposes or contesting the powers of the District to enter into the District Documents; (C) which, except as described in the Official Statement, may result in any material adverse change to the financial condition of the District or to its ability to collect Revenues; or (D) contesting the completeness or accuracy of the Preliminary Official Statement or the Official Statement or any supplement or amendment thereto or asserting that the Preliminary Official Statement or the Official Statement contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, and there is no basis for any action, suit, proceeding, inquiry or investigation of the nature described in clauses (A) through (D) of this sentence.

(h) No Prior Liens on Net Revenues. Except for the obligations to pay amounts under the 2009A Installment Purchase Agreement, the 2009B Installment Purchase Agreement, the 2005 Swap Agreement, and the Sumitomo Credit Facility Agreement, which obligations are secured by a lien on a parity with the Net Revenues, the District does not have outstanding any indebtedness which indebtedness is secured by a lien on the Net Revenues superior to or on a parity with the lien of the Installment Payments on the Net Revenues.

(i) Further Cooperation: Blue Sky. The District will furnish such information, execute such instruments and take such other action in cooperation with the Underwriter as the Underwriter may reasonably request in order (A) to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriter may designate and (B) to determine the eligibility of the Bonds for investment under the laws of such states and other jurisdictions, and will use its best efforts to continue such qualifications in effect so long as required for the distribution of the Bonds; provided, however, that the District shall not be required to execute a general or special consent to service of process or qualify to do business in connection with any such qualification or determination in any jurisdiction.

(j) Consents and Approvals. All authorizations, approvals, licenses, permits, consents and orders of or filings with any governmental authority, legislative body, board, agency or commission having jurisdiction in the matters which are required for the due authorization of, which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by the District of its obligations in connection with, the District Documents or the acquisition of the Project have been duly obtained or made,

except as may be required under the Blue Sky or securities laws of any state in connection with the offering and sale of the Bonds.

(k) No Other Obligations. Between the date of this Purchase Contract and the date of Closing, and except as otherwise described in the Official Statement, the District will not, without the prior written consent of the Underwriter, offer or issue any bonds, notes or other obligations for borrowed money, or incur any material liabilities, directly or contingently payable from the Net Revenues.

(l) Certificates. Any certificate signed by any official of the District and delivered to the Underwriter shall be deemed to be a representation and warranty by the District to the Underwriter as to the statements made therein.

(m) Provision of Official Statement. The District hereby covenants and agrees that, no later than the date of Closing, the District shall cause final printed copies of the Official Statement to be delivered to the Underwriter in such number of copies as shall reasonably be requested by the Underwriter.

(n) Continuing Disclosure. Except as otherwise disclosed in the Official Statement, the District is currently, and has been for the last five years, in compliance in all material respects with all continuing disclosure undertakings that it has entered into pursuant to Rule 15c2-12. The District will undertake, pursuant to a Continuing Disclosure Certificate (the “Continuing Disclosure Certificate”), to provide annual reports and notices of certain events in accordance with the requirements of Rule 15c2-12. A form of the Continuing Disclosure Certificate is set forth as Appendix E to the Official Statement.

7. Closing Conditions. The Underwriter has entered into this Purchase Contract in reliance upon the representations, warranties and covenants herein and the performance by the District of its obligations hereunder, both as of the date hereof and as of the date of the Closing. The Underwriter’s obligations under this Purchase Contract are and shall be subject to the following additional conditions:

(a) Bring-Down Representation. The representations, warranties and covenants of the District contained herein, shall be true, complete and correct at the date hereof and at the time of the Closing, as if made on the date of the Closing.

(i) Executed Agreements and Performance Thereunder. At the time of the Closing (A) the District Documents shall be in full force and effect, and shall not have been amended, modified or supplemented except with the written consent of the Underwriter, (B) there shall be in full force and effect such resolutions adopted by the District (the “District Resolution”) as, in the opinion of Special Counsel, shall be necessary in connection with the transactions contemplated by the Official Statement, the District Documents, (C) the District shall perform or have performed its obligations required or specified in the District Documents to be performed at or prior to Closing, and (D) the Official Statement shall not have been

supplemented or amended, except pursuant to Paragraphs 6(d) and 6(e) hereof or as otherwise may have been agreed to in writing by the Underwriter.

(ii) No Default. At the time of the Closing, no default, or any event that with the passage of time would be reasonably likely to result in default, shall have occurred or be existing under the District Resolution, the District Documents, or any other agreement or document pursuant to which any of the District's financial obligations was issued and the District shall not be in default in the payment of principal or interest on any of its financial obligations which default would materially adversely impact the ability of the District to collect Revenues.

(b) Termination Events. The Underwriter shall have the right to terminate this Purchase Contract, without liability therefor, by written notification to the District if at any time at or prior to the Closing:

(i) any event shall occur which causes any statement contained in the Official Statement to be materially misleading or results in a failure of the Official Statement to state a material fact necessary to make the statements in the Official Statement, in the light of the circumstances under which they were made, not misleading; or

(ii) the marketability of the Bonds or the market price thereof, in the opinion of the Underwriter, has been materially adversely affected by an amendment to the Constitution of the United States or by any legislation in or by the Congress of the United States or by the State, or the amendment of legislation pending as of the date of this Purchase Contract in the Congress of the United States, or the recommendation to Congress or endorsement for passage (by press release, other form of notice or otherwise) of legislation by the President of the United States, the Treasury Department of the United States, the Internal Revenue Service or the Chairman or ranking minority member of the Committee on Finance of the United States Senate or the Committee on Ways and Means of the United States House of Representatives, or the proposal for consideration of legislation by either such Committee or by any member thereof, or the presentment of legislation for consideration as an option by either such Committee, or by the staff of the Joint Committee on Taxation of the Congress of the United States, or the favorable reporting for passage of legislation to either House of the Congress of the United States by a Committee of such House to which such legislation has been referred for consideration, or any decision of any federal or State court or any ruling or regulation (final, temporary or proposed) or official statement on behalf of the United States Treasury Department, the Internal Revenue Service or other federal or State authority materially adversely affecting the federal or State tax status of the District, or the status of the interest on bonds or notes or obligations of the general character of the Bonds; or

(iii) any legislation, ordinance, rule or regulation shall be introduced in, or be enacted by any governmental body, department or agency of the State, or a decision by any court of competent jurisdiction within the State or any court of the United States shall be rendered which, in the reasonable opinion of the Underwriter, materially adversely affects the market price of the Bonds; or

(iv) legislation shall be enacted by the Congress of the United States, or a decision by a court of the United States shall be rendered, or a stop order, ruling, regulation, proposed regulation or official statement by, or on behalf of, the Securities and Exchange Commission or any other governmental agency having jurisdiction of the subject matter shall be issued or made to the effect that the execution, delivery, offering or sale of obligations of the general character of the Bonds, or the execution, delivery, offering or sale of the Bonds, including all underlying obligations, as contemplated hereby or by the Official Statement, is in violation or would be in violation of, or that obligations of the general character of the Bonds, or the Bonds, are not exempt from registration under, any provision of the federal securities laws, including the Securities Act of 1933 and the Securities Exchange Act of 1934, as each may be amended and as then in effect, or that the Indenture needs to be qualified under the Trust Indenture Act of 1939, as amended and as then in effect; or

(v) additional material restrictions not in force as of the date hereof shall have been imposed upon trading in securities generally by any governmental authority or by any national securities exchange which restrictions materially adversely affect the Underwriter's ability to trade the Bonds; or

(vi) a general banking moratorium shall have been established by federal or state authorities or any material disruption in commercial banking or securities settlement or clearance services, including, but not limited to, those of DTC, shall have occurred; or

(vii) the United States has become engaged in hostilities which have resulted in a declaration of war or a national emergency or there has occurred any other outbreak or escalation of hostilities or a national or international calamity or crises, financial or otherwise, including but not limited to, bombings or terrorism (whether alleged or proven) relating to the effective operation of government or financial community, the effect of such outbreak, escalation, calamity or crisis on the financial markets of the United States, being such as, in the reasonable opinion of the Underwriter, would affect materially and adversely the ability of the Underwriter to market or deliver the Bonds; or

(viii) any rating of the securities of the District reflecting the creditworthiness of the District shall have been placed on credit watch,

downgraded, suspended, withdrawn or have had any action taken with respect thereto by a national rating service, which, in the Underwriter's reasonable opinion, materially adversely affects the marketability or market price of the Bonds; or

(ix) the commencement of any action, suit or proceeding described in Paragraph 6(g) hereof which, in the reasonable judgment of the Underwriter, materially adversely affects the market price of the Bonds; or

(x) there shall be in force a general suspension of trading on the New York Stock Exchange.

(c) Closing Documents. At or prior to the Closing, the Underwriter shall receive with respect to the Bonds the following documents:

(i) Bonds Opinion. An approving opinion of Special Counsel dated the date of the Closing and substantially in the form included as Appendix C to the Official Statement, together with a letter from such counsel, dated the date of the Closing and addressed to the Underwriter, to the effect that the foregoing opinion addressed to the District may be relied upon by the Underwriter to the same extent as if such opinion were addressed to it.

(ii) Supplemental Opinion. A supplemental opinion or opinions of Special Counsel addressed to the Underwriter, in form and substance acceptable to the Underwriter, and dated the date of the Closing substantially to the following effect:

(A) The Purchase Contract has been duly authorized, executed and delivered by the District and is a valid and binding agreement of the District enforceable in accordance with its terms, except that the rights and obligations under the Purchase Contract are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights, to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State; and

(B) The statements contained in the Official Statement on the cover page and under the captions "THE 2012A BONDS," "SECURITY FOR THE 2012A BONDS," "CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES," and "TAX MATTERS" and in Appendix B and Appendix C thereto, insofar as such statements purport to summarize certain provisions of the Bonds, the Indenture, State law and Special Counsel's opinions concerning certain federal tax matters relating to the

Bonds, are accurate as of the date of the Official Statement and as of the date of Closing.

(iii) District Counsel Opinion. An opinion of Bartkiewicz, Kronick & Shanahan, A Professional Corporation, Sacramento, California, counsel to the District, dated the date of the Closing and addressed to the Underwriter, in form and substance acceptable to the Underwriter substantially to the following effect:

(A) The District is a county water district duly organized and validly existing under and pursuant to the laws of the State of California with full legal right, power and authority to own and operate the Water System and to enter into and perform its obligations under the District Documents;

(B) The District has duly and validly adopted the District Resolution, and it is in full force and effect;

(C) The District has duly authorized, executed and delivered the District Documents, and assuming due authorization, execution and delivery thereof by the respective other parties thereto (where applicable), the District Documents constitute legal, valid and binding agreements of the District enforceable in accordance with their terms, except as such enforceability may be limited by bankruptcy, insolvency, moratorium and other laws effecting the enforcement of creditor's rights in general and except as such enforceability may be limited by the application of equitable principles if equitable remedies are sought;

(D) Except as disclosed in the Official Statement, to the best of such counsel's knowledge, no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body, is pending or threatened in any way affecting the existence of the District or the titles of its Board of Directors or officers to their respective offices, or seeking to restrain or to enjoin the sale of the Bonds, the application of the proceeds thereof in accordance with the Indenture, or in any way contesting or affecting the validity or enforceability of the Bonds, the District Resolution or the District Documents, or any other applicable agreements or any action of the District contemplated by any of the documents, or in any way contesting the completeness or accuracy of the Official Statement or the powers of the District or its authority with respect to the District Resolution or the District Documents, or any action on the part of the District contemplated by any of the documents, or contesting or affecting the collection of Revenues by the District or in any way seeking to enjoin or restrain the District from financing and refinancing the Project or which

challenges the exclusion of interest paid with respect to the Bonds from gross income for purposes of federal income taxation, or which, if determined adversely to the District would have a material and adverse effect upon the District's ability to pay the Installment Payments, nor to our knowledge is there any basis thereof;

(E) To the best of such counsel's knowledge, the District is not in breach of or default under any law or administrative rule or regulation of the State of California, the United States of America, or of any department, division, agency or instrumentality of either thereof, or any applicable court or administrative decree or order or any loan agreement, note, bond, resolution, indenture, contract, agreement or other instrument to which the District is a party or is otherwise subject or bound which would materially impair the ability of the District to perform its obligations under the District Documents;

(F) To the best of such counsel's knowledge, the adoption of the District Resolution, and the execution and delivery of the District Documents, or any other applicable agreements and the other instruments contemplated by any of such documents to which the District is a party or by the Official Statement, and compliance with the provisions of each thereof, will not conflict with or constitute a breach of or default under any applicable law or administrative rule or regulation of the State of California, the United States of America, or of any department, division, agency or instrumentality of either thereof, or any applicable court or administrative decree or order or any loan agreement, note, bond, resolution, indenture, contract, agreement or other instrument to which the District is a party or is otherwise subject or bound;

(G) To the best of such counsel's knowledge, all approvals, consents, authorizations, elections and order or filings or registrations with any governmental authority, board, agency or commission having jurisdiction which would constitute a condition precedent to or the absence of which would materially adversely affect, the performance by the District of its obligations under the District Resolution and the District Documents, and any other applicable agreements, have been obtained and are in full force and effect;

(H) The statements contained in the Official Statement under the captions "THE DISTRICT" and "LITIGATION," to the best of such counsel's knowledge, are accurate in all material respects;

(I) The District has consented to and ratified the use of the Preliminary Official Statement and has approved the Official Statement and authorized its use; and

(J) Except for the obligations to pay amounts due under the 2009A Installment Purchase Agreement, the 2009B Installment Purchase Agreement, the 2012 Swap Agreement and the Sumitomo Credit Facility Agreement, which obligations are secured by a lien on a parity with the Net Revenues, the District will not have outstanding any indebtedness which indebtedness is secured by a lien on the Net Revenues superior to or on a parity with the lien of the Installment Payments on the Net Revenues.

(iv) Trustee Counsel Opinion. The opinion of counsel to the Trustee, dated the date of the Closing, addressed to the Underwriter, to the effect that:

(A) The Trustee is a national banking association, duly organized and validly existing under the laws of the United States of America, having full corporate power to undertake the trust created under the Indenture and to enter into the Assignment Agreement (together with the Indenture, the “Trustee Documents”);

(B) The Trustee Documents have been duly authorized, executed and delivered by the Trustee and, assuming due authorization, execution and delivery by the other parties thereto, the Trustee Documents constitute the valid and binding obligations of the Trustee enforceable in accordance with their respective terms, except as enforcement thereof may be limited by bankruptcy, insolvency or other laws affecting the enforcement of creditors’ rights generally and by the application of equitable principles, if equitable remedies are sought;

(C) The Trustee has duly authenticated the Bonds upon the order of the District;

(D) The Trustee’s actions in executing and delivering the Trustee Documents are in full compliance with, and do not conflict with any applicable law or governmental regulation and, to the best of such counsel’s knowledge, after reasonable inquiry with respect thereto, do not conflict with or violate any contract to which the Trustee is a party or any administrative or judicial decision by which the Trustee is bound; and

(E) No consent, approval, authorization or other action by any governmental or regulatory authority having jurisdiction over the banking or trust powers of the Trustee that has not been

obtained is or will be required for the execution and delivery of the Bonds or the consummation by the Trustee of its obligations under the Trustee Documents.

(v) Underwriter's Counsel Opinion. An opinion of Ballard Spahr LLP, Salt Lake City, Utah, counsel to the Underwriter ("Underwriter's Counsel"), dated the date of Closing and addressed to the Underwriter to the effect that:

(A) Such counsel is of the opinion that the Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Indenture is exempt from qualification under the Trust Indenture Act of 1939, as amended;

(B) While such counsel has not verified and is not passing upon and does not assume responsibility for, the accuracy, completeness or fairness of the statements contained in the Official Statement, such counsel has participated in conferences with representatives of and counsel for the District and Special Counsel and representatives of the Underwriter at which the contents of the Official Statement were discussed and revised. Based on such counsel's representation of the Underwriter in connection with the issuance of the Bonds, no facts came to the attention of the attorneys in such firm rendering legal services in connection with such representation which caused such counsel to believe that the Official Statement contained as of its date or as of the date of Closing contains any untrue statement of a material fact or omitted or omits to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading in any material respect (except that no opinion or belief is expressed as to (i) the expressions of opinion, the assumptions, the projections, the financial statements, or other financial, numerical, economic, demographic or statistical data contained in the Official Statement, (ii) the information with respect to DTC and its book-entry system, and (iii) the information contained in the Appendices to the Official Statement; and

(C) The provisions of the Continuing Disclosure Certificate comply with the provisions of Rule 15c2-12 under the Securities Exchange Act of 1934, as amended.

(vi) District Certificate. A certificate of the District, dated the date of the Closing, signed on behalf of the District by the General Manager or other duly authorized officer of the District to the effect that:

(A) The representations, warranties and covenants of the District contained in the Purchase Contract are true and correct in all material respects on and as of the date of the Closing as if made on the date of the Closing and the District has complied with all of the terms and conditions of the Purchase Contract required to be complied with by the District at or prior to the date of the Closing;

(B) No event affecting the District has occurred since the date of the Official Statement which has not been disclosed therein or in any supplement or amendment thereto which event should be disclosed in the Official Statement in order to make the statements therein, in the light of the circumstances under which they were made, not misleading in any material respect except that such certificate need not include representations relating to DTC or the book-entry only system; and

(C) No event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute an event of default under the District Documents.

(vii) Trustee's Certificate. A certificate, dated the date of Closing, signed by a duly authorized official of the Trustee satisfactory in form and substance to the Underwriter, to the effect that:

(A) The Trustee is duly organized and existing as a national banking association under the laws of the United States of America, having the full corporate power and authority to enter into and perform its duties under the Trustee Documents;

(B) The Trustee is duly authorized to enter into the Trustee Documents and has duly executed and delivered the Trustee Documents, and assuming due authorization and execution by the other parties thereto, the Trustee Documents are legal, valid and binding upon the Trustee, and enforceable against the Trustee in accordance with their terms;

(C) The Trustee had duly executed the Bonds under the Indenture and delivered the Bonds to or upon the order of the Underwriter; and

(D) No consent, approval, authorization or other action by any governmental or regulatory authority having jurisdiction over the banking or trust powers of the Trustee that has not been obtained is or will be required for the execution and delivery of the Bonds or the consummation by the Trustee of its obligations under the Trustee Documents.

(viii) Transcripts. Two transcripts of all proceedings relating to the authorization, execution and delivery of the Bonds.

(ix) Official Statement. The Official Statement and each supplement or amendment, if any, thereto, executed on behalf of the District by duly authorized officers of the District.

(x) Documents. An original executed copy of each of the District Documents.

(xi) District Resolution. Two certified copies of the District Resolution, certified by the District Secretary.

(xii) Trustee Resolution. Two certified copies of the general resolution of the Trustee authorizing the execution and delivery of certain documents by certain officers and employees of the Trustee, which resolution authorizes the execution and delivery of the Trustee Documents.

(xiii) 8038-G. Evidence that the federal tax information form 8038-G has been prepared for filing.

(xiv) Tax Certificate. A tax certificate in form satisfactory to Special Counsel.

(xv) CDAIC Statements. A copy of the Notices of Sale required to be delivered to the California Debt Advisory and Investment Commission pursuant to Sections 8855(g) and 53583 of the California Government Code.

(xvi) Ratings. Evidence from Standard & Poor's Ratings Group, a Division of The McGraw-Hill Companies, Inc. ("S&P") and Moody's Investors Service Inc. ("Moody's") that the Bonds have been assigned ratings of "___" and "___," respectively.

(xvii) Specimen. A specimen of an executed Certificate.

(xviii) Swap Documents. Executed copies of the Partial Swap Termination Agreement, the Swap Novation Documents and the 2012 Swap Agreement.

(xix) Additional Documents. Such additional certificates, instruments and other documents as the Underwriter may reasonably deem necessary.

If the District shall be unable to satisfy the conditions contained in this Purchase Contract, or if the obligations of the Underwriter shall be terminated for any reason permitted by this Purchase Contract, this Purchase Contract shall terminate and neither the

Underwriter nor the District shall be under further obligation hereunder, except as further set forth in Section 8 hereof.

8. Expenses. The Underwriter shall be under no obligation to pay and the District shall pay or cause to be paid the expenses incident to the performance of the obligations of the District hereunder including but not limited to (a) the costs of the preparation and printing, or other reproduction (for distribution on or prior to the date hereof) of the District Documents and the cost of preparing, printing, issuing and delivering the Bonds; (b) the fees and disbursements of any counsel, accountants or other experts or consultants retained by the District, including the Trustee; (c) the fees and disbursements of General Counsel and Special Counsel to the District; (d) the fees and disbursements of the rating agencies; (e) the cost of printing and distributing the Preliminary Official Statement and any supplements and amendments thereto and the cost of printing and distributing the Official Statement and any supplements and amendments thereto, including a reasonable number of copies thereof for distribution by the Underwriter; (f) CUSIP Service Bureau fees and charges; and (g) expenses (included in the expense component of the Underwriter's spread) incurred on behalf of the District's officers or employees which are incidental to implementing this Purchase Contract, including, but not limited to, meals, transportation, lodging, and entertainment of those officers or employees.

The Underwriter shall pay and the District shall be under no obligation to pay all expenses incurred by it in connection with the public offering and distribution of the Bonds, including any advertising expenses, and the Underwriter shall pay any costs and expenses incurred in connection with the preparation and distribution of any blue sky surveys or any legal investment memoranda and the costs and fees of counsel to the Underwriter. The Underwriter also shall pay all expenses incurred by or on behalf of the Underwriter's officers or employees which are incidental to implementing this Purchase Contract, including, but not limited to, meals, transportation, lodging, and entertainment of those officers or employees.

9. Notice. Any notice or other communication to be given to the District under this Purchase Contract may be given by delivering the same in writing to Sacramento Suburban Water District, 3701 Marconi Avenue, Suite 100, Sacramento, California 95821, Attention: General Manager.

Any notice or other communication to be given to the Underwriter under this Purchase Contract may be given by delivering the same in writing to Citigroup Global Markets Inc., 1850 Maple Glen Road, Sacramento, California 95864, Attention: David G. Houston, Managing Director.

10. Entire Agreement. This Purchase Contract, when accepted by the District, shall constitute the entire agreement between the District and the Underwriter and is made solely for the benefit of the District and the Underwriter (including the successors of the Underwriter). No other person shall acquire or have any right hereunder by virtue hereof, except as provided herein. All of the District's representations, warranties and agreements in this Purchase Contract shall remain operative and in full force and effect until except as

otherwise provided herein, regardless of any investigations made by or on behalf of the Underwriter and shall survive the delivery of and payment for the Bonds.

11. No Advisory or Fiduciary Role. The District acknowledges and agrees that (i) the purchase and sale of the Bonds pursuant to this Purchase Contract is an arm's-length commercial transaction among the District and the Underwriter, (ii) in connection therewith and with the discussions, undertakings and procedures leading up to the consummation of such transaction, the Underwriter is and has been acting solely as a principal and is not acting as the agent, advisor or fiduciary of the District, (iii) the Underwriter has not assumed an advisory or fiduciary responsibility in favor of the District with respect to the offering contemplated hereby or the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriter has provided other services or is currently providing other services to the District on other matters) and the Underwriter has no obligation to the District with respect to the offering contemplated hereby except the obligations expressly set forth in this Purchase Contract and (iv) the District has consulted its own legal, financial and other advisors to the extent deemed appropriate.

12. Counterparts. This Purchase Contract may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

13. Severability. In case any one or more of the provisions contained herein shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions hereof, State Law Governs. The validity, interpretation and performance of this Purchase Contract shall be governed by the laws of the State.

14. STATE LAW GOVERNS. THE VALIDITY, INTERPRETATION AND PERFORMANCE OF THIS PURCHASE CONTRACT SHALL BE GOVERNED BY THE LAWS OF THE STATE OF CALIFORNIA.

15. No Assignment. The rights and obligations created by this Purchase Contract shall not be subject to assignment by the Underwriter or the District without the prior written consent of the other party hereto.

CITIGROUP GLOBAL MARKETS INC.

By: _____
David G. Houston, Managing Director

Accepted as of the date
first stated above:

SACRAMENTO SUBURBAN WATER DISTRICT

By: _____
Robert S. Roscoe, General Manager

APPENDIX A

\$ _____

Sacramento Suburban Water District
Refunding Revenue Bonds
Series 2012A

Maturity Date (<u>November 1</u>)	Principal <u>Amount</u>	Interest <u>Rate</u>
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PRELIMINARY OFFICIAL STATEMENT DATED MARCH __, 2018

NEW ISSUE – BOOK-ENTRY ONLY

RATINGS: See the caption “RATINGS”

\$ _____*

SACRAMENTO SUBURBAN WATER DISTRICT
REFUNDING REVENUE BONDS, SERIES 2018A (TAXABLE)

Dated: Date of Issuance

Due: November 1, as set forth on the inside cover

The 2018A Bonds are being issued in fully registered form and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York. Purchasers of the 2018A Bonds will not receive securities representing their beneficial ownership in the 2018A Bonds purchased. Interest on the 2018A Bonds is payable on November 1, 2018 and each May 1 and November 1 thereafter, until the maturity thereof. The principal of and interest on the 2018A Bonds are payable by the Trustee to Cede & Co. and such interest and principal payments are to be disbursed to the beneficial owners of the 2018A Bonds through their nominees.

The 2018A Bonds are subject to optional and extraordinary redemption as more fully described herein.

The 2018A Bonds are being issued to provide funds: (i) to refund all of the currently outstanding Sacramento Suburban Water District Refunding Revenue Certificates of Participation, Series 2009B; and (ii) to pay costs of issuance of the 2018A Bonds, all as more fully described herein.

The 2018A Bonds are being issued pursuant to the Indenture of Trust, dated as of March 1, 2018, by and between the Sacramento Suburban Water District and MUFG Union Bank, N.A., as trustee. The 2018A Bonds are limited obligations of the District payable solely from Net Revenues of the District’s Water System remaining after payment of Operation and Maintenance Costs and from amounts on deposit in certain funds and accounts created under the Indenture.

The obligation of the District to pay principal of and interest on the 2018A Bonds is payable from Net Revenues on a parity with approximately \$42,000,000 aggregate principal amount of installment payments under a 2009A Installment Purchase Agreement, on a parity with payments of principal of and interest on \$17,490,000 outstanding aggregate principal amount of 2012A Bonds and on a parity with scheduled payments in connection with certain payments under an interest rate swap agreement and a credit facility agreement, all as more fully described herein. The District may incur additional obligations payable from Net Revenues on a parity with the obligation to pay principal of and interest on the 2018A Bonds, subject to the terms and conditions of the Indenture, as more fully described herein. No reserve fund has been established in connection with the issuance of the 2018A Bonds.

THE OBLIGATION OF THE DISTRICT TO PAY PRINCIPAL OF AND INTEREST ON THE 2018A BONDS PURSUANT TO THE INDENTURE DOES NOT CONSTITUTE AN OBLIGATION FOR WHICH THE DISTRICT IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH IT HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. THE OBLIGATION OF THE DISTRICT TO PAY PRINCIPAL OF AND INTEREST ON THE 2018A BONDS IS A SPECIAL OBLIGATION OF THE DISTRICT PAYABLE SOLELY FROM NET REVENUES, AND DOES NOT CONSTITUTE A DEBT OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF OR OF THE DISTRICT IN CONTRAVENTION OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS ARE ADVISED TO READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION. Capitalized terms used and not defined on the cover of this Official Statement have the meanings ascribed thereto in this Official Statement.

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest on the 2018A Bonds is exempt from State of California personal income tax.

MATURITY SCHEDULE – See Inside Cover Page

The 2018A Bonds are offered when, as and if issued and received by the Underwriter, subject to the approval of the valid, legal and binding nature of the 2018A Bonds by Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the Underwriter by its counsel, Gilmore & Bell, P.C., for the District by Bartkiewicz, Kronick & Shanahan, A Professional Corporation, its General Counsel, and for the Trustee by its counsel. It is anticipated that the 2018A Bonds will be available for delivery through the facilities of The Depository Trust Company on or about April __, 2018.

Citigroup

Dated: March __, 2018

* Preliminary; subject to change.

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

\$ _____^{*}
**SACRAMENTO SUBURBAN WATER DISTRICT
REFUNDING REVENUE BONDS, SERIES 2018A (TAXABLE)**

MATURITY SCHEDULE

<i>Maturity Date (November 1)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Yield</i>
	\$	%	%

** Preliminary; subject to change.*

No dealer, broker, salesperson or other person has been authorized by the District, the Municipal Advisor or the Underwriter to give any information or to make any representations other than those contained in this Official Statement in connection with the offering made hereby and, if given or made, such other information or representations must not be relied upon as having been authorized by the District, the Municipal Advisor or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the 2018A Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the 2018A Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as a representation of facts.

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

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

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

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2018A BONDS AT A LEVEL THAT MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE 2018A BONDS TO CERTAIN DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENT AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

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

THE 2018A BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT. THE 2018A BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

The District maintains a website. However, the information presented on such website is not part of this Official Statement and should not be relied upon in making an investment decision with respect to the 2018A Bonds.

SACRAMENTO SUBURBAN WATER DISTRICT

BOARD OF DIRECTORS

Craig M. Locke, President
Neil W. Schild, Vice President
David A. Jones, Director
Kevin M. Thomas, Director
Robert P. Wichert, Director

DISTRICT STAFF

Daniel R. York, General Manager and Secretary
Daniel A. Bills, CPA, Finance Director and District Treasurer

SPECIAL SERVICES

General Counsel

Bartkiewicz, Kronick, & Shanahan, A Professional Corporation
Sacramento, California

Bond Counsel

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

Municipal Advisor

Fieldman, Rolapp & Associates, Inc.
Irvine, California

Trustee

MUFG Union Bank, N.A.
San Francisco, California

Verification Agent

Grant Thornton LLP
Minneapolis, Minnesota

TABLE OF CONTENTS

Page

SUMMARY STATEMENT..... 1

INTRODUCTION..... 1

 General 1

REFUNDING PLAN2

 General2

 Verification.....2

THE 2018A BONDS.....3

 General Provisions.....3

 Transfers and Exchanges Upon Termination of Book-Entry Only System.....3

 Redemption of the 2018A Bonds4

 Notice of Redemption.....4

 Book-Entry Only System5

DEBT SERVICE PAYMENT SCHEDULE.....5

SECURITY FOR THE 2018A BONDS6

 Limited Obligations Payable From Net Revenues6

 Rate Covenant7

 Additional Indebtedness8

 No Reserve Fund8

ESTIMATED SOURCES AND USES OF FUNDS9

THE DISTRICT9

 General9

 Land and Land Use.....9

 Governance and Management10

 Employees and Employee Benefits11

 Budget Process15

 Water System Insurance16

 Outstanding Obligations.....16

 Water Supply.....18

 Water Transfers21

 California Drought and Response.....21

 Historic and Projected Water Supply23

 Historic Water Connections24

 Historic Water Deliveries24

 Historic Water Sales Revenues.....25

 Largest Customers25

 Water System Rates and Charges.....26

 Collection Procedures.....28

 Future Water System Improvements28

 Projected Water Connections29

 Projected Water Deliveries.....29

 Projected Water Sales Revenues30

WATER SYSTEM FINANCIAL INFORMATION.....30

 Financial Statements.....30

 Historic Operating Results and Debt Service Coverage.....32

 Management Discussion of Historic Operating Results and Debt Service Coverage33

 Projected Operating Results and Debt Service Coverage.....33

 Management Discussion of Projected Operating Results and Debt Service Coverage35

CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES35

TABLE OF CONTENTS
(continued)

	<i>Page</i>
Article XIII B	35
Proposition 218.....	36
Proposition 26.....	37
Future Initiatives.....	38
LITIGATION.....	38
CONTINUING DISCLOSURE UNDERTAKING	38
APPROVAL OF LEGAL PROCEEDINGS	38
TAX MATTERS.....	39
RATINGS	39
MUNICIPAL ADVISOR.....	39
UNDERWRITING.....	40
MISCELLANEOUS.....	41
APPENDIX A COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEARS ENDED DECEMBER 31, 2016 AND 2015	A-1
APPENDIX B DEFINITIONS AND SUMMARY OF THE INDENTURE	B-1
APPENDIX C FORM OF OPINION OF BOND COUNSEL.....	C-1
APPENDIX D INFORMATION CONCERNING DTC.....	D-1
APPENDIX E FORM OF CONTINUING DISCLOSURE CERTIFICATE.....	E-1

SUMMARY STATEMENT

This summary is subject in all respects to the more complete information contained in this Official Statement, and the offering of the 2018A Bonds to potential investors is made only by means of the entire Official Statement. Capitalized terms used and not otherwise defined in this Summary Statement have the meanings ascribed to them in this Official Statement.

Purpose. The 2018A Bonds are being issued to provide funds: (i) to refund all of the currently outstanding Sacramento Suburban Water District Refunding Revenue Certificates of Participation, Series 2009B; and (ii) to pay costs of issuance of the 2018A Bonds, all as more fully described herein.

Security for the 2018A Bonds. The 2018A Bonds are limited obligations of the District payable solely from Net Revenues of the District's Water System, which constitute Revenues remaining after payment of Operation and Maintenance Costs, and from amounts on deposit in certain funds and accounts created under the Indenture. The obligation of the District to pay principal of and interest on the 2018A Bonds is payable from Net Revenues on a parity with payments with respect to approximately \$42,000,000 aggregate principal amount of installment payments under a 2009A Installment Purchase Agreement, on a parity with payments of principal of and interest on \$17,490,000 aggregate principal amount of 2012A Bonds and on a parity with certain payments in connection with an interest rate swap agreement and under a credit facility agreement, all as more fully described herein. The District may incur additional Bonds or Contracts payable from Net Revenues on a parity with the obligation to pay principal of and interest on the 2018A Bonds in the future as described herein.

The obligation of the District to pay principal of and interest on the 2018A Bonds pursuant to the Indenture does not constitute an obligation for which the District is obligated to levy or pledge any form of taxation or for which the District has levied or pledged any form of taxation. The obligation of the District to pay principal of and interest on the 2018A Bonds is a special obligation of the District payable solely from Net Revenues, and does not constitute a debt of the State of California or any political subdivision thereof or of the District in contravention of any constitutional or statutory debt limitation or restriction. See the caption "SECURITY FOR THE 2018A BONDS."

The Refunding Plan. A portion of the proceeds of the 2018A Bonds together with moneys transferred from the funds and accounts created with respect to the 2009B Certificates and received from the District will be transferred to MUFG Union Bank, N.A. (successor to Union Bank, N.A.), as escrow agent with respect to the 2009B Certificates, to advance refund all of the \$22,065,000 currently outstanding aggregate principal amount of the 2009B Certificates. See the caption "THE REFUNDING PLAN" herein.

Rate Covenant. The Indenture will require the District, to the fullest extent permitted by law, to fix and prescribe rates and charges for the Water Service which are reasonably expected, on the first day of each Fiscal Year, to be at least sufficient to yield during such Fiscal Year Net Revenues equal to 115% of the Debt Service for such Fiscal Year. The District may make adjustments from time to time in such rates and charges and may make such classification thereof as it deems necessary, but will not reduce the rates and charges then in effect unless the Net Revenues from such reduced rates and charges are reasonably expected at all times to be sufficient to meet the foregoing requirements. See the caption "SECURITY FOR THE 2018A BONDS—Rate Covenant."

For avoidance of doubt, so long as the District has complied with its obligations in the foregoing rate covenant, the failure of Net Revenues to meet the thresholds set forth in such covenant at the end of a Fiscal Year shall not constitute a default or an Event of Default under Indenture so long as the District has complied with such covenant at the commencement of the succeeding Fiscal Year.

Additional Contracts and Bonds Test. The Indenture permits the District to execute any Contracts or issue any Bonds on a parity with the obligation to pay principal of and interest on the 2018A Bonds, provided that certain conditions are satisfied as described under the caption "SECURITY FOR THE 2018A BONDS—Additional Indebtedness."

No Reserve Fund. No reserve fund has been established in connection with the issuance of the 2018A Bonds.

Redemption. The 2018A Bonds are subject to optional redemption and to extraordinary redemption from Net Proceeds of insurance or condemnation as described herein.

The District. The District was formed on February 1, 2002 under the County Water District Law (California Water Code Sections 30000-33901) by the consolidation of the Northridge Water District and the Arcade Water District. The consolidation was approved and ordered by the Sacramento County Local Agency Formation Commission under the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (California Government Code Sections 56000-57550).

The District is located in Sacramento County, north of the American River and serves a large suburban area including portions of Citrus Heights, Carmichael, North Highlands, the City of Sacramento and Antelope, as well as McClellan Business Park (formerly McClellan Air Force Base). The District serves water to a population of approximately 177,900 through approximately 46,318 connections.

The water supply of the District is a combination of both surface water and groundwater. The District pumps groundwater from approximately 73 active wells, which are capable of producing 100% of the annual District water usage. The wells of the District are located in the North American Groundwater Basin north of the American River. In addition to groundwater, the District currently purchases surface water from Placer County Water Agency supplied from the American River and delivered to Folsom Reservoir. This Placer County Water Agency water is treated by San Juan Water District pursuant to a contract with the District and then conveyed through District-owned transmission pipelines or pipeline capacity into the District's water distribution system in the North Service Area. The District also receives American River water purchased pursuant to a contract with the City of Sacramento. Water from the City of Sacramento is diverted and treated by the City of Sacramento at its E.A. Fairbairn Water Treatment Plant and conveyed through District-owned pipeline capacity for distribution to District customers.

\$ _____ *

**SACRAMENTO SUBURBAN WATER DISTRICT
REFUNDING REVENUE BONDS, SERIES 2018A (TAXABLE)**

INTRODUCTION

General

This Official Statement, including the cover page, the inside cover page and all appendices hereto, provides certain information concerning the sale and delivery of the Sacramento Suburban Water District Refunding Revenue Bonds, Series 2018A (Taxable) (the “2018A Bonds”). The 2018A Bonds are being issued pursuant to an Indenture of Trust, dated as of March 1, 2018 (the “Indenture”), by and between the Sacramento Suburban Water District (the “District”) and MUFG Union Bank, N.A., San Francisco, California, as trustee (the “Trustee”). Descriptions and summaries of various documents hereinafter set forth do not purport to be comprehensive or definitive, and reference is made to each document for complete details of all terms and conditions. All statements herein are qualified in their entirety by reference to each document. Capitalized terms used and not otherwise defined herein have the meanings ascribed to them in Appendix B—“DEFINITIONS AND SUMMARY OF THE INDENTURE.”

The 2018A Bonds are being issued to provide funds: (i) to refund all of the \$22,065,000 outstanding principal amount of the Sacramento Suburban Water District Refunding Revenue Certificates of Participation, Series 2009B (the “2009B Certificates”), as described under the caption “REFUNDING PLAN;” and (ii) to pay costs of issuance of the 2018A Bonds. See the caption “ESTIMATED SOURCES AND USES OF FUNDS.”

The 2018A Bonds are limited obligations of the District payable solely from Net Revenues, which consist of Revenues of the District’s Water System remaining after payment of Operation and Maintenance Costs, as such terms are defined in Appendix B hereto, and from amounts on deposit in certain funds and accounts created under the Indenture. The obligation of the District to make payments of principal of and interest on the 2018A Bonds is payable from Net Revenues on a parity with payments with respect to: (i) the Installment Purchase Agreement, dated as of March 1, 2009 (the “2009A Installment Purchase Agreement”), by and between the District and the Sacramento Suburban Water District Financing Corporation, a nonprofit public benefit corporation (the “Corporation”), outstanding in the aggregate principal amount of \$42,000,000; (ii) payments of principal of and interest on the District’s Refunding Revenue Bonds, Series 2012A (the “2012A Bonds”) outstanding in the aggregate principal amount of \$17,490,000; (iii) scheduled payments in connection with an interest rate swap agreement; and (iv) certain payments under the Sumitomo Credit Facility Agreement, all as described under the caption “THE DISTRICT—Outstanding Obligations.”

The District may incur additional obligations payable on a parity with the obligation to pay principal of and interest on the 2018A Bonds in the future. See the caption “SECURITY FOR THE 2018A BONDS—Additional Indebtedness.”

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

* Preliminary; subject to change.

The District regularly prepares a variety of reports, including audits, budgets and related documents. Any registered owner of the 2018A Bonds (each, an "Owner") may obtain a copy of such report, as available, from the Trustee or the District. Additional information regarding the Official Statement may be obtained by contacting the Trustee or Sacramento Suburban Water District, 3701 Marconi Avenue, Suite 100, Sacramento, California 95821-5346, Telephone: (916) 972-7171.

REFUNDING PLAN

General

The District caused the execution and delivery of the 2009B Certificates, which are currently outstanding in the aggregate principal amount of \$22,065,000, pursuant to a Trust Agreement, dated as of April 1, 2009 (the "2009B Trust Agreement"), by and among the District, the Corporation and MUFG Union Bank, N.A. (formerly known as Union Bank, N.A.), as trustee (the "2009B Trustee"). The 2009B Certificates are payable from installment payments made under an Installment Purchase Agreement, dated as of April 1, 2009 (the "2009B Installment Purchase Agreement"), by and between the District and the Corporation.

The District plans to apply a portion of the proceeds of the 2018A Bonds together with moneys transferred from the funds and accounts created with respect to the 2009B Certificates and moneys received from the District to refund all outstanding obligations with respect to the 2009B Certificates. Under an Escrow Agreement (Series 2009B), dated as of March 1, 2018 (the "Escrow Agreement"), by and between the District and MUFG Union Bank, N.A., as escrow agent (the "Escrow Agent"), the District will deliver a portion of the proceeds of the 2018A Bonds to the Escrow Agent for deposit in the escrow fund established under the Escrow Agreement (the "Escrow Fund").

The Escrow Agent will invest a portion of the amounts deposited in the Escrow Fund in Defeasance Securities as set forth in the Escrow Agreement. From the maturing principal of the Defeasance Securities and related investment income from any uninvested moneys on deposit in the Escrow Fund, the Escrow Agent will pay all regularly scheduled payments of principal and interest due on the 2009B Certificates on and prior to November 1, 2019 (the "Prepayment Date") and pay on the Prepayment Date the principal with respect to the 2009 Certificates maturing on and after November 1, 2020, without premium, all in accordance with the Escrow Agreement.

Sufficiency of the deposits in the Escrow Fund for these purposes will be verified by Grant Thornton LLP (the "Verification Agent"). Assuming the accuracy of such computations, as a result of the deposit and application of funds as provided in the Escrow Agreement, the obligations of the District will be discharged under the provisions of the 2009B Installment Purchase Agreement and the 2009B Certificates will be defeased pursuant to the provisions of the 2009B Trust Agreement under which the 2009B Certificates were delivered, as of the date of issuance of the 2018A Bonds.

The portion of the proceeds of the 2018A Bonds deposited with the Escrow Agent is pledged solely to the payment of the 2009B Certificates and will not be available for the payments of principal of and interest on the 2018A Bonds.

Verification

Upon issuance of the 2018A Bonds, the Verification Agent will deliver a report on the mathematical accuracy of certain computations based upon certain information and assertions provided to it by the Underwriter relating to the adequacy of the maturing principal of and interest on the Defeasance Securities to pay when due all interest and principal with respect to the 2009B Certificates on and prior to the prepaying thereof and to pay the prepayment price of the 2009B Certificates when due.

THE 2018A BONDS

General Provisions

The 2018A Bonds will be issued in the aggregate principal amount of \$_____.^{*} The 2018A Bonds will be dated as of the date of initial issuance thereof (the “Issuance Date”), will bear interest from such date at the rates per annum set forth on the inside cover page hereof, payable on November 1, 2018 and each May 1 and November 1 thereafter (each, an “Interest Payment Date”), and will mature on the dates set forth on the inside cover page hereof. Interest on the 2018A Bonds will be calculated on the basis of a 360-day year of twelve 30-day months.

The 2018A Bonds will be issued only in fully registered form and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository for the 2018A Bonds. Ownership interests in the 2018A Bonds may be purchased in book-entry form, in denominations of \$5,000 or any integral multiple thereof. See the caption “—Book-Entry Only System” below and Appendix D attached hereto.

In the event that the book-entry only system described below is discontinued, the principal of and redemption premium (if any) on the 2018A Bonds are payable by check or draft of the Trustee upon presentation and surrender thereof at maturity or upon prior redemption at the office of the Trustee in Los Angeles, California (the “Office of the Trustee”). Interest on the 2018A Bonds is payable on each Interest Payment Date to the person whose name appears on the registration books maintained by the Trustee (the “Registration Books”) as the Owner thereof as of the close of business on the fifteenth day of the calendar month preceding the Interest Payment Date (the “Record Date”), such interest to be paid by check or draft of the Trustee, sent by first class mail to the Owner at such Owner’s address as it appears on the Registration Books. An Owner of \$1,000,000 or more in principal amount of 2018A Bonds may, at such Owner’s option, be paid interest by wire transfer of immediately available funds in accordance with written instructions provided to the Trustee by such Owner prior to the applicable Record Date. The principal of and interest and premium on the 2018A Bonds will be payable in lawful money of the United States of America.

Interest on any 2018A Bond will be payable from the Interest Payment Date preceding the date of issuance thereof, unless such date is after a Record Date and on or before the succeeding Interest Payment Date, in which case interest thereon will be payable from such Interest Payment Date, or unless such date is on or before October 15, 2018, in which case interest thereon will be payable from the Issuance Date.

Transfers and Exchanges Upon Termination of Book-Entry Only System

In the event that the book-entry system described above is abandoned, the 2018A Bonds will be printed and delivered as provided in the Indenture. Thereafter, any 2018A Bond may, in accordance with its terms, be transferred on the Registration Books by the person in whose name it is registered, in person or by such person’s duly authorized attorney, upon surrender of such 2018A Bond for cancellation at the Office of the Trustee, accompanied by delivery of a duly executed instrument of transfer in a form approved by the Trustee. Upon the surrender of a 2018A Bond for transfer, the Trustee is to issue a new 2018A Bond or 2018A Bonds of the same maturity, for a like aggregate principal amount and of authorized denomination or denominations. The Trustee may charge a sum for each new 2018A Bond issued upon any transfer. The Trustee may require the payment by any 2018A Bond Owner requesting any such transfer of any tax or other governmental charge required to be paid with respect to such transfer. Following any transfer of 2018A Bonds, the Trustee will cancel and destroy the 2018A Bonds it has received.

2018A Bonds may be exchanged at the Office of the Trustee, for a like aggregate principal amount of 2018A Bonds of other authorized denominations of the same maturity. The Trustee may charge a sum for each

^{*} Preliminary; subject to change.

new 2018A Bond issued upon any exchange except in the case of any exchange of temporary 2018A Bonds for definitive 2018A Bonds. The Trustee may require the payment by the Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange. Following any exchange of 2018A Bonds, the Trustee will cancel and destroy the 2018A Bonds it has received.

The Trustee is not required to register the exchange or transfer of any 2018A Bond: (i) during the period in which the Trustee is selecting 2018A Bonds for redemption; or (ii) selected for redemption.

Redemption of the 2018A Bonds

Optional Redemption. The 2018A Bonds shall be subject to optional redemption prior to maturity as follows:

Optional Redemption at Par. The 2018A Bonds maturing on or after November 1, 20__ are subject to redemption prior to their respective stated maturities, as a whole or in part on any date in the order of maturity as directed by the District in a Written Request provided to the Trustee at least 60 days (or such lesser number of days acceptable to the Trustee in the sole discretion of the Trustee, such notice for the convenience of the Trustee) prior to such date and by lot within each maturity in integral multiples of \$5,000, on or after November 1, 20__, at a Redemption Price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption, without premium.

Optional Redemption with Make-Whole Payment. The 2018A Bonds shall be subject to redemption prior to November 1, 20__ at the option of the District, as a whole or in part on any Business Day in the order of maturity as directed by the District in a Written Request provided to the Trustee at least 30 days (or such lesser number of days acceptable to the Trustee in the sole discretion of the Trustee, such notice for the convenience of the Trustee) prior to such date and by lot within each maturity in integral multiples of \$5,000, at the “Make-Whole Redemption Price.” The “Make-Whole Redemption Price,” as determined by the District, is the greater of (1) 100% of the principal amount of the 2018A Bonds to be redeemed; or (2) the sum of the present value of the remaining scheduled payments of principal of and interest to the maturity date on the 2018A Bonds to be redeemed, not including any portion of those payments of interest thereon accrued and unpaid as of the date on which the 2018A Bonds are to be redeemed, discounted to the date on which the 2018A Bonds are to be redeemed on a semiannual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate plus __ basis points, plus, in each case, accrued and unpaid interest on the 2018A Bonds to be redeemed on the date of redemption.

Extraordinary Redemption. The 2018A Bonds are subject to extraordinary redemption prior to their respective stated maturities, as a whole or in part on any date in the order of maturity as directed by the District in a Written Request provided to the Trustee at least 60 days (or such lesser number of days acceptable to the Trustee in the sole direction of the Trustee, such notice for the convenience of the Trustee) prior to such date and by lot within each maturity in integral multiples of \$5,000 from Net Proceeds of insurance or condemnation, upon the terms and conditions of, and as provided for in, the Indenture, at a Redemption Price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption, without premium. See Appendix B under the captions “PARTICULAR COVENANTS—Insurance” and “PARTICULAR COVENANTS—Eminent Domain Proceeds,” respectively, for a description of the circumstances under which the 2018A Bonds could be subject to extraordinary redemption from Net Proceeds of insurance or condemnation.

Notice of Redemption

When redemption is authorized or required, the Trustee will give notice to the Owners of the 2018A Bonds designated for redemption. Notice of redemption will be mailed by first class mail at least 20 days but not more than 30 days before any Redemption Date, to the respective Owners of any 2018A Bonds designated for redemption at their addresses appearing on the Registration Books, to the Securities Depositories and the Information Services; provided that, in the case of notice of optional redemption not related to an advance or

current refunding, such notice may be given only if sufficient funds have been deposited with the Trustee to pay the applicable Redemption Price of the 2018A Bonds to be redeemed, provided that such notice may be cancelled by the District upon Written Request delivered to the Trustee not less than five days prior to such Redemption Date. Each notice of redemption will state the date of notice, the Redemption Date, the place or places of redemption, the Redemption Price, will designate the maturities, CUSIP numbers, if any, and, if less than all 2018A Bonds of any such maturity are to be redeemed, the serial numbers of the 2018A Bonds of such maturity to be redeemed by giving the individual number of each 2018A Bond or by stating that all 2018A Bonds between two stated numbers, both inclusive, have been called for redemption and, in the case of 2018A Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice will also state that on the Redemption Date there will become due and payable on each of said 2018A Bonds or parts thereof designated for redemption the Redemption Price thereof or of said specified portion of the principal thereof in the case of a 2018A Bond to be redeemed in part only, together with interest accrued thereon to the Redemption Date, and that (provided that moneys for redemption have been deposited with the Trustee) from and after such Redemption Date interest thereon ceases to accrue, and will require that such 2018A Bonds be then surrendered to the Trustee. Neither the failure to receive such notice nor any defect in the notice or the mailing thereof will affect the validity of the redemption of any 2018A Bond. Notice of redemption of 2018A Bonds will be given by the Trustee, at the expense of the District, for and on behalf of the District.

With respect to any notice of optional redemption of 2018A Bonds, such notice may state that such redemption will be conditional upon the receipt by the Trustee on or prior to the date fixed for such redemption of moneys sufficient to pay the principal of, premium, if any, and interest on such 2018A Bonds to be redeemed and that, if such moneys have not been so received, said notice will be of no force and effect and the Trustee will not be required to redeem such 2018A Bonds. In the event that such notice of redemption contains such a condition and such moneys are not so received, the redemption will not be made, and the Trustee will within a reasonable time thereafter give notice, in the manner in which the notice of redemption was given, that such moneys were not so received.

Book-Entry Only System

One fully-registered 2018A Bond of each maturity will be issued in the principal amount of the 2018A Bonds of such maturity. Such 2018A Bond will be registered in the name of Cede & Co. and will be deposited with DTC.

The District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, the 2018A Bonds will be printed and delivered and will be governed by the provisions of the Indenture with respect to payment of principal and interest and rights of exchange and transfer.

The District cannot and does not give any assurances that DTC Participants or others will distribute payments of principal of and interest on the 2018A Bonds received by DTC or its nominee as the registered Owner, or any redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or that DTC will service and act in the manner described in this Official Statement. See Appendix D hereto for additional information concerning DTC.

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DEBT SERVICE PAYMENT SCHEDULE

Set forth below is a schedule of principal of and interest on the 2018A Bonds and other Contract and Bond payments for the period ending December 31 in each of the years indicated:

2018A Bonds

<i>December 31</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Contracts and Bonds⁽¹⁾</i>	<i>Total</i>
2018	\$	\$	\$	\$ 4,199,059	\$
2019				4,169,859	
2020				4,184,095	
2021				4,169,971	
2022				4,150,671	
2023				3,927,953	
2024				3,973,089	
2025				3,983,341	
2026				3,975,432	
2027				3,987,643	
2028				5,593,861	
2029				5,651,648	
2030				5,707,790	
2031				5,734,203	
2032				5,770,588	
2033				5,833,181	
2034				5,863,443	
TOTAL	\$	\$	\$	\$ 80,875,828	\$

⁽¹⁾ Contracts and Bonds include: (1) the 2009A Installment Purchase Agreement (projected at 2012 Swap Agreement rate of 3.283% per annum with respect to \$33,300,000 aggregate principal amount of 2009A Certificates and projected at rate of 2.75% per annum with respect to \$8,700,000 aggregate principal amount of 2009A Certificates), which are payable from Net Revenues on a parity with the obligation to pay principal of and interest on the 2018A Bonds; and (2) payments of principal of and interest on \$17,490,000 outstanding aggregate principal amount of 2012A Bonds, which are payable from Net Revenues on a parity with the obligation to pay principal of and interest on the 2018 Bonds. Amounts include both principal and interest and are rounded to the nearest dollar. Excludes payments, if any, in excess of the scheduled swap rate described above under the 2012 Swap Agreement and assumes no amounts are due under the Sumitomo Credit Facility Agreement. See the caption "THE DISTRICT—Outstanding Obligations."

Source: The District.

SECURITY FOR THE 2018A BONDS

Limited Obligations Payable From Net Revenues

The District is obligated to make payments of principal of and interest on the 2018A Bonds solely from Net Revenues of the District's Water System. The term "Net Revenues" means, for any Fiscal Year of the District (currently, the District's Fiscal Year commences on January 1 of each year), the Revenues of the Water System for such Fiscal Year less the Operation and Maintenance Costs of the Water System for such Fiscal Year. "Revenues" means all income, rents, rates, fees, charges and other moneys derived from the ownership or operation of the Water System, including, without limiting the generality of the foregoing: (1) all income, rents, rates, fees, charges or other moneys derived by the District from the sale, furnishing and supplying of the water or other services, facilities, and commodities sold, furnished or supplied through the facilities of or in the conduct or operation of the business of the Water System determined in accordance with Generally Accepted Accounting Principles; (2) the proceeds of any stand-by or water availability charges, development fees and connection charges collected by the District; and (3) the earnings on and income derived from the investment of amounts described in clauses (1) and (2) above and from District reserves; but excluding: (w) customers' deposits or any other deposits or advances subject to refund until such deposits or advances have become the property of the District; (x) any proceeds of taxes or assessments restricted by law to be used by the District to pay bonds or other obligations previously or later issued; (y) grant revenues received by the District for activities unrelated to the Water System and to be passed through to other entities; and (z) revenues of any water system acquired through merger, consolidation or similar action to the extent that the exclusion of such acquired water system is required pursuant to the terms of such merger, consolidation or similar action (provided, however, that the exclusion from Revenues set forth in clause (z) does not apply if the District has executed and delivered Contracts or issued Bonds to finance the acquisition of or capital improvement to any such water system).

“Operation and Maintenance Costs” are defined in the Indenture to mean: (1) costs spent or incurred for maintenance and operation of the Water System calculated in accordance with Generally Accepted Accounting Principles, including (among other things) the reasonable expenses of management and repair and other expenses necessary to maintain and preserve the Water System in good repair and working order, and including administrative costs of the District that are charged directly or apportioned to the Water System, including but not limited to salaries and wages of employees, payments to the Public Employees Retirement System, overhead, insurance, taxes (if any), fees of auditors, accountants, attorneys or engineers and insurance premiums, and including all other reasonable and necessary costs of the District or charges (other than debt service payments) required to be paid by it to comply with the terms of the 2018A Bonds or of the Indenture or any Contract or of any resolution or indenture authorizing the issuance of any Bonds or of such Bonds; and (2) costs spent or incurred in the purchase of water for the Water System; but excluding in all cases: (w) depreciation, replacement and obsolescence charges or reserves therefor; (x) losses on the disposal of capital assets; (y) payment of grants received by the District for activities unrelated to the Water System to other entities; and (z) amortization of intangibles and other non-cash operating expenses and other bookkeeping entries of a similar nature and all capital charges.

The obligation to make payments of principal of and interest on the 2018A Bonds is payable on a parity with the obligation of the District to make payments with respect to approximately \$42,000,000 aggregate principal amount of installment payments under the 2009A Installment Purchase Agreement, payments of principal of and interest on the 2012A Bonds outstanding in the aggregate principal amount of \$17,490,000, scheduled payments in connection with the 2012 Swap Agreement, and certain payments under the Sumitomo Credit Facility Agreement. See Appendix B—“DEFINITIONS AND SUMMARY OF INDENTURE” for a detailed discussion of the terms of the Indenture. See the caption “THE DISTRICT—Outstanding Obligations” for a discussion of parity obligations.

THE OBLIGATION OF THE DISTRICT TO PAY PRINCIPAL OF AND INTEREST ON THE 2018A BONDS DOES NOT CONSTITUTE AN OBLIGATION OF THE DISTRICT FOR WHICH THE DISTRICT IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE DISTRICT HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. THE OBLIGATION OF THE DISTRICT TO PAY PRINCIPAL OF AND INTEREST ON THE 2018A BONDS UNDER THE INDENTURE IS A SPECIAL OBLIGATION OF THE DISTRICT PAYABLE SOLELY FROM NET REVENUES, AND DOES NOT CONSTITUTE A DEBT OF THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF OR OF THE DISTRICT IN CONTRAVENTION OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

Rate Covenant

The Indenture will require the District, to the fullest extent permitted by law, to fix and prescribe rates and charges for the Water Service which are reasonably expected, on the first day of each Fiscal Year, to be at least sufficient to yield during such Fiscal Year Net Revenues equal to 115% of the Debt Service for such Fiscal Year. The District may make adjustments from time to time in such rates and charges and may make such classification thereof as it deems necessary, but will not reduce the rates and charges then in effect unless the Net Revenues from such reduced rates and charges are reasonably expected at all times to be sufficient to meet the foregoing requirements.

For avoidance of doubt, so long as the District has complied with its obligations in the foregoing rate covenant, the failure of Net Revenues to meet the thresholds set forth in such covenant at the end of a Fiscal Year shall not constitute a default or an Event of Default under the Indenture so long as the District has complied with such covenant at the commencement of the succeeding Fiscal Year. A failure to meet such threshold may, however, affect the ability of the District to issue Bonds or incur Contracts payable from Net Revenues on a parity with the 2018A Bonds. See the caption “—Additional Indebtedness.”

Additional Indebtedness

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

(i) The Net Revenues for any consecutive twelve calendar month period during the eighteen calendar month period preceding the date of adoption by the Board of Directors of the District of the resolution authorizing the issuance of such Bonds or the date of the execution of such Contract, as the case may be, as evidenced by a special report prepared by an Independent Certified Public Accountant or Independent Municipal Consultant on file with the District, produce a sum equal to at least 115% of the Debt Service for such twelve month period; and

(ii) The Net Revenues for any consecutive twelve calendar month period during the eighteen calendar month period preceding the date of the execution of such Contract or the date of adoption by the Board of Directors of the District of the resolution authorizing the issuance of such Bonds, as the case may be, including adjustments to give effect as of the first day of such twelve month period to increases or decreases in rates and charges for the Water Service approved and in effect as of the date of calculation, as evidenced by a special report prepared by an Independent Certified Public Accountant or Independent Municipal Consultant on file with the District, produce a sum equal to at least 115% of the Debt Service for such twelve month period, plus the Debt Service which would have accrued on any Contracts executed or Bonds issued since the end of such twelve month period, assuming that such Contracts had been executed or Bonds had been issued at the beginning of such twelve month period, plus the Debt Service which would have accrued had such Contract been executed or Bonds been issued at the beginning of such twelve month period; and

(iii) The estimated Net Revenues for the then current Fiscal Year and for each Fiscal Year thereafter, to and including the first complete Fiscal Year after the latest Date of Operation of any uncompleted Project to be financed from proceeds of such Contracts or Bonds, as evidenced by a certificate of the General Manager on file with the District, including (after giving effect to the completion of all such uncompleted Projects) an allowance for estimated Net Revenues for each of such Fiscal Years arising from any increase in the income, rents, fees, rates and charges estimated to be fixed, prescribed or received for Water Service and which are economically feasible and reasonably considered necessary based on projected operations for such period, as evidenced by a certificate of the General Manager on file with the District, produce a sum equal to at least 115% of the estimated Debt Service for each of such Fiscal Years, after giving effect to the execution of all Contracts and the issuance of all Bonds estimated to be required to be executed or issued to pay the costs of completing all uncompleted Projects within such Fiscal Years, assuming that all such Contracts and Bonds have maturities, interest rates and proportionate principal repayment provisions similar to the Contract last executed or then being executed or the Bonds last issued or then being issued for the purpose of acquiring and constructing any of such uncompleted Projects.

Notwithstanding the foregoing, Bonds issued or Contracts executed to refund Bonds or Contracts may be delivered without satisfying the conditions set forth above if Debt Service in each Fiscal Year after the Fiscal Year in which such Bonds are issued or Contracts executed is not greater than 110% of the Debt Service which would have been payable in each such Fiscal Year prior to the issuance of such Bonds or execution of such Contracts.

No Reserve Fund

The Indenture does not establish a reserve fund in connection with the issuance of the 2018A Bonds.

ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth the estimated sources and uses of funds:

Sources⁽¹⁾:	
Principal Amount	\$
Transfer from 2009B Trustee ⁽²⁾	
District Contribution ⁽³⁾	
Total Sources	\$ _____
 Uses⁽¹⁾:	
Transfer to Escrow Agent for Defeasance of 2009B Certificates	\$
Deposit to Costs of Issuance Fund ⁽³⁾	
Total Uses	\$ _____

⁽¹⁾ All amounts rounded to the nearest dollar. Totals may not add due to rounding.

⁽²⁾ Reflects moneys held in funds and accounts established under the 2009B Trust Agreement.

⁽³⁾ Reflects accrued interest with respect to the 2009B Certificates due from November 1, 2017 through the date of delivery of the 2018A Bonds.

⁽⁴⁾ Includes Underwriter's discount and certain legal, financing and printing costs.

THE DISTRICT

General

The District was formed on February 1, 2002 under the County Water District Law (California Water Code Sections 30000-33901) (the "Law") by the consolidation of the Northridge Water District ("Northridge") and the Arcade Water District ("Arcade"). The consolidation was approved and ordered by the Sacramento County Local Agency Formation Commission under the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (California Government Code Sections 56000-57550).

The District is located in Sacramento County, north of the American River and serves a large suburban area including portions of Citrus Heights, Carmichael, North Highlands, the City of Sacramento and Antelope, as well as McClellan Business Park (formerly McClellan Air Force Base). The District serves water to a population of approximately 177,900 through approximately 46,318 connections.

The water supply of the District is a combination of both surface water and groundwater. The District pumps groundwater from approximately 73 active wells, which are capable of producing 100% of the annual District water usage. The wells of the District are located in the North American Groundwater Basin north of the American River. In addition to groundwater, the District currently purchases surface water from Placer County Water Agency ("PCWA Water") supplied from the American River and delivered to Folsom Reservoir. See the caption "—Water Supply—Surface Water" and "—Water Supply—PCWA Water Supply Agreement." This PCWA Water is treated by San Juan Water District ("San Juan") pursuant to contract (see the caption "—Water Supply—San Juan Agreement") and then conveyed through District-owned transmission pipelines or pipeline capacity into the District's water distribution system in the North Service Area. The District also receives American River water purchased pursuant to a contract with the City of Sacramento ("Sacramento Water"). The Sacramento Water is diverted and treated by the City of Sacramento at its E.A. Fairbairn Water Treatment Plant and conveyed through District-owned pipeline capacity for distribution to District customers.

Land and Land Use

The District currently includes approximately 23,032 acres of land. The District's service area is substantially built out. Based on California Department of Water Resources ("DWR") Population Projection Tool calculations, the District's population is expected to be 190,700 in 2031, when the District is expected to be fully built out. Other than residential, commercial in-fill projects, and industrial and commercial development

at the McClellan Business Park, the District does not expect significant additional development within its territory.

Governance and Management

Board of Directors. The District is governed by a 5-member board of directors (the “Board of Directors”), the members of which are elected to four-year terms from geographical divisions by the registered voters residing in each division of the District. The terms of the Directors are staggered, with the Directors from Divisions 1 and 2 elected at the same Statewide general election and the Directors from Divisions 3, 4 and 5 elected at the general election two years later. The current members of the Board of Directors, the expiration dates of their terms and their occupations are set forth below.

<i>Board of Directors Member</i>	<i>Expiration of Term</i>	<i>Occupation</i>
Craig M. Locke, President	2018	Deputy Director of Public Works for the City of Woodland, California
Neil W. Schild, Vice President	2020	Retired Principal Engineer, U.S. Bureau of Reclamation, Engineering Consultant
David A. Jones	2020	Retired Engineer, Sacramento Suburban Water District
Kevin M. Thomas	2018	Taxpayer Advocate
Robert P. Wichert	2018	Lead Mechanical Engineer for RagingWire Data Centers

Key District Staff Members. Day-to-day management of the District is delegated to the General Manager. Daniel R. York was appointed General Manager by the Board on October 10, 2017, effective January 1, 2018. Mr. York has 38 years of water utility experience with 22 years at the District. Mr. York served as the District’s Assistant General Manager from 2013 through 2017, responsible for supervising the District’s employees and all aspects of the utility’s operations and planning. Prior to that, Mr. York was Operations Manager for both the District and its predecessor, Arcade. Mr. York has held many leadership positions within the Sacramento Area Water Works Association and Association of California Water Agencies (“ACWA”), focusing on protecting public health by enhancing the physical and cyber security of water utilities. Mr. York is currently serving on a Risk Management Committee for ACWA’s Joint Powers Insurance Authority, which insures approximately 377 water agencies statewide, and was recently elected to ACWA’s Region 4 Board of Directors. Mr. York is on the Regional Water Authority (“RWA”) Board of Directors and was recently elected to RWA’s Executive Committee. Mr. York holds a Grade 2 Water Treatment Operator Certificate and a Grade 3 Water Distribution Operator Certificate.

The District is currently undertaking a recruitment for an Assistant General Manager.

Daniel A. Bills is the Finance Director and District Treasurer. Mr. Bills has served as the Finance Director and District Treasurer since his appointment in June 2003. Mr. Bills has more than 36 years of experience in finance and accounting. Prior to employment with the District, Mr. Bills served as a Finance Manager over asset-liability management for a large financial institution and as an adjunct professor of finance and accounting at California State University, Sacramento. Mr. Bills has experience in financial and treasury management, complex financial instrument management and analysis, complex accounting analysis, information technology systems, and administration. Mr. Bills is a Certified Public Accountant. Mr. Bills earned a Bachelor of Science in Accounting from California State University, Sacramento in 1980 and a Master of Business Administration in Finance from California State University, Sacramento in 1991.

Employees and Employee Benefits

General. The District currently employs 68 persons, of whom 18 work in production and water treatment, 24 work in water distribution, 10 work in engineering, 6 work in customer service and 10 work in administration. District legal services are provided by contract between the District and the firm of Bartkiewicz, Kronick & Shanahan, with Joshua M. Horowitz serving as District Counsel. None of the employees of the District are presently represented by a union. The District has not experienced any strikes or other labor actions.

Pension Benefits. All qualified permanent and probationary employees are eligible to participate in the District's Miscellaneous Employee Cost-Sharing Multiple Employer Defined Benefit Pension Plan administered by the California Public Employees' Retirement System ("CalPERS"). The Board has established a single "Cost-Sharing Miscellaneous" pension plan with CalPERS that is comprised of the following Rate Plans (the "Plans"):

- Miscellaneous Plan – 3.0% at 60 (Classic Members)
- Miscellaneous Plan – 2.0% at 55 (Classic Members)
- Miscellaneous Plan – 2.0% at 62 (PEPRA)

Benefit provisions under the Plans are established by State statute and Board resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website or may be obtained from their executive office: 400 P Street, Sacramento, California 95814.

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 (52 for PEPRA members) with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the 1957 Survivor Benefit or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plans' provisions and benefits in effect at December 31, 2017 and 2016, are summarized as follows:

	<i>Miscellaneous</i>		
	Prior to 09/25/2006	After 9/25/2006 and Prior to 01/01/2013	On or after 01/01/2013
Hire date	09/25/2006	01/01/2013	01/01/2013
Benefit formula	3.0% at 60	2.0% at 55	2.0% at 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50 – 60	50 – 63	52 – 67
Monthly benefits as a % of eligible compensation	2.0% to 3.0%	1.4% to 2.4%	1.0% to 2.5%
Required employee contribution rates	8.0%*	7.0%*	6.5%*
Required employer contribution rates – 2017	13.55%	9.10%	6.91%
Required employer contribution rate – 2016	13.50%	9.06%	6.93%
		Closed to new members that are not already CalPERS eligible participants	
Open or Closed to New Entrants	Closed		Open

* Paid by District on behalf of employees.

In addition to the contribution rates above, the District was also required to make payments of \$367,091 and \$304,049 toward its unfunded actuarial liability of all Plans during the years ended December 31, 2017 and 2016, respectively.

Contributions. Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The District's total employer contributions were \$857,705 (\$879,305 less \$21,600 due to over-stated Fiscal Year 2016 contributions; based on unaudited actual results) and \$821,520 for the years ended December 31, 2017 and 2016, respectively. Dependent on the Rate Plan, the employee contribution rate was 8.0 percent or 7.0 percent of annual pay for Classic members and 6.50 percent for PEPRA members for the measurement periods ended June 30, 2017 and 2016. The District contributes the full 8.0 percent or 7.0 percent for Classic members while PEPRA members contribute the full 6.50 percent. At December 31, 2017 and 2016, the District's pickup of the employee's 8.0 percent and 7.0 percent share was \$283,907 (based on unaudited actual results) and \$316,898, respectively.

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions. As of December 31, 2017 and 2016, the District reported a net pension liability for its proportionate share of the net pension liability of the Plans of \$8,997,648 (based on unaudited actual results) and \$7,654,038, respectively.

The District's net pension liability is measured as the proportionate share of the Pool's net pension liability. The net pension liability is measured as of June 30, 2017, and 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 and 2015 rolled forward to June 30, 2017 and 2016 using standard update procedures. For June 30, 2017 and 2016 the District's proportion of the Net Pension Liability was based on its proportion of the Total Pension Liability less its proportion of the Fiduciary Net Position. For June 30, 2017 and 2016, the District's proportion of the net pension

liability was based on its proportion of the Total Pension Liability, less the District’s proportion of the Fiduciary Net Position.

The District’s proportionate share of the net pension liability for the Plan as of June 30, 2017 and 2016 was as follows:

Proportion – June 30, 2016	0.220331%
Proportion – June 30, 2017	<u>0.228248%</u>
Change – Increase (Decrease)	<u>0.007917%</u>

For the year ended December 31, 2017 and 2016, the District recognized pension expense of \$1,576,107 (based on unaudited actual results) and \$966,988, respectively.

At December 31, 2017 and 2016, the District reported deferred outflows of resources and deferred inflows of resources related to all Plans combined from the following sources:

	<i>Deferred Outflows of Resources</i>		<i>Deferred Inflows of Resources</i>	
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
Pension contributions subsequent to measurement date	\$ 620,794	\$ 579,159	\$ -	\$ -
Changes in assumptions	1,578,075	-	120,330	252,098
Net differences between projected and actual earnings on plan investments	356,895	1,312,085	-	-
Differences between expected and actual experience	12,719	26,646	182,217	6,105
Differences between the employer’s contribution and the employer’s proportionate share of contributions	-	-	344,726	268,417
Change in employer’s proportion	<u>238,744</u>	<u>160,644</u>	<u>-</u>	<u>17,171</u>
Total	<u>\$ 2,807,227</u>	<u>\$ 2,078,534</u>	<u>\$ 647,273</u>	<u>\$ 543,791</u>

The \$620,794 and \$579,159 reported as deferred outflows of resources as of December 31, 2017 and 2016 related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the years ended December 31, 2017 and 2016, respectively. Other amounts reported as deferred outflows (inflows) of resources related to pensions will be recognized as pension expense as follows:

<i>Year Ended December 31</i>	
2018	\$ 319,946
2019	896,254
2020	534,855
2021	(211,895)

Actuarial Methods and Assumptions Used to Determine Total Pension Liability. The total pension liabilities in the June 30, 2017 and 2016 actuarial valuation was determined using the following actuarial assumptions:

	<i>2017</i>	<i>2016</i>
	<i>Miscellaneous</i>	<i>Miscellaneous</i>
Valuation Date	June 30, 2016	June 30, 2015
Measurement Date	June 30, 2017	June 30, 2016
Actuarial Cost Method	Entry-Age Normal	Entry-Age Normal
Actuarial Assumptions:		
Discount Rate	7.15%	7.65%
Inflation	2.75%	2.75%
Payroll Growth	3.00%	3.00%
Projected Salary Increases	3.30% - 14.20% ⁽¹⁾	3.30% - 14.20% ⁽¹⁾
Investment Rate of Return	7.00% ⁽²⁾	7.50% ⁽²⁾
Mortality	(4)	(3)

(1) Depending on age, service and type of employment.

(2) Net of pension plan investment expenses, including inflation.

(3) Probabilities of retirement and mortality are based on CalPERS' 2010 Experience Study for the period from 1997 to 2007.

(4) Probabilities of retirement and mortality are based on CalPERS' 2014 Experience Study for the period from 1997 to 2011.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate.

The following presents the District's proportionate share of the net pension obligation for the Plans, calculated using the discount rate for the Plans, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<i>2017</i>	<i>2016</i>
	<i>Sensitivity to 1- Percent Change</i>	<i>Sensitivity to 1- Percent Change</i>
1% Decrease	6.15%	6.65%
Net Pension Liability	\$ 14,199,433	\$ 12,202,722
Current Discount Rate	7.15%	7.65%
Net Pension Liability	\$ 8,997,648	\$ 7,654,038
1% Increase	8.15%	8.65%
Net Pension Liability	\$ 4,689,435	\$ 3,894,776

For information concerning the discount rate, see Note 13 to the District's Comprehensive Annual Financial Report attached hereto as Appendix A.

At December 31, 2017 and 2016, the District had no outstanding amount of contributions payable to the Pension Plan.

For additional information with respect to the District's Plan, see Note 13 to the District's Comprehensive Annual Financial Report attached hereto as Appendix A.

Other Post-Employment Benefits. In addition to pension benefits, the District provides certain healthcare benefits through CalPERS, and dental and vision benefits through private insurance carriers (postemployment benefits) for retired employees, certain former Northridge Water District directors, and their survivor dependents, subject to certain conditions.

The District made the decision to establish an irrevocable trust to prefund postemployment benefits by participating in the "California Employers' Retiree Benefit Trust" ("CERBT"), which is a defined benefit agent-multiple employer plan as defined in GASB Statement No. 43, "Financial Reporting for Postemployment Benefit

Plans Other Than Pension Plans” and meets the requirements to qualify as a prefunding Trust as defined by Section 115 of the Internal Revenue Code. CERBT is run by CalPERS for investment purposes. Copies of the CERBT annual financial report may be obtained by contacting CalPERS at (888) 225-7377 or at their Executive Offices at 400 P Street, Sacramento, California 95814.

Substantially all of the District’s full-time employees may become eligible for postemployment health benefits after age fifty and after working for the District for five years if hired before January 1, 2003. If hired after January 1, 2003, eligibility for such benefits is based on a minimum of ten years of qualifying service working with an employer that is a CalPERS healthcare provider. Retirement from the District is also a condition of eligibility for postemployment health benefits (the District must be the last employer prior to retirement). In addition, eligible retirees are required to pay a portion of the cost of certain medical insurance plans offered by CalPERS above a minimum amount established annually by the District. Eligible retirees hired after January 1, 2003, not fully-vested in postemployment health benefits, are required to pay a portion of health insurance costs up to the extent they are not fully vested. Certain former Northridge Water District directors with twelve years of service are also eligible for postemployment benefits. At December 31, 2017 and 2016, 37 and 32 retired employees, directors, and their survivor dependents met those eligibility requirements, respectively.

Participants are not required to make contributions to the plan in order to receive benefits. Contribution requirements of employees and the District are established and may be amended by the Board. During 2008, the District adopted a policy to fully fund the Annual Required Contribution (“ARC”) for postemployment benefits into CERBT.

The funded status of the Plan as of July 1, 2017 is as follows:

<i>Actuarial Valuation Date</i>	<i>Actuarial Value of Plan Assets (a)</i>	<i>Actuarial Accrued Liability (b)</i>	<i>Unfunded Actuarial Accrued Liability (UAAL) (b-a)</i>	<i>Funded Ratio (a/b)</i>	<i>Covered Payroll (c)</i>	<i>UAAL as a Percentage of Covered Payroll ((b-a)/c)</i>
7/1/2017	\$4,726,714	\$7,295,798	\$2,569,084	64.8%	\$4,331,683	59.3%

For additional information with respect to the District’s Other Post-Employment Benefits, see Note 14 to the District’s Comprehensive Annual Financial Report attached hereto as Appendix A.

Budget Process

Prior to January 1 of each year, the Board of Directors reviews estimated revenues for the upcoming Fiscal Year (ending December 31) based on the adopted schedule of fees, rates and charges.

The District utilizes two primary budgets to manage its activities. One is an annual Capital Budget (divided into two parts—intermediate-term capital and long-term capital) and the other is an Operations and Maintenance Budget. The long-term capital budget is intended to cover all District infrastructure projects that incorporate significant costs or long lead times and planning to complete. The intermediate-term capital budget is intended to incorporate expenditures for operational capital items, such as vehicles, field equipment, back hoes, and computer equipment. The Operations and Maintenance budget covers all recurring operational costs, such as the purchase and treatment of water, repairs and maintenance, employee salaries and benefits and other such expenditures.

On November 20, 2017, the Board approved a \$19,360,000 long-term capital budget, a \$1,161,000 intermediate-term capital budget and a \$21,930,000 Operations and Maintenance budget for calendar year 2018. As of February 28, 2018, no material amendments to such budgets have been approved.

Water System Insurance

The District participates in the Association of California Water Agencies Joint Powers Insurance Authority (“ACWA/JPIA”), a joint powers authority organized under the laws of the State. ACWA/JPIA operates as a risk pool for qualified State water agencies and offers general and auto liability coverage and public official’s liability coverage.

The District is covered under the ACWA/JPIA for workers compensation insurance, general and auto liability, including public officials’ and employees’ errors and omissions, with total risk financing self-insurance limits of \$5,000,000 per occurrence. ACWA/JPIA has purchased additional excess coverage layers to a total of \$60,000,000 for general, auto and public officials’ liability.

The District also has the insurance coverage for crime, property loss, and boiler and machinery replacement. Crime coverage includes public employee dishonesty, forgery or alteration and theft, and computer fraud of up to \$100,000 per loss and such coverage is subject to a \$1,000 per loss deductible.

Property loss for buildings, fixed equipment or personal property is paid at the replacement costs, if replaced within two years after the loss, otherwise paid on an actual cash value basis. Property loss for mobile equipment and vehicles is paid at actual cash value basis, subject to a \$2,500 deductible for buildings, fixed equipment and personal property, and a \$1,000 deductible for mobile equipment and vehicles per occurrence. The ACWA/JPIA self-insures for the first \$100,000 and has purchased reinsurance up to \$150,000,000 per loss.

Boiler and machinery coverage for the replacement cost up to \$150,000,000 per occurrence is subject to various deductibles depending on the type of equipment.

The District also has workers’ compensation insurance coverage up to State statutory limits, and employer’s liability coverage of \$4,000,000 for all work related injuries and illnesses covered by State law. The ACWA/JPIA self-insures for the first \$2,000,000 and has purchased excess coverage.

Settled claims have not exceeded any of the coverage amounts in any of the last three years and there were no reductions in the District’s insurance coverage during the years ending December 31, 2017 and 2016. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (“IBNR”). There were no IBNR claims payable as of December 31, 2017 and 2016.

For more information with respect to the District’s risk management practices, see Note 15 to the District’s Comprehensive Annual Financial Report attached hereto as Appendix A.

Outstanding Obligations

In 2009, the District caused the execution and delivery of \$42,000,000 aggregate principal amount of 2009A Certificates, which are currently outstanding in the aggregate principal amount of \$42,000,000. Proceeds of the 2009A Certificates were applied to the refunding of the District’s Adjustable Rate Revenue Certificates of Participation, Series 2004 (the “2004 Certificates”). The 2009A Certificates are payable from installment payments under the 2009A Installment Purchase Agreement. The obligation of the District to pay the installment payments under the 2009A Installment Purchase Agreement is payable from Net Revenues on a parity with the 2018A Bonds.

In connection with the execution and delivery of the 2009A Certificates, the District entered into the Sumitomo Credit Facility Agreement with Sumitomo Mitsui Banking Corporation (“SMBC”). Certain amounts payable to SMBC by the District under the Sumitomo Credit Facility Agreement are payable from Net Revenues on a parity with the 2018A Bonds. On November 13, 2017, the Sumitomo Credit Facility Agreement was

extended to and including June 30, 2023. In addition, the 2012 Swap Agreement (discussed below) hedges, in part, the 2009A Certificates.

From time to time rating agencies change the ratings of banks that have issued credit facility agreements. In the event that SMBC's rating is reduced, such reduction may result in the 2009A Certificates bearing interest at a higher than projected interest rate or result in the downgrade of the rating of the 2009A Certificates, or both. Under the Sumitomo Credit Facility Agreement, the maximum annual interest rate payable by the District is 12%; provided, however, to the extent permitted by law, Bank Certificates are not subject to any maximum rate.

Both Moody's and S&P have periodically downgraded banks which have executed and issued credit facility agreements. The banking industry, domestic and international banks (including SMBC), may face ongoing review from credit rating agencies. There can be no assurance that rating reductions or other factors perceived to have an effect on, or to reflect, the credit quality of SMBC which have occurred or which occur in the future will not result in a material increase in interest payments with respect to the 2009A Certificates.

In 2012, the District issued the Sacramento Suburban Water District Refunding Revenue Bonds, Series 2012A (the "2012A Bonds"), which are currently outstanding in the aggregate principal amount of \$17,490,000. Proceeds of the 2012A Bonds were applied to prepay all of the District's Adjustable Rate Refunding Certificates of Participation, Series 2008A-2. The obligation of the District to pay principal of and interest on the 2012A Bonds is payable from Net Revenues on a parity with the District's obligation to pay principal of and interest on the 2018A Bonds.

In connection with the issuance of the 2012A Bonds, the District entered into an Amended and Restated Transaction, dated April 11, 2012 (the "Partial Swap Termination Agreement"), by and between the District and Citibank, N.A. to reduce the notional amount of a certain Swap Agreement, dated as of April 12, 2005 (as amended pursuant to the Amended and Restated Confirmation, dated as of May 13, 2008, the "2005 Swap Agreement") with Citibank, N.A. Pursuant to the terms of an ISDA Master Agreement, the Schedule to the Master Agreement and the Credit Support Annex, each by and between the District and Wells Fargo Bank, N.A., each dated April 11, 2012 (collectively, the "Swap Novation Documents"), the obligations of Citibank, N.A. under the 2005 Swap Agreement, following the reduction of the notional amount, were novated to Wells Fargo Bank, N.A. The 2005 Swap Agreement, as amended and novated to Wells Fargo Bank, N.A. is referred to herein as the "2012 Swap Agreement."

Payments under the 2012 Swap Agreement are scheduled to terminate on November 1, 2034 unless terminated earlier. Under the 2012 Swap Agreement, the District pays a fixed rate of 3.283% to Wells Fargo Bank, N.A. and received from Wells Fargo Bank, N.A. 60.00% of USD LIBOR BBA plus 18 basis points. The District makes or receives a monthly payment based on the calculation using the net of the aforementioned rates, and records the net amount as a reduction of additional interest expense as applicable in the statement of revenues, expenses and changes in net assets.

The obligation of the District to make scheduled payments of Net Revenues to Wells Fargo Bank, N.A. under the 2012 Swap Agreement is on a parity with the obligation of the District to make payments of principal of and interest on the 2012A Bonds and the 2018A Bonds. Under certain circumstances, the 2012 Swap Agreement may be terminated and the District may be required to make a termination payment to Wells Fargo Bank, N.A. Any such termination payment owed by the District would be payable from Net Revenues subordinate to payments of principal of and interest on the 2018A Bonds. The agreement by Wells Fargo Bank, N.A. to pay certain amounts to the District pursuant to the 2012 Swap Agreement does not alter or affect the District's obligation to pay any related payments with respect to the 2009A Certificates or any other obligations, including the 2012A Bonds and the 2018A Bonds. Wells Fargo Bank, N.A. is only obligated to make certain payments to the District pursuant to the terms of the 2012 Swap Agreement. Neither the holders of any 2009A Certificates, the 2012A Bonds or other obligations, including the 2018A Bonds, nor any person other than the District has any rights under the 2012 Swap Agreement or against Wells Fargo Bank, N.A. in connection with the 2012 Swap Agreement.

Wells Fargo Bank, N.A. may be obligated to make scheduled payments under the 2012 Swap Agreement that are less than the interest due with respect to the portion of the 2009A Certificates that are hedged. In such an event, such payment received by the District would be insufficient to pay interest due with respect to such portion of the 2009A Certificates. In such event, the District would be obligated to pay such insufficiency from Net Revenues on a parity with the 2012A Bonds, the 2018A Bonds and other Bonds and Contracts (as such terms are defined in Appendix B hereto).

The 2009A Installment Purchase Agreement, the 2012A Bonds, the 2012 Swap Agreement, the Sumitomo Credit Facility Agreement and other Contracts and Bonds (as such terms are defined in Appendix B hereto) are referred to herein as “Parity Obligations.”

Water Supply

Groundwater. The water supply of the District is a combination of both surface water and groundwater. Historically, groundwater constituted 100% of the supply to water users within the District’s service area. Groundwater is currently supplied by 73 active wells and a variety of pumping stations. The District’s wells are located in the North American Groundwater Basin north of the American River. While groundwater levels fluctuate based on hydrological conditions, groundwater levels historically declined within the District from 1950 to 2000 at an average rate of approximately 1.5 to 2.0 feet per year. Since 2000, however, groundwater levels in the portion of the North American Groundwater Basin from which the District pumps water have stabilized because of increasing surface water acquisitions by the District. See the caption “—Surface Water.” The District’s wells have a range in depth from 270 to 1,310 feet. Peak season average daily demand from the District’s wells is approximately 134 acre-feet and is sufficient to supply 100% of water demand within the District. There are currently no legal or regulatory restrictions on the amount of groundwater that can be pumped by the District. However, the Sustainable Groundwater Management Act (“SGMA”) now requires local agencies and other water users in specified groundwater basins to begin implementing regulation of groundwater extractions, as discussed below. The District currently pays a groundwater management fee of \$4.00 per acre foot pumped to the Sacramento Groundwater Authority for use in a regional effort to manage, stabilize and sustain the groundwater basin.

Sustainable Groundwater Management Act. SGMA was enacted and became effective on January 1, 2015. SGMA constitutes a legislative effort to regulate groundwater on a statewide basis. Under the SGMA, DWR was required to designate groundwater basins in the State as high, medium, low or very low priority for purposes of groundwater management by January 31, 2015. The North American Subbasin has been initially designated as medium to high priority. By January 31, 2017, local groundwater producers must establish or designate an entity (referred to as a groundwater sustainability agency, or “GSA”), subject to DWR’s approval, to manage each high and medium priority groundwater basin. The Sacramento Groundwater Authority (“SGA”) manages the South Basin portion of the North American Subbasin. SGA filed a noticed with DWR on October 20, 2015 that it intends to be the GSA for a portion of the South Basin portion of the North American Subbasin. On January 24, 2016, SGA was determined to be the GSA for the South Basin portion of the North American Subbasin. Each GSA is tasked with submitting a groundwater sustainability plan for DWR’s approval by January 31, 2020 or January 31, 2022. The North American Subbasin is covered by the later deadline. Groundwater sustainability plans must include sustainability goals and a plan to implement such goals within 20 years. Alternatively, groundwater producers can submit a groundwater management plan under Part 2.75 of the California Water Code or an analysis for DWR’s review demonstrating that a groundwater basin has operated within its sustainable yield for at least 10 years. Such alternative plan must be submitted by January 31, 2017 and updated every five years thereafter.

GSAs must consider the interest of all groundwater users in the basin and may require registration of groundwater users, the installation of flow meters to measure groundwater extractions and annual reporting of extractions. In addition, GSAs are authorized to impose spacing requirements on new wells, monitor, regulate and limit or condition groundwater production and establish production allocations among groundwater

producers, among other powers. GSAs are authorized to impose fees to fund such activities and to fine or issue cease and desist orders against producers that violate GSA's regulations.

While it is not possible to predict the effects of SGMA, the District does not currently expect its groundwater extraction rights or costs in the South Portion of the North American Groundwater Basin to change significantly as a result of the enactment of SGMA.

Surface Water. Recognizing that groundwater levels within the District had been declining over a long period, Northridge and Arcade had each commenced negotiations for the acquisition of surface water in the 1990s. The acquisition and delivery of this surface water is covered under various water supply agreements with other agencies. These agreements include: (i) an agreement dated June 1, 2000, amended on October 2, 2008 and further amended on June 2, 2016 between the District and PCWA to supply PCWA Water to the District (the "PCWA Water Supply Agreement"); (ii) the Wholesale Water Supply Agreement between the City of Sacramento (the "City") and the District, dated as of January 20, 2004 (the "Sacramento Agreement"); and (iii) the water supply agreement between the City and the District, dated as of February 13, 1964 (the "1964 Water Supply Agreement"). All of these sources of water ultimately depend upon water moved through Folsom Reservoir, or diverted from the American River. The District has sufficient surface water supplies available in normal to wet years to serve all of its customers except during limited peak demand periods. The District generally plans to increase surface water deliveries and reduce groundwater deliveries during wet years and to increase groundwater deliveries and reduce surface water deliveries during dry years in a conjunctively managed fashion. See the caption "—California Drought and Response."

PCWA Water Supply Agreement. In 1995 (and as superseded and amended in 2000, amended in 2008 and further amended in 2016), Northridge and PCWA entered into the PCWA Water Supply Agreement to supply PCWA Water from the American River to Northridge for 50 years. The PCWA Water Supply Agreement provides for the sale by PCWA to the District of 12,000 acre feet of water in calendar year 2009 and each year thereafter with an option to purchase additional water in each calendar year, which increased after 2014 to an option to purchase a total of up to 29,000 acre-feet of water per calendar year. The PCWA Water Supply Agreement has provisions for permanently reducing the entitlements of the District by one-half of the scheduled amount that the District fails to take in any year. The scheduled entitlements are subject to the water needs of the customers of PCWA, the entitlements of San Juan under an existing water supply agreement with PCWA, the obligations of PCWA under a power agreement with Pacific Gas and Electric Company, and any temporary disruptions due to repairs or inspections of the facilities of PCWA. While the District currently expects that such prior entitlements will not result in a reduction of water available from PCWA, there can be no assurance that water available to the District from PCWA will meet the schedule of deliveries set forth in the PCWA Water Supply Agreement.

Water deliveries under the PCWA Water Supply Agreement are subject to certain conditions, including the terms of an order of the State Water Resources Control Board that approved the inclusion of the District, as successor to Northridge, within the authorized place of use under the water rights of PCWA, and the provisions of a water conveyance agreement with the United States Bureau of Reclamation. Under the State Water Resources Control Board order, the District may not divert water under the PCWA Water Supply Agreement during certain dry years, in which case the District would use groundwater or surface water from other sources to meet the water supply needs within the District.

The current District cost of water under the PCWA Water Supply Agreement is \$35.00 per acre-foot, regardless of whether the District takes its base contractual water supply. In addition, the District currently pays a wheeling charge of \$30.68 per acre-foot to the U.S. Bureau of Reclamation to move such water through Folsom Reservoir. The District currently projects taking approximately 12,000 acre-feet of the District's entitlement in each of the next five Fiscal Years, subject to availability and pricing. See the caption "—Historic and Projected Water Supply."

The PCWA Water Supply Agreement terminates in 2045, with a provision for the parties to negotiate an extension thereof. There can be no assurance that an extension of the PCWA Water Supply Agreement can be obtained or that the District would be successful in securing a reliable alternate permanent supply of surface water for the District from PCWA, another agency or by obtaining a direct water right.

San Juan Agreement. In October 1994, Northridge and San Juan entered into the San Juan Agreement concerning the diversion, treatment and conveyance of PCWA Water through San Juan's diversion, water treatment and conveyance facilities (the "San Juan Facilities") to Northridge. Under the San Juan Agreement, the District has an exclusive right to 59 million gallons a day ("mgd") of capacity in a 72-inch diameter pipeline constructed by San Juan (the "San Juan Pipeline"), and a first right to use surplus capacity (the "Surplus Capacity") in the San Juan Facilities, subject to the prior use of the San Juan Facilities by San Juan's wholesale water service customers, consisting of San Juan, City of Folsom, Citrus Heights Water District, Fair Oaks Water District and Orange Vale Water Company (collectively, the "Member Districts"). The District has the first right to use the Surplus Capacity for delivery of: (i) surplus water (the "Surplus Water") not needed by the Member Districts diverted by San Juan from Folsom Reservoir under the existing water rights of San Juan; and (ii) surface water diverted from Folsom Reservoir that the District may be entitled to from time to time under other agreements and arrangements, including water under the PCWA Water Supply Agreement.

The San Juan charge to the District for use of Surplus Capacity to divert, treat and deliver water described above is at the average wholesale water rate San Juan charges to Member Districts (but not including the cost-of-water component of such rate for water purchased from agencies other than San Juan), plus a charge to cover the pro rata cost of treating water to be delivered to the District, to the extent that treatment costs are not included in wholesale water rates. The current rate paid by the District under the San Juan Agreement is \$176.49 per acre-foot of treated water.

The Surplus Capacity in the San Juan treatment plant ranges seasonally from 5 to 60 mgd, with the highest availability in the winter months and the lowest in the summer months. There can be no assurance that the Surplus Capacity in the San Juan treatment plant will remain available. In the event the Surplus Capacity in the San Juan treatment plant becomes insufficient to treat water acquired from agencies other than San Juan for use by the District, the District may need to finance increased capacity in the San Juan treatment plant. The San Juan Agreement contains no express termination date.

1964 Water Supply Agreement. Pursuant to the 1964 Water Supply Agreement, the District has the right to divert 26,064 acre-feet per year of water from the American River for use within a portion of the former Arcade Town and Country Service Area known as "Area D." Area D is entirely within the authorized place of use of the City. Under the 1964 Water Supply Agreement, the District has the right to divert this water at two points, from the E.A. Fairbairn Water Treatment Plant of the City (the "E.A. Fairbairn Plant") located near Howe Avenue, and from a floating diversion point on the reach of the American River between Folsom Dam and the Sacramento River. The agreement stipulated that Arcade pay to the City an annual payment based on the per acre-foot cost of raw water charged by the United States Bureau of Reclamation to the City. The District's current per acre-foot payment amount to maintain its entitlement to Area D water is \$2.13. The District anticipates that it will continue making the annual payments to the City that are required to maintain its Area D raw water entitlement.

Prior to the consolidation, Arcade developed its Area D raw water entitlement by constructing 11 shallow infiltration wells along the north bank of the American River, located in the southeast portion of the District. The wells were constructed between 1966 and 1968, of which eight wells were equipped with pumps and placed in service. The wells range in depth from 22 to 45 feet.

The original capacity of the wells was 6,945 gallons per minute, but that capacity diminished over time. In 1993, all of the wells were taken out of service in order to comply with a directive from the State of California Department of Health Services ("DHS") which required additional treatment for "groundwater under the influence of surface water." Arcade subsequently made improvements to the wells and reactivated the system

in 1995 with the approval of DHS. At the time the wells were reactivated, Arcade also requested a time extension to comply with the applicable treatment regulations. On March 21, 1996, DHS issued a Compliance Order requiring that the District provide multi-barrier treatment for the existing wells, as required by the Surface Water Filtration and Disinfection Treatment Regulations, by July 1, 1999. Subsequently, in November 1997, the District discontinued use of the American River wells and removed the pumps and related equipment.

Under the Sacramento Agreement, the City may deduct any amount of untreated surface water diverted by the District under the 1964 Water Supply Agreement from the amount of water the City is required to divert, treat and deliver to the District under the Sacramento Agreement. The District does not currently anticipate diverting untreated surface water under the terms of the 1964 Water Supply Agreement.

Sacramento Agreement. Under the Sacramento Agreement dated January 20, 2004, the City conveyed a capacity interest in the facilities of the City for diverting, treating and delivering up to 20 mgd to the District in exchange for payment of the capital costs of the reserved capacity. Under the Sacramento Agreement, the District has the right to receive up to 20 mgd of treated surface water from the City's water supply facilities. The Sacramento Agreement superseded a previous agreement between Arcade and the City pursuant to which Arcade paid approximately \$2.2 million to acquire an interest in up to 20 mgd of conveyance capacity in a 54-inch transmission main constructed in 1993 by the City from the E.A. Fairbairn Plant under the American River and up Howe Avenue in the City. Using a portion of the proceeds from the previous agreement between Arcade and the City, the District acquired ownership rights in a portion of the capacity in the City's 54-inch transmission main for the purpose of conveying treated water from the City's E.A. Fairbairn Plant to an above-ground reservoir and pump station project constructed by the District that was in part constructed with proceeds from the 2004 Certificates. The District began receiving water from the E.A. Fairbairn Plant through the District's capacity interest in the City's 54-inch transmission main in 2007. The Sacramento Agreement contains no express termination date.

Under the Sacramento Agreement, the District may not receive treated surface water from the City when the flow in the lower American River is below: (i) 2,000 cubic feet per second during the period from October 15 through the last day of February of each year; (ii) 3,000 cubic feet per second during the period from March 1 through June 30 of each year; and (iii) 1,750 cubic feet per second during the period from July 1 through October 15 of each year. The District does not anticipate that the foregoing restrictions will have a material effect upon the City's delivery of treated water in amounts that are sufficient to meet customer demand. See the caption "—California Drought and Response."

Other Surface Water. The District has from time to time purchased other water on a short term basis for use within the Service Area, including but not limited to flood releases from Folsom Reservoir. See the caption "—Historic and Projected Water Supply" below.

Water Transfers

In 2013, the District sold 2,822 acre-feet of surface water to the State Water Contractors Association in exchange for net payments totaling \$409,000. The District has not made water transfers since 2013 but is exploring opportunities to do so in 2018. In 2017, the District wheeled 1,984 acre-feet of water to neighboring purveyors in exchange for net payments totaling \$224,000.

California Drought and Response

Governor's Executive Orders. The State of California (the "State") in recent years has been facing water shortfalls resulting from low rain and snowfall totals. On May 9, 2016, in response to a five-year drought, Governor Edmund G. Brown, Jr. issued an executive order which established a new water use efficiency framework for California. The order bolstered the State's drought resilience and preparedness by establishing longer-term water conservation measures that include permanent monthly water use reporting, new urban water use targets, reducing system leaks and eliminating clearly wasteful practices, strengthening urban drought

contingency plans and improving agricultural water management and drought plans. On May 18, 2016, the State Water Resources Control Board (“SWRCB”) adopted a statewide water conservation approach that requires local water agencies to ensure a three-year supply assuming three more dry years like the ones the State experienced from 2012 to 2015. Water agencies that face shortages under three additional dry years are required to meet a conservation standard equal to the amount of the shortage.

On April 1, 2015, Governor Brown issued an executive order (the “2015 Executive Order”) mandating, among other provisions, a 25% reduction in potable urban water usage in California (as compared to potable water usage in 2013) through February 28, 2016. The 2015 Executive Order provided that the actual mandatory reduction required of each water supplier by the SWRCB will vary based on per capita water usage, with those areas with high per capita water usage being required to achieve proportionately higher reductions than those areas with lower per capita water usage.

On May 5, 2015, following a formal rulemaking process and public comment period, the SWRCB adopted an emergency regulation to implement the 2015 Executive Order. The regulation became effective immediately upon approval by the Office of Administrative Law on May 15, 2015, and remained in effect for 270 days from such date. Under the regulation, 411 urban water providers in the State were classified into nine tiers and assigned a required conservation standard which is imposed on each tier. The tier classifications were based upon a water supplier’s per capita water usage in the three month period from July to September 2014. The conservation standard applied to the tiers ranges from a 4% reduction in total potable water production (although no water providers were proposed to be classified in such tier absent the demonstration by a water provider of satisfaction of certain specified criteria) to a 36% reduction in total potable water production from 2013 levels. As adopted, the regulation required areas with high per capita water usage to achieve proportionately greater reductions in water use than those with low use. The regulation provides that the 2,600 “small water suppliers” in the State that serve fewer than 3,000 customers or deliver less than 3,000 acre-feet of water annually are required to either achieve a 25% conservation standard or restrict outdoor irrigation to no more than two days per week. Commercial, industrial and institutional properties that are not served by a water supplier (or are self-supplied) are similarly required to either achieve a 25% conservation standard or restrict outdoor irrigation to no more than two days per week. Under the regulation, compliance by the 411 urban water suppliers were assessed for the period of June 2015 through February 2016 as compared to water usage in the corresponding prior timespan of June 2013 through February 2014. In addition to the total monthly water production and specific reporting on residential use and enforcement action previously adopted by the SWRCB, the regulation adopted May 5, 2015 also included new reporting requirements for urban water suppliers to include information on water use in the commercial, industrial and institutional sectors. In order to enforce compliance by water suppliers, the regulation authorized the SWRCB to issue informational orders, conservation orders or cease and desist orders requiring additional specific actions by a water supplier that was not meeting its conservation standard. Failure to provide information requested pursuant to an informational order within the required timeframe would be subject to civil liability of up to \$500 per day for each day out of compliance. Water agencies that violated cease and desist orders were subject to a civil liability of up to \$10,000 a day.

On November 13, 2015, Governor Brown issued Executive Order B-36-15, which called for an extension of urban water use restrictions until October 31, 2016 should drought conditions persist through January 2016. On February 2, 2016, the reductions mandated by the 2015 Executive Order were extended through October 31, 2016. On May 9, 2016, the Governor issued an executive order directing the SWRCB to adjust and extend the SWRCB’s emergency water conservation regulations through the end of January 2017 (the “2016 Executive Order”). On May 18, 2016 and in accordance with the 2016 Executive Order, the SWRCB adopted an emergency water conservation regulation (the “2016 SWRCB Regulation”) that replaces its February 2, 2016 emergency regulation and extends through January 31, 2017.

The 2016 SWRCB Regulation requires urban water suppliers to develop conservation standards based upon each urban water supplier’s specific circumstances and replacing the prior percentage reduction-based water conservation standard described above. Pursuant to the 2016 SWRCB Regulation, the District filed a conservation standard with the SWRCB on June 20, 2016, which included data and underlying analyses used by

the District to determine the conservation standard and to demonstrate compliance with certain substantive requirements of the 2016 SWRCB Regulation. The conservation standard is zero, based on a finding of adequate supplies per the terms of the 2016 SWRCB Regulation.

On April 7, 2017, the Governor issued an executive order (the “2017 Executive Order”) which terminates the January 17, 2014 executive order discussed above (except with respect to certain counties within the State) and rescinds the 2015 Executive Order. The 2017 Executive Order continues to require the SWRCB to develop standards for urban water suppliers to set water use efficiency targets and restrict wasteful water use, as provided in the 2016 Executive Order.

District Drought Response Actions and Impact. California recently experienced a historic four-year drought followed by one of the wettest years on record in weather year 2017. The District received either no surface water or reduced amounts of surface water diverted from the American River under the Sacramento Agreement and under the PCWA Water Supply Agreement during the recent drought. See the captions “Water Supply—Surface Water,” “—PCWA Water Supply Agreement” and “—Sacramento Agreement” above and “—Historic and Project Water Supply” below. To date, 2018 is expected to be a dryer than normal year. Notwithstanding the foregoing, the District continues to enjoy an ample supply of groundwater due to its investment in both surface water and groundwater infrastructure and supply sources. In response to executive orders and the regulations issued by the SWRCB discussed under the caption “—Governor’s Executive Orders” above, the District adopted a “Water Shortage Contingency Plan” (the “Contingency Plan”). In 2014, the Contingency Plan, amongst other actions, asked customers to voluntarily reduce their water consumption by 20%. In June 2015, due to mandatory actions implemented by the SWRCB, customers were asked to reduce their water consumption by 32% compared to a base year of 2013/2014. As a result of these efforts, District water demand declined by 15.5% in 2015 compared to calendar year 2014 and 15.6% in 2014 compared to calendar year 2013. In 2017, as the recent drought ended, water demand rebounded to some extent but per capita demand remained significantly below 2012 pre-drought levels.

The District is obligated under the Indenture to fix and prescribe rates and charges for the Water Service which are reasonably expected to be at least sufficient to yield during each Fiscal Year Net Revenues equal to 115 percent of Debt Service for such Fiscal Year as more particularly described under the caption, “SECURITY FOR THE 2018A BONDS—Rate Covenant.”

Historic and Projected Water Supply

Set forth below is a summary of the sources of water supply for the District for the last five years.

SACRAMENTO SUBURBAN WATER DISTRICT HISTORIC WATER SUPPLY IN ACRE FEET PER YEAR

<i>Calendar Year ending December 31</i>	<i>Groundwater</i>	<i>PCWA Water Supply Agreement</i>	<i>City of Sacramento Water Supply</i>	<i>Total</i>
2017 ⁽¹⁾	19,791	10,162	1,301	31,254
2016	17,864	11,025	423	29,312
2015	27,422	80	-	27,502
2014	32,561	-	-	32,561
2013	38,145	409	-	38,554
2012	27,530	4,096	6,463	38,089

⁽¹⁾ Reflects unaudited actual amounts.
Source: The District.

Set forth below is a summary of the District’s projection of water sources available for the current and four succeeding calendar years.

**SACRAMENTO SUBURBAN WATER DISTRICT
PROJECTED WATER SUPPLY IN ACRE FEET PER YEAR**

<i>Calendar Year ending December 31</i>	<i>Groundwater</i>	<i>PCWA Water Supply Agreement</i>	<i>City of Sacramento Water Supply</i>	<i>Total</i>
2018	19,850	12,150	1,000	33,000
2019	22,350	12,150	1,000	35,500
2020	24,850	12,150	1,000	38,000
2021	25,350	12,150	1,000	38,500
2022	25,850	12,150	1,000	39,000

Source: The District.

The above projections are based on historical demand by customer category in comparison to the land area served and the number of connections by category for Fiscal Years 2018 through 2022. Increased water conservation efforts and potential new regulations resulting from the passage of SGMA could lower these projections. Actual groundwater and surface water usage will depend on a variety of factors including but not limited to hydrological conditions. See the captions “—Water Supply—Groundwater” and “—Surface Water” above.

Historic Water Connections

The following table shows the number of water connections to the Water System for the five most recent years.

**SACRAMENTO SUBURBAN WATER DISTRICT
HISTORIC WATER CONNECTIONS**

<i>Calendar Year ending December 31</i>	<i>Connections</i>	<i>Increase/(Decrease)</i>
2017 ⁽¹⁾	46,318	(0.71%)
2016	46,650	0.51
2015	46,414	0.65
2014	46,112	1.59
2013	45,391	1.37

⁽¹⁾ Reduction reflects data analysis performed during 2017.

Source: The District.

Historic Water Deliveries

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

**SACRAMENTO SUBURBAN WATER DISTRICT
HISTORIC WATER DELIVERIES IN ACRE FEET PER YEAR**

<i>Calendar Year ending December 31</i>	<i>Deliveries⁽¹⁾</i>	<i>Increase/(Decrease)</i>
2017	28,754	6.63% ⁽²⁾
2016	26,967	6.58 ⁽²⁾
2015	25,302	(15.54) ⁽³⁾
2014	29,956	(15.54) ⁽³⁾
2013	35,470	1.22

⁽¹⁾ Reflects estimated system losses of 8% of District supply, resulting in water deliveries equal to 92% of District supply. See the table entitled "SACRAMENTO SUBURBAN WATER DISTRICT HISTORIC WATER SUPPLY IN ACRE FEET PER YEAR" set forth under the caption "—Historic and Projected Water Supply."

⁽²⁾ Increase due to water availability and a reduction in conservation requirements.

⁽³⁾ Decrease due to drought and strict water conservation requirements.

Source: The District.

Historic Water Sales Revenues

The following table shows District water sales revenues for the five most recent Fiscal Years.

**SACRAMENTO SUBURBAN WATER DISTRICT
HISTORIC WATER SALES REVENUES**

<i>Fiscal Year ending December 31</i>	<i>Sales Revenues</i>	<i>Increase/(Decrease)</i>
2017 ⁽¹⁾	\$43,084,389	7.32%
2016	40,143,786	6.48 ⁽²⁾
2015	37,698,579	(0.31) ⁽³⁾
2014	37,816,244	(4.78) ⁽³⁾
2013	39,715,067	1.14

⁽¹⁾ Reflects actual, unaudited amount.

⁽²⁾ Increase due to water availability and a reduction in conservation requirements.

⁽³⁾ Decrease due to drought and strict water conservation requirements.

Source: The District.

Largest Customers

The following table sets forth the ten largest customers in the District as of December 31, 2017, as determined by annual payments.

<i>Customer</i>	<i>Annual Payments</i>
McClellan Business Park	\$ 531,457
San Juan Unified School District	354,776
Carmel Partners, MS#3, The Arbors	211,528
Woodside Association, Inc.	177,605
Autumn Ridge Apartments	160,844
Twin Rivers Union School District	148,925
Eskaton Village	132,784
Fulton-El Camino Rec/Park District	128,235
The Homes at McClellan Park	113,009
Logan Park Apartments	<u>111,568</u>
Total	<u>\$2,070,731</u>

Source: The District.

These ten largest customers accounted for approximately 4.57% of Water System Revenues in the Fiscal Year ending December 31, 2017.

Water System Rates and Charges

General. District rates and charges for water service within the District’s territory are set by the Board of Directors and are not subject by statute to the jurisdiction of, or regulation by, the State Public Utilities Commission or any other regulatory body. The District, however, is required to comply with the notice, hearing and majority protest provisions of Article XIID of the State Constitution, which is popularly known as Proposition 218. See the caption “CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218.”

District staff annually determines the adequacy of the water charge structure for the water service in the District’s service area after full consideration of expected operations, maintenance and capital costs of the Water System. The Board of Directors currently sets water charges at a level it determines is sufficient to pay all operating and maintenance costs of water pumping and water purchases, to recover operating expenses for the Water System, to pay debt service payments for the Water System and to fund capital improvements and replacements to the Water System.

The District is subject to certain covenants with respect to the 2018A Bonds and certain Contracts which require the setting of rates and charges reasonably expected to yield Net Revenues equal to 115% of the current annual debt service requirement of the District. See the caption “SECURITY FOR THE 2018A BONDS—Rate Covenant.”

On August 27, 2013, after the public hearing required under Proposition 218, the Board of Directors adopted a comprehensive rate plan for the District (the “2015 Rate Plan”). The 2015 Rate Plan incorporates water rate increases beginning January 1, 2015 and ending January 1, 2018, as further described below. The District is currently studying the need for future rate increases but has not taken action to raise rates since the adoption of the 2015 Rate Plan.

Water Service Charges. The District charges a metered or flat rate for residential customers depending on whether the service connections of such customers have a water meter. All District customers, regardless of the type of service, are charged an operation and maintenance charge and a capital facilities charge. On August 27, 2013, the Board of Directors adopted rate increases effective January 1, 2015, January 1, 2016, January 1, 2017 and January 1, 2018. In aggregate, the four rate increases have increased total water service charges by approximately 17%. The total metered rate, beginning January 1, 2018, for single family residential service using 15 centum cubic feet (“CCF” with 1 CCF equal to 100 cubic feet of water) with a three-quarter inch service line is \$54.96 per month. The metered rate for another typical customer class, one inch service

using 15 CCF of water, is currently \$81.34 per month. There is no assurance that the Board of Directors will not repeal or modify such rate increases in the future or that the District's ratepayers will not approve an initiative to repeal or modify any increase in water service rates and charges approved by the Board of Directors.

The District requires water meters for all new construction and has adopted a water meter retrofit program to meter all water services by 2030 in accordance with the obligations of the District under a Regional Water Forum Agreement entered into in 1995 by the water purveyors in the greater Sacramento area. Under a state law enacted effective January 1, 2005, the District is now required to install meters on all water connections by no later than January 1, 2025. Presently, approximately 86% of the District's water connections are metered (including 100% of commercial connections) and the District currently anticipates having all connections metered prior to January 1, 2025. The District currently charges for water based on metered usage for those services that are metered. The District has a tiered water rate schedule based on metered water use for residential meter customers. The metered rate typically consists of a meter service charge and a commodity charge per hundred cubic feet of water actually used.

The table below sets forth a comparison of the District a typical monthly water bill for a single family residential user of 15 CCF per month with a one inch service to those of nearby water purveyors as of January 1, 2018:

<i>Community</i>	<i>Metered Rate</i>
Placer County Water Agency	\$107.93
Sacramento Suburban Water District	81.34
California American Water Company	78.06
Rio Linda/Elverta Community Water District	68.98
San Juan Water District	62.70
Carmichael Water District	60.63
City of Sacramento	47.60

Source: The District.

Capital Facilities Fees. Effective April 1, 2017, the District implemented a new fee structure for collecting facility development charges for each new connection to District facilities in the service area. The new structure is as follows:

<i>Meter Size</i>	<i>Charge</i>
3/8" meter	\$ 3,228
3/4" meter	4,817
1" meter	8,045
1 1/2" meter	16,041
2" meter	25,676
3" meter	48,172
4" meter	80,304
6" meter	160,559
8" meter	256,904
10" meter	369,339
12" meter	541,941

The table below sets forth a comparison of the District facilities development charge for a single family residence with a one inch metered service to those of nearby communities as of January 1, 2018:

<i>Community</i>	<i>Fees</i>
San Juan Water District	\$16,412
Rio Linda/Elverta Community Water District	13,064
City of Roseville	9,090
Sacramento Suburban Water District	8,519
Carmichael Water District	7,601
El Dorado Irrigation District	7,162
Fair Oaks Water District	6,153
City of Sacramento	5,039
City of Folsom	3,199

Source: The District.

Collection Procedures

The District is on a 30-day billing cycle for all types of water service provided within its territory. The District mails bills to each property owner with a flat-rate connection in advance of the next 30-day period. Metered-rate customers are billed in arrears for usage in the previous 30 days. If payment is not received by the due date and before the next billing is generated, a 10% penalty charge is assessed on the delinquent amount. If payment is not received within 60 days after a bill is mailed, the District mails a 15-day service termination notice to such delinquent customers. If, after receipt of the 15-day notice, payment is still not received, the District sends a 48-hour notice of impending termination to delinquent customers. If, after receipt of the 48-hour notice of impending termination, payment is still not received, the District will terminate water service at the delinquent property. In addition, the District is authorized to record a lien against the property of any delinquent customer whose service has been terminated in accordance with the above procedures.

The following table shows the annual water sales revenues and the amount of such revenues transferred to the tax roll for the five most recent calendar years.

<i>Calendar Year ending December 31</i>	<i>Water Sales Revenues</i>	<i>Transferred to Tax Roll</i>
2017 ⁽¹⁾	\$43,084,389	\$0.00
2016	40,143,786	0.00
2015	37,698,579	0.00
2014	37,816,244	0.00
2013	39,715,067	0.00

⁽¹⁾ Reflects actual, unaudited amount.

Source: The District.

Currently, 19.1% of customer accounts receivable, representing a total of approximately \$658,185 (which comprises approximately 1.53% of annual water sales revenues) are more than 30 days past due. The District reports, however, that upon receipt of the notices described above, nearly all of the customers of the District pay delinquent amounts before the end of the 60-day billing cycle. All accounts not paid in full at the end of the 60-day billing cycle are subject to the termination procedures described above, and if payment is not timely received in accordance with such procedures, are locked-off until the property owner makes full payment, including a \$60.00 reconnection fee.

Future Water System Improvements

In March 2017, the Board of Directors of the District adopted a Water System Master Plan (the “WSMP”) that incorporates a capital needs analysis for a 15-year period from 2017 through 2031. At that time,

there were projects divided into 7 categories with an estimated total cost of approximately \$391.3 million (in 2017 dollars).

Each year, the capital improvement plan is determined from certain capital asset needs as identified in the WSMP and updated with the addition of new projects, the completion of existing projects, or the extension of on-going projects. The budget for capital improvement projects in Fiscal Year 2018 is \$19,360,000. The projects include rehabilitation and/or replacement of existing distribution pipeline facilities, installation and rehabilitation of wells, pump stations and well water treatment facilities, metering of unmetered service connections and other projects.

The District plans to finance these projects through District revenues on a pay-as-you-go basis.

Projected Water Connections

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

SACRAMENTO SUBURBAN WATER DISTRICT PROJECTED WATER CONNECTIONS

<i>Calendar Year ending December 31</i>	<i>Connections</i>	<i>Increase/(Decrease)</i>
2018	46,578	0.56%
2019	46,831	0.54
2020	47,086	0.54
2021	47,340	0.54
2022	47,597	0.54

Source: The District.

Projected Water Deliveries

The District currently projects that water deliveries will increase slightly, as shown below, as a result of an increase in connections. The District currently estimates that Water System deliveries for the current and next four calendar years will be as follows.

SACRAMENTO SUBURBAN WATER DISTRICT PROJECTED WATER DELIVERIES IN ACRE FEET PER YEAR

<i>Calendar Year ending December 31</i>	<i>Deliveries⁽¹⁾</i>	<i>Increase/(Decrease)</i>
2018	30,360	5.59% ⁽²⁾
2019	32,660	7.58
2020	34,960	7.04
2021	35,420	1.32
2022	35,880	1.30

⁽¹⁾ Reflects projected system losses of 8% of District supply, resulting in water deliveries equal to 92% of District supply. See the table entitled "SACRAMENTO SUBURBAN WATER DISTRICT PROJECTED WATER SUPPLY IN ACRE FEET PER YEAR" set forth under the caption "—Historic and Projected Water Supply."

⁽²⁾ Projected water deliveries in 2018 based on average hydrological conditions within the District over the past five years.

Source: The District.

Actual water deliveries will depend on a variety of factors including but not limited to hydrological conditions, weather and water conservation efforts.

Projected Water Sales Revenues

The following table projects annual water sales revenues of the Water System, which projections are based on the increases in projected water connections described under the caption “THE DISTRICT—Projected Water Connections.” Projected water sales revenues for calendar years 2018 through 2022 assume no rate increases. Increased water sales revenues are based on increases in projected water connections, as the Board of Directors has not approved any future rate increases at this time.

**SACRAMENTO SUBURBAN WATER DISTRICT
PROJECTED WATER SALES REVENUES**

<i>Calendar Year ending December 31</i>	<i>Sales Revenues</i>	<i>Increase/(Decrease)</i>
2018	\$45,508,000	5.62%
2019	46,745,000	2.71
2020	47,983,000	2.64
2021	48,387,000	0.84
2022	48,792,000	0.83

Source: The District.

Actual water sales revenues will depend on a variety of factors, including but not limited to hydrological conditions, weather, and water conservation efforts.

WATER SYSTEM FINANCIAL INFORMATION

Financial Statements

A copy of the District’s most recent audited financial statements for the Fiscal Year ended December 31, 2016 prepared by Richardson & Company, LLP, Sacramento, California (the “Auditor”) are set forth as Appendix A hereto (the “Financial Statements”). The Financial Statements are combined with certain unaudited statistical and supplemental information to form the District’s Comprehensive Annual Financial Report. The Auditor’s letter concludes that the financial statements referred to above present fairly, in all material respects, the financial position of the District as of December 31, 2016 and 2015 and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America (“GAAP”) as well as accounting systems prescribed by the State Controller’s Office and state regulations governing special districts. The Auditor has not reviewed the information contained in this Official Statement. The Auditor’s consent to the inclusion of the Financial Statements in the Official Statement was granted but no additional procedures were performed.

Significant Accounting Policies. The District is accounted for as an enterprise fund type of the proprietary fund group and therefore accounts for its operations in a manner similar to a private enterprise since it is the intent of the District to recover its cost of providing goods and services to the public on a continuing basis primarily through user charges.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The basic financial statements reflect the flow of economic resources measurement focus and the full accrual basis of accounting. Under the full accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred regardless of the timing of related cash flows.

The principal operating revenues of the District are charges to customers for water sales and services. Operating expenses include the cost to purchase, pump, treat and deliver water, administrative expenses and depreciation on capital assets. The District distinguishes operating revenues and expenses from non-operating revenues and expenses based on the relationship of the revenue or expense to the production and delivery of water.

Preparation of the basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources and disclosures of contingent assets and liabilities at the date of the basic financial statements and reported changes in net position during the reporting period. Actual results may differ from those estimates.

See the District's Comprehensive Annual Financial Report attached hereto as Appendix A for a discussion of other accounting practices of the District.

The summary operating results contained under the caption "—Historic Operating Results and Debt Service Coverage" are derived from these financial statements (excluding depreciation, grant revenues received by the District for activities unrelated to the Water System and passed through to other entities, certain non-cash items and after certain other adjustments) and are qualified in their entirety by reference to such statements, including the notes thereto. The presentation of historic operating results and debt service coverage below reflects the financial covenants set forth in the Indenture, not with respect to any other obligations currently or previously outstanding.

In providing a rating on the 2018A Bonds, certain rating agencies may have performed independent calculations of coverage ratios using their own internal formulas and methodologies which may not reflect the provisions of the Indenture. See the caption "RATINGS" herein. The District makes no representations as to any such calculations, and such calculations should not be construed as a representation by the District as to past or future compliance with any bond covenants, the availability of particular revenues for the payment of Debt Service or for any other purpose.

Historic Operating Results and Debt Service Coverage

The following table is a summary of operating results of the District for Fiscal Years 2013 through 2017.

SACRAMENTO SUBURBAN WATER DISTRICT HISTORIC OPERATING RESULTS FISCAL YEAR ENDED DECEMBER 31

	2017 ⁽¹⁾	2016	2015 ⁽²⁾	2014 ⁽³⁾	2013
Revenues ⁽⁴⁾					
Water Sales ⁽⁵⁾	\$ 43,084,389	\$ 40,143,786	\$ 37,698,579	\$ 37,816,244	\$ 39,715,067 ⁽¹²⁾
Other Charges for Services	1,077,174	939,242	991,840	1,113,268	1,067,869
Water Transfers	-	-	-	-	536,218
Facility Development Charges ⁽⁶⁾	135,073	264,209	542,558	560,784	187,246
Investment Income ⁽⁷⁾	571,716	612,859	271,344	546,333	632,861
Other ⁽⁸⁾	455,740	279,231	358,212	373,055	398,819
Total Revenues	\$ 45,324,092	\$ 42,239,327	\$ 39,862,533	\$ 40,409,684	\$ 42,538,080
Operation and Maintenance Costs ⁽⁹⁾					
Transmission and Distribution	\$ 4,016,335	\$ 3,972,951	\$ 3,620,756	\$ 3,642,931	\$ 3,885,987
Administrative and General	7,641,510	6,818,371	6,120,590	6,099,956	5,919,127 ⁽¹²⁾
Pumping	4,516,090	4,852,232	5,124,320	4,631,403	4,705,822
Water Purchases ⁽¹⁰⁾	2,980,224	2,470,806	56,993	66,844	405,913
Customer Accounts	1,304,645	1,144,521	1,159,031	1,122,017	1,086,079
Water Conservation	452,328	587,395	772,713	399,323	321,564
Other Non-Operating Expenses	3,087	3,682	137	149	55
Total Operation and Maintenance Costs	\$ 20,914,219	\$ 19,849,958	\$ 16,854,540	\$ 15,962,623	\$ 16,324,547
Net Revenues	\$ 24,409,873	\$ 22,389,369	\$ 23,007,993	\$ 24,447,061	\$ 26,213,533
Debt Service					
2009A Installment Purchase Agreement ⁽¹¹⁾	\$ 1,413,196	\$ 1,282,173	\$ 1,271,909	\$ 1,323,520	\$ 1,318,491
2009B Installment Purchase Agreement	3,272,500	3,252,179	3,244,364	3,251,700	3,231,375
2012A Bonds	2,873,425	2,918,217	2,905,961	2,908,775	2,912,525
Total Debt Service	\$ 7,559,121	\$ 7,452,569	\$ 7,422,234	\$ 7,483,995	\$ 7,462,391
Coverage	3.22	3.00	3.09	3.26	3.51
Revenues Available for Capital Projects and Other Purposes	\$ 16,850,752	\$ 14,936,800	\$ 15,585,759	\$ 16,963,066	\$ 18,751,142

⁽¹⁾ Unaudited actual results.

⁽²⁾ Reflects the prior period adjustment to reflect the implementation of GASB Statement Nos. 68 and 71 described under the caption “—Management Discussion of Historic Operating Results and Debt Service Coverage” below.

⁽³⁾ Restated in the District’s Comprehensive Annual Financial Report for the Fiscal Year ending December 31, 2015 (the “2015 CAFR”) to reflect the reclassification of certain amounts to conform to the presentation in the 2015 CAFR.

⁽⁴⁾ Excludes grant revenues received by the District for activities unrelated to the Water System and passed through to other entities.

⁽⁵⁾ Includes water consumption sales and transfers, water service charges, capital facilities charges and wheeling water charges.

⁽⁶⁾ Excludes grant income and developer contributions.

⁽⁷⁾ Excludes unrealized gains and losses on investments.

⁽⁸⁾ Includes rental revenue and other non-operating revenues.

⁽⁹⁾ Excludes payment of grants received by the District for activities unrelated to the Water System to other entities.

⁽¹⁰⁾ Includes payments under the 1964 Water Supply Agreement.

⁽¹¹⁾ Includes payments under the 2012 Swap Agreement and SMBC Credit Facility Agreement.

⁽¹²⁾ Reflects the reclassification of \$42,107 of Water Sales to Administrative and General for comparative purposes in the District’s Comprehensive Annual Financial Report for the Fiscal Year ending December 31, 2014.

Source: The District.

Management Discussion of Historic Operating Results and Debt Service Coverage

In the District's audited Financial Statements for Fiscal Year 2015, the District recorded a prior period adjustment to reflect the implementation of GASB Statement Nos. 68 and 71, which required the District to recognize in its accrual basis financial statements the proportional share of the net pension liability, deferred outflows of resources and deferred inflows of resources for the District's cost-sharing pension plan. The prior period adjustment affected the Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position for Fiscal Years 2015 and 2014 set forth in the 2015 CAFR and are reflected in the table under "Historic Operating Results and Debt Service Coverage" above.

In the District's audited Financial Statements for Fiscal Year 2015, the District restated its total net position as of January 1, 2014 to account for the identification of certain capital assets that had previously been disposed of but which had not been removed from the District's accounting records. Such restatement of net position had no effect on Revenues, Operation and Maintenance Costs or Coverage set forth in the table under "Historic Operating Results and Debt Service Coverage" above.

In the District's audited Financial Statements for Fiscal Year 2016 attached hereto as Appendix A, the District restated its total net position as of January 1, 2015 to account for the removal of capital assets that had been replaced in periods prior to 2015 or 2014. Such restatement of net position had no effect on Revenues, Operation and Maintenance Costs or Coverage set forth in the table under "Historic Operating Results and Debt Service Coverage" above.

Projected Operating Results and Debt Service Coverage

The estimated projected operating results of the District for the Fiscal Years ending December 31, 2018 through 2022 are set forth below, reflecting certain significant assumptions concerning future events and circumstances. The financial forecast represents the District's estimate of projected financial results based on the assumptions stated in the footnotes to the chart set forth below. Such assumptions are material in the development of the District's financial projections, and variations in the assumptions may produce substantially different financial results. Actual operating results achieved during the projection period may vary from those presented in the forecast and such variations may be material.

**SACRAMENTO SUBURBAN WATER DISTRICT
PROJECTED OPERATING RESULTS
FISCAL YEAR ENDING DECEMBER 31**

	2018 ⁽¹⁾	2019	2020	2021	2022
Revenues ⁽²⁾					
Water Sales ⁽³⁾	\$ 45,508,000	\$ 46,745,000	\$ 47,983,000	\$ 48,387,000	\$ 48,792,000
Other Charges for Services ⁽³⁾	1,060,000	1,070,000	1,080,000	1,090,000	1,100,000
Facility Development Charges ⁽⁴⁾	300,000	300,000	300,000	300,000	300,000
Investment Income ⁽⁵⁾	650,000	735,000	815,000	900,000	980,000
Other ⁽⁶⁾	<u>350,000</u>	<u>350,000</u>	<u>350,000</u>	<u>350,000</u>	<u>350,000</u>
Total Revenues	\$ 47,868,000	\$ 49,200,000	\$ 50,528,000	\$ 51,027,000	\$ 51,522,000
Operation and Maintenance Costs ⁽⁷⁾					
Transmission and Distribution ⁽⁸⁾	\$ 4,135,000	\$ 4,300,000	\$ 4,472,000	\$ 4,651,000	\$ 4,837,000
Administrative and General ⁽⁹⁾	7,795,000	8,107,000	8,431,000	8,768,000	9,119,000
Pumping ⁽⁸⁾	4,600,000	4,784,000	4,975,000	5,174,000	5,381,000
Water Purchases ⁽¹⁰⁾	3,500,000	3,745,000	4,007,000	4,287,000	4,587,000
Customer Accounts ⁽⁹⁾	1,350,000	1,404,000	1,460,000	1,518,000	1,579,000
Water Conservation ⁽¹¹⁾	475,000	494,000	514,000	535,000	556,000
Other Non-Operating Expenses ⁽¹²⁾	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>
Total Operation and Maintenance Costs	\$ 21,860,000	\$ 22,839,000	\$ 23,864,000	\$ 24,938,000	\$ 26,064,000
Net Revenues	\$ 26,008,000	\$ 26,361,000	\$ 26,664,000	\$ 26,089,000	\$ 25,458,000
Debt Service					
2009A Installment Purchase Agreement ⁽¹³⁾	\$ 1,331,834	\$ 1,331,834	\$ 1,335,870	\$ 1,331,733	\$ 1,331,834
2009B Installment Purchase Agreement ⁽¹⁴⁾	570,500	-	-	-	-
2012A Bonds	2,867,225	2,838,025	2,848,225	2,838,238	2,818,838
2018A Bonds ⁽¹⁵⁾	<u>2,580,138</u>	<u>3,042,848</u>	<u>3,066,498</u>	<u>3,085,171</u>	<u>3,071,820</u>
Total Debt Service	\$ 7,349,697	\$ 7,212,707	\$ 7,250,593	\$ 7,255,142	\$ 7,222,492
Coverage	3.53	3.65	3.67	3.59	3.52
Revenues Available for Capital Projects and Other Purposes	\$ 18,658,303	\$ 19,148,293	\$ 19,413,407	\$ 18,833,858	\$ 18,235,508

⁽¹⁾ Based upon the Fiscal Year 2018 budget. See the caption "THE DISTRICT—Budget Process."

⁽²⁾ Excludes grant revenues received by the District for activities unrelated to the Water System and passed through to other entities.

⁽³⁾ Fiscal Year 2018 Revenues increased by 4.0% due to rate increases adopted by the Board of Directors on August 27, 2013. See the caption "THE DISTRICT—Water System Rates and Charges." Revenue increases beginning in Fiscal Year 2018 are also based on projected water demand and connections increases with no adjustments to rates from those previously adopted by the Board of Directors. See the captions "THE DISTRICT—Water System Rates and Charges" and "THE DISTRICT—Projected Water Sales Revenues." Water Sales includes water consumption sales and transfers, water service charges, capital facilities charges and wheeling water charges.

⁽⁴⁾ Based on District projections. Excludes grant income and developer contributions.

⁽⁵⁾ Projected at the current investment portfolio rate of return of 1.75% per annum for Fiscal Year 2018, and increases in the rate of return of 0.25% per annum thereafter. Excludes unrealized gains and losses on investments.

⁽⁶⁾ Includes rental income and other miscellaneous revenues.

⁽⁷⁾ Excludes payment of grants received by the District for activities unrelated to the Water System to other entities.

⁽⁸⁾ Projected to increase approximately 4.0% per annum from Fiscal Year 2018 budgeted amount.

⁽⁹⁾ Projected to increase approximately 4.0% per annum from Fiscal Year 2018 budgeted amount.

⁽¹⁰⁾ Includes payments under the 1964 Water Supply Agreement. Projected to increase approximately 7.0% per annum from Fiscal Year 2018 budgeted amount.

⁽¹¹⁾ Projected to increase approximately 4.0% per annum from Fiscal Year 2018 budgeted amount.

⁽¹²⁾ Projected to increase approximately 4.0% per annum from Fiscal Year 2018 budgeted amount.

⁽¹³⁾ Reflects projected payments under 2009A Installment Purchase Agreement at 2012 Swap Agreement rate of 3.283% per annum with respect to \$33,300,000 aggregate principal amount of 2009A Certificates. Reflects projected payments under 2009A Installment Purchase Agreement at rate of 2.75% per annum with respect to \$8,700,000 aggregate principal amount of 2009A Certificates.

⁽¹⁴⁾ Projected to be prepaid from proceeds of the 2018A Bonds. See the caption "REFUNDING PLAN." Reflects 2009B Installment Payments through the date of issuance of the 2018A Bonds.

⁽¹⁵⁾ Preliminary, subject to change. Assumes issuance of 2018A Bonds in the aggregate principal amount of \$19,770,000 at a true interest cost of 3.54% per annum.

Source: The District.

Management Discussion of Projected Operating Results and Debt Service Coverage

The District projects that operating Revenues will increase in Fiscal Year 2018 due to 4.0% water rate increases approved by the Board of Directors on August 27, 2013 and due to increased water demand and a limited number of new connections. See the captions “THE DISTRICT—Water System Rates and Charges,” “THE DISTRICT—Projected Water Connections” and “THE DISTRICT—Projected Water Sales Revenues.” Water demand projections are based on the District’s Urban Water Management Plan which was adopted in 2015. As the Board of Directors has not adopted further rate increases, the District’s water sales revenue projections for Fiscal Year 2019 through 2022 are based solely on projected increased demand and limited number of new connections. See the captions “THE DISTRICT—Projected Water Connections” and “THE DISTRICT—Projected Water Sales Revenues.” As of December 31, 2017, the District has 310,870 acre-feet of carried-over groundwater that it may use at its discretion subject to further potential regulations imposed by the SGMA. See the caption “THE DISTRICT—Water Supply—Sustainable Groundwater Management Act.” One potential use of such carried-over groundwater is to enhance revenue by selling the water to water purveyors south of the District. The District has made sales of carried-over water in Fiscal Years 2009, 2010 and 2013 and is exploring opportunities to do so in 2018. See the caption “THE DISTRICT—Water Transfers.” The projected Operation and Maintenance Costs are projected to increase at an inflationary rate of 4.0% per annum with the exception of purchased surface water which is projected to grow at a rate of 7.0% per annum.

CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES

Article XIII B

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

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

Certain expenditures are excluded from the appropriations limit including payments of indebtedness existing or legally authorized as of January 1, 1979, or of bonded indebtedness thereafter approved by the voters and payments required to comply with court or federal mandates which without discretion require an expenditure for additional services or which unavoidably make the providing of existing services more costly.

The District is of the opinion that the rates imposed by the District do not exceed the costs that the District reasonably bears in providing water service. The District will covenant in the Indenture that, to the fullest extent permitted by law, it will prescribe rates and charges sufficient to provide Net Revenues for payment of principal of and interest on the 2018A Bonds in each year as more particularly described under the caption “SECURITY FOR THE 2018A BONDS—Rate Covenant.”

Proposition 218

General. An initiative measure entitled the “Right to Vote on Taxes Act” (the “Initiative”) was approved by the voters of the State of California at the November 5, 1996 general election. The Initiative added Article XIII C and Article XIII D to the California Constitution. According to the “Title and Summary” of the Initiative prepared by the California Attorney General, the Initiative limits “the authority of local governments to impose taxes and property-related assessments, fees and charges.”

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

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

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

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

Since its formation in 2002, the District has complied with the notice, hearing and protest procedures in Article XIII D with respect to water rate increases, as further explained by the State Supreme Court decision in the *Bighorn Case*.

On April 20, 2015, the California Court of Appeal, Fourth District, issued an opinion in *Capistrano Taxpayers Association, Inc. v. City of San Juan Capistrano* upholding tiered water rates under Proposition 218 provided that the tiers correspond to the actual cost of furnishing service at a given level of usage. The opinion was specific to the facts of the case, including a finding that the City of San Juan Capistrano did not attempt to calculate the actual costs of providing water at various tier levels. The District’s water rates are described under the caption “THE DISTRICT—Water System Rates and Charges.” The District does not currently expect the decision to affect its water rate structure. The District believes that its current water rates comply with the

requirements of Proposition 218 and expects that any future water rates will comply with Proposition 218's procedural and substantive requirements to the extent applicable thereto.

Article XIII C. Article XIII C provides that the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge and that the power of initiative to affect local taxes, assessments, fees and charges shall be applicable to all local governments. Article XIII C does not define the terms "local tax," "assessment," "fee" or "charge," so it was unclear whether the definitions set forth in Article XIII D referred to above are applicable to Article XIII C. Moreover, the provisions of Article XIII C are not expressly limited to local taxes, assessments, fees and charges imposed after November 6, 1996. On July 24, 2006, the Supreme Court held in the *Bighorn* Case that the provisions of Article XIII C included rates and fees charged for domestic water use. In the decision, the Court noted that the decision did not address whether an initiative to reduce fees and charges could override statutory rate setting obligations. The District does not believe that Article XIII C grants to the voters within the District the power to repeal or reduce the water charges in a manner which would be inconsistent with the contractual obligations of the District. However, there can be no assurance of the availability of particular remedies adequate to protect the beneficial owners of the 2018A Bonds. Remedies available to beneficial owners of the 2018A Bonds in the event of a default by the District are dependent upon judicial actions which are often subject to discretion and delay and could prove both expensive and time-consuming to obtain.

In addition to the specific limitations on remedies contained in the applicable documents themselves, the rights and obligations with respect to the 2018A Bonds and the Indenture are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights, to the application of equitable principles if equitable remedies are sought, and to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State. The various opinions of counsel to be delivered with respect to such documents, including the opinion of Bond Counsel (the form of which is attached as Appendix C), will be similarly qualified.

The District believes that its current water rates and other property-related charges comply with the requirements of Proposition 218 and expects that any future water rates and other property-related charges will comply with Proposition 218's procedural and substantive requirements to the extent applicable thereto.

Proposition 26

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

Future Initiatives

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

LITIGATION

There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body, pending or, to the knowledge of the District, threatened against the District affecting the existence of the District or the titles of its directors or officers to their respective offices or seeking to restrain or to enjoin the sale or delivery of the 2018A Bonds, the application of the proceeds thereof in accordance with the Indenture, or in any way contesting or affecting the validity or enforceability of the Indenture, the 2018A Bonds or any action of the District contemplated by any of said documents, or in any way contesting the completeness or accuracy of this Official Statement or any amendment or supplement thereto, or contesting the powers of the District or its authority with respect to the 2018A Bonds or any action of the District contemplated by any of said documents, nor to the knowledge of the District, is there any basis therefor.

CONTINUING DISCLOSURE UNDERTAKING

The District has covenanted in a Continuing Disclosure Certificate dated the date of issuance of the 2018A Bonds (the "Continuing Disclosure Certificate") to provide annually certain financial information and operating data relating to the District by not later than 270 days following the end of its Fiscal Year (commencing with the Fiscal Year ending December 31, 2017) including the audited Financial Statements of the District for each such Fiscal Year (together, the "Annual Report"), and to provide notices of the occurrence of certain other enumerated events.

The Annual Report will be filed by the District with the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System for municipal securities disclosures, maintained on the Internet at <http://emma.msrb.org/> ("EMMA"). The notices of material events will be timely filed by the District with EMMA. The form of the Continuing Disclosure Certificate is attached hereto as Appendix E. These covenants have been made in order to assist the Underwriter in complying with Section (b)(5) of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934.

The District has been subject to continuing disclosure undertakings previously entered into with respect to the 2009B Certificates and the 2012A Bonds (the "Prior Continuing Disclosure Undertaking"). Pursuant to the Prior Continuing Disclosure Undertaking, the District agreed to file its audited financial reports, certain operating data, notices of certain enumerated events and notices of the occurrence of certain other enumerated events, if material.

In connection with the District's annual report for the fiscal year ending December 31, 2013, the District inadvertently filed audited financial statements that did not contain the Independent Auditor's Report. Audited financial statements containing the Independent Auditor's Report were filed on March 12, 2018. Based on such filing and the annual reports filed in accordance with the Prior Continuing disclosure Undertaking, the District believes that it is currently in compliance in all material respects with the Prior Continuing Disclosure Undertaking.

APPROVAL OF LEGAL PROCEEDINGS

The valid, legal and binding nature of the 2018A Bonds is subject to the approval of Stradling Yocca Carlson & Rauth, a Professional Corporation, acting as Bond Counsel. The form of such legal opinion is attached hereto as Appendix C, and such legal opinion will be attached to each 2018A Bond. Bond Counsel expresses no opinion as to the accuracy, completeness or fairness of this Official Statement or other offering materials

relating to the 2018A Bonds and expressly disclaims any duty to advise the Owners of the 2018A Bonds as to matters related to this Official Statement.

Certain legal matters will be passed upon for the District by Bartkiewicz, Kronick & Shanahan, A Professional Corporation, Sacramento, California, General Counsel to the District, for the Underwriter by its counsel, Gilmore & Bell, P.C., Salt Lake City, Utah, and for the Trustee by its counsel.

Payment of the fees of Bond Counsel is contingent on the issuance of the 2018A Bonds. Bond Counsel represents the District in connection with the issuance of the 2018A Bonds. Bond Counsel represents the Underwriter from time-to-time on matters unrelated to the District or the 2018A Bonds. Bond Counsel does not represent the Underwriter or any other party in connection with the issuance of the 2018A Bonds.

TAX MATTERS

In the opinion of Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, interest on the 2018A Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Code but interest on the 2018A Bonds is exempt from State of California personal income tax.

The State of California personal income tax discussion set forth above with respect to the 2018A Bonds is included for general information only and may not be applicable depending upon a 2018A Bond Owner's particular situation. The ownership and disposal of a 2018A Bond and the accrual or receipt of interest with respect to the 2018A Bond may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences.

A copy of the proposed form of opinion of Bond Counsel is attached hereto as Appendix C.

RATINGS

The District expects that S&P Global Ratings, a Standard & Poor's Financial Services LLC business ("S&P") will assign the 2018A Bonds the rating of "___". There is no assurance that any credit rating given to the 2018A Bonds will be maintained for any period of time or that the ratings may not be lowered or withdrawn entirely by S&P if, in the judgment of S&P, circumstances so warrant. Any downward revision or withdrawal of such rating may have an adverse effect on the market price of the 2018A Bonds. Such rating reflects only the views of S&P and an explanation of the significance of such rating may be obtained from S&P.

The District has covenanted in a Continuing Disclosure Certificate to file on EMMA, notices of any ratings changes on the 2018A Bonds. See the caption "CONTINUING DISCLOSURE UNDERTAKING" below and Appendix E—"FORM OF CONTINUING DISCLOSURE CERTIFICATE." Notwithstanding such covenant, information relating to ratings changes on the 2018A Bonds may be publicly available from the rating agencies prior to such information being provided to the District and prior to the date the District is obligated to file a notice of rating change on EMMA. Purchasers of the 2018A Bonds are directed to S&P and its website and official media outlets for the most current ratings changes with respect to the 2018A Bonds after the initial issuance of the 2018A Bonds.

MUNICIPAL ADVISOR

The Authority has retained Fieldman, Rolapp & Associates, Inc., Irvine, California (the "Municipal Advisor") as municipal advisor in connection with the issuance of the 2018A Bonds. The Municipal Advisor has not undertaken to make an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement. The fees being paid to the Municipal Advisor are contingent upon the issuance of the 2018A Bonds.

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

UNDERWRITING

The 2018 Bonds are being purchased by Citigroup Global Markets Inc. (the “Underwriter”) pursuant to a Purchase Contract, dated March __, 2018, by and between the Underwriter and the District (the “Purchase Contract”). The purchase price of the 2018A Bonds is equal to \$_____, being the aggregate principal amount of the 2018A Bonds of \$_____, less original issue discount of \$_____ and less an underwriter’s discount of \$_____. The Purchase Contract provides that the Underwriter will purchase all of the 2018A Bonds, if any are purchased. The obligation to make such purchase is subject to certain terms and conditions set forth in the Purchase Contract, the approval of certain legal matters by counsel, and certain other conditions.

The initial public offering prices stated on the inside front cover of this Official Statement may, under certain circumstances, be changed from time to time by the Underwriter. The Underwriter may offer and sell the 2018A Bonds to certain dealers (including dealers depositing 2018A Bonds into investment trusts), dealer banks, banks acting as agents and others at prices lower than said public offering prices.

The Underwriter has entered into a retail distribution agreement with each of TMC Bonds L.L.C. (“TMC”) and UBS Financial Services Inc. (“UBSFS”). Under these distribution agreements, the Underwriter may distribute municipal securities to retail investors through the financial advisor network of UBSFS and the electronic primary offering platform of TMC. As part of this arrangement, the Underwriter may compensate TMC (and TMC may compensate its electronic platform member firms) and UBSFS for their selling efforts with respect to the 2018A Bonds.

The Underwriter and its affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Underwriter and its affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the District for which they received or will receive customary fees and expenses. In addition, certain affiliates of the Underwriter are lenders, and in some cases agents or managers for the lenders, under credit and liquidity facilities.

In the ordinary course of their various business activities, the Underwriter and its respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the District.

MISCELLANEOUS

Insofar as any statements made in this Official Statement involve matters of opinion or of estimates, whether or not expressly stated, they are set forth as such and not as representations of fact. No representation is made that any of such statements made will be realized. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract with the Owners of the 2018A Bonds.

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

SACRAMENTO SUBURBAN WATER DISTRICT

By: _____
President, Board of Directors

APPENDIX A

**COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEARS ENDED
DECEMBER 31, 2016 AND 2015**

APPENDIX B

DEFINITIONS AND SUMMARY OF THE INDENTURE

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

[TO COME FROM BOND COUNSEL]

APPENDIX C

FORM OF OPINION OF BOND COUNSEL

Upon issuance of the 2018A Bonds, Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, proposes to render its final approving opinion in substantially the following form:

_____, 2018

Sacramento Suburban Water District
3701 Marconi Avenue, Suite 100
Sacramento, CA 95821-5346

Re: Sacramento Suburban Water District Refunding Revenue Bonds, Series 2018A (Taxable)

Members of the Board of Directors:

We have examined a certified copy of the record of the proceedings of the Sacramento Suburban Water District (the "District") relative to the issuance of the \$_____ Refunding Revenue Bonds, Series 2018A (Taxable), dated the date hereof (the "2018A Bonds"), and such other information and documents as we consider necessary to render this opinion. In rendering this opinion, we have relied upon certain representations of fact and certifications made by the District, the initial purchaser of the 2018A Bonds and others. We have not undertaken to verify through independent investigation the accuracy of the representations and certifications relied upon by us.

The 2018A Bonds are being issued pursuant to an Indenture of Trust, dated as of March 1, 2018 (the "Indenture"), by and between the District and MUFG Union Bank, N.A., as trustee (the "Trustee"). The 2018A Bonds mature on the date and in the amount referenced in the Indenture. The 2018A Bonds are dated their date of delivery and bear interest at the rates per annum referenced in the Indenture. The 2018A Bonds are registered in the form set forth in the Indenture.

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

1. The proceedings of the District show lawful authority for the issuance and sale by the District of the 2018A Bonds under the laws of the State of California now in force, the Indenture has been duly authorized, executed and delivered by the District, and, assuming due authorization, execution and delivery by the Trustee, as appropriate, the 2018A Bonds and the Indenture are valid and binding obligations of the District enforceable against the District in accordance with their terms.

2. The obligation of the District to make the payments of principal of and interest on the 2018A Bonds from Net Revenues (as such term is defined in the Indenture) is an enforceable obligation of the District and does not constitute an indebtedness of the District in contravention of any constitutional or statutory debt limit or restriction.

3. Interest on the 2018A Bonds is exempt from State of California personal income tax.

The opinions expressed herein are based upon our analysis and interpretation of existing laws, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities. We call attention to the fact that the rights and obligations under the Indenture and the 2018A Bonds are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and similar laws affecting creditors' rights, to the application of equitable principles if equitable remedies are sought, to the exercise of

judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State of California.

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

We express no opinion herein as to the accuracy, completeness or sufficiency of the Official Statement relating to the 2018A Bonds or other offering material relating to the 2018A Bonds and expressly disclaim any duty to advise the owners of the 2018A Bonds with respect to matters contained in the Official Statement.

Respectfully submitted,

APPENDIX D

INFORMATION CONCERNING DTC

The information in this section concerning DTC and DTC's book-entry only system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the completeness or accuracy thereof. The following description of the procedures and record keeping with respect to beneficial ownership interests in the 2018A Bonds, payment of principal, premium, if any, accreted value, if any, and interest on the 2018A Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the 2018A Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the 2018A Bonds. The 2018A Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered 2018A Bond will be issued for each annual maturity of the 2018A Bonds, each in the aggregate principal amount of such annual maturity, and will be deposited with DTC.

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

Purchases of 2018A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2018A Bonds on DTC's records. The ownership interest of each actual purchaser of each 2018A Bonds ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2018A Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive bonds representing their ownership interests in 2018A Bonds, except in the event that use of the book-entry system for the 2018A Bonds is discontinued.

To facilitate subsequent transfers, all 2018A Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of 2018A Bonds with DTC and their registration in the name

of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2018A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2018A Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 2018A Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2018A Bonds, such as redemptions, tenders, defaults, and proposed amendments to the 2018A Bonds documents. For example, Beneficial Owners of 2018A Bonds may wish to ascertain that the nominee holding the 2018A Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2018A Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 2018A Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts 2018A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the 2018A Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A 2018A Bond Owner shall give notice to elect to have its 2018A Bonds purchased or tendered, through its Participant, to the Trustee, and shall effect delivery of such 2018A Bond by causing the Direct Participant to transfer the Participant's interest in the 2018A Bonds, on DTC's records, to the Trustee. The requirement for physical delivery of 2018A Bond in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the 2018A Bond are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered 2018A Bond to the Trustee's DTC account.

DTC may discontinue providing its services as depository with respect to the 2018A Bonds at any time by giving reasonable notice to the District or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, physical certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, 2018A Bonds will be printed and delivered to DTC.

THE TRUSTEE, AS LONG AS A BOOK-ENTRY ONLY SYSTEM IS USED FOR THE 2018A BONDS, WILL SEND ANY NOTICE OF REDEMPTION OR OTHER NOTICES TO OWNERS ONLY TO DTC. ANY FAILURE OF DTC TO ADVISE ANY DTC PARTICIPANT, OR OF ANY DTC PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER, OF ANY NOTICE AND ITS CONTENT OR EFFECT WILL NOT AFFECT THE VALIDITY OF SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION OF THE 2018A BONDS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

Upon issuance of the 2018A Bonds, the District proposes to enter into a Continuing Disclosure Certificate in substantially the following form:

[TO COME FROM BOND COUNSEL]

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the Sacramento Suburban Water District (the “District”) in connection with the issuance of its \$_____ Refunding Revenue Bonds, Series 2018A (Taxable) (the “Bonds”). The Bonds are being issued pursuant to an Indenture of Trust, dated as of March 1, 2018 (the “Indenture”), by and between the District and MUFG Union Bank, N.A., as trustee (the “Trustee”). The District covenants and agrees as follows:

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

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

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

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

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

Fiscal Year. The term “Fiscal Year” means the one-year period ending on the last day of December of each year.

Holder. The term “Holder” means a registered owner of the Bonds.

Listed Events. The term “Listed Events” means any of the events listed in Sections 5(a) and (b) of this Disclosure Certificate.

Official Statement. The term “Official Statement” means the Official Statement dated March __, 2018 relating to the Bonds.

Participating Underwriter. The term “Participating Underwriter” means the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

Rule. The term “Rule” means Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

3. Provision of Annual Reports.

(a) The District shall provide not later than 270 days following the end of its Fiscal Year (commencing with Fiscal Year 2017) to EMMA an Annual Report relating to the immediately preceding Fiscal Year which is consistent with the requirements of Section 4 of this Disclosure Certificate, which Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate.

(b) If the District is unable to provide to EMMA an Annual Report by the date required in subsection (a), the District shall send to EMMA a notice in the manner prescribed by the Municipal Securities Rulemaking Board.

4. Content of Annual Reports. The Annual Report shall contain or incorporate by reference the following:

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

(b) Principal amount of the Bonds outstanding.

(c) An update of the last Fiscal Year only of the financial information in the following tables under the caption entitled "THE DISTRICT" in the Official Statement:

(i) "SACRAMENTO SUBURBAN WATER DISTRICT HISTORIC WATER SUPPLY IN ACRE FEET PER YEAR;"

(ii) "SACRAMENTO SUBURBAN WATER DISTRICT HISTORIC WATER CONNECTIONS;"

(iii) "SACRAMENTO SUBURBAN WATER DISTRICT HISTORIC WATER DELIVERIES IN ACRE FEET PER YEAR;"

(iv) The table showing the District's ten largest customers under the caption "—Largest Customers"; and

(v) The table showing water sales revenues and amounts transferred to the tax roll under the caption "—Collection Procedures."

(d) A table showing Net Revenues of the District and debt service coverage on the Bonds and any parity obligations for the last Fiscal Year presented in a similar format as the table entitled "SACRAMENTO SUBURBAN WATER DISTRICT WATER SYSTEM HISTORIC OPERATING RESULTS" under the caption "WATER SYSTEM FINANCIAL INFORMATION—Historic Operating Results and Debt Service Coverage."

- (e) Information on rates of the District as of the last day of the prior Fiscal Year.

If the information in sections 4(c), 4(d) and/or 4(e) above can be derived from the audited financial statements required to be filed in 4(a) above, failure to file separate tables under sections 4(c), 4(d) and/or 4(e) above shall not constitute a default or non-compliance hereunder. Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which have been submitted to EMMA or the Securities and Exchange Commission; provided, that if any document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board; and provided further, that the District shall clearly identify each such document so included by reference.

5. Reporting of Significant Events.

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

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

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

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

1. unless described in Section 5(a)(5), other notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other events affecting the tax status of the Bonds;

2. modifications to the rights of Bond holders;

3. optional, unscheduled or contingent Bond redemptions;

4. release, substitution or sale of property securing repayment of the Bonds;

5. non-payment related defaults;

6. the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; and

7. appointment of a successor or additional trustee or the change of the name of a trustee.

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

6. Customarily Prepared and Public Information. Upon request, the District shall provide to any person financial information and operating data regarding the District which is customarily prepared by the District and is publicly available.

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

8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that, in the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, or another nationally recognized bond counsel, such amendment or waiver is permitted by the Rule. The District will provide notice of such amendment to the Municipal Securities Rulemaking Board.

9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall not thereby have any obligation under this Disclosure Certificate to update such information or include it in any future notice of occurrence of a Listed Event.

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

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

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

Dated: _____, 2018

SACRAMENTO SUBURBAN WATER DISTRICT

By: _____
Its: President, Board of Directors

ESCROW AGREEMENT (SERIES 2009B)

THIS ESCROW AGREEMENT, dated as of March 1, 2018, by and between the Sacramento Suburban Water District (the “District”) and MUFG Union Bank, N.A., as Escrow Agent (the “Escrow Agent”) hereunder and as 2009B Trustee (as defined below) is entered into in accordance with Resolution No. 18-04 of the Sacramento Suburban Water District, adopted on March 19, 2018 (the “District Resolution”), a Trust Agreement dated as of April 1, 2009 (the “2009B Trust Agreement”), by and among the District, the Sacramento Suburban Water District Financing Corporation (the “Corporation”) and MUFG Union Bank, N.A. (formerly known as Union Bank, N.A.) (the “2009B Trustee”), to refund all of the outstanding Sacramento Suburban Water District Refunding Revenue Certificates of Participation, Series 2009B (the “Refunded Certificates”).

W I T N E S S E T H :

WHEREAS, the District previously authorized the Refunded Certificates to be executed and delivered pursuant to the 2009B Trust Agreement;

WHEREAS, the District has determined that a portion of the proceeds of the \$ _____ aggregate principal amount of the Sacramento Suburban Water District Refunding Revenue Bonds, Series 2018A (Taxable) (the “Bonds”) issued pursuant to an Indenture of Trust, dated as of March 1, 2018, by and between the District and MUFG Union Bank, N.A., as trustee (the “Trustee”), together with certain moneys transferred from the 2009B Trustee to the Escrow Agent and certain moneys transferred by the District, will be used to provide the funds to pay on and prior to November 1, 2019 (the “Prepayment Date”), all regularly scheduled payments of principal and interest with respect to the Refunded Certificates, and to pay on the Prepayment Date the principal with respect to the Refunded Certificates maturing on and after November 1, 2020, without premium (the “Prepayment Price”); and

WHEREAS, by irrevocably depositing with the Escrow Agent moneys (as permitted by, in the manner prescribed by, and all in accordance with the 2009B Trust Agreement), which moneys will be used to purchase securities satisfying the criteria set forth in Section 10.1 of the 2009B Trust Agreement as described on Schedule A hereto (the “Defeasance Securities”), provided the principal of and interest on the Defeasance Securities when paid will provide money which will be fully sufficient to pay and discharge the Refunded Certificates;

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

SECTION 1. Deposit of Moneys. The District hereby instructs the Escrow Agent to deposit in the Escrow Fund established hereunder \$ _____, received from the Trustee from a portion of the net proceeds of the sale of the Bonds, \$ _____ of moneys transferred to the Escrow Agent by the 2009B Trustee from the Reserve Fund under the 2009B Trust Agreement with respect to the Refunded Certificates, and the 2009B Trustee is hereby instructed to make such transfer, and \$ _____ received from the District. The Escrow Agent shall hold all such amounts in irrevocable escrow separate and apart from other funds of the District and the Escrow Agent in a fund hereby created and established to be known as the “Escrow Fund” and to be applied solely as provided in this Agreement. The District represents that the moneys set forth above are at least equal

to an amount sufficient to purchase the Defeasance Securities listed in Schedule A hereto and to hold \$[] uninvested as cash.

SECTION 2. Investment of Moneys. The Escrow Agent acknowledges receipt of the moneys described in Section 1 and agrees immediately to invest such moneys in the Defeasance Securities listed on Schedule A hereto and to deposit such Defeasance Securities in the Escrow Fund. The Escrow Agent shall be entitled to rely upon the conclusion of Grant Thornton LLP (the "Verification Agent"), that the Defeasance Securities listed on Schedule A hereto mature and bear interest payable in such amounts and at such times as, together with cash on deposit in the Escrow Fund, will be sufficient to pay when due all regularly scheduled payments of principal and interest with respect to the Refunded Certificates on and prior to the Prepayment Date and to pay on the Prepayment Date the Prepayment Price of the Refunded Certificates.

SECTION 3. Investment of Any Remaining Moneys. At the written direction of the District, the Escrow Agent shall reinvest any other amount of principal and interest, or any portion thereof, received from the Defeasance Securities prior to the date on which such payment is required for the purposes set forth herein, in noncallable Defeasance Securities maturing not later than the date on which such payment or portion thereof is required for the purposes set forth in Section 5, at the written direction of the District, as verified in a report prepared by an independent certified public accountant or firm of certified public accountants of favorable national reputation experienced in the refunding of obligations of political subdivisions to the effect that the reinvestment described in said report will not adversely affect the sufficiency of the amounts of securities, investments and money in the Escrow Fund to pay when due all regularly scheduled payments of principal and interest with respect to the Refunded Certificates on and prior to the Prepayment Date, and to pay on the Prepayment Date the Prepayment Price of the Refunded Certificates, and provided that the District has obtained and delivered to the Escrow Agent an unqualified opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation ("Bond Counsel"), that such reinvestment will not adversely affect the exclusion from gross income for federal income tax purposes of the interest portion of the Installment Payments (as such term is defined in the 2009B Trust Agreement) or interest on the Bonds. Any interest income resulting from investment or reinvestment of moneys pursuant to this Section 3 which are not required for the purposes set forth in Section 5, as verified in the letter of the Verification Agent originally obtained by the District with respect to the refunding of the Refunded Certificates or in any other report prepared by an independent certified public accountant or firm of certified public accountants of favorable national reputation experienced in the refunding of tax-exempt obligations of political subdivisions, shall be paid to the District promptly upon the receipt of such interest income by the Escrow Agent. The determination of the District as to whether an accountant qualifies as such an independent certified public accountant under this Escrow Agreement shall be conclusive.

SECTION 4. Substitution of Securities. Upon the written request of the District, and subject to the conditions and limitations herein set forth and applicable governmental rules and regulations, the Escrow Agent shall sell, redeem or otherwise dispose of the Defeasance Securities, provided that there are substituted therefor from the proceeds of the Defeasance Securities other Defeasance Securities, but only after the District has obtained and delivered to the Escrow Agent: (i) an unqualified opinion of Bond Counsel to the effect that the substitution of securities is permitted under the legal documents in effect with respect to the Refunded Certificates and that such reinvestment will not adversely affect the exclusion from gross income for federal income tax purposes of the interest portion of the Installment Payments or interest with respect to the Bonds; and (ii) a report by a firm of independent certified public accountants to the effect that the reinvestment

described in said report will not adversely affect the sufficiency of the amounts of securities, investments and money in the Escrow Fund to pay when due all regularly scheduled payments of principal and interest with respect to the Refunded Certificates on and prior to the Prepayment Date, and to pay on the Prepayment Date the Prepayment Price of the Refunded Certificates. The Escrow Agent shall not be liable or responsible for any loss resulting from any reinvestment made pursuant to this Agreement and in full compliance with the provisions hereof.

SECTION 5. Payment of Refunded Certificates.

(a) Payment. From the amounts on deposit in the Escrow Fund, the Escrow Agent shall transfer to the 2009B Trustee to pay the regularly scheduled payment of principal and interest with respect to the Refunded Certificates on and prior to the Prepayment Date, and shall pay on the Prepayment Date the Prepayment Price of the Refunded Certificates with scheduled maturity dates after the Prepayment Date.

(b) Irrevocable Instructions to Provide Notice. The forms of the notice required to be mailed pursuant to Sections 4.3 and 10.1 of the 2009B Trust Agreement are substantially in the forms attached hereto as Exhibits A and B. The District hereby irrevocably instructs the Escrow Agent and/or the 2009B Trustee to mail a notice of prepayment and a notice of defeasance of the Refunded Certificates in accordance with Sections 4.3 and 10.1, respectively, of the 2009B Trust Agreement, as required to provide for the prepayment of the Refunded Certificates in accordance with this Section 5, and to file such notices with the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System, maintained on the Internet at <http://emma.msrb.org/> at such times that such notices are provided pursuant to Sections 4.3 and 10.1 of the 2009B Trust Agreement.

(c) Unclaimed Moneys. Any moneys which remain unclaimed for thirty (30) days after the Prepayment Date shall be repaid by the Escrow Agent to the District.

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

(e) Termination of Obligation. As provided in the 2009B Trust Agreement, upon deposit of moneys with the Escrow Agent in the Escrow Fund as set forth in Section 1 hereof, all obligations of the District under the 2009B Trust Agreement with respect to the Refunded Certificates shall cease, terminate and become void except as set forth in the 2009B Trust Agreement. As provided in Section 9.01 of the Installment Purchase Agreement, dated as of April 1, 2009 (the "2009B Installment Purchase Agreement"), by and between the District and the Corporation, the obligations of the District under the 2009B Installment Purchase Agreement with respect to the portion of the Installment Payments relating to the Refunded Certificates shall thereupon cease, terminate, become void and be completely discharged and satisfied (except for the right of the 2009B Trustee and the obligation of the District to have the moneys on deposit in the Escrow Fund applied to the payment of Installment Payments).

SECTION 6. Application of Certain Terms of the 2009B Trust Agreement. All of the terms of the 2009B Trust Agreement relating to the making of payments of principal and interest with respect to the Refunded Certificates and relating to the exchange or transfer of the Refunded Certificates are incorporated in this Agreement as if set forth in full herein. The procedures set forth

in Sections 8.3 of the 2009B Trust Agreement relating to the resignation and removal of the 2009B Trustee under the 2009B Trust Agreement are also incorporated in this Agreement as if set forth in full herein and shall be the procedures to be followed with respect to any resignation or removal of the Escrow Agent hereunder.

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

SECTION 8. Escrow Agent's Authority to Make Investments. The Escrow Agent shall have no power or duty to invest any funds held under this Agreement or to sell, transfer or otherwise dispose of the moneys held hereunder except as set forth in Section 2 of this Agreement.

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

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

faith in accordance therewith. Whenever the Escrow Agent shall deem it necessary or desirable that a matter be proved or established prior to taking, suffering, or omitting any action under this Agreement, such matter may be deemed to be conclusively established by a certificate signed by an officer of the District. The Escrow Agent shall furnish the District periodic cash transaction statements which include detail for all investment transactions effected by the Escrow Agent or brokers selected by the District. Upon the District's election, such statements will be delivered via the Escrow Agent's online service and upon electing such service, paper statements will be provided only upon request. The District waives the right to receive brokerage confirmations of security transactions effected by the Escrow Agent as they occur, to the extent permitted by law. The District further understands that trade confirmations for securities transactions effected by the Escrow will be available upon request and at no additional cost and other trade confirmations may be obtained from the applicable broker

SECTION 11. Amendments. This Agreement is made for the benefit of the District and the owners from time to time of the Refunded Certificates and it shall not be repealed, revoked, altered or amended without the written consent of all such owners, the Escrow Agent and the District; provided, however, that the District and the Escrow Agent may, without the consent of, or notice to, such owners, amend this Agreement or enter into such agreements supplemental to this Agreement as shall not adversely affect the rights of such owners and as shall not be inconsistent with the terms and provisions of this Agreement of the Water Code of the State of California, or the 2009B Trust Agreement, for any one or more of the following purposes: (i) to cure any ambiguity or formal defect or omission in this Agreement; (ii) to grant to, or confer upon, the Escrow Agent for the benefit of the owners of the Refunded Certificates, any additional rights, remedies, powers or authority that may lawfully be granted to, or conferred upon, such owners or the Escrow Agent; and (iii) to include under this Agreement additional funds. The Escrow Agent shall be entitled to rely conclusively upon an unqualified opinion of Bond Counsel with respect to compliance with this Section, including the extent, if any, to which any change, modification, addition or elimination affects the rights of the owners of the various Refunded Certificates or that any instrument executed hereunder complies with the conditions and provisions of this Section.

SECTION 12. Notice to Rating Agencies. In the event that this agreement or any provision thereof is severed, amended or revoked the Escrow Agent shall provide written notice of such severance, amendment or revocation to the rating agencies then rating the Refunded Certificates.

SECTION 13. Term. This Agreement shall commence upon its execution and delivery and shall terminate on the later to occur of either: (i) the date upon which the Refunded Certificates have been paid in accordance with this Agreement; or (ii) the date upon which no unclaimed moneys remain on deposit with the Escrow Agent pursuant to Section 2(c) of this Agreement.

SECTION 14. Compensation. The Escrow Agent shall receive its reasonable fees and expenses as previously agreed to by the Escrow Agent and the District and any other reasonable fees and expenses of the Escrow Agent approved by the District; provided, however, that under no circumstances shall the Escrow Agent be entitled to any lien or assert any lien whatsoever on any moneys or obligations in the Escrow Fund for the payment of fees and expenses for services rendered or expenses incurred by the Escrow Agent under this Agreement.

SECTION 15. Severability. If any one or more of the covenants or agreements provided in this Agreement on the part of the District or the Escrow Agent to be performed should be determined by a court of competent jurisdiction to be contrary to law, such covenants or agreements shall be null

and void and shall be deemed separate from the remaining covenants and agreements herein contained and shall in no way affect the validity of the remaining provisions of this Agreement.

SECTION 16. Counterparts. This Agreement may be executed in several counterparts, all or any of which shall be regarded for all purposes as an original but all of which shall constitute and be but one and the same instrument.

SECTION 17. Governing Law. THIS AGREEMENT SHALL BE CONSTRUED UNDER THE LAWS OF THE STATE OF CALIFORNIA.

SECTION 18. Insufficient Funds. If at any time the Escrow Agent has actual knowledge that the moneys in the Escrow Fund will not be sufficient to make all payments required by this Agreement, the Escrow Agent shall notify the District in writing, of the amount thereof and the reason therefor to the extent known to it. The Escrow Agent shall have no responsibility regarding any such deficiency.

SECTION 19. Notice to District and Escrow Agent. Any notice to or demand upon the Escrow Agent may be served or presented, and such demand may be made, at the principal corporate trust office of the Escrow Agent at 350 California Street, 17th Floor, San Francisco, California 94104, Attention: Corporate Trust Department; Fax 415-273-2492, Email: AccountAdministration-CorporateTrust@unionbank.com and CashControlGroup-LosAngeles@unionbank.com. Any notice to or demand upon the District shall be deemed to have been sufficiently given or served for all purposes by being mailed by registered or certified mail, and deposited, postage prepaid, in a post office letter box, addressed to the District at 3701 Marconi Ave. Suite 100, Sacramento, CA 95821-5303, Attention: Director of Finance (or such other address as may have been filed in writing by the District with the Escrow Agent).

[Remainder of Page Intentionally Left Blank]

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

SACRAMENTO SUBURBAN WATER
DISTRICT

President, Board of Directors

MUFG UNION BANK, N.A., as Escrow Agent
and 2009B Trustee

By: _____
Authorized Officer

SCHEDULE A

Defeasance Securities

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

EXHIBIT A

NOTICE OF PREPAYMENT

SACRAMENTO SUBURBAN WATER DISTRICT REFUNDING REVENUE CERTIFICATES OF PARTICIPATION, SERIES 2009B

<i>Maturity (September 1)</i>	<i>Rate</i>	<i>Amount</i>	<i>Price</i>	<i>CUSIP</i>
2020	5.000%	\$ 2,360,000	100%	78607PBA4
2021	5.000	2,495,000	100	78607PBB2
2022	5.250	2,610,000	100	78607PBC0
2023	5.250	1,230,000	100	78607PBD8
2024	5.500	1,295,000	100	78607PBE6
2025	5.625	1,375,000	100	78607PBF3
2026	5.625	1,440,000	100	78607PBG1
2027	5.625	1,545,000	100	78607PBH9
2028	5.000	3,350,000	100	78607PBJ5

NOTICE IS HEREBY GIVEN to the owners of the above-captioned Certificates (the "Certificates") of the Sacramento Suburban Water District (the "District") pursuant to the Trust Agreement dated as of April 1, 2009 by and between the District and MUFG Union Bank, N.A. (formerly known as Union Bank, N.A.), as trustee (the "Trustee"), that all of the outstanding Certificates in the amount of \$17,700,000 have been called for prepayment on November 1, 2019 (the "Prepayment Date").

The Certificates will be payable on the Prepayment Date at a prepayment price of 100 percent of the principal amount thereof (the "Prepayment Price"). The Prepayment Price of the Certificates will become due and payable on the Prepayment Date. Interest with respect to the Certificates will cease to accrue on and after the Prepayment Date.

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

MUFG Union Bank, N.A.
Corporate Trust Department
445 South Figueroa Street, Suite 401
Los Angeles, California 90071

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

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

The District and the Trustee shall not be responsible for the selection or use of the CUSIP numbers selected, nor is any representation made as to their correctness in the notice or as printed on any Certificate. They are included solely for the convenience of the owners.

MUFG UNION BANK, N.A., as Trustee

DATED this [__ day of _____, 20__]

EXHIBIT B

NOTICE OF FULL DEFEASANCE

SACRAMENTO SUBURBAN WATER DISTRICT REFUNDING REVENUE CERTIFICATES OF PARTICIPATION, SERIES 2009B

<i>Maturity (September 1)</i>	<i>Rate</i>	<i>Amount</i>	<i>Price</i>	<i>CUSIP</i>
2018	5.000%	\$ 2,135,000	100	78607PAY3
2019	4.750	2,230,000	100	78607PAZO
2020	5.000	2,360,000	100	78607PBA4
2021	5.000	2,495,000	100	78607PBB2
2022	5.250	2,610,000	100	78607PBC0
2023	5.250	1,230,000	100	78607PBD8
2024	5.500	1,295,000	100	78607PBE6
2025	5.625	1,375,000	100	78607PBF3
2026	5.625	1,440,000	100	78607PBG1
2027	5.625	1,545,000	100	78607PBH9
2028	5.000	3,350,000	100	78607PBJ5

NOTICE IS HEREBY GIVEN to the owners of the outstanding Sacramento Suburban Water District Refunding Revenue Certificates of Participation, Series 2009B, maturing on November 1, 2018 through and including November 1, 2028 (the "Refunded Certificates"). There has been deposited with MUFG Union Bank, N.A. (the "Escrow Agent"), as permitted by the Trust Agreement, made and entered into as of April 1, 2009 (the "2009B Trust Agreement"), by and among Sacramento Suburban Water District (the "District"), Sacramento Suburban Water District Financing Corporation (the "Corporation") and MUFG Union Bank, N.A. (formerly known as Union Bank, N.A.), as Trustee, cash and Defeasance Securities, the principal of and interest on which when paid will provide moneys sufficient and available to pay on and prior to November 1, 2019 (the "Prepayment Date"), all regularly scheduled payments of principal and interest with respect to the Refunded Certificates, and to pay on the Prepayment Date the principal with respect to the Refunded Certificates maturing on and after the Prepayment Date, without premium. In accordance with the 2009B Trust Agreement, the Refunded Certificates are deemed to have been paid in accordance with Section 10.1 thereof and obligations of the District under the 2009B Trust Agreement with respect to the Refunded Certificates shall cease, terminate and become void except as set forth in the 2009B Trust Agreement. In accordance with the Installment Purchase Agreement, made and entered into as of April 1, 2009, by and between the District and the Corporation with respect to the Refunded Certificates, the obligations of the District and the Corporation with respect to the portion of the Installment Payments (as such term is defined in the 2009B Trust Agreement) relating to the Refunded Certificates shall thereupon cease, terminate and become void and be completely discharged and satisfied (except for the right of the 2009B Trustee and the obligation of the District to have the moneys on deposit in the Escrow Fund applied to the payment of Installment Payments).

MUFG UNION BANK, N.A., as Trustee

DATED this [__ day of _____, 2018].