



REGULAR MEETING 8:00 A.M. OPERATIONS CENTER - 1200 SOUTH GENE AUTRY TRAIL – PALM SPRINGS – CALIFORNIA

About Desert Water Agency:

Desert Water Agency operates independently of any other local government. Its autonomous elected board members are directly accountable to the people they serve. The Agency is one of the desert's two State Water Contractors and provides water and resource management, including recycling, for a 325-square-mile area of Western Riverside County, encompassing parts of Cathedral City, Desert Hot Springs, outlying Riverside County and Palm Springs.

1. PLEDGE OF ALLEGIANCE
2. APPROVAL OF MINUTES – May 17, 2016 CIOFFI
3. GENERAL MANAGER'S REPORT KRAUSE
4. COMMITTEE REPORTS –
 - A. Conservation & Public Affairs – May 20, 2016 CIOFFI
 - B. Finance Committee – May 24, 2016 STUART
 - C. Executive – June 1, 2016 CIOFFI
5. PUBLIC INPUT:

Members of the public may comment on any item not listed on the agenda, but within the jurisdiction of the Agency. In addition, members of the public may speak on any item listed on the agenda as that item comes up for consideration. Speakers are requested to keep their comments to no more than three (3) minutes. As provided in the Brown Act, the Board is prohibited from acting on items not listed on the agenda.
6. ITEMS FOR ACTION
 - PUBLIC HEARING ITEMS (A-C):
 - A. 2016/2017 Groundwater Replenishment Assessments
 - Mission Creek Subbasin KRAUSE
 - 1) Request Adoption of Resolution No. 1131 Making Findings in Fact Pursuant to Section 15.4 of Desert Water Agency Law for the Mission Creek Subbasin Replenishment Assessment
 - 2) Request Adoption of Resolution No. 1132 Levying a Replenishment Assessment for Fiscal Year 2016/2017 for the Mission Creek Subbasin
 - B. Whitewater River Subbasin KRAUSE
 - 1) Request Adoption of Resolution No. 1133 Making Findings in Fact Pursuant to Section 15.4 of DWA Law for the Whitewater River Subbasin Groundwater Replenishment Assessment
 - 2) Request Adoption of Resolution No. 1134 Levying a Replenishment Assessment for Fiscal Year 2016/2017 for the Whitewater River Subbasin
 - C. Garnet Hill Subbasin KRAUSE
 - 1) Request Adoption of Resolution No. 1135 Making Findings in Fact Pursuant to Section 15.4 of DWA Law for the Garnet Hill Subbasin Replenishment Assessment
 - 2) Request Adoption of Resolution No. 1136 Levying a Replenishment Assessment for Fiscal Year 2016/2017 for the Garnet Hill Subbasin
 - D. Water Use Violation – Civil Penalty Hearings KRAUSE
 - E. Request Adoption of Resolution No. 1137 Supporting Local Involvement in Long-Term Conservation and Management Policy KRAUSE
 - F. Request Approval of Cost of Living Adjustment to DWA Employees and General Manager and Approval of July 1, 2016 Salary Schedule and Position Classification Schedule GAUDINEZ
 - G. Request Adoption of Resolution No. 1138 Adopting CEQA Guidelines RIDDELL
 - H. Request Adoption of Resolution No. 1139 Refunding Bonds KRIEGER

7. ITEMS FOR DISCUSSION

- | | |
|---|---------|
| A. State Water Contractors' Meeting – May 19, 2016 | RIDDELL |
| B. 2016/2017 Operating, General and Wastewater Budgets (DRAFT) | KRIEGER |
| C. DWA Fringe Area Detachment/CVWD Fringe Area Annexation | KRAUSE |
| D. Lake Perris Seismic Remediation Update | KRAUSE |
| E. Conservation Target Study, Ordinance No. 65 Mandatory Conservation Stage Change and Exceptions | KRAUSE |

8. PUBLIC INFORMATION

METZGER

- A. Media Information
- B. PI Activities

9. DIRECTORS COMMENTS AND REQUESTS

10. CLOSED SESSION

- A. CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION
Pursuant to Government Code Section 54956.9 (d) (1)
Name of Case: Agua Caliente Band of Cahuilla Indians vs. Coachella Valley Water District, et al
- B. CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION
Pursuant to Government Code Section 54956.9 (d) (1)
Name of Case: Agua Caliente Band of Cahuilla Indians vs. County of Riverside, et al
- C. CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION
Pursuant to Government Code Section 54956.9 (d) (1)
Name of Case: Desert Water Agency vs. U.S. Department of Interior
- D. CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION
Pursuant to Government Code Section 54956.9 (d) (1)
Name of Case: Mission Springs Water District vs. Desert Water Agency
- E. CONFERENCE WITH REAL PROPERTY NEGOTIATORS
Pursuant to Government Code Section 54956.8
Property: 1.17 acre lot North of the Northeast corner of Sunrise Way and Mesquite Avenue,
APN No. 502-560-038
Agency Negotiators: Mark S. Krause, General Manager and Steven L. Johnson, Asst. General Manager
Negotiating Parties: Chris Thomsen, New Mesquite HOA
Under Negotiation: Price and terms of possible acquisition

11. RECONVENE INTO OPEN SESSION – REPORT FROM CLOSED SESSION

12. ADJOURN

**MINUTES
OF THE REGULAR MEETING
OF THE
DESERT WATER AGENCY
BOARD OF DIRECTORS**

May 17, 2016

DWA Board:	James Cioffi, President)	Attendance
	Joseph K. Stuart, Vice President)	
	Kristin Bloomer, Secretary-Treasurer)	
	Patricia G. Oygur, Director)	
	Craig A. Ewing, Director)	
 DWA Staff:	 Mark S. Krause, General Manager)	
	Steve Johnson, Asst. General Manager)	
	Martin S. Krieger, Finance Director)	
	Sylvia Baca, Asst. Secretary of the Board)	
	Ashley Metzger, Outreach/Conserv. Manager)	
	Irene Gaudinez, Human Resources Manager)	
 Consultant:	 Michael T. Riddell, Best Best & Krieger)	
	David F. Scriven, Krieger & Stewart)	
 Public:	 Amy Olson, Southern California Edison)	
	Roger Bergersen, Palm Springs resident)	

17473. President Cioffi opened the meeting at 8:00 a.m. and asked everyone to join Director Ewing in the Pledge of Allegiance. **Pledge of Allegiance**

17474. President Cioffi called for approval of the April 19, 2016 Regular and May 6, 2016 Special Board meeting minutes. **Approval of 04/19/16 Regular & 05/06/16 Special Board Mtg. Minutes**

Director Ewing moved for approval. After a second by Secretary-Treasurer Bloomer, the minutes were approved as written.

Vice President Stuart and Director Oygur abstained on the approval of the May 6, 2016 minutes due to their absence. **Abstain - 05/06/16 Special Board Mtg. Minutes**

17475. President Cioffi called upon General Manager Krause to provide an update on Agency operations. **General Manager's Report**

Mr. Krause stated on April 24 stand by responded to a hit backflow at 1702 Wack Wack Plaza. Authorization was given from the HOA president to make the necessary repairs. The water loss was metered. A police report was not made, the HOA president is aware of who caused **Hit Backflow – Wack Wack Plaza**

the damage and is working it out with him.

**General Manager's
Report (Cont.)**

Mr. Krause noted several meetings and activities he participated in during the past several weeks.

General Manager's
Meetings & Activities

Concluding his report, Mr. Krause reminded everyone that Agency offices will be closed on Monday, May 30 in observance of Memorial Day. He noted the Special Board meeting to be held on June 28 at 8:00 a.m. to adopt the 2016/2017 Budget.

Agency Offices Closed
- Memorial Day

June 28 Special Board
Meeting (Budget)

17476. President Cioffi noted the minutes for the May 12, 2016 Executive Committee were provided in the Board's packet.

Committee Reports
Execute 05/12/16

17477. President Cioffi opened the meeting for public input.

Public Input

Amy Olson, SCE representative presented the Agency with a \$44,379 refund check for its energy efficiency program for Well #20.

SCE Energy Efficiency
Refund/Well #20

There being no one else from the public wishing to address the Board, President Cioffi closed the public comment period.

17478. President Cioffi called upon Secretary-Treasurer Bloomer to provide an overview of financial activities for the month of April 2016.

**Secretary-Treasurer's
Report – April 2016**

Secretary-Treasurer Bloomer reported that the Operating Fund received \$1,573,298 in Water Sales Revenue, \$124,691 in Reclamation Sales Revenue and \$96,348 in Advanced Work-Order Deposits. \$44,739 was included in the Miscellaneous Receipts (Well #20 pump rebate). \$2,269,451 was paid out in Accounts Payable. Year-to-date Water Sales are 12% over budget, Year-to-date Total Revenues are 12% over budget, and Year-to-date Total Expenses are 7% under budget. There were 22,248 active services as of April 30, 2016 compared to 22,241 as of March 31, 2016.

Operating Fund

Reporting on the General Fund, Secretary-Treasurer Bloomer stated \$1,452,421 was received in Property Tax Revenue. \$749,951 was received in Groundwater Assessments (\$566,185 from DWA Operating Fund, \$183,766 from Private Pumps). \$386,405 was received in State Water Project Refunds. \$706,579 was paid out in State Water Project Payments. \$39,000 was paid out for maintenance at Mission Creek Recharge Basin.

General Fund

Regarding the Wastewater Fund, \$51,912 was received in Sewer Contract payments. There are a total of 72 contracts with 23 delinquent (32%). \$111,987 was paid out in Accounts Payable.

Wastewater Fund

17479. President Cioffi called upon General Manager Krause to present the civil penalty hearing for water use violations.

Items for Action:
Water Use Violations –
Civil Penalty Hearing

Mr. Krause noted there have been more than 195 violations issued and have received two hearing requests for today's meeting (He noted that Mr. Griffin withdrew his appeal). He stated today's appellant is Roger Bergersen. He presented information on the appellant and noted the violations: 1) Irrigating between the restricted hours of 7:00 a.m. and 7:00 p.m., and 2) Runoff from irrigation onto hardscape. The fine is \$50 and the reason for appeal is the timer malfunction and wind.

Mr. Bergersen stated he was out of town when he received the penalty notice. He has checked and cleaned the timer; and replaced sprinkler heads. He noted the windy conditions in his neighborhood.

Roger Bergersen

There was consensus by the Board that Mr. Bergersen has made an effort to address the problem, therefore waiving the penalty amount.

Vice President Stuart recommended that Mr. Bergersen install a smart irrigation controller.

Director Oygar made a motion to uphold the appeal and deny the penalty. After a second by President Cioffi, the motion passed unanimously.

Uphold Appeal/Deny
Penalty

Agency Counsel Riddell clarified that a violation did occur, but the Board is denying the penalty fine.

17480. President Cioffi called upon Assistant General Manager Johnson to present staff's request for contract award.

Contract Award –
Construct Zone 1240
Booster Plant (Desert
Palisade Tract)

Mr. Johnson stated on May 10, the Agency received five bids for the subject work. Cora Constructors submitted the lowest responsive bid for \$741,000, approximately 4.7% lower than the second low bid from Borden Excavating, Inc. The current work order budget is \$950,000 to include engineering, construction, inspection, and overhead costs. To date, \$71,230 has been spent on engineering design. The current budget of \$950,000 was based on the original Engineer's construction cost estimate of \$800,000. The estimate was evaluated by Krieger and Stewart at \$1,130,000. The increase was based on recent costs that Krieger and Stewart experienced on booster projects for other water agencies. Staff anticipated having to augment the existing budget; however, the bid submitted by Cora Constructors does not require a budget augmentation. Staff recommends awarding the contract for subject work to Cora Constructors in the amount of \$741,000.

Vice President Stuart moved to approve staff's recommendation to award the contract of said work to Cora Constructors in the amount of \$741,000. Director Oygur seconded the motion, which carried unanimously.

Action Items:

(Cont.)

Contract Award –

Construct Zone 1240

Booster Plant (Desert Palisade Tract)

17481. President Cioffi called upon General Manager Krause to present the 2016/2017 Groundwater Replenishment Assessments.

2016/2017

Groundwater

Replenishment

Assessments

Mr. Krause stated at its April 19 meeting, the Board discussed the draft Engineer's report on groundwater replenishment assessments for the Mission Creek, Whitewater and Garnet Hill Subbasins. Today's meeting is intended to allow comments from the public. As indicated in the report, the proposed assessments for all three basins will be set at \$102 per acre-foot. These amounts are the same as the current 2015/2016 assessments. Staff recommends that a determination be made that funds should be raised by a replenishment assessment, and the Board set the time and place for a public hearing on June 7, 2016 at 8:00 a.m. to consider resolutions of findings of fact and levying replenishment assessments for the fiscal year 2016/2017.

Director Ewing moved to approve staff's recommendation. Vice President Stuart seconded the motion, which carried unanimously.

Tom Kieley III requested the Engineer's report be placed on the Agency's website for the public to review.

Tom Kieley III

Assistant Secretary of the Board Baca noted the report is currently posted on the website.

17482. President Cioffi asked Agency Counsel Riddell to present the request for adoption of Resolution No. 1130.

Request Adoption of
Resolution No. 1130
Extending Services
Priority Policy

Mr. Riddell stated SB 1087 was signed into law in 2005, becoming effective on January 1, 2006. This law requires developments that include housing units for lower income households be given priority when requesting water and sewer services. In addition to the service requirement, providers of water and sewer service were required to adopt written policies and procedures, no later than July 1, 2006 and at least every five years thereafter.

Continuing his report, Mr. Riddell stated on June 20, 2006, the Board adopted Resolution No. 931 in compliance with SB 1087. On August 2, 2011, the Board adopted Resolution No. 1048 extending that policy for another five years. Staff recommends that the Board adopt Resolution No. 1130 extending the policy again, for another five years as required by law.

Director Oygar made a motion to adopt Resolution No. 1130. After a second by Director Ewing, the motion carried unanimously.

Action Items:
(Cont.)
Resolution No. 1130

RESOLUTION NO. 1130
A RESOLUTION OF THE BOARD OF DIRECTORS
OF DESERT WATER AGENCY EXTENDING SERVICES
PRIORITY POLICY FOR LOWER INCOME DEVELOPMENTS

Resolution No. 1130
Adopted

17483. President Cioffi called upon General Manager Krause to present Local Agency Formation Commission (LAFCO) election proceedings.

LAFCO Election
Proceedings (Ballot)

Mr. Krause stated that ballot instructions for LAFCO regular member (Eastern Riverside County) and alternate member, with both terms running through May 4, 2020. There are three nominations for regular member. Nominees are Margit Chiriaco Rusche (Chiriaco Summit Water District), Kristin Bloomer (Desert Water Agency), and Nancy Wright (Mission Springs Water District). There are four nominations for the alternate member. Nominees include Gail Paparian (Banning Library District), Heather Garcia (Chiriaco Summit Water District), Dan Hughes (Beaumont-Cherry Valley Recreation & Park District), and Robert Stockton (Western Municipal Water District). Ballots must be received by LAFCO by 5:00 p.m., Friday, June 10. Staff recommends that the Board provide direction on the selection of the two positions.

Following discussion on the alternate position, there was consensus to select Kristin Bloomer for regular member and Heather Garcia (Chiriaco Summit Water District) for alternate member.

Director Oygar moved to approve the selection of Kristin Bloomer for regular member and Heather Garcia, alternate member on the LAFCO ballot. After a second by Director Ewing, the motion passed unanimously.

17484. President Cioffi noted members of the Palm Springs Elks Lodge #1905 were in attendance and invited them to speak to the Board.

Presentation – Palm
Springs Elks Lodge
#1905

Don Bush stated he is here to present their check to the Agency for its sewer connection charges.

President Cioffi thanked Mr. Bush and fellow lodge members on their efforts. He also commended Mr. Johnson for his involvement.

17485. President Cioffi noted that Board packets included media and public information reports for April 2016.

Public Information –
April 2016

17486. President Cioffi asked Agency Counsel Riddell to provide a report on the April 20 and 21, 2016 meetings of the Board of Directors of the State Water Project Contractors Authority and the State Water Contractors, Inc.

Items for Discussion:
SWPCA & SWC
Meetings

Mr. Riddell provided a report on the following items: 1) SWPCA Board Meeting, 2) SWC Committee Meetings, 3) Water Supply Report, 4) Legislative Report, and 5) 2016-2017 SWC Objectives.

17487. President Cioffi asked General Manager Krause to report on the April Water Use Reduction Figures.

April Water Use
Reduction Figures

Mr. Krause reported that the Agency and its customers achieved a 23 percent reduction during April 2016 compared to April 2013.

17488. President Cioffi asked Outreach and Conservation Manager Metzger to report on the Conservation Program Update.

Conservation Program
Update

Mrs. Metzger provided a PowerPoint presentation on the status of turf buy back grants and upcoming conservation programs.

17489. Secretary-Treasurer Bloomer and Director Ewing noted their attendance at the ACWA conference held in Monterey.

Directors Report on
ACWA Conference
Attendance

President Cioffi noted his attendance at the ACWA/JPIA meetings and the ACWA conference.

17490. At 10:00 a.m., President Cioffi convened into Closed Session for the purpose of Conference with Legal Counsel, (A) Existing Litigation, pursuant to Government Code Section 54956.9 (d) (1), Agua Caliente Band of Cahuilla Indians vs. Coachella Valley Water District, et al; (B) Existing Litigation, pursuant to Government Code Section 54956.9 (d) (1), ACBCI vs. County of Riverside, et al; (C) Existing Litigation, pursuant to Government Code Section 54956.9 (d) (1), Desert Water Agency vs. U.S. Department of Interior; (D) Existing Litigation, pursuant to Government Code Section 54956.9 (d) (1), Mission Springs Water District vs. Desert Water Agency; and (E) Real Property Negotiators, pursuant to Government Code Section 54956.8, Property-APN 502-560-038, Agency Negotiators: Mark S. Krause, General Manager and Steve L. Johnson, Assistant General Manager, Negotiating Parties: Chris Thomsen, New Mesquite HOA, Under Negotiation: Price and terms of possible acquisition.

Closed Session:

- A. Existing Litigation – ACBCI vs. CVWD, et al
- B. Existing Litigation – ACBCI vs. Riverside County
- C. Existing Litigation – DWA vs. U.S. Dept. of Interior
- D. Existing Litigation – MSWD vs. DWA
- E. Real Property Negotiators

17491. At 11:02 a.m., President Cioffi reconvened the meeting into open session and announced there was no reportable action.

**Reconvene – No
Reportable Action**

17492. In the absence of any further business, President Cioffi Adjournment
adjourned the meeting at 11:03 a.m.

James Cioffi, President

ATTEST:

Kristin Bloomer, Secretary-Treasurer

GENERAL MANAGER'S REPORT JUNE 7, 2016

On May 21 at approximately 4:00 a.m., stand-by responded to a hit fire hydrant at Francis Dr. & Via Miraleste. The hydrant had to be re-installed and is now back in service. The water loss was from a fully open six-inch riser that ran for 30 minutes. A police report was made.



General Manager's Meetings and Activities

Meetings:

5/17/16 Quarterly GM Meeting
(DWA, CVWD, MSWD/2004 Settlement Agreement)
5/18-19/16 SWP Monthly Contractor's Meeting in Sacramento
5/20/2016 Well 6, Meaders Cleaners V. Ruderman
5/20/2016 Public Affairs Committee Meeting
5/23/2016 Meeting with the ACBCI regarding Whitewater Ranch Water Service Agreement
5/24/2016 Finance Committee Meeting
6/2/2016 Cooperative Agreement Meeting for USGS stream Gaging with CVWD, RCFC&WCD and USGS

Activities:

Desert Sun Request for Information on Groundwater Production Data
General Manager's Meeting
Palm Springs and Cathedral City Population Projections and Seasonal Populations
Perris Reservoir Seepage Water Supply Recovery
Sites Reservoir Water Supply Opportunity
Determination of DWA Conservation Target
Urban Water Management Report
E-Billing
Outreach Talking Points
USGS cooperative agreement
IRWMP Round 3 Invoices
IRWMP Turf Buy Back In Kind Contributions by Customer
SWP Delta Charges
SWP 60% Allocation
State Drinking Water Program Fees
Extension of State Emergency Drought Restrictions and Comments Letters
ACBCI Public Records Request
Agency Site Maintenance
Agency Vehicle Maintenance
Well 6 and Well 32 Water Quality Remediation issues
Whitewater Ranch Water Service Agreement
Rate Study
Replenishment Assessment Charge
Snow Creek Hydro SCE contract extension
Whitewater Hydro SCE contract extension
SWP/DWA tax rates
ACBCI PRA Whitewater Mutual Water Company
State and Federal Contractors Water Authority and Delta Specific Project Committee
Property Acquisition - New Mesquite HOA
MSWD Lawsuit
Snow Creek Security

On May 20, 2016, the Agency held a Bone Marrow Registry in cooperation with the City of Hope. Water Service Foreman Erik Rapolla (10 year of employment with the Agency) was diagnosed with a life-threatening blood illness which will require a bone marrow transplant. DWA employees, family and friends came to the event and the City of Hope was able to register 22 people willing to help if they are a donor match for someone in need.

Future Board Meetings:

June 28, 2016

There will be a Special Board meeting on **June 28**.

July 5, 2016

Consideration should be made regarding cancelling this meeting due to holding the June 28 Special Meeting.

July 21, 2016

Due to the majority of the Board and staff attending the AWWA conference, the July 21, 2016 Board meeting will be cancelled.

Minutes
Conservation & Public Affairs Committee Meeting
May 20, 2016

Directors Present: Jim Cioffi, Craig Ewing

Staff Present: Mark Krause, Martin Krieger, Ashley Metzger

1. Discussion Items

A. City of Palm Springs Turf Buy Back Funding Reallocation Request

The Committee reviewed the City of Palm Springs' request (using funds from city hall proposed area to dog park adjacent to city hall).

The Committee reviewed the request from Palm Canyon Villas (use funds from Highway 111 and Broadmoor for Highway 111 and Golf Club). The Committee agreed to the reallocation of funds.

B. New Conservation Standard and Restrictions Approach

Staff updated the Committee on the recent SWRCB meeting and the next steps for calculating a new conservation standard.

C. Conservation Alternative Plans

The Committee reviewed the two plans submitted; it was decided that the General Manager continue reviewing these plans.

D. Turf Buy Back Timeline and Workshops

The timeline was reviewed. Staff was requested to proceed.

E. Outreach and Conservation Budget Review

The Outreach and Conservation budget was reviewed.

F. Rate Outreach

Staff provided an update of CVWD's outreach efforts and discussed the possible formation of a customer assistance program.

2. Other

A. Smart Irrigation Controllers

General Manager Krause discussed the time and resources spent on providing support to customers that have controllers installed.

B. Water Use Violation Appeals

The appeals process was discussed and it was determined to continue with the current process.

3. Adjourn

**Minutes
Finance Committee Meeting
May 24, 2016**

Directors Present: Joseph K. Stuart, Kristin Bloomer

Staff Present: Mark Krause, Martin Krieger, Steve Johnson

Discussion Items

1. Proposed 2016-2017 Operating Fund Budget

The Committee reviewed the Water Sales Revenue, Expenses, Capital Additions, Carry-overs and Reserves. There was discussion on budget augmentation mid-year depending on outcome of the rate study.

2. Proposed 2016-2017 General Fund Budget

The Committee reviewed Groundwater & Hydro Revenues, State Water Project Capital and O&M, Operating expenses and Capital additions, and Reserves.

3. Proposed 2016-2017 Wastewater Fund Budget

The Committee reviewed Revenues and Expenses, Capital Items and City of Palm Springs sewer rate increase.

2. Other – None.

3. Adjourn

Minutes
Executive Committee Meeting
June 1, 2016

Directors Present: Jim Cioffi, Joe Stuart

Staff Present: Mark Krause, Martin Krieger, Steve Johnson

1. Discussion Items

A. Review Agenda for June 7, 2016 Regular Board Meeting

The proposed agenda for the June 7, 2016 regular board meeting was reviewed.

2. Other

- A. The Committee discussed the onset of temperatures over 110° and the need to implement the Agency's own conservation target as soon as possible.

3. Adjourn

**STAFF REPORT
TO
DESERT WATER AGENCY
BOARD OF DIRECTORS**

JUNE 7, 2016

**RE: GROUNDWATER REPLENISHMENT ASSESSMENT
MISSION CREEK SUBBASIN (PUBLIC HEARING)**

Following presentation of the Engineer's Report on the Groundwater Replenishment and Assessment Program for 2016/2017 during the Board's May 17, 2016 meeting, a determination was made that funds should be raised by a replenishment assessment, and the Board set the time and place for both a public meeting and public hearing on the matter.

As indicated in the Replenishment Reports, the proposed Mission Creek Groundwater Replenishment Assessment will remain at \$102 per acre-foot.

A copy of the Notice of Public Meeting and Public Hearing was sent to all pumpers on May 10, 2016 advising them of the scheduled public meeting and hearing, as well as the recommended replenishment assessment to be considered. The Notice of Public Hearing, setting the hearing date for today, was published in The Public Record on May 24, 2016.

On May 17, 2016, the Agency held a Public Meeting on the proposed Mission Creek Groundwater Replenishment Assessment.

A comparison of historic and proposed groundwater replenishment rates for Desert Water Agency (DWA) and Coachella Valley Water District (CVWD) is set forth as follows:

YEAR	DWA \$/AF	CVWD \$/AF	DIFFERENCE
03/04	\$35.00	\$59.80	(\$24.80)
04/05	\$46.00	\$59.80	(\$13.80)
05/06	\$50.00	\$59.80	(\$9.80)
06/07	\$63.00	\$65.78	(\$2.78)
07/08	\$63.00	\$72.36	(\$9.36)
08/09	\$72.00	\$76.60	(\$4.60)
09/10	\$72.00	\$87.56	(\$15.56)
10/11	\$82.00	\$89.75	(\$7.75)
11/12	\$82.00	\$98.73	(\$16.73)
12/13	\$92.00	\$98.73	(\$6.73)
13/14	\$92.00	\$98.73	(\$6.73)
14/15	\$102.00	\$98.73	\$3.27
15/16	\$102.00	\$112.00	(\$10.00)
16/17	\$102.00 *	\$123.20 *	(\$21.20)

*Proposed Replenishment Assessment Rate

Staff recommends adoption of Resolution No. 1131, making findings of fact relevant and material to levying the replenishment assessment within the Mission Creek River Subbasin.

Staff further recommends adoption of Resolution No. 1132, levying the 2016/2017 Mission Creek Groundwater Replenishment Assessment in the amount of \$102.00 per acre-foot.

RESOLUTION NO. 1131

A RESOLUTION OF THE BOARD OF DIRECTORS OF DESERT WATER AGENCY MAKING FINDINGS OF FACT RELEVANT AND MATERIAL TO THE LEVY OF A REPLENISHMENT ASSESSMENT PURSUANT TO DESERT WATER AGENCY LAW

MISSION CREEK SUBBASIN

WHEREAS, this Board has called and conducted a public hearing pursuant to statute in regard to the levy of a replenishment assessment within a portion of the Desert Water Agency for the 2016-2017 fiscal year; and

WHEREAS, it appears to this Board that such an assessment should be levied based upon the following findings material and relevant to such levy;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of Desert Water Agency that this Board finds:

1. Significant cumulative overdraft conditions exist within that portion of the Mission Creek River Subbasin of the Upper Coachella Valley lying within the boundaries of the Desert Water Agency; therefore, there is need for groundwater replenishment to arrest or reduce cumulative groundwater overdraft.

2. There is need to levy a replenishment assessment (charge) for fiscal year 2016-2017 upon groundwater extractions within the aforementioned portion of the Mission Creek Subbasin or surface water diversions from streams which would naturally replenish such portion of the Mission Creek Subbasin to defray the costs of groundwater replenishment.

3. Except for the exclusion provided for in Paragraph 5, such groundwater replenishment assessment (charge) shall apply to all water production, both groundwater extractions and surface water diversions within the Area of Benefit, at a uniform rate in dollars per acre-foot.

4. Pursuant to statute, the Area of Benefit is hereby delineated as that portion of the Mission Creek Subbasin of the Upper Coachella Valley lying within the boundaries of the

Desert Water Agency (See Figure 2 in "*Engineer's Report on Groundwater Replenishment and Assessment Program for the Mission Creek, Whitewater River and Garnet Hill Subbasins – Desert Water Agency 2016-2017*"), and those areas within the Agency from which diversions are made from streamflow which would replenish naturally such portion of the Mission Creek Subbasin. The reason for delineation of this Area of Benefit is that all producers therein, except for exclusions provided for in Paragraph 5, benefit from the groundwater replenishment program now being carried on by the Agency.

5. Extractions of groundwater of 10 acre feet or less per year are excluded from this process, and are exempted from the levy of any replenishment assessment pursuant to Section 15.4(g) of the Desert Water Agency Law. Diversions which do not diminish streamflow in excess of 10 acre feet per year shall also be excluded. Production of water pursuant to any right to divert surface flow, which has been determined in a statutory adjudication proceeding, shall also be exempt from assessment to the extent that such right is prior and paramount to the rights of riparian and overlying users within such portion of the Mission Creek Subbasin.

6. This Agency plans to take its 2016-2017 Table A Water Allocation under its State Water Project Contract and to use such water for replenishment purposes.

7. Pursuant to Section 15.4(f) of the Desert Water Agency Law, the maximum permissible replenishment assessment rate for State Water Project water for the 2016-2017 fiscal year, based on the Agency's estimated applicable State Water Project charges of \$8,981,669 and estimated assessable production within the Whitewater River, Mission Creek and Garnet Hill Subbasins of 42,810 acre feet, is \$209.80 per acre foot.

8. Pursuant to the provisions of the 2014 Water Management Agreement between the Agency and the Coachella Valley Water District, the effective replenishment assessment rate for State Water Project water for the 2016-2017 fiscal year, based on the Agency's estimated allocated State Water Project charges for its Table A Water Allocation of \$6,155,048 and estimated assessable production within both the Whitewater River, Mission Creek and Garnet Hill Subbasins of 42,810 acre feet is \$143.78 per acre foot.

9. Pursuant to Section 15.4(b) of the Desert Water Agency Law, the replenishment assessment in any given year may include costs of purchasing, transporting, and spreading the water. The 2016-2017 replenishment assessment rate includes a credit of \$42 per acre foot for discretionary reductions for the Mission Creek Subbasin.

10. Pursuant to the above provisions, the 2016-2017 replenishment assessment rate is \$102 per acre foot.

ADOPTED this 7th day of June, 2016.

James Cioffi, President
Board of Directors

ATTEST:

Kristin Bloomer, Secretary-Treasurer
Board of Directors

RESOLUTION NO. 1132

A RESOLUTION OF THE BOARD OF DIRECTORS OF DESERT WATER AGENCY LEVYING A WATER REPLENISHMENT ASSESSMENT FOR THE FISCAL YEAR 2016-2017 FOR THE PURPOSE OF REPLENISHING GROUNDWATER SUPPLIES MISSION CREEK SUBBASIN

WHEREAS, Section 15.4 of the Desert Water Agency Law provides for the levy of a water replenishment assessment (charge) upon the extraction of groundwater, or the diversion of surface supplies which would naturally replenish groundwater supplies; and

WHEREAS, the Board has followed and completed the statutory procedures required for the levy of such water replenishment assessment, including the adoption by resolution of specific findings of fact on all matters relevant and material to the purpose for which a water replenishment assessment may be levied.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Desert Water Agency as follows:

1. The Board does hereby levy a water replenishment assessment upon all water produced during the 2016-2017 fiscal year from within the area of benefit as hereinafter determined.

2. The area of benefit is hereby determined to be that portion of the Mission Creek Subbasin lying within the boundaries of the Desert Water Agency (See Figure 2 in "Engineer's Report on Groundwater Replenishment and Assessment Program for the Mission Creek, Whitewater River and Garnet Hill Subbasins - Desert Water Agency, 2016-2017"), and those areas within the Agency from which diversions are made from streamflow which would replenish naturally such portion of the Mission Creek Subbasin. Except for the exemptions

provided in Paragraph 5, water production shall include both groundwater extractions and surface water diversions.

3. The water replenishment assessment in such area of benefit shall be at the rate of \$102.00 per acre foot. The water replenishment assessment shall be due and payable on a quarterly basis, and shall be paid within 30 days after the end of each quarter ending September 30, December 31, March 31, and June 30.

4. The General Manager of the Agency shall give notice of the levy of this water replenishment assessment, and shall provide the necessary forms for production statements, as required by Sections 15.4(h) and 15.4(i) of the Desert Water Agency Law.

5. Minimal production, either groundwater extractions of 10 acre feet or less per year, or streamflow diversions which do not diminish the flow in excess of 10 acre feet per year, shall be exempt from any water replenishment assessment. Production of water pursuant to any right to divert surface flow, which has been determined in a statutory adjudication proceeding, shall also be exempt from any water replenishment assessment to the extent that such right is prior and paramount to the rights of riparian and overlying users within such portion of the Mission Creek Subbasin.

ADOPTED this 7th day of June, 2016.

James Cioffi, President
Board of Directors

ATTEST:

Kristin Bloomer, Secretary-Treasurer
Board of Directors

**STAFF REPORT
TO
DESERT WATER AGENCY
BOARD OF DIRECTORS**

JUNE 7, 2016

**RE: GROUNDWATER REPLENISHMENT ASSESSMENT
WHITEWATER RIVER SUBBASIN (PUBLIC HEARING)**

Following presentation of the Engineer's Report on the Groundwater Replenishment and Assessment Program for 2016/2017 during the Board's May 17, 2016 meeting, a determination was made that funds should be raised by a replenishment assessment, and the Board set the time and place for both a public meeting and public hearing on the matter.

As indicated in the Replenishment Reports, the proposed Whitewater Groundwater Replenishment Assessment will remain at \$102 per acre-foot.

A copy of the Notice of Public Meeting and Public Hearing was sent to all pumpers on May 10, 2016 advising them of the scheduled public meeting and hearing, as well as the recommended replenishment assessment to be considered. The Notice of Public Hearing, setting the hearing date for today, was published in The Public Record on May 24, 2016.

On May 17, 2016, the Agency held a Public Meeting on the proposed Whitewater Groundwater Replenishment Assessment.

A comparison of historic and proposed groundwater replenishment rates for Desert Water Agency (DWA) and Coachella Valley Water District (CVWD) is set forth as follows:

YEAR	DWA \$/AF	CVWD \$/AF	DIFFERENCE
03/04	\$35.00	\$72.86	(\$37.86)
04/05	\$45.00	\$78.86	(\$33.86)
05/06	\$50.00	\$78.86	(\$28.86)
06/07	\$63.00	\$83.34	(\$20.34)
07/08	\$63.00	\$91.67	(\$28.67)
08/09	\$72.00	\$93.78	(\$21.78)
09/10	\$72.00	\$102.45	(\$30.45)
10/11	\$82.00	\$102.45	(\$20.45)
11/12	\$82.00	\$107.57	(\$25.57)
12/13	\$92.00	\$110.26	(\$18.26)
13/14	\$92.00	\$110.26	(\$18.26)
14/15	\$102.00	\$110.26	(\$8.26)
15/16	\$102.00	\$112.00	(\$10.00)
16/17	\$102.00 *	\$145.60*	(\$43.60)

*Proposed Replenishment Assessment Rate

Staff recommends adoption of Resolution No. 1133, making findings of fact relevant and material to levying the replenishment assessment within the Whitewater River Subbasin.

Staff further recommends adoption of Resolution No. 1134, levying the 2016/2017 Whitewater River Groundwater Replenishment Assessment in the amount of \$102.00 per acre-foot.

RESOLUTION NO. 1133

RESOLUTION OF THE BOARD OF DIRECTORS OF DESERT WATER AGENCY MAKING FINDINGS OF FACT RELEVANT AND MATERIAL TO THE LEVY OF A REPLENISHMENT ASSESSMENT PURSUANT TO DESERT WATER AGENCY LAW

WHITEWATER RIVER SUBBASIN

WHEREAS, this Board has called and conducted a public hearing pursuant to statute in regard to the levy of a replenishment assessment within a portion of the Desert Water Agency for the 2016-2017 fiscal year; and

WHEREAS, it appears to this Board that such an assessment should be levied based upon the following findings material and relevant to such levy;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of Desert Water Agency that this Board finds:

1. Significant cumulative overdraft conditions exist within that portion of the Whitewater River Subbasin of the Upper Coachella Valley lying within the boundaries of the Desert Water Agency; therefore, there is need for groundwater replenishment to arrest or reduce cumulative groundwater overdraft.

2. There is need to levy a replenishment assessment (charge) for fiscal year 2016-2017 upon groundwater extractions within the aforementioned portion of the Whitewater River Subbasin or surface water diversions from streams which would naturally replenish such portion of the Whitewater River Subbasin to defray the costs of groundwater replenishment.

3. Except for the exclusion provided for in Paragraph 5, such groundwater replenishment assessment (charge) shall apply to all water production, both groundwater extractions and surface water diversions within the Area of Benefit, at a uniform rate in dollars per acre foot.

4. Pursuant to statute, the Area of Benefit is hereby delineated as that portion of the Whitewater River Subbasin of the Upper Coachella Valley lying within the boundaries of

the Desert Water Agency (See Figure 2 in "*Engineer's Report on Groundwater Replenishment and Assessment Program for the Whitewater River, Mission Creek and Garnet Hill Subbasins – Desert Water Agency 2016-2017*"), and those areas within the Agency from which diversions are made from streamflow which would replenish naturally such portion of the Whitewater River Subbasin. The reason for delineation of this Area of Benefit is that all producers therein, except for exclusions provided for in Paragraph 5, benefit from the groundwater replenishment program now being carried on by the Agency.

5. Extractions of groundwater of 10 acre feet or less per year are excluded from this process, and are exempted from the levy of any replenishment assessment pursuant to Section 15.4(g) of the Desert Water Agency Law. Diversions which do not diminish streamflow in excess of 10 acre feet per year shall also be excluded. Production of water pursuant to any right to divert surface flow, which has been determined in a statutory adjudication proceeding, shall also be exempt from assessment to the extent that such right is prior and paramount to the rights of riparian and overlying users within such portion of the Whitewater River Subbasin.

6. This Agency plans to take its 2016-2017 Table A Water Allocation under its State Water Project Contract and to use such water for replenishment purposes.

7. Pursuant to Section 15.4(f) of the Desert Water Agency Law, the maximum permissible replenishment assessment rate for State Water Project water for the 2016-2017 fiscal year, based on the Agency's estimated applicable State Water Project charges of \$8,981,669 and estimated assessable production within all the Whitewater River, Mission Creek and Garnet Hill Subbasins of 42,810 acre feet, is \$209.80 per acre foot.

8. Pursuant to the provisions of the 2014 Water Management Agreement between the Agency and the Coachella Valley Water District, the effective replenishment assessment rate for State Water Project water for the 2016-2017 fiscal year, based on the Agency's estimated allocated State Water Project charges for its Table A Water Allocation of \$6,155,048 and estimated assessable production within the Whitewater River, Mission Creek and Garnet Hill Subbasins of 42,810 acre feet is \$143.78 per acre foot.

9. Pursuant to Section 15.4(b) of the Desert Water Agency Law, the replenishment assessment in any given year may include costs of purchasing, transporting, and spreading the water. The 2016-2017 replenishment assessment rate includes a credit of \$42 per acre foot for discretionary reductions for the Whitewater River Subbasin.

10. Pursuant to the above provisions, the 2016-2017 replenishment assessment rate is \$102 per acre foot.

ADOPTED this 7th day of June, 2016.

James Cioffi, President
Board of Directors

ATTEST:

Kristin Bloomer, Secretary-Treasurer
Board of Directors

RESOLUTION NO. 1134

RESOLUTION OF THE BOARD OF DIRECTORS OF DESERT WATER AGENCY LEVYING A WATER REPLENISHMENT ASSESSMENT FOR THE FISCAL YEAR 2016-2017 FOR THE PURPOSE OF REPLENISHING GROUNDWATER SUPPLIES WHITEWATER RIVER SUBBASIN

WHEREAS, Section 15.4 of the Desert Water Agency Law provides for the levy of water replenishment assessment (charge) upon the extraction of groundwater, or the diversion of surface supplies which would naturally replenish groundwater supplies; and

WHEREAS, the Board has followed and completed the statutory procedures required for the levy of such water replenishment assessment, including the adoption by resolution of specific findings of fact on all matters relevant and material to the purpose for which a water replenishment assessment may be levied.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Desert Water Agency as follows:

1. The Board does hereby levy a water replenishment assessment upon all water produced during the 2016-2017 fiscal year from within the area of benefit as hereinafter determined.

2. The area of benefit is hereby determined to be that portion of the Whitewater River Subbasin lying within the boundaries of the Desert Water Agency (See Figure 2 in "**Engineer's Report on Groundwater Replenishment and Assessment Program for the Whitewater River, Mission Creek and Garnet Hill Subbasins - Desert Water Agency, 2016-2017**"), and those areas within the Agency from which diversions are made from streamflow which would replenish naturally such portion of the Whitewater River Subbasin. Except for the

exemptions provided in Paragraph 5, water production shall include both groundwater extractions and surface water diversions.

3. The water replenishment assessment in such area of benefit shall be at the rate of \$102.00 per acre foot. The water replenishment assessment shall be due and payable on a quarterly basis, and shall be paid within 30 days after the end of each quarter ending September 30, December 31, March 31, and June 30.

4. The General Manager of the Agency shall give notice of the levy of this water replenishment assessment, and shall provide the necessary forms for production statements, as required by Sections 15.4(h) and 15.4(i) of the Desert Water Agency Law.

5. Minimal production, either groundwater extractions of 10 acre feet or less per year, or streamflow diversions which do not diminish the flow in excess of 10 acre feet per year, shall be exempt from any water replenishment assessment. Production of water pursuant to any right to divert surface flow, which has been determined in a statutory adjudication proceeding, shall also be exempt from any water replenishment assessment to the extent that such right is prior and paramount to the rights of riparian and overlying users within such portion of the Whitewater River Subbasin.

ADOPTED this 7th day of June, 2016.

James Cioffi, President
Board of Directors

ATTEST:

Kristin Bloomer, Secretary-Treasurer
Board of Directors

**STAFF REPORT
TO
DESERT WATER AGENCY
BOARD OF DIRECTORS**

JUNE 7, 2016

**RE: GROUNDWATER REPLENISHMENT ASSESSMENT
GARNET HILL SUBBASIN (PUBLIC HEARING)**

Following presentation of the Engineer's Report on the Groundwater Replenishment and Assessment Program for 2016/2017 during the Board's May 17, 2016 meeting, a determination was made that funds should be raised by a replenishment assessment, and the Board set the time and place for both a public meeting and public hearing on the matter.

As indicated in the Replenishment Reports, the proposed Garnet Hill Groundwater Replenishment Assessment will remain at \$102 per acre-foot.

A copy of the Notice of Public Meeting and Public Hearing was sent to all pumpers on May 10, 2016 advising them of the scheduled public meeting and hearing, as well as the recommended replenishment assessment to be considered. The Notice of Public Hearing, setting the hearing date for today, was published in The Public Record on May 24, 2016.

On May 17, 2016, the Agency held a Public Meeting on the proposed Garnet Hill Groundwater Replenishment Assessment.

Staff recommends adoption of Resolution No. 1135, making findings of fact relevant and material to levying the replenishment assessment within the Garnet Hill Subbasin.

Staff further recommends adoption of Resolution No. 1136, levying the 2016/2017 Garnet Hill Groundwater Replenishment Assessment in the amount of \$102.00 per acre-foot.

RESOLUTION NO. 1135

A RESOLUTION OF THE BOARD OF DIRECTORS OF DESERT WATER AGENCY MAKING FINDINGS OF FACT RELEVANT AND MATERIAL TO THE LEVY OF A REPLENISHMENT ASSESSMENT PURSUANT TO DESERT WATER AGENCY LAW

GARNET HILL SUBBASIN

WHEREAS, this Board has called and conducted a public hearing pursuant to statute in regard to the levy of a replenishment assessment within a portion of the Desert Water Agency for the 2016-2017 fiscal year; and

WHEREAS, it appears to this Board that such an assessment should be levied based upon the following findings material and relevant to such levy;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of Desert Water Agency that this Board finds:

1. Significant cumulative overdraft conditions exist within that portion of the Garnet Hill Subbasin of the Upper Coachella Valley lying within the boundaries of the Desert Water Agency; therefore, there is need for groundwater replenishment to arrest or reduce cumulative groundwater overdraft.

2. There is need to levy a replenishment assessment (charge) for fiscal year 2016-2017 upon groundwater extractions within the aforementioned portion of the Garnet Hill Subbasin or surface water diversions from streams which would naturally replenish such portion of the Garnet Hill Subbasin to defray the costs of groundwater replenishment.

3. Except for the exclusion provided for in Paragraph 5, such groundwater replenishment assessment (charge) shall apply to all water production, both groundwater extractions and surface water diversions within the Area of Benefit, at a uniform rate in dollars per acre-foot.

4. Pursuant to statute, the Area of Benefit is hereby delineated as that portion of the Garnet Hill Subbasin of the Upper Coachella Valley lying within the boundaries of the

Desert Water Agency (See Figure 2 in "*Engineer's Report on Groundwater Replenishment and Assessment Program for the Garnet Hill, Mission Creek and Whitewater River Subbasins – Desert Water Agency 2016-2017*"), and those areas within the Agency from which diversions are made from streamflow which would replenish naturally such portion of the Garnet Hill Subbasin. The reason for delineation of this Area of Benefit is that all producers therein, except for exclusions provided for in Paragraph 5, benefit from the groundwater replenishment program now being carried on by the Agency.

5. Extractions of groundwater of 10 acre feet or less per year are excluded from this process, and are exempted from the levy of any replenishment assessment pursuant to Section 15.4(g) of the Desert Water Agency Law. Diversions which do not diminish streamflow in excess of 10 acre feet per year shall also be excluded. Production of water pursuant to any right to divert surface flow, which has been determined in a statutory adjudication proceeding, shall also be exempt from assessment to the extent that such right is prior and paramount to the rights of riparian and overlying users within such portion of the Garnet Hill Subbasin.

6. This Agency plans to take its 2016-2017 Table A Water Allocation under its State Water Project Contract and to use such water for replenishment purposes.

7. Pursuant to Section 15.4(f) of the Desert Water Agency Law, the maximum permissible replenishment assessment rate for State Water Project water for the 2016-2017 fiscal year, based on the Agency's estimated applicable State Water Project charges of \$8,981,689 and estimated assessable production within all the Whitewater River, Mission Creek and Garnet Hill Subbasins of 42,810 acre feet, is \$209.80 per acre foot.

8. Pursuant to the provisions of the 2014 Water Management Agreement between the Agency and the Coachella Valley Water District, the effective replenishment assessment rate for State Water Project water for the 2016-2017 fiscal year, based on the Agency's estimated allocated State Water Project charges for its Table A Water Allocation of \$6,155,048 and estimated assessable production within all the Whitewater River, Mission Creek and Garnet Hill Subbasins of 42,810 acre feet is \$143.78 per acre foot.

9. Pursuant to Section 15.4(b) of the Desert Water Agency Law, the replenishment assessment in any given year may include costs of purchasing, transporting, and spreading the water. The 2016-2017 replenishment assessment rate includes a credit of \$42 per acre foot for discretionary reductions for the Garnet Hill Subbasin.

10. Pursuant to the above provisions, the 2016-2017 replenishment assessment rate is \$102 per acre foot.

ADOPTED this 7th day of June, 2016.

James Cioffi, President
Board of Directors

ATTEST:

Kristin Bloomer, Secretary-Treasurer
Board of Directors

RESOLUTION NO. 1136

A RESOLUTION OF THE BOARD OF DIRECTORS OF DESERT WATER AGENCY LEVYING A WATER REPLENISHMENT ASSESSMENT FOR THE FISCAL YEAR 2016-2017 FOR THE PURPOSE OF REPLENISHING GROUNDWATER SUPPLIES GARNET HILL SUBBASIN

WHEREAS, Section 15.4 of the Desert Water Agency Law provides for the levy of a water replenishment assessment (charge) upon the extraction of groundwater, or the diversion of surface supplies which would naturally replenish groundwater supplies; and

WHEREAS, the Board has followed and completed the statutory procedures required for the levy of such water replenishment assessment, including the adoption by resolution of specific findings of fact on all matters relevant and material to the purpose for which a water replenishment assessment may be levied.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Desert Water Agency as follows:

1. The Board does hereby levy a water replenishment assessment upon all water produced during the 2016-2017 fiscal year from within the area of benefit as hereinafter determined.

2. The area of benefit is hereby determined to be that portion of the Garnet Hill Subbasin lying within the boundaries of the Desert Water Agency (See Figure 2 in "Engineer's Report on Groundwater Replenishment and Assessment Program for the Garnet Hill, Mission Creek and Whitewater River Subbasins - Desert Water Agency, 2016-2017"), and those areas within the Agency from which diversions are made from streamflow which would replenish naturally such portion of the Garnet Hill Subbasin. Except for the exemptions

provided in Paragraph 5, water production shall include both groundwater extractions and surface water diversions.

3. The water replenishment assessment in such area of benefit shall be at the rate of \$102.00 per acre foot. The water replenishment assessment shall be due and payable on a quarterly basis, and shall be paid within 30 days after the end of each quarter ending September 30, December 31, March 31, and June 30.

4. The General Manager of the Agency shall give notice of the levy of this water replenishment assessment, and shall provide the necessary forms for production statements, as required by Sections 15.4(h) and 15.4(i) of the Desert Water Agency Law.

5. Minimal production, either groundwater extractions of 10 acre feet or less per year, or streamflow diversions which do not diminish the flow in excess of 10 acre feet per year, shall be exempt from any water replenishment assessment. Production of water pursuant to any right to divert surface flow, which has been determined in a statutory adjudication proceeding, shall also be exempt from any water replenishment assessment to the extent that such right is prior and paramount to the rights of riparian and overlying users within such portion of the Garnet Hill Subbasin.

ADOPTED this 7th day of June, 2016.

James Cioffi, President
Board of Directors

ATTEST:

Kristin Bloomer, Secretary-Treasurer
Board of Directors

**STAFF REPORT
TO
DESERT WATER AGENCY
BOARD OF DIRECTORS**

JUNE 7, 2016

RE: WATER USE VIOLATION – CIVIL PENALTY HEARINGS

Starting after the March 1st board meeting, staff began issuing water use violations under the new ordinance; more than 220 violations have been issued. Recipients of the violations have 7 days to request a hearing in writing. Staff has received two such requests for a hearing on the violations since the last hearing on May 17. Both violations have hearings scheduled for today's board meeting.

The following is a summary of the procedure for the hearings.

Staff has provided the Board with the correspondence for each of the violations including photographic evidence. Photographs will also be projected during the hearing to provide the board and customer a common point of reference for discussion.

Staff will introduce each violation with a summary of the event. After the introduction the customer will be invited by the Board to speak concerning the violation. If the recipient of the violation is not present or does not wish to speak, staff will read the violation summary and submit the written petition into the record for board action.

Each petition will be discussed and voted on separately.

As a point of reference, Staff has notified Agency customers concerning water conservation regulations in several different ways:

Recent Notifications

1. Published the ordinance in The Public Record
2. Published the ordinance in the Agency Website
3. Social media outlets
4. KMIR, KESQ, KPCC, the Joey English Show
5. Desert Sun Valley Voice
6. Palm Desert Patch
7. Email to Palm Springs and Cathedral City Chambers
8. Emails to HOA in our contact list
9. Emails to high volume users

Comprehensive Notifications – Since June 2015

1. Direct mail to all customers
2. Bill Inserts
3. Bill on envelope messaging
4. Billboards
5. Online advertising (KESQ)
6. Television advertising (Time Warner)
7. Social media
8. Several public presentations on TV
9. Print and radio Interviews
10. DWA and CVWD websites

1. Robin Powell, 1094 E Deepwell Rd

- a. On Tuesday, May 17 at 9:40 a.m. a Desert Water Agency representative observed water use violations at said address and reported them.
 - i. Irrigating on a restricted day (Tuesday)
 - ii. Irrigating between the restricted hours of 7 a.m. and 7 p.m.
 - iii. Runoff from irrigation onto hardscape
- b. Fine amount \$50
 - i. Single-family home
 - ii. First violation
- c. Reason for petition
 - i. None given

Robin Powell
PO Box 2424
Gearhart, OR 91738

May 18, 2016

RE: FINE ON ACCOUNT# [REDACTED] 1094 E Deepwell Rd

Dear Valued Customer:

Due to a water use violation observed and documented by a Desert Water Agency representative on Tuesday, May 17, 2016 at 9:40 am, you are being served with a complaint to impose a civil (monetary) penalty.

You have 7 days to request, in writing, a hearing on this violation. If you do request a hearing, you will need to come to the Agency and present information that refutes the alleged violation. If you do not request a hearing within 7 days of this complaint, the civil penalty of \$50.00 will be added onto your water bill.

You were cited for:

- ***Outdoor residential irrigation shall be restricted to Mondays, Wednesdays and Fridays, before 7:00 a.m. and after 7:00 p.m.***
- ***Runoff such that water flows onto adjacent property, non-irrigated areas, private and public walkways, roadways, parking lots, or structures is prohibited.***

This is a violation of Desert Water Agency's Ordinance No. 65. For a first violation within any 12-month period, the civil penalty shall be \$100 for a multi-family residential, commercial or institutional establishment or \$50 for a single-family residential customer.

For a second violation within any 12-month period, the civil penalty shall be \$200 for a multi-family residential, commercial or institutional establishment or \$100 for a single-family residential customer.

For a third and each subsequent violation within any 12-month period, the civil penalty shall be \$500 for a multi-family residential, commercial or institutional establishment or \$250 for a single-family residential customer.

Failure to pay the civil penalty on your water bill may result in termination of water service. In addition, the Agency staff shall be authorized to discontinue water service for any violation of the Ordinance.

If you have any additional questions, please contact us.

Thank you,

Ashley Metzger
Outreach & Conservation Manager
Desert Water Agency
On behalf of General Manager Mark Krause



1094







mes Cioffi, President
Joseph K. Stuart, Vice President
ristin Bloomer, Secretary-Treasurer
atricia G. Oygur, Director
Craig A. Ewing, Director



Mark S. Krause, General Manager-Chief Engineer
Best, Best & Krieger, General Counsel
Krieger & Stewart, Consulting Engineers

5/25/18 VIA FAX

Please accept this as our written
request for a hearing.

May 18, 2016

Robin Powell
PO Box 2424
Gearhart, OR 91738

Thank you. Robin Powell

RE: FINE ON ACCOUNT# [REDACTED] 1094 E Deepwell Rd [REDACTED]

Dear Valued Customer:

Due to a water use violation observed and documented by a Desert Water Agency representative on Tuesday, May 17, 2016 at 9:40 am, you are being served with a complaint to impose a civil (monetary) penalty.

You have 7 days to request, in writing, a hearing on this violation. If you do request a hearing, you will need to come to the Agency and present information that refutes the alleged violation. If you do not request a hearing within 7 days of this complaint, the civil penalty of \$50.00 will be added onto your water bill.

You were cited for:

- *Outdoor residential irrigation shall be restricted to Mondays, Wednesdays and Fridays, before 7:00 a.m. and after 7:00 p.m.*
- *Runoff such that water flows onto adjacent property, non-irrigated areas, private and public walkways, roadways, parking lots, or structures is prohibited.*

This is a violation of Desert Water Agency's Ordinance No. 65. For a first violation within any 12-month period, the civil penalty shall be \$100 for a multi-family residential, commercial or institutional establishment or \$50 for a single-family residential customer.

For a second violation within any 12-month period, the civil penalty shall be \$200 for a multi-family residential, commercial or institutional establishment or \$100 for a single-family residential customer.

For a third and each subsequent violation within any 12-month period, the civil penalty shall be \$500 for a multi-family residential, commercial or institutional establishment or \$250 for a single-family residential customer.

Failure to pay the civil penalty on your water bill may result in termination of water service. In addition, the Agency staff shall be authorized to discontinue water service for any violation of the Ordinance.

2. Christopher Mills

- a. On Monday, May 23 at 9:56 a.m. a Desert Water Agency representative observed water use violations at said address and reported them.
 - i. Irrigating between the restricted hours of 7 a.m. and 7 p.m.
 - ii. Runoff from irrigation onto hardscape
- b. Fine amount \$100
 - i. Commercial
 - ii. First violation
- c. Reason for petition
 - i. Homelessness problem may have led to unauthorized timer adjustment
 - ii. Some people turn off irrigation at the valve box
 - iii. Berming met all standards in 1977, when built
 - iv. Will be replacing turf
 - v. On vacation at time of hearing

Christopher & Dawn Mills
% Bennion & Deville Fine Homes
71691 Hwy 111
Rancho Mirage, CA 92270

May 24, 2016

RE: FINE ON ACCOUNT# [REDACTED] 1255 E Ramon Rd

Dear Valued Customer:

Due to a water use violation observed and documented by a Desert Water Agency representative on Monday, May 23, 2016 at 9:56 am, you are being served with a complaint to impose a civil (monetary) penalty.

You have 7 days to request, in writing, a hearing on this violation. If you do request a hearing, you will need to come to the Agency and present information that refutes the alleged violation. If you do not request a hearing within 7 days of this complaint, the civil penalty of \$100.00 will be added onto your water bill.

You were cited for:

- ***Outdoor irrigation shall be restricted to Mondays, Wednesdays and Fridays, before 7:00 a.m. and after 7:00 p.m.***
- ***Runoff such that water flows onto adjacent property, non-irrigated areas, private and public walkways, roadways, parking lots, or structures is prohibited.***

This is a violation of Desert Water Agency's Ordinance No. 65. For a first violation within any 12-month period, the civil penalty shall be \$100 for a multi-family residential, commercial or institutional establishment or \$50 for a single-family residential customer.

For a second violation within any 12-month period, the civil penalty shall be \$200 for a multi-family residential, commercial or institutional establishment or \$100 for a single-family residential customer.

For a third and each subsequent violation within any 12-month period, the civil penalty shall be \$500 for a multi-family residential, commercial or institutional establishment or \$250 for a single-family residential customer.

Failure to pay the civil penalty on your water bill may result in termination of water service. In addition, the Agency staff shall be authorized to discontinue water service for any violation of the Ordinance.

If you have any additional questions, please contact us.

Thank you,

Ashley Metzger
Outreach & Conservation Manager
Desert Water Agency
On behalf of General Manager Mark Krause

Desert Water Agency Board of Directors
c/o Ashley Metzger
Ashley@DWA.org

June 1, 2016

Re: Acct. [REDACTED]; 1255 E. Ramon Road
(Southeast corner Ramon/Thornhill-Palm Springs)

Dear Board:

I am writing this note as I am unable to attend your Board meeting of June 7, due to vacation plans.

I am appealing my above referenced citation, not because the event didn't happen, but due to the fact I have been and am continuing to address the situation and it is somewhat unique.

Addressing the first issue: Watering times and days.

1. My gardener set the times as required; 7AM to 7PM on Mondays, Wednesdays and Fridays. As with many properties and businesses in Palm Springs, we have a homeless issue. In our case, the irrigation controller is located in a concealed area of the site where homeless tend to camp. The controller has had its wiring cut, been vandalized and misadjusted on several occasions. It was locked, hardwired and replaced recently.
2. I am a victim of "water vigilantes", who come on my property and turn off my irrigation at the valve box causing no irrigation at times and dead plants by the time we locate the issue.

Addressing the second issue: Water runoff over the walk to the gutter.

1. As you can see by the photos, this property has extensive berming on the street frontages. An important element of the design and feel of the architecture inside and out. At the time I designed the building, 1977, the berming met all requirements. It slopes from the back of the walk on a steep angle up to retaining planter walls. Looks great, but given today's water situation and your guidelines, it needs to change.

To that end, I applied for your last round of "turf reduction dollars" and was not accepted. Fully understandable as to why; based on the impact of much larger turf areas vs. my little area of less than 1,000 SF..... made sense.

I also engaged a landscape designer and contractor to "redo" my full street frontage landscape, removing all turf, changing to a drip system and adding fencing to secure the rear of the site. My project has been submitted to the City for architectural review (staff review I hope), but will take up to a month to gain approval.

I am ready to re-landscape at that time... not a great time of year to start a landscape project as we all know.

We have repaired two leaking valves just discovered last week and replaced and locked the controller in an effort to control outside interference.

I am not so much appealing the fine, but the citation. In that I am and have been attempting to comply with your ordinance. In addition, I wanted to avoid any future citations, but fear that impossible without letting the existing landscape die and create a dust issue for my tenant as the turf and plant material share irrigation stations making it difficult to isolate the turf.

I would appreciate consideration in allowing me to continue watering as per the guidelines without a citation until my City approval and start of construction within 2 weeks of that approval. I would just be unable to keep the water off the walk.

I am sorry I am not able to attend your meeting and explain the situation better. Thank you for your understanding.

Sincerely,

Chris S. Mills

Christopher Mills

Architect

Prest Vuksic Architects


44-530 San Pablo Ave, Suite 200

Palm Desert, CA 92260

T. 760.779.5393

F 760.779.5395

ChrisM@prestvuksicarchitects.com

A photograph of a modern, light-colored house with a flat roof. In the foreground, a concrete wall serves as an address marker. To the left of the wall is a large palm tree and some agave plants. To the right is a large, mature tree with a thick trunk. A concrete sidewalk runs along the right side of the property. The background shows a clear blue sky and distant mountains.

1255

bennion@deville
HOMES

Ramon Rd



Exit Street View



AND

© 2016 Google

© 2016 INEGI
© 2016 Google

Google earth

33°48'57.09" N 116°31'58.70" W elev 421 ft eye alt 422 ft

[Report a problem](#)





**STAFF REPORT
TO
DESERT WATER AGENCY
BOARD OF DIRECTORS**

JUNE 7, 2016

**RE: REQUEST ADOPTION OF RESOLUTION NO. 1137 SUPPORTING
LOCAL INVOLVEMENT IN LONG-TERM CONSERVATION AND
MANAGEMENT POLICY**

BACKGROUND:

Governor Brown's May 9 Executive Order directs the Department of Water Resources and the State Water Resources Control Board to, with the involvement of urban water suppliers, develop new water use efficiency targets as part of long-term framework, going beyond SB X7-7's charge of reducing urban water use by 20 percent by the year 2020. Desert Water Agency has already met this target ahead of schedule, as have many other agencies throughout the state.

The new targets are required to include strengthening of:

- Indoor residential per capita water use
- Outdoor irrigation (in a manner that incorporates landscape area, local climate and satellite imagery data)
- Commercial, industrial and institutional water use
- Water lost through leaks

The Executive Order states that water use targets shall be customized to unique conditions of each agency. Staff supports the customization and recognition of local circumstances. ACWA has urged member agencies to vocalize their willingness to be involved in the development of this policy.

The resolution notes that DWA sees the Department of Water Resources as the most appropriate entity to lead the development of this policy.

RECOMMENDATION:

Staff recommends that the Board of Directors adopt Resolution No. 1137 to urge support for a local role in long-term conservation policy development.

RESOLUTION NO. 1137
A RESOLUTION OF THE BOARD OF DIRECTORS OF
DESERT WATER AGENCY REGARDING LONG-TERM
WATER CONSERVATION AND MANAGEMENT
POLICY IN CALIFORNIA

WHEREAS, local California water agencies have invested nearly \$20 billion in the past 20 years to build and prudently manage diverse water supply portfolios to meet their customers' needs and provide reliable supplies during times of drought; and

WHEREAS, these local investments in everything from water recycling to local and regional water storage to desalination of brackish groundwater and ocean water were made with the public's support and are widely credited with keeping California's economy largely intact throughout the current multiyear drought; and

WHEREAS, the emergency drought regulation adopted in May 2015 by the State Water Resources Control Board largely overlooked these investments and required local urban water suppliers to impose mandatory reductions in water use on their customers, even where hydrology and available local supply options did not warrant such stringent reductions; and

WHEREAS, Californians responded heroically to the drought emergency and largely met the statewide goal of reducing urban water use by 25% through February 2016, while customers of Desert Water Agency achieved unprecedented savings of 26.5% despite extreme temperatures, seasonal population and growth; and

WHEREAS, starting in June local supplies were recognized in emergency restrictions, which were extended through January of 2017, and Department of Water Resources and the State Water Resources Control Board were tasked developing a new long-term conservation strategy; and

WHEREAS, as the state's focus transitions from the emergency regulation to a long-term policy approach to conservation, local water agencies believe it should be the state's policy to emphasize investments in drought-resiliency and ongoing water-use efficiency and to leave discretion with local water agencies to choose appropriate management strategies; and

WHEREAS, California water agencies affirmatively support a long-term policy that demands high levels of water use efficiency, promotes innovation in developing water shortage contingency plans, requires high levels of accountability at local water agencies, preserves local control over water management decisions; and

WHEREAS, Desert Water Agency has been recycling water for more than two decades, is at full capacity with its recycled water system, has implemented various creative water management solutions , imports water for recharge to ensure basin health, partners with other

agencies in the region to the same end, and incents customers to save water through various outreach and rebate programs;

NOW, THEREFORE, BE IT RESOLVED, that Desert Water Agency supports a long-term policy that will result in a highly efficient and resilient water future and will allow local water agencies to continue planning for and investing in the water supply reliability actions needed to meet California's 21st century water needs; and

BE IT FURTHER RESOLVED that Desert Water Agency believes long-term water management policy should be led by the California Department of Water Resources, which already has the lead role in managing the state's Urban Water Management Plan / Water Shortage Contingency Plan process, and will oversee groundwater basins via the Sustainable Groundwater Management Act.

PASSED AND ADOPTED this 7th day of June, 2016

James Cioffi, President
Board of Directors

Kristin Bloomer, Secretary-Treasurer
Board of Directors

**STAFF REPORT
TO
DESERT WATER AGENCY
BOARD OF DIRECTORS**

JUNE 7, 2016

**RE: REQUEST APPROVAL OF COST OF LIVING ADJUSTMENT TO
DESERT WATER AGENCY EMPLOYEES AND GENERAL
MANAGER AND APPROVAL OF JULY 1, 2016 DESERT WATER
AGENCY SALARY SCHEDULE AND POSITION CLASSIFICATION
SCHEDULE**

Per the terms of the 2015-2018 Memorandum of Understanding between the Desert Water Agency and the Desert Water Agency Employees' Association, employees will receive a cost of living adjustment (COLA) equal to the percent change for the year ending March 2016, with the percentage derived from the Bureau of Labor Statistics "Consumer Price Indexes - Pacific Cities and U.S. City Average", "Urban Wage Earners and Clerical Workers" for Los Angeles-Riverside-Orange County Index.

The General Manager has an Employment Agreement which provides for a cost of living adjustment based upon the same percentage adjustment provided to all Agency employees for changes in the cost of living.

The March 2016 CPI was 1.3% and staff is requesting Board approval to grant employees and the General Manager a 1.3% increase effective July 1, 2016.

CalPERS requires that any material change in salary or job classifications be approved at a public meeting before the governing board of each Agency.

The Desert Water Agency position classification schedule has been updated to reflect the following changes:

1. Add the position of Snow Creek Security
2. Delete the position of Facilities and Maintenance Technician I
3. Delete the position of Network Programmer Analyst
4. Change name of Information Systems & Services Administrator to Information Systems Administrator
5. Change name of Public Information Officer and Public Information Associate to Outreach & Conservation Manager and Outreach & Conservation Associate.

Fiscal Impact

If the Board approves the 1.3% Cost of Living Adjustment, the total Fiscal Impact is an increase of \$77,325 over the prior year budget.

Staff is requesting that the Board of Directors:

1. Approve a 1.3% Cost of Living Adjustment for Desert Water Agency employees and General Manager with an effective date of July 1, 2016.
2. Approve the July 1, 2016 Monthly Salary Schedule and Management Salary Schedule reflecting the 1.3% increase.
3. Approve amendment to General Manager's Employment Agreement to reflect 1.3% Cost of Living Adjustment.
4. Approve the July 1, 2016 Position Classification Listing as updated.

Attachments:

DWA Employee Association MOU
General Manager Employment Contract
March 2016 Consumer Price Index
7-1-16 DWA Monthly Salary Schedule
7-1-16 DWA Management Salary Schedule
7-1-16 Amendment to General Manager Employment Agreement
7-1-16 DWA Position Classification Schedule

Craig A. Ewing, President
James Cioffi, Vice President
Joseph K. Stuart, Secretary-Treasurer
Patricia G. Oygur, Director
Richard Oberhaus, Director



David K. Luker, General Manager-Chief Engineer
Best, Best & Krieger, General Counsel
Krieger & Stewart, Consulting Engineer

June 24, 2015

Desert Water Agency Employees' Association
Attn: Kory Knox – Chairman/DWAEA
1200 South Gene Autry Trail
Palm Springs, CA 92264

RE: Employee Salaries and Fringe Benefits through June 30, 2018

Ladies and Gentlemen of the DWA Employees' Association:

Pursuant to the meet-and-confer process under state law, the following salary and fringe benefit package was negotiated between the Desert Water Agency Employees' Association and the General Manager. This negotiated package extends to June 30, 2018, and I have received your written notice that the proposal was initially accepted by the DWA Employees' Association by a majority vote on May 12, 2015, and I was verbally apprised by Chairman Kory Knox that the final negotiated terms of the MOU (as outlined below) were subsequently approved by a majority vote of the DWAEA on June 23, 2015.

This proposal has been approved by the Desert Water Agency Board of Directors at their regular meeting on June 16, 2015, and has a commencement date of July 1, 2015.

The specific terms negotiated and agreed upon are as follows:

1. The negotiated package would include no increases in fringe benefit costs paid by employees, with the exception of the following:
 - a. Employee contributions to CalPERS Employer Rate if cost to maintain 2.5% @ 55 benefit factor increases. When employees negotiated an increase in the CalPERS Retirement Benefit Factor from 2% at 55 to 2.5% at 55, it was mutually agreed that any subsequent increase in the "Employer" Rate would be picked up by the employee, resulting in no additional cost to the Agency.

Each year, CalPERS conducts an Actuarial which determines the Employer Rate for the next fiscal year. Currently (fiscal year 2014-2015) the Agency pays a CalPERS employer rate of 21.35%. For fiscal year 2015/2016 the Employer Rate is 22.513% (an increase of 1.163%) and CalPERS has projected a rate of 23.513% for fiscal year 2017/2018.

Effective July 1, 2015, the Agency will pay the 1.163% increase in the Employer Rate. CalPERS Employee Rate for those hired before January 1, 2013 remains at 8%.

Employees hired on or after January 1, 2013 have a CalPERS retirement benefit factor of 2% @ 62. The Employer and the Employee share in the cost of funding this benefit. For fiscal year 2015/16 the Employer Rate is 6.73% and the Employee Rate is 6.5%.

- b. If during the term of this Memorandum of Understanding the health benefit premiums become impacted by the Affordable Care Act, employees and the Agency agree to reopen discussions regarding Agency contributions for health insurance premiums during annual health benefit open enrollment periods.
2. Commencing July 1, 2015, each Agency employee will receive a cost of living increase equal to the percent change for the year ending March 2015, with the percentage derived from the Bureau of Labor Statistics "Consumer Price Indexes - Pacific Cities and U.S. City Average", "Urban Wage Earners and Clerical Workers" for Los Angeles-Riverside-Orange County Index. The minimum will not be lower than 0% (in the event the actual index goes below 0%); the maximum will be 5%.
3. Commencing July 1, 2016, each Agency employee will receive a cost of living increase equal to the percent change for the year ending March 2016, with the percentage derived from the Bureau of Labor Statistics "Consumer Price Indexes - Pacific Cities and U.S. City Average", "Urban Wage Earners and Clerical Workers" for Los Angeles-Riverside-Orange County Index. The minimum will not be lower than 0% (in the event the actual index goes below 0%); the maximum will be 5%.
4. Commencing July 1, 2017, each Agency employee will receive a cost of living increase equal to the percent change for the year ending March 2017, with the percentage derived from the Bureau of Labor Statistics "Consumer Price Indexes - Pacific Cities and U.S. City Average", "Urban Wage Earners and Clerical Workers" for Los Angeles-Riverside-Orange County Index. The minimum will not be lower than 0% (in the event the actual index goes below 0%); the maximum will be 5%.
5. Effective July 1, 2015, the Agency monthly contribution to deferred compensation account for employees hired after May 1, 2007 is increased to \$120 per month.

Effective July 1, 2016, the Agency monthly contribution to deferred compensation account for employees hired after May 1, 2007 is increased to \$125 per month.

Effective July 1, 2017, the Agency monthly contribution to deferred compensation account for employees hired after May 1, 2007 is increased to \$130 per month.

6. Effective July 1, 2015, the Agency will reimburse employees who are required to wear safety toed boots up to \$300 each fiscal year for boots meeting the safety and quality requirements established by the General Manager.
7. A salary survey for benchmarked job classifications will be performed toward the end of 2016 and, with Board approval of any changes, have an implementation date of January 1, 2017.
8. A benefit survey will be performed during the month of March 2018.
9. Commencing in April 2018, a new Salary and Fringe Benefits Memorandum of Understanding will be negotiated between the DWA Employees' Association and the General Manager / Chief Engineer, and will be implemented (with the Board's approval) on July 1, 2018.

If you agree that this letter correctly memorializes our understanding, please sign below and return one copy to me at your earliest convenience. Another copy of this letter agreement has been enclosed for your records.

Sincerely,

DESERT WATER AGENCY



David K. Luker
General Manager

~~~~~  
We agree to the above.

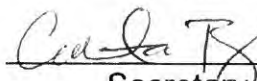
**DESERT WATER AGENCY EMPLOYEES ASSOCIATION**


6-24-15  
Date

6/24/15  
Date

6/24/15  
Date

  
Chairman – Kory Knox

  
Secretary – Carol Ann Perez

  
Treasurer – Louvina Silva



## **EMPLOYMENT AGREEMENT BETWEEN DESERT WATER AGENCY AND MARK S. KRAUSE**

This EMPLOYMENT AGREEMENT ("Agreement") is made by and between MARK S. KRAUSE ("General Manager – Chief Engineer") and the Board of Directors of the DESERT WATER AGENCY, a local governmental entity ("Agency"), hereinafter also referred to as "Board of Directors." The Parties hereto agree as follows:

### **Section 1.     Employment.**

1.1     The Board of Directors agrees to employ said MARK S. KRAUSE as General Manager – Chief Engineer ("GM – CE" or "Krause"), and he agrees and does accept employment as GM-CE upon the terms and conditions set forth herein.

1.2     GM-CE agrees to perform the functions and duties of GM-CE as may be established or directed by the Board of Directors. GM-CE agrees to perform all such functions and duties to the best of his ability and in an efficient and competent manner.

### **Section 2.     Term of the Agreement.**

2.1     This Agreement shall be for an initial term of five (5) years, beginning January 30, 2016 and ending January 29, 2021. Subject to the Agency's right to terminate this Agreement and GM-CE's employment at any time pursuant to Section 3 of this Agreement, this Agreement shall automatically be renewed for subsequent three (3) year periods unless the Agency provides written notice to the GM-CE no less than eighteen (18) months prior to the expiration of the current term or an extended term that the Agreement will be terminated. Unless otherwise provided for by a subsequent written agreement between the Parties, the terms and conditions of this Agreement shall apply to any extended term of this Agreement.

2.2     Nothing in this Agreement shall prevent, limit or otherwise interfere with the right of the Board of Directors to terminate the services of GM-CE at any time, subject only to the provisions set forth in this Agreement.

2.3     Nothing in this Agreement shall prevent, limit or otherwise interfere with the right of the GM-CE to resign at any time from his position with the Agency, subject only to the provisions set forth in this Agreement.

2.4     GM-CE agrees to remain in the exclusive employment of the Agency during the term of this Agreement, and he shall neither accept other employment nor become employed by any other person, business, or organization during the term of this Agreement. As used in this section, the term "employed" shall not be construed to include occasional teaching, writing, or consulting on GM-CE's time off, which may be undertaken by the GM-CE, provided they are conducted with persons, businesses, or organizations not within the agency service area.

### **Section 3.     Termination and Severance Pay.**

3.1     GM-CE serves at the will and pleasure of the Board of Directors and may be terminated with or without cause at any time. Consequently, nothing in this Agreement shall in any way affect the Board of Director's right to terminate the employment of GM-CE and this Agreement on an at-will basis, with or without cause, at any time, as provided herein. The Parties agree that the GM-CE is at will and shall not have appeal or so-called *Skelly* rights related to his employment.

3.2     This Agreement shall automatically terminate upon Employee's death, retirement, unforeseen extended unavailability (defined as six months), or permanent incapacity from being able to perform the essential functions of the General Manager position with reasonable accommodation.

3.3     In the event that GM-CE and this Agreement are terminated without cause, Agency agrees to provide GM-CE with severance pay in a lump sum cash payment equal to eighteen (18) months base salary, less wage and employment deductions required by law, (2) final pay cashing out the value of unused attendance bonus plan, vacation, and floating holidays, and (3) continuation of health benefits for nine months or until the GM-CE finds other employment that provides health benefits, whichever occurs first. These terms are subject to reduction as required by Government Code sections 53260, *et seq.* Thus, notwithstanding the above, in no event shall the total cash value of the severance pay exceed the value of the base salary for the remaining unexpired effective term of this Agreement, nor may the continuation of health benefits exceed the remaining unexpired effective term of this Agreement.

3.4     The provisions of California Government Code sections 53243 to 53243.4, as those sections now or hereafter exist are hereby incorporated by reference into this Agreement. Thus, if Employee is convicted of a crime involving an abuse of his office or position, whether before or after release from employment, Employee shall fully reimburse the Agency for any severance pay, paid leave salary disbursed pending an investigation related to the crime, or legal criminal defense funds relevant to the crime.

3.5     In the event GM-CE and this Agreement are terminated for cause, GM-CE shall not be entitled to any severance pay, but Krause shall be eligible for continued benefits as provided below. Termination for cause is defined as follows:

- (a)     A willful breach of this Agreement.
- (b)     Habitual neglect of duties required to be performed under this Agreement.
- (c)     Any acts of dishonesty, fraud, misrepresentation, or other acts of moral turpitude (no pending criminal prosecution need be in effect for termination due to fraud, embezzlement or public conduct reflecting on the Agency; rather the Board must only have a good faith belief based on a good faith investigation).
- (d)     Refusal or failure to act in accordance with any legal directive or order of the Board of Directors.

3.6 In the event that GM-CE and this Agreement are terminated for cause, GM-CE will be presented with written notice of the basis for said cause. Upon receipt of said written notice, GM-CE, within five (5) business days, may request a hearing before the Board of Directors. The issue at the hearing shall be limited solely to whether or not there is sufficient evidence to support a finding of termination for cause such that the GM-CE would not be entitled to any severance pay. Under no circumstances shall the GM-CE be entitled to reinstatement as a result of such hearing.

3.7 Nothing in this Agreement shall prevent, limit or otherwise interfere with the right of GM-CE to resign at any time from his position with Agency, subject only to the provisions set forth in this Agreement. In the event the GM-CE resigns from his position with the Agency, then the GM-CE shall provide the Board of Directors ten (10) days notice in advance, unless the Parties agree otherwise. In the event the GM-CE resigns, he shall not be entitled to any severance pay, but the Board of Directors shall pay the GM-CE for accrued vacation and attendance bonus plan benefits.

#### **Section 4. Salary and Expenses.**

4.1 Board of Directors agrees to pay the GM-CE for his services rendered a base salary of Nineteen Thousand, Four Hundred and Sixty-Three Dollars (\$19,463.00) per month in installments at the same time as other employees of the Agency are paid, commencing January 30, 2016. The base salary will be adjusted annually by the same percentage adjustment provided to all Agency employees for changes in the cost of living, if any.

In addition, the Board shall have the right to grant merit increases as the Board deems appropriate, in its discretion. The GM-CE will be eligible for a discretionary annual incentive award not to exceed ten percent (10%) of his total annual base salary based on the results of his annual performance evaluation. The incentive may be based, in part, on the accomplishment of specific goals set by the Board of Directors that are achieved by the GM-CE. Any performance incentive awarded under this section shall be in a lump sum payment, subject to all legally required wage and employment deductions. Notwithstanding the above, the issuance of any incentive awards is at the sole discretion of the Board of Directors. Further any performance pay awarded under this Section shall not become a part of the GM-CE's established base salary going forward.

4.2 Except for the use of his vehicle for the performance of his duties, for which a vehicle is provided under Section 5.8 of this Agreement, Agency shall reimburse GM-CE, within its budget and upon approval of the Board of Directors, for all actual and necessary expenses incurred in connection with the performance of his official duties. GM-CE agrees to maintain and submit accurate records of all expenses for which reimbursement is claimed.

#### **Section 5. Benefits.**

5.1 Vacation. The GM-CE shall receive and use vacation benefits under the same terms and conditions applicable to Agency employees generally.

5.2 Attendance Bonus Plan (ABP). The GM-CE shall accrue and use paid ABP benefits under the same terms and conditions applicable to agency employees generally.



5.3 Retirement. The Agency agrees to provide for participation in and pay all Employer and Employee contributions in the California Public Employees Retirement System (CalPERS). The Agency will enroll the GM-CE in the CalPERS under the same terms as other miscellaneous employees of the Agency who are considered "classic members" of CalPERS. The Agency's current contract with CalPERS for classic members provides for a retirement benefit formula of 2.5% at age 55, with the highest single year compensation determining the benefit.

5.4 Retiree Medical. The Agency agrees to provide GM-CE with medical, dental, and vision coverage upon his retirement. Such coverage shall extend to the GM-CE's dependants who are eligible during the time of coverage.

5.5 Deferred Compensation Plans. The Agency will adopt and establish a qualified pension plan pursuant to either Section 401(a) or 457 of the Internal Revenue Code for the benefit of the Employee and will make an annual "matching" contribution in the Employee's name. The Agency's matching contribution may be up to the maximum amount of the GM-CE's contribution permitted under the law. The Agency shall be responsible for all expenses associated with the deferred compensation account during the term of this Agreement, including but not limited to administrative services fees and commissions.

5.6 Disability, Health, and Life Insurance. The Agency agrees to keep in force and to make required premium payments for the GM-CE for insurance policies covering the GM-CE and his dependents the same as are provided to all regular employees of the Agency. The Agency agrees to purchase and to pay the required premium on a term life insurance policy in an amount equal to one (1) times the GM-CE's annual salary. The Agency also agrees to purchase and to pay the required premium on short-term and long-term disability insurance the same as are provided to all regular employees of the Agency. If required by the insurance provider, the GM-CE agrees to submit once per calendar year to a complete physical examination by a qualified physician of his choice, the cost of which shall be paid by the Agency. The Agency agrees to maintain the GM-CE's medical records in confidence.

5.7 Membership Dues, Subscription, and License Fees. To the extent the Agency's approved annual budget designates sufficient funds for the purposes identified in this section, the Agency agrees to pay for the professional dues and subscriptions necessary for the GM-CE's continued and full participation in national, state, regional and local associations and organizations necessary or desirable for his continued professional participation, growth and advancement, and for the good of the Agency.

5.8 Professional Development. To the extent the Agency's approved annual budget designates sufficient funds for the following purposes, the Agency agrees to pay registration fees and travel subsistence expenses of the GM-CE for professional and official travel, meetings, and occasions adequate to continue the professional development of the GM-CE and to adequately pursue necessary and/or appropriate official business and other functions for the Agency. Upon the prior approval of the Board of Directors, the Agency also agrees to pay for related tuition, fees, and travel and subsistence expenses of the GM-CE for educational degree programs, short courses, institutes, and seminars that are necessary for his professional development and the good of the Agency.

5.9 Other Leave. GM-CE shall accrue sick leave and shall be provided with holiday leave and bereavement leave as are provided to other regular employees of the Agency.

5.10 Vehicle. The Agency shall furnish Krause with a vehicle and shall provide for the fueling and maintenance thereof. The Agency vehicle shall be used for Agency business and discretionary personal use.

**Section 6. Performance Evaluation.**

The Agency shall review and evaluate the performance of the GM-CE each year within thirty (30) days prior to this Agreement's anniversary date. Said review and evaluation shall be conducted by an ad hoc committee, the members of which shall be established by the Board of Directors. Evaluation criteria shall be developed and adopted by the Board of Directors.

In addition, the Board of Directors will meet with the GM-CE on or around each anniversary date of this Agreement to discuss and create goals and other metrics that can provide the basis for the Board of Directors determining the subsequent year's performance incentive.

**Section 7. Bonding.**

The Agency shall bear the full costs of any fidelity or other bonds required of the GM-CE under any law or ordinance. The Agency shall further indemnify and defend the GM-CE for discharge of his duties as required by law.

**Section 8. General Provisions.**

8.1 Integration. This Agreement integrates all of the terms and conditions mentioned herein, or incidental hereto, and this Agreement supersedes all negotiations and previous agreements between the parties with respect to all or any part of the subject matter hereof. This Agreement wholly supersedes and replaces the terms of any prior agreements, and any rights contained in such agreement.

8.2 Governing Law. This Agreement shall be governed by the laws of the State of California. The parties agree that venue for any dispute is appropriate in the Superior Court of Riverside County, California.

8.3 Waiver. A waiver of any term or condition of this Agreement shall not be construed as a general waiver by either party to this Agreement, and either party shall be free to reinstate any such term or condition, with or without notice, to the other.

8.4 Amendment. This Agreement may be amended from time to time, as mutually agreed by the parties in writing. No amendment or variation of the terms of this Agreement shall be valid unless made in writing, signed by the Employee and approved by the Board.

8.5 Binding Effect. This Agreement shall be binding upon and inure to the benefit of the heirs at law and executors of Employee, but nothing herein shall be construed as an authorization or right of any party to assign his/its rights or obligations hereunder. Any

assignment of the rights or obligations of Employee hereunder without the express written approval of Agency shall be void.

8.6 Partial Invalidity. If any provision or any portion thereof, contained in this Agreement is held to be unconstitutional, invalid, or unenforceable, the remainder of this Agreement or portion thereof, shall not be affected, and shall remain in full force and effect.

8.7 Legal Consultation. Employee acknowledges that he has had the opportunity to consult legal counsel in regard to this Agreement, that he has read and understands this Agreement, that he is fully aware of its legal effect, and that he has entered into it freely and voluntarily and based on his own judgment and not on any representations or promises other than those contained in this Agreement.

IN WITNESS WHEREOF, the DESERT WATER AGENCY has caused this Agreement to be signed and duly executed by its President, and the Employee has signed and executed this Agreement, both in duplicate, as of the day and year first above written.

By: Mark S. Krause  
MARK S. KRAUSE

DESERT WATER AGENCY

By: Craig A. Ewing  
Craig A. Ewing, President  
Board of Directors

APPROVED AS TO FORM:

By: Michael T. Riddell  
Michael T. Riddell, General Counsel  
Best Best & Krieger LLP



# CONSUMER PRICE INDEXES PACIFIC CITIES AND U. S. CITY AVERAGE

March 2016

## ALL ITEMS INDEXES

(1982-84=100 unless otherwise noted)

| MONTHLY DATA                         | All Urban Consumers (CPI-U) |          |          |                |          |                 | Urban Wage Earners and Clerical Workers (CPI-W) |          |          |                |          |                 |
|--------------------------------------|-----------------------------|----------|----------|----------------|----------|-----------------|-------------------------------------------------|----------|----------|----------------|----------|-----------------|
|                                      | Indexes                     |          |          | Percent Change |          |                 | Indexes                                         |          |          | Percent Change |          |                 |
|                                      |                             |          |          | Year ending    |          | 1 Month ending  |                                                 |          |          | Year ending    |          | 1 Month ending  |
|                                      | Mar 2015                    | Feb 2016 | Mar 2016 | Feb 2016       | Mar 2016 | Mar 2016        | Mar 2015                                        | Feb 2016 | Mar 2016 | Feb 2016       | Mar 2016 | Mar 2016        |
| U. S. City Average.....              | 236.119                     | 237.111  | 238.132  | 1.0            | 0.9      | 0.4             | 231.055                                         | 230.972  | 232.209  | 0.7            | 0.5      | 0.5             |
| (1967=100).....                      | 707.306                     | 710.278  | 713.339  | -              | -        | -               | 688.243                                         | 687.995  | 691.681  | -              | -        | -               |
| Los Angeles-Riverside-Orange Co..... | 243.738                     | 247.113  | 247.873  | 2.4            | 1.7      | 0.3             | 235.991                                         | 238.262  | 239.146  | 2.3            | 1.3      | 0.4             |
| (1967=100).....                      | 720.111                     | 730.081  | 732.326  | -              | -        | -               | 697.427                                         | 704.136  | 706.751  | -              | -        | -               |
| West .....                           | 241.690                     | 244.821  | 245.404  | 2.1            | 1.5      | 0.2             | 234.802                                         | 236.747  | 237.415  | 1.9            | 1.1      | 0.3             |
| (Dec. 1977 = 100) .....              | 390.678                     | 395.739  | 396.681  | -              | -        | -               | 377.783                                         | 380.913  | 381.987  | -              | -        | -               |
| West – A*.....                       | 247.110                     | 251.196  | 251.941  | 2.5            | 2.0      | 0.3             | 238.667                                         | 241.486  | 242.272  | 2.4            | 1.5      | 0.3             |
| (Dec. 1977 = 100) .....              | 402.947                     | 409.609  | 410.825  | -              | -        | -               | 386.355                                         | 390.918  | 392.191  | -              | -        | -               |
| West – B/C**(Dec. 1996=100).....     | 143.887                     | 144.128  | 144.264  | 0.8            | 0.3      | 0.1             | 143.435                                         | 143.283  | 143.516  | 0.7            | 0.1      | 0.2             |
| BI-MONTHLY DATA                      | All Urban Consumers (CPI-U) |          |          |                |          |                 | Urban Wage Earners and Clerical Workers (CPI-W) |          |          |                |          |                 |
|                                      | Indexes                     |          |          | Percent Change |          |                 | Indexes                                         |          |          | Percent Change |          |                 |
|                                      |                             |          |          | Year ending    |          | 2 Months ending |                                                 |          |          | Year ending    |          | 2 Months ending |
|                                      | Feb 2015                    | Dec 2015 | Feb 2016 | Dec 2015       | Feb 2016 | Feb 2016        | Feb 2015                                        | Dec 2015 | Feb 2016 | Dec 2015       | Feb 2016 | Feb 2016        |
| San Francisco-Oakland-San Jose.....  | 254.910                     | 260.289  | 262.600  | 3.2            | 3.0      | 0.9             | 249.809                                         | 255.492  | 257.141  | 3.2            | 2.9      | 0.6             |
| (1967=100).....                      | 783.663                     | 800.202  | 807.306  | -              | -        | -               | 760.691                                         | 777.996  | 783.017  | -              | -        | -               |
| Seattle-Tacoma-Bremerton.....        | 245.496                     | 250.385  | 250.942  | 2.2            | 2.2      | 0.2             | 240.735                                         | 246.146  | 246.464  | 2.3            | 2.4      | 0.1             |
| (1967=100).....                      | 748.368                     | 763.271  | 764.970  | -              | -        | -               | 714.020                                         | 730.068  | 731.011  | -              | -        | -               |

\* A = 1,500,000 population and over

\*\* B/C = less than 1,500,000 population

Dash (-) = Not Available.

Release date Apr. 14, 2016. The next monthly and bi-monthly releases are scheduled for May 17, 2016.

Please note: Customers can receive hotline information by calling the BLS West Region Information Office: (415) 625-2270.

This card is available on the day of release by electronic distribution. Just go to [www.bls.gov/bls/list.htm](http://www.bls.gov/bls/list.htm) and sign up for the free on-line delivery service. For questions, please contact us at [BLSinfoSF@BLS.GOV](mailto:BLSinfoSF@BLS.GOV) or (415) 625-2270.



## MONTHLY SALARY SCHEDULE

EFFECTIVE 7/1/16

MAZ  
7/1/16

| RANGE | STEP 1        | STEP 2        | STEP 3        | STEP 4        | STEP 5        |
|-------|---------------|---------------|---------------|---------------|---------------|
| 17    | 2,245         | 2,358         | 2,476         | 2,599         | 2,729         |
| 18    | <b>3,022</b>  | <b>3,175</b>  | <b>3,336</b>  | <b>3,504</b>  | <b>3,683</b>  |
| 19    | 3,101         | 3,256         | 3,421         | 3,594         | 3,776         |
| 20    | <b>3,175</b>  | <b>3,336</b>  | <b>3,504</b>  | <b>3,683</b>  | <b>3,861</b>  |
| 21    | 3,256         | 3,421         | 3,594         | 3,776         | 3,967         |
| 22    | <b>3,336</b>  | <b>3,504</b>  | <b>3,683</b>  | <b>3,861</b>  | <b>4,064</b>  |
| 23    | 3,421         | 3,594         | 3,776         | 3,967         | 4,163         |
| 24    | <b>3,504</b>  | <b>3,683</b>  | <b>3,861</b>  | <b>4,064</b>  | <b>4,265</b>  |
| 25    | 3,594         | 3,776         | 3,967         | 4,163         | 4,377         |
| 26    | <b>3,683</b>  | <b>3,861</b>  | <b>4,064</b>  | <b>4,265</b>  | <b>4,484</b>  |
| 27    | 3,776         | 3,967         | 4,163         | 4,377         | 4,598         |
| 28    | <b>3,861</b>  | <b>4,064</b>  | <b>4,265</b>  | <b>4,484</b>  | <b>4,710</b>  |
| 29    | 3,967         | 4,163         | 4,377         | 4,598         | 4,834         |
| 30    | <b>4,064</b>  | <b>4,265</b>  | <b>4,484</b>  | <b>4,710</b>  | <b>4,949</b>  |
| 31    | 4,163         | 4,377         | 4,598         | 4,834         | 5,073         |
| 32    | <b>4,265</b>  | <b>4,484</b>  | <b>4,710</b>  | <b>4,949</b>  | <b>5,197</b>  |
| 33    | 4,377         | 4,598         | 4,834         | 5,073         | 5,330         |
| 34    | <b>4,484</b>  | <b>4,710</b>  | <b>4,949</b>  | <b>5,197</b>  | <b>5,466</b>  |
| 35    | 4,598         | 4,834         | 5,073         | 5,330         | 5,599         |
| 36    | <b>4,710</b>  | <b>4,949</b>  | <b>5,197</b>  | <b>5,466</b>  | <b>5,739</b>  |
| 37    | 4,834         | 5,073         | 5,330         | 5,599         | 5,883         |
| 38    | <b>4,949</b>  | <b>5,197</b>  | <b>5,466</b>  | <b>5,739</b>  | <b>6,023</b>  |
| 39    | 5,073         | 5,330         | 5,599         | 5,883         | 6,180         |
| 40    | <b>5,197</b>  | <b>5,466</b>  | <b>5,739</b>  | <b>6,023</b>  | <b>6,338</b>  |
| 41    | 5,330         | 5,599         | 5,883         | 6,180         | 6,494         |
| 42    | <b>5,466</b>  | <b>5,739</b>  | <b>6,023</b>  | <b>6,338</b>  | <b>6,658</b>  |
| 43    | 5,599         | 5,883         | 6,180         | 6,494         | 6,823         |
| 44    | <b>5,739</b>  | <b>6,023</b>  | <b>6,338</b>  | <b>6,658</b>  | <b>6,992</b>  |
| 45    | 5,883         | 6,180         | 6,494         | 6,823         | 7,171         |
| 46    | <b>6,023</b>  | <b>6,338</b>  | <b>6,658</b>  | <b>6,992</b>  | <b>7,349</b>  |
| 47    | 6,180         | 6,494         | 6,823         | 7,171         | 7,525         |
| 48    | <b>6,338</b>  | <b>6,658</b>  | <b>6,992</b>  | <b>7,349</b>  | <b>7,718</b>  |
| 49    | 6,494         | 6,823         | 7,171         | 7,525         | 7,903         |
| 50    | <b>6,658</b>  | <b>6,992</b>  | <b>7,349</b>  | <b>7,718</b>  | <b>8,102</b>  |
| 51    | 6,823         | 7,171         | 7,525         | 7,903         | 8,296         |
| 52    | <b>6,992</b>  | <b>7,349</b>  | <b>7,718</b>  | <b>8,102</b>  | <b>8,511</b>  |
| 53    | 7,171         | 7,525         | 7,903         | 8,296         | 8,716         |
| 54    | <b>7,349</b>  | <b>7,718</b>  | <b>8,102</b>  | <b>8,511</b>  | <b>8,933</b>  |
| 55    | 7,525         | 7,903         | 8,296         | 8,716         | 9,153         |
| 56    | <b>7,718</b>  | <b>8,102</b>  | <b>8,511</b>  | <b>8,933</b>  | <b>9,383</b>  |
| 57    | 7,903         | 8,296         | 8,716         | 9,153         | 9,614         |
| 58    | <b>8,102</b>  | <b>8,511</b>  | <b>8,933</b>  | <b>9,383</b>  | <b>9,852</b>  |
| 59    | 8,296         | 8,716         | 9,153         | 9,614         | 10,095        |
| 60    | <b>8,511</b>  | <b>8,933</b>  | <b>9,383</b>  | <b>9,852</b>  | <b>10,343</b> |
| 61    | 8,716         | 9,153         | 9,614         | 10,095        | 10,607        |
| 62    | <b>8,933</b>  | <b>9,383</b>  | <b>9,852</b>  | <b>10,343</b> | <b>10,867</b> |
| 63    | 9,153         | 9,614         | 10,095        | 10,607        | 11,145        |
| 64    | <b>9,383</b>  | <b>9,852</b>  | <b>10,343</b> | <b>10,867</b> | <b>11,426</b> |
| 65    | 9,614         | 10,095        | 10,607        | 11,145        | 11,710        |
| 66    | <b>9,852</b>  | <b>10,343</b> | <b>10,867</b> | <b>11,426</b> | <b>12,001</b> |
| 67    | 10,095        | 10,607        | 11,145        | 11,710        | 12,301        |
| 68    | <b>10,343</b> | <b>10,867</b> | <b>11,426</b> | <b>12,001</b> | <b>12,606</b> |
| 69    | 10,607        | 11,145        | 11,710        | 12,301        | 12,923        |
| 70    | <b>10,867</b> | <b>11,426</b> | <b>12,001</b> | <b>12,606</b> | <b>13,233</b> |
| 71    | 11,145        | 11,710        | 12,301        | 12,923        | 13,569        |
| 72    | <b>11,426</b> | <b>12,001</b> | <b>12,606</b> | <b>13,233</b> | <b>13,897</b> |
| 73    | 11,710        | 12,301        | 12,923        | 13,569        | 14,246        |
| 74    | <b>12,001</b> | <b>12,606</b> | <b>13,233</b> | <b>13,897</b> | <b>14,588</b> |
| 75    | 12,301        | 12,923        | 13,569        | 14,246        | 14,955        |
| 76    | <b>12,606</b> | <b>13,233</b> | <b>13,897</b> | <b>14,588</b> | <b>15,320</b> |
| 77    | 12,923        | 13,569        | 14,246        | 14,955        | 15,701        |
| 78    | <b>13,233</b> | <b>13,897</b> | <b>14,588</b> | <b>15,320</b> | <b>16,087</b> |
| 79    | 13,569        | 14,246        | 14,955        | 15,701        | 16,486        |
| 80    | <b>13,897</b> | <b>14,588</b> | <b>15,320</b> | <b>16,087</b> | <b>16,888</b> |
| 81    | 14,246        | 14,955        | 15,701        | 16,486        | 17,314        |
| 82    | <b>14,588</b> | <b>15,320</b> | <b>16,087</b> | <b>16,888</b> | <b>17,734</b> |
| 83    | 14,955        | 15,701        | 16,486        | 17,314        | 18,178        |
| 84    | <b>15,320</b> | <b>16,087</b> | <b>16,888</b> | <b>17,734</b> | <b>18,621</b> |
| 85    | 15,701        | 16,486        | 17,314        | 18,178        | 19,088        |
| 86    | <b>16,087</b> | <b>16,888</b> | <b>17,734</b> | <b>18,621</b> | <b>19,552</b> |



## Desert Water Agency 2016 Management Salary Schedule

| MANAGEMENT SALARY SCHEDULE<br>(MONTHLY) |          |          |          |          | EFFECTIVE 07/01/16 |
|-----------------------------------------|----------|----------|----------|----------|--------------------|
| POSITION                                | STEP 1   | STEP 2   | STEP 3   | STEP 4   | STEP 5             |
| General Manager                         | n/a      | n/a      | n/a      | n/a      | \$19,716           |
| Assistant General Manager               | \$14,955 | \$15,701 | \$16,486 | \$17,314 | \$18,178           |
| Finance Director                        | \$14,246 | \$14,955 | \$15,701 | \$16,486 | \$17,314           |
| Human Resources Manager                 | \$9,852  | \$10,343 | \$10,867 | \$11,426 | \$12,001           |

Salary schedule reflects 1.3% Cost of Living Adjustment.

**DESERT WATER AGENCY  
FIRST AMENDMENT TO EMPLOYMENT AGREEMENT**

This First Amendment to Employment Agreement (this "First Amendment") between the DESERT WATER AGENCY (the "Agency") and MARK S. KRAUSE ("General Manager – Chief Engineer") is entered into this 1<sup>st</sup> day of July 2016.

Except as modified in this First Amendment, the Employment Agreement originally dated January 30, 2016 ("Agreement") between the Agency and the General Manager – Chief Engineer shall remain in full force and effect.

The parties to this First Amendment agree to the following changes:

Section 4.1 entitled "Salary and Expenses" is hereby amended to reflect a 1.3% cost of living adjustment (COLA), as provided pursuant to the terms of the Agreement:

**"Section 4.     Salary and Expenses.**

4.1     Board of Directors agrees to pay the GM-CE for his services rendered a base salary of Nineteen Thousand, Seven Hundred and Sixteen Dollars (\$19,716.00) per month in installments at the same time as other employees of the Agency are paid. The base salary will be adjusted annually by the same percentage adjustment provided to all Agency employees for changes in the cost of living, if any.

In addition, the Board shall have the right to grant merit increases as the Board deems appropriate, in its discretion. The GM-CE will be eligible for a discretionary annual incentive award not to exceed ten percent (10%) of his total annual base salary based on the results of his annual performance evaluation. The incentive may be based, in part, on the accomplishment of specific goals set by the Board of Directors that are achieved by the GM-CE. Any performance incentive awarded under this section shall be in a lump sum payment, subject to all legally required wage and employment deductions. Notwithstanding the above, the issuance of any incentive awards is at the sole discretion of the Board of Directors. Further any performance pay awarded under this Section shall not become a part of the GM-CE's established base salary going forward.

The Agency and the General Manager – Chief Engineer have duly executed this First Amendment as of the date first written above.

**DESERT WATER AGENCY**

**MARK S. KRAUSE**

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

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



# Desert Water Agency

## July 1, 2016 Position Classification Schedule

### ACCOUNTING

Range

#### Accounting

|                                        |    |
|----------------------------------------|----|
| Account Clerk/Telephone Operator ..... | 20 |
| Account Clerk I .....                  | 24 |
| Account Clerk II .....                 | 31 |
| Account Clerk III .....                | 33 |
| Senior Account Clerk.....              | 40 |
| Accounting Supervisor .....            | 53 |
| Controller.....                        | 66 |

### CUSTOMER SERVICE

|                                         |    |
|-----------------------------------------|----|
| Meter Reader I .....                    | 26 |
| Meter Reader II .....                   | 29 |
| Meter Reader III .....                  | 36 |
| Customer Service Representative I.....  | 34 |
| Customer Service Representative II..... | 37 |
| Customer Service Supervisor.....        | 44 |

### ADMINISTRATIVE

|                                                            |    |
|------------------------------------------------------------|----|
| Administrative Assistant I.....                            | 30 |
| Administrative Assistant II.....                           | 35 |
| Administrative Assistant III .....                         | 37 |
| Senior Administrative Assistant .....                      | 43 |
| Executive Secretary/Assistant Secretary to the Board ..... | 53 |

### CONSTRUCTION - FLEET MAINTENANCE

#### Construction

|                                             |    |
|---------------------------------------------|----|
| Water Service Worker I .....                | 27 |
| Water Service Worker II .....               | 32 |
| Water Service Worker III .....              | 36 |
| Equipment Operator .....                    | 35 |
| Water Service Foreman .....                 | 46 |
| Assistant Construction Superintendent ..... | 53 |
| Construction Superintendent.....            | 64 |

#### Fleet Maintenance

|                             |    |
|-----------------------------|----|
| Fleet Mechanic I.....       | 29 |
| Fleet Mechanic II .....     | 34 |
| Fleet Mechanic Foreman..... | 43 |

### ENGINEERING - OPERATIONS

#### Engineering

|                                     |    |
|-------------------------------------|----|
| Engineering Technician I.....       | 34 |
| Engineering Technician II.....      | 39 |
| Engineering Technician III.....     | 43 |
| Senior Engineering Technician ..... | 45 |
| Laboratory Director.....            | 51 |

**ENGINEERING – OPERATIONS (Continued)**

|                           |    |
|---------------------------|----|
| Staff Engineer .....      | 51 |
| Associate Engineer .....  | 56 |
| Senior Engineer .....     | 64 |
| Operations Engineer ..... | 72 |

**Operations**

|                                         |    |
|-----------------------------------------|----|
| System Operator in Training .....       | 30 |
| System Operator I .....                 | 35 |
| System Operator II .....                | 38 |
| System Operator III .....               | 41 |
| Operations Technician in Training ..... | 30 |
| Operations Technician I .....           | 37 |
| Operations Technician II .....          | 41 |
| Operations Technician III .....         | 46 |
| Electrical Services Supervisor .....    | 51 |
| Water Operations Supervisor .....       | 60 |

**FACILITIES MAINTENANCE AND SAFETY**

|                                                     |           |
|-----------------------------------------------------|-----------|
| <b>Facilities and Maintenance Technician I.....</b> | <b>35</b> |
| Facilities and Safety Officer .....                 | 54        |

**INFORMATION SYSTEMS**

|                                                |           |
|------------------------------------------------|-----------|
| PC Support Technician I.....                   | 37        |
| PC Support Technician II.....                  | 43        |
| Operator I .....                               | 31        |
| Operator II .....                              | 40        |
| Programmer I.....                              | 45        |
| Programmer II.....                             | 49        |
| <b>Network Programmer Analyst .....</b>        | <b>51</b> |
| <b>Information Systems Administrator .....</b> | <b>65</b> |

**MANAGEMENT**

|                                 |          |
|---------------------------------|----------|
| General Manager.....            | Contract |
| Human Resources Manager.....    | 66       |
| Finance Director .....          | 81       |
| Assistant General Manager ..... | 83       |

**OUTREACH AND CONSERVATION**

|                                                  |           |
|--------------------------------------------------|-----------|
| <b>Outreach and Conservation Associate .....</b> | <b>43</b> |
| <b>Outreach and Conservation Manager.....</b>    | <b>48</b> |

**SNOW CREEK SECURITY**

|                                                   |           |
|---------------------------------------------------|-----------|
| <b>Snow Creek Security.....</b>                   | <b>17</b> |
| Snow Creek Security/Operations Technician I ..... | 25        |

**STAFF REPORT  
TO  
DESERT WATER AGENCY  
BOARD OF DIRECTORS**

**JUNE 7, 2016**

**RE: REQUEST ADOPTION OF RESOLUTION NO. 1138  
ADOPTING REVISED CEQA GUIDELINES**

As a local governmental entity, Desert Water Agency is required by law to adopt guidelines to implement the California Environmental Quality Act. The Agency's CEQA Guidelines have been prepared by the Agency's legal counsel, Best Best & Krieger. As the law changes, the Agency's Guidelines also must be revised to maintain consistency.

Attached is proposed Resolution No. 1138 that would adopt revised CEQA Guidelines to conform to changes in the law that have occurred since the date of the last revision. The changes are detailed in a memo prepared by Best Best & Krieger, also attached.

## **Memorandum**

**TO:** Project 5 Clients (District)  
**FROM:** Best Best & Krieger LLP  
**DATE:** April 29, 2016  
**RE:** 2016 Summary of Changes to Local CEQA Guidelines

---

Important changes in the law have been incorporated into the 2016 Update to your Local Guidelines for Implementing the California Environmental Quality Act (“Local Guidelines”). For easy reproduction and access to these Local Guidelines, as well as the California Environmental Quality Act (“CEQA”) forms your District will need, and other important legal alerts, please access BBK’s CEQA client portal at [www.bbklaw.net/CEQA](http://www.bbklaw.net/CEQA). For technical support, please contact Gar House at [Gar.House@bbklaw.com](mailto:Gar.House@bbklaw.com).

Public agencies are required to adopt implementing procedures for administering their responsibilities under CEQA. These procedures include provisions governing how the District will process environmental documents and provide for adequate comment, time periods for review, and lists of permits that are ministerial actions and projects that are considered categorically exempt. The District’s procedures should be updated within 120 days after the State CEQA Guidelines are revised. To date, the State CEQA Guidelines have not been revised but we recommend adopting the Local CEQA Guidelines within a month of receiving them from Best Best & Krieger LLP.

This memorandum summarizes the substantive amendments to your Local Guidelines made in response to regulations, legislation and legal cases that changed or impacted certain aspects of CEQA between January 2015 and February 2016. Your Local Guidelines and this memorandum are designed to assist in assessing the environmental implications of a project prior to its approval, as mandated by CEQA. We still recommend, however, that you consult with an attorney when you have specific questions on major, controversial, or unusual projects or activities.

### **Revisions to Local CEQA Guidelines.**

#### **Repealed Sections.**

**1. SECTION 7.37 USING A PREVIOUSLY PREPARED STATEMENT OF OVERRIDING CONSIDERATIONS.**

Local Guidelines section 7.37 is repealed pursuant to SB 1456. The language in Local Guidelines section 7.37 was found in the previous version of Public Resources Code section 21094, which was repealed by sunset date on January 1, 2016. The repealed Public Resources Code section 21094 provided a procedure for tiering off a previously adopted Statement of Overriding Considerations.



**2. SECTION 9.01 TIMELINES.**

Language in the second paragraph of Local Guidelines section 9.01 is repealed pursuant to SB 1456. The language in Local Guidelines section 9.01 was found in Public Resources Code section 21169.11, which was repealed by sunset date on January 1, 2016. The repealed Public Resources Code section 21169.11 related to a motion for sanctions for a frivolous CEQA claim.

**3. SECTION 9.02 MEDIATION AND SETTLEMENT-BEFORE LITIGATION HAS BEEN FILED.**

Local Guidelines section 9.02 regarding mediation and settlement before litigation has been filed is repealed pursuant to SB 1456. The language in Local Guidelines section 9.02 was found in Public Resources Code section 21169.10, which was repealed by sunset date on January 1, 2016. The repealed Public Resources Code section 21169.11 related to the request for mediation following the filing of a Notice of Determination or a Notice of Exemption, but before the start of litigation.

**Revised Sections.**

**1. SECTION 3.05 NOTICE OF EXEMPTION.**

Public Resources Code section 21172 was repealed effective January 1, 2013 pursuant to AB 2669. The repealed section related to the applicability of CEQA requirements to a project in an emergency disaster area. Public Resources Code section 21172 is replaced in the Local Guidelines with Public Resources Code section 21152, which addresses the Notice of Determination to carry out a project and supports the language in Local Guidelines section 3.05.

**2. SECTION 5.08 EVALUATING SIGNIFICANT ENVIRONMENTAL EFFECTS.**

Local Guidelines section 5.08 was revised for clarity pursuant to State CEQA Guidelines section 15064(d), which provides that the “*reasonably foreseeable* indirect physical changes in the environment which may be caused by the project” be evaluated. (Emphasis added.)

**3. SECTION 6.07 CONSULTATION WITH CALIFORNIA NATIVE AMERICAN TRIBES.**

Local Guidelines section 6.07 was added to the 2015 Local Guidelines pursuant to AB 52 and Public Resources Code section 21080.3.1. It went into effect on July 1, 2015. This section requires a lead agency to begin consultation with a California Native American Tribe (“Tribe”) prior to the release of a Negative Declaration or Mitigated Negative Declaration for a project, upon written request by the Tribe. This section also requires a lead agency to provide formal notification to a Tribe that has requested such notice within 14 days of determining that an application for a project is complete or a decision by a public agency to undertake a project.

Pursuant to AB 52 and Public Resources Code section 21080.3.2, if consultation is requested by a Tribe, the parties may propose mitigation measures capable of avoiding or substantially lessening potential significant impacts to a tribal cultural resource or alternatives that would avoid significant impacts to a tribal cultural resource.

Language indicating Local Guidelines section 6.07 went into effect on July 1, 2015 has been deleted from this section of the 2016 Local Guidelines.

**4. SECTION 6.11 SUBMISSION OF NEGATIVE DECLARATION OR MITIGATED NEGATIVE DECLARATION TO STATE CLEARINGHOUSE.**

Local Guidelines section 6.11 was amended for clarity pursuant to State CEQA Guidelines section 15206(b)(3). Section 15206(b)(3) provides, as an example of a project of statewide, regional, or areawide significance which requires submission to the State Clearinghouse for circulation, a project that would cancel a Williamson Act contract for “any parcel of 100 or more acres.”

**5. SECTION 7.07 CONSULTATION WITH CALIFORNIA NATIVE AMERICAN TRIBES.**

Local Guidelines section 7.07 was added to the 2015 Local Guidelines pursuant to AB 52 and Public Resources Code section 21080.3.1. It went into effect on July 1, 2015. This section requires a lead agency to begin consultation with a California Native American Tribe (“Tribe”) prior to the release of a Draft EIR for a project, upon written request by the Tribe. This section also requires a lead agency to provide formal notification to a Tribe that has requested such notice within 14 days of determining that an application for a project is complete or a decision by a public agency to undertake a project.

Pursuant to AB 52 and Public Resources Code section 21080.3.2, if consultation is requested by a Tribe, the parties may propose mitigation measures capable of avoiding or substantially lessening potential significant impacts to a tribal cultural resource or alternatives that would avoid significant impacts to a tribal cultural resource.

Language indicating Local Guidelines section 7.07 went into effect on July 1, 2015 has been deleted from this section of the 2016 Local Guidelines.

**6. SECTION 7.20 ANALYSIS OF CUMULATIVE IMPACTS.**

Pursuant to SB 1456, Public Resources Code section 21094(b), regarding the use of a tiered impact report to examine a later project, is newly operative as of January 1, 2016.

**7. SECTION 8.06 ADDENDUM TO AN EIR**

Local Guidelines section 8.06 was revised for clarity pursuant to State CEQA Guidelines section 15164(a), which provides that “[t]he lead agency . . . *shall* prepare an addendum to a previously certified EIR if some changes or additions are necessary, but none of the conditions described in [State CEQA Guidelines section 15162] calling for preparation of a subsequent EIR have occurred.” (Emphasis added.)

**Other Changes.**

**Department of Fish and Wildlife.** Effective January 1, 2016, the Department of Fish and Wildlife has increased some of its fees. For a Negative Declaration or a Mitigated Negative Declaration, the new filing fee is \$2,210.25. For an Environmental Impact Report, the new filing

fee is \$3,070.00. For an environmental document pursuant to a Certified Regulatory Program, the filing fee remains \$1,043.75.

**Conclusion.**

As always, CEQA remains complicated and, at times, challenging to apply. The only constant in this area of law is how quickly the rules change. Should you have questions about any of the provisions discussed above, or about the environmental review of any of your city's projects, please contact a BB&K attorney for assistance.

**BEST BEST & KRIEGER LLP**

## **RESOLUTION NO. 1138**

### **A RESOLUTION OF THE DESERT WATER AGENCY AMENDING AND ADOPTING LOCAL GUIDELINES FOR IMPLEMENTING THE CALIFORNIA ENVIRONMENTAL QUALITY ACT (PUBLIC RESOURCES CODE §§ 21000 ET SEQ.)**

**WHEREAS**, the California Legislature has amended the California Environmental Quality Act (“CEQA”) (Pub. Resources Code §§ 21000 et seq.) and the State CEQA Guidelines (Cal. Code Regs, tit. 14, §§ 15000 et seq.), and the California courts have interpreted specific provisions of CEQA; and

**WHEREAS**, Section 21082 of CEQA requires all public agencies to adopt objectives, criteria and procedures for the evaluation of public and private projects undertaken or approved by such public agencies, and the preparation, if required, of environmental impact reports and negative declarations in connection with that evaluation; and

**WHEREAS**, the Desert Water Agency (“Agency”) must revise its local guidelines for implementing CEQA to make them consistent with the current provisions and interpretations of CEQA and the State CEQA Guidelines.

**NOW, THEREFORE**, the Desert Water Agency hereby resolves as follows:

**SECTION 1.** The Agency hereby adopts the “Local Guidelines for Implementing the California Environmental Quality Act (2016 Revision),” a copy of which is on file at the offices of the Agency and is available for inspection by the public.

**SECTION 2.** All prior actions of the Agency enacting earlier guidelines are hereby repealed.

**ADOPTED** this 7th day of June, 2016.

---

James Cioffi  
Board President

ATTEST:

---

Kristin Bloomer  
Secretary-Treasurer

APPROVED AS TO FORM:

---

General Counsel  
Desert Water Agency

**STAFF REPORT  
TO  
DESERT WATER AGENCY  
BOARD OF DIRECTORS**

**JUNE 7, 2016**

**RE: REQUEST APPROVAL AND ADOPTION OF RESOLUTION NO. 1139 AUTHORIZING THE ISSUANCE AND SALE OF WATER REVENUE REFUNDING BONDS AND AUTHORIZING EXECUTION OF INDENTURE AND TRUST AND AUTHORIZING EXECUTION OF AND APPROVING RELATED AGREEMENTS AND OFFICIAL ACTIONS**

At the April 5, 2016 Board meeting, the Board authorized staff to proceed with the process of advanced refunding of the Agency's 2007 Certificates of Participation (COP). The advanced refunding was pursued by staff due to the favorable low interest rates in the bond market. If the Agency is successful with the advanced refunding, it will save the Agency approximately \$240,000/year or cumulatively in excess of \$5,000,000 over the remaining life of the bonds. The current average rate on our existing COP issue is 4.56% and the projected average rate on the refunding bonds is 3.00%.

Staff has been working closely with Hilltop Securities (underwriter), BB&K (bond counsel), Norton, Rose, Fullbright (disclosure counsel), Bank of New York, Mellon (bond trustee) and Standard & Poor's (rating service) to complete the advanced refunding/bond issuance process.

Resolution No. 1139 details all the necessary actions and documents required to refinance the existing 2007 COP issue and issue refunding water revenue bonds. Included with Resolution No. 1139 are the official statement (which includes the continuing disclosure agreement and opinion of bond counsel), purchase contract, escrow deposit agreement and indenture of trust agreement. All of these items require approval in order to proceed with the refunding/issuance of the bonds.

In reviewing the documents, you will notice that dates, dollar values, maturity schedules and repayment schedules are blank. Those amounts will not be known until after the bonds are priced or sold by the underwriter. After the sale date, the Agency will have time to finalize all of the documents and fill in the blanks for delivery of the documents and the bonds.

Staff recommends approval and adoption of Resolution No. 1139 and authorization to execute said documents.

## **RESOLUTION NO. 1139**

### **RESOLUTION OF THE BOARD OF DIRECTORS OF THE DESERT WATER AGENCY AUTHORIZING THE ISSUANCE AND SALE OF WATER REVENUE REFUNDING BONDS, SERIES 2016 TO REFINANCE OUTSTANDING CERTIFICATES OF PARTICIPATION, SERIES 2007, AUTHORIZING EXECUTION OF INDENTURE OF TRUST, AND AUTHORIZING EXECUTION OF AND APPROVING RELATED AGREEMENTS AND OFFICIAL ACTIONS**

**WHEREAS**, the Desert Water Agency (the “Agency”) through the Desert Water Agency Financing Corporation (the “Corporation”) caused to be issued the \$26,860,000 Certificates of Participation (Water System Improvement Project) Series 2007 (the “2007 Certificates”) for the purpose of financing water system improvements of the Agency; and

**WHEREAS**, the 2007 Certificates will be secured by payments to be made under all Installment Purchase Agreement, dated as of December, 1, 2007, between the Agency and the Corporation (the “2007 Installment Purchase Agreement”); and

**WHEREAS**, interest rates have declined since the 2007 Certificates were issued, and the Agency will receive economic benefit by refunding the 2007 Certificates; and

**WHEREAS**, the Agency is authorized pursuant to the provisions of Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Section 53570 of said Code (the “Bond Law”), to issue its revenue bonds for the purpose of refunding any outstanding indebtedness of the Agency which is payable from the revenues of the Water System, and the Board of Directors has determined that it is in the interests of the Agency at this time to provide for the issuance of its Water Revenue Refunding Bonds, Series 2016 (the “Bonds”) under the Bond Law to refund the 2007 Certificates; and

**WHEREAS**, the Agency has determined that the Bonds will be sold to Hilltop Securities, as Underwriter and there has been presented to the Agency a form of bond purchase agreement (the “Purchase Agreement”); and

**WHEREAS**, the Board of Directors wishes at this time to authorize all proceedings relating to the issuance and sale of the Bonds and all other agreements and documents relating thereto;

**NOW, THEREFORE, BE IT RESOLVED** by the Board of Directors of the Desert Water Agency as follows:

**Section 1. Issuance of Bonds.** The Board of Directors hereby authorizes the issuance of the Bonds under and pursuant to the Bond Law and an Indenture of Trust (the “Indenture”) by and between the Agency and The Bank of New York Mellon Trust Company, N.A., as trustee, so long as the net present value savings to be achieved by the issuance of the Bonds shall be at least 3.00% of the principal amount of the 2007 Certificates remaining outstanding. The Board of Directors hereby approves the Indenture in substantially the form on file with the General



Manager, together with any changes therein or additions thereto deemed advisable by the General Manager and/or the Finance Director (together the "Authorized Officers"), whose execution thereof shall be conclusive evidence of such approval. The Authorized Officers are hereby authorized and directed for and in the name and on behalf of the Agency to execute, and the Board Secretary is hereby authorized and directed to attest, the final form of the Indenture.

**Section 2. Refunding of 2007 Certificates and 2007 Installment Purchase Agreement.** The Board of Directors hereby authorizes the refunding of the 2004 Bonds from the proceeds of the Bonds, and authorizes the execution and delivery of that certain Escrow Deposit and Trust Agreement, by and between the Agency and The Bank of New York Mellon Trust Company, N.A. (the "Escrow Agreement") in substantially the form on file with the General Manager, together with any changes therein or additions thereto deemed advisable by the Authorized Officers, whose execution thereof shall be conclusive evidence of such approval. The Authorized Officers are hereby authorized and directed for and in the name and on behalf of the Agency to execute, and the Board Secretary is hereby authorized and directed to attest, the final form of the Escrow Agreement.

**Section 3. Approval of Bond Purchase Agreement and Conditions of Approval.** The form of Bond Purchase Agreement presented at this meeting is hereby approved and the General Manager or the Finance Director is hereby authorized to accept, for and in the name of the Authority, such Bond Purchase Agreement in substantially the form hereby approved with such changes therein as the officer executing the same may approve, such approval to be conclusively evidenced by the execution and delivery thereof, provided that the principal amount of Bonds to be sold pursuant to the Bond Purchase Agreement shall not exceed \$22.750 million and the Underwriter's discount or fee (not including any original issue discount or premium on the bonds) shall not exceed 0.7% of the principal amount of Bonds sold, and provided that, with respect to the 2007 Certificates, in each case, the net present value savings is at least 3.00%.

**Section 4. Official Statement.** The Board of Directors hereby authorizes the Authorized officers to approve and to deem nearly final, within the meaning of Rule 15c2-12 of the Securities Exchange Act of 1934, a form of Preliminary Official Statement describing the Bonds. Distribution of such Preliminary Official Statement by the Underwriter is hereby approved. The Authorized Officers are hereby authorized and directed to approve any changes in or additions to such Preliminary Official Statement for the purpose of finalizing such document, and the execution thereof by the Authorized Officers shall be conclusive evidence of approval of any such changes and additions. The Board of Directors hereby authorizes the distribution of the Final Official Statement by the Underwriter. The Final Official Statement shall be executed in the name and on behalf of the Agency by the Authorized Officers.

**Section 5. Approval of Escrow Deposit and Trust Agreement.** The form of the Escrow Deposit and Trust Agreement which provides for (i) the defeasance and prepayment of the 2007 Certificates, (ii) the creation and administration by the Escrow Agent of the Escrow Fund for the benefit of the owners of 2007 Certificates, and (iii) the performance of other duties by the Escrow Agent, is approved in the form on file with the General Manager, and the Authorized Officer are each individually authorized to execute and deliver, on behalf of the Agency, such Escrow Deposit and Trust Agreement with respect to the 2007 Certificates.

**Section 6. Official Actions.** The Authorized Officers and the President of the Board of Directors are each authorized and directed in the name and on behalf of the Agency to make any and all assignments, certificates, requisitions, agreements, notices, consents, instruments of conveyance, warrants and other documents, which they or any of them might deem necessary or appropriate in order to consummate the issuance and sale of the Bonds and any of the other transactions contemplated by the agreements and documents approved pursuant to this Resolution. Whenever in this resolution any officer of the Agency is authorized to execute or countersign any document or take any action, such execution, countersigning or action may be taken on behalf of such officer by any person designated by such officer to act on his or her behalf in the case such officer shall be absent or unavailable.

**Section 7. Effective Date.** This Resolution shall take effect from and after the date of its passage and adoption.

PASSED AND ADOPTED this 7th day of June, 2016.

---

James Cioffi, President  
Board of Directors

---

Kristin Bloomer, Secretary-Treasurer  
Board of Directors

STATE OF CALIFORNIA )  
COUNTY OF RIVERSIDE )  
DESERT WATER AGENCY )

I, Sylvia Baca, Assistant Secretary of the Desert Water Agency, California, do hereby certify that the Board of Directors of the Desert Water Agency duly passed and adopted the above and foregoing Resolution at a regular meeting held on the 7th day of June, 2016, by the following vote:

AYES:

NOES:

ABSENT:

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the Agency this 7th day of June, 2016.

Sylvia Baca, Assistant Secretary of the Board

SEAL

PRELIMINARY OFFICIAL STATEMENT DATED JUNE \_\_, 2016

NEW ISSUE – FULL BOOK-ENTRY

RATING S&P: “\_\_\_\_\_”

*In the opinion of Best Best & Krieger LLP, Riverside, California, Bond Counsel, subject to certain qualifications described herein, under existing statutes, regulations, rules and court decisions, and assuming certain representations and compliance with certain covenants and requirements described herein, the interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest is taken into account in determining certain income and earnings. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See “TAX MATTERS” herein.*

\$ \_\_\_\_\_\*  
**DESERT WATER AGENCY**  
**Water Revenue Refunding Bonds, Series 2016**

**Dated: Date of Delivery**

**Due: May 1, as shown on inside cover**

**Authority for Issuance.** The bonds captioned above (the “Bonds”) are being issued by the Desert Water Agency (the “Agency”), a water agency organized and existing under the constitution and laws of the State of California, under an Indenture of Trust, dated as of June 1, 2016 (the “Indenture”) by and between the Agency and The Bank of New York Mellon Trust Company, N.A., as trustee for the Bonds (the “Trustee”).

**Use of Proceeds.** The Bonds are being issued to provide funds to (i) defease and refund on an advance basis the Agency’s outstanding Certificates of Participation (Water System Improvement Project) Series 2007 (the “2007 COPs”), currently outstanding in the amount of \$21,420,000, and (ii) pay the costs of issuing the Bonds. See “FINANCING PLAN.”

**Security for the Bonds.** The Bonds are payable from and secured by the Agency’s pledge of Net Revenues under the Indenture, defined generally as gross revenues received from the Agency’s water system (the “Water System”), less maintenance and operation costs of the Water System. See “SECURITY FOR THE BONDS.”

**Bond Terms; Book-Entry Only.** The Bonds will bear interest at the rates shown below, payable semiannually on May 1 and November 1 of each year, commencing on November 1, 2016, and will be issued in fully registered form without coupons in the denomination of \$5,000 or any integral multiple of \$5,000. The Bonds will be issued in book-entry only form, initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). Purchasers of the Bonds will not receive certificates representing their interests in the Bonds. Payments of the principal of, premium, if any, and interest on the Bonds will be made to DTC, which is obligated in turn to remit such principal, premium, if any, and interest to its DTC Participants for subsequent disbursement to the beneficial owners of the Bonds. See “THE BONDS – General Provisions.”

**Redemption.** The Bonds are subject to optional and mandatory sinking account redemption prior to maturity. See “THE BONDS – Redemption.”

NEITHER THE BONDS NOR THE OBLIGATION OF THE AGENCY TO PAY PRINCIPAL OF OR INTEREST THEREON CONSTITUTE A DEBT OR A LIABILITY OF THE AGENCY, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL LIMITATION ON INDEBTEDNESS, OR A PLEDGE OF THE FULL FAITH AND CREDIT OF THE AGENCY. THE BONDS ARE SECURED SOLELY BY THE PLEDGE OF NET REVENUES AND CERTAIN FUNDS HELD UNDER THE INDENTURE. THE BONDS ARE NOT SECURED BY A PLEDGE OF THE TAXING POWER OF THE AGENCY.

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE OF BONDS. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION WITH RESPECT TO THE PURCHASE OF THE BONDS.

The Bonds are offered when, as and if issued and received by the Underwriter and subject to the approval as to their legality by Best Best & Krieger LLP, Riverside, California, Bond Counsel. Certain legal matters will also be passed upon for the Agency by Norton Rose Fulbright US LLP, Los Angeles, California, as Disclosure Counsel. Certain legal matters will be passed upon for the Agency by Best Best & Krieger LLP, Riverside, California, as general counsel to the Agency, and for the Underwriter by The Weist Law Firm, Scotts Valley, California, as Underwriter’s counsel. It is anticipated that the Bonds will be delivered in definitive form through DTC on or about June \_\_, 2016.

The date of this Official Statement is: \_\_\_\_\_, 2016.

\* Preliminary; subject to change.

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

## MATURITY SCHEDULE

| <b>Maturity<br/>Date<br/>(May 1)</b> | <b>Principal<br/>Amount</b> | <b>Interest<br/>Rate</b> | <b>Yield</b> | <b>CUSIP<sup>(1)</sup></b> |
|--------------------------------------|-----------------------------|--------------------------|--------------|----------------------------|
|--------------------------------------|-----------------------------|--------------------------|--------------|----------------------------|

---

<sup>(1)</sup> CUSIP® is a registered trademark of the American Bankers Association. Copyright© 1999-2016 American Bankers Association. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for CUSIP Global Services. CUSIP® numbers are provided for convenience of reference only. Neither the Agency nor the Underwriter takes any responsibility for the accuracy of such numbers.



## **DESERT WATER AGENCY**

---

### **BOARD OF DIRECTORS**

James Cioffi, President  
Joseph K. Stuart, Vice President  
Kristin Bloomer, Secretary-Treasurer  
Patricia G. Oygur, Member  
Craig Ewing, Member

### **STAFF**

Mark Krause, General Manager  
Steve Johnson, Assistant General Manager  
Martin Krieger, Finance Director  
Best, Best & Krieger LLP, General Counsel

### **PROFESSIONAL SERVICES**

#### **BOND COUNSEL**

Best Best & Krieger LLP  
Riverside, California

#### **DISCLOSURE COUNSEL**

Norton Rose Fulbright US LLP  
Los Angeles, California

#### **TRUSTEE/ESCROW BANK**

The Bank of New York Mellon Trust Company, N.A.  
Los Angeles, California

#### **VERIFICATION AGENT**

Causey Demgen & Moore P.C.  
Denver, Colorado

## **GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT**

No dealer, broker, salesperson or other person has been authorized by the Agency to give any information or to make any representations in connection with the offer or sale of the Bonds other than as contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. 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 Bonds by any person, in any jurisdiction where such offer, solicitation or sale would be unlawful. This Official Statement has been deemed final, as of its date, by the Agency for the purpose of Rule 15c2-12 under the Securities Exchange Act of 1934, as amended.

The information set forth herein has been obtained from sources that are believed to be reliable, but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation, by the Agency. Neither the delivery of this Official Statement nor any sale made hereunder will, under any circumstances, create any implication that there has been no change in the affairs of the Agency since the date hereof. The information and expressions of opinion stated herein are subject to change without notice.

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking” statements within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the words “expects,” “forecasts,” “projects,” “intends,” “anticipates,” “estimates,” “assumes” and analogous expressions. The achievement of certain results or other expectations contained in such forward-looking statements are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those that have been projected. No assurance is given that actual results will meet the forecasts of the Agency in any way, regardless of the optimism communicated in the information, and such statements speak only as of the date of this Official Statement. The Agency disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any changes in the expectations of the Agency with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

All summaries of the Indenture (as defined herein), and of statutes and other documents referred to herein do not purport to be comprehensive or definitive and are qualified in their entirety by reference to each such statute and document. This Official Statement, including any amendment or supplement hereto, is intended to be deposited with one or more depositories. This Official Statement does not constitute a contract between any Owner of a Bond and the Agency.

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

The issuance and sale of the Bonds have not been registered under the Securities Act of 1933 or the Securities Exchange Act of 1934, both as amended, in reliance upon exemptions provided thereunder by Sections 3(a)(2) and 3(a)(12), respectively, for the issuance and sale of municipal securities.

While the Agency maintains an internet website for various purposes, the information provided on that website is not incorporated by reference as part of this Official Statement and none of the information on that website is intended to assist investors in making any investment decision or to provide any continuing information with respect to the Bonds or any other bonds or obligations of the Agency.

**[INSERT MAP]**

THIS PAGE INTENTIONALLY LEFT BLANK

# TABLE OF CONTENTS

|                                                                     | Page |
|---------------------------------------------------------------------|------|
| INTRODUCTION .....                                                  | 1    |
| FINANCING PLAN .....                                                | 3    |
| The Refunding Plan .....                                            | 3    |
| Estimated Sources and Uses of Funds .....                           | 4    |
| DEBT SERVICE SCHEDULE.....                                          | 4    |
| THE BONDS .....                                                     | 5    |
| Authority for Issuance.....                                         | 5    |
| General Provisions .....                                            | 5    |
| Redemption .....                                                    | 5    |
| Book-Entry Only System.....                                         | 7    |
| SECURITY FOR THE BONDS .....                                        | 7    |
| Pledge of Net Revenues .....                                        | 7    |
| Revenue Fund .....                                                  | 8    |
| Debt Service Fund.....                                              | 9    |
| Rate Covenants .....                                                | 9    |
| Parity Obligations .....                                            | 10   |
| Subordinate Obligations.....                                        | 11   |
| Variable Rate Indebtedness.....                                     | 12   |
| Eminent Domain Proceeds.....                                        | 12   |
| Casualty Insurance Proceeds.....                                    | 13   |
| DESERT WATER AGENCY.....                                            | 13   |
| General.....                                                        | 13   |
| Organization.....                                                   | 15   |
| Management.....                                                     | 15   |
| Pension Plans .....                                                 | 16   |
| Post-Employment Benefits .....                                      | 17   |
| Risk Management .....                                               | 17   |
| Land Use .....                                                      | 17   |
| Source of Water Supply .....                                        | 18   |
| Water Connections and Demand History.....                           | 18   |
| Principal Water Users .....                                         | 19   |
| Water System Rates and Charges .....                                | 19   |
| Capital Improvement Projects.....                                   | 23   |
| Historical Operating Results .....                                  | 24   |
| Historical Operating Results and Debt Service Coverage Ratios ..... | 26   |
| Projected Operating Results and Debt Service Coverage Ratios.....   | 28   |
| Budgetary Process.....                                              | 30   |
| Billing and Collection Procedures .....                             | 30   |
| AD VALOREM PROPERTY TAXES.....                                      | 30   |
| General.....                                                        | 30   |
| Assessed Valuation of Land and Improvements .....                   | 31   |
| Delinquencies.....                                                  | 32   |
| Major Taxpayers .....                                               | 32   |
| Direct And Overlapping Debt.....                                    | 33   |



**TABLE OF CONTENTS**  
(continued)

|                                                                                                      | Page      |
|------------------------------------------------------------------------------------------------------|-----------|
| Overlapping Tax Levy .....                                                                           | 34        |
| <b>BOND OWNERS' RISKS.....</b>                                                                       | <b>34</b> |
| Water System Demand and Growth .....                                                                 | 34        |
| Net Revenues; Rate Covenants .....                                                                   | 34        |
| Agency Expenses .....                                                                                | 34        |
| Drought Measures .....                                                                               | 35        |
| Future Land Use Regulations.....                                                                     | 37        |
| Proposition 218 .....                                                                                | 37        |
| Constitutional Limit on Appropriations, Fees and Charges.....                                        | 38        |
| Limitations on Remedies Available to Bondowners.....                                                 | 38        |
| Seismic Considerations.....                                                                          | 39        |
| Environmental Regulation .....                                                                       | 39        |
| No Obligation to Tax .....                                                                           | 39        |
| Change in Law .....                                                                                  | 39        |
| Geologic and Topographic.....                                                                        | 39        |
| Secondary Market for Bonds .....                                                                     | 40        |
| Federal Tax-Exempt Status of the Bonds .....                                                         | 40        |
| IRS Audit of Tax-Exempt Issues .....                                                                 | 40        |
| Parity Obligations .....                                                                             | 41        |
| <b>TAX MATTERS.....</b>                                                                              | <b>41</b> |
| <b>CERTAIN LEGAL MATTERS.....</b>                                                                    | <b>42</b> |
| <b>FINANCIAL STATEMENTS .....</b>                                                                    | <b>42</b> |
| <b>LITIGATION.....</b>                                                                               | <b>42</b> |
| <b>RATING .....</b>                                                                                  | <b>44</b> |
| <b>CONTINUING DISCLOSURE.....</b>                                                                    | <b>44</b> |
| <b>UNDERWRITING .....</b>                                                                            | <b>45</b> |
| <b>EXECUTION.....</b>                                                                                | <b>45</b> |
| <br>APPENDIX A – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE.....                                 | <br>A-1   |
| APPENDIX B – AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEARS<br>ENDED JUNE 30, 2015 AND 2014 ..... | B-1       |
| APPENDIX C – FORM OF CONTINUING DISCLOSURE AGREEMENT .....                                           | C-1       |
| APPENDIX D – FORM OF OPINION OF BOND COUNSEL .....                                                   | D-1       |
| APPENDIX E – DTC AND THE BOOK-ENTRY ONLY SYSTEM.....                                                 | E-1       |
| APPENDIX F – SELECTED REGIONAL ECONOMIC AND DEMOGRAPHIC DATA .....                                   | F-1       |

THIS PAGE INTENTIONALLY LEFT BLANK

---

---

## OFFICIAL STATEMENT

---

---

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

**DESERT WATER AGENCY**  
**Water Revenue Refunding Bonds, Series 2016**

### INTRODUCTION

*This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the Bonds to potential investors is made only by means of the entire Official Statement.*

**Authority for Issuance.** The Bonds are authorized pursuant to the provisions of Sections 3570 *et seq.* and 53580 *et seq.* of the California Government Code, a resolution adopted by the Board of Directors of the Agency on [June 7, 2016] (the “Agency Resolution”), and an Indenture of Trust, dated as of June 1, 2016 (the “Indenture”), between the Agency and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”).

**Form of Bonds.** The Bonds will be dated their date of delivery and will be issued in fully registered form, without coupons, in the minimum denominations of \$5,000 or any integral multiple thereof. See “THE BONDS – General Provisions.” When delivered, the Bonds will be registered in the name of The Depository Trust Company, New York, New York (“DTC”), or its nominee. DTC will act as securities depository for the Bonds. Individual purchases of Bonds will be made in book-entry form only in the principal amount of \$5,000 each or any integral multiple thereof. Purchasers of the Bonds will not receive certificates representing the Bonds purchased. See “THE BONDS - Book-Entry Only System” and “APPENDIX E – DTC AND THE BOOK-ENTRY ONLY SYSTEM.”

**Purpose of the Bonds.** The Bonds are being issued to provide funds to (i) defease and refund on an advance basis the Agency’s outstanding Certificates of Participation (Water System Improvement Project) Series 2007 (the “2007 COPs”), currently outstanding in the amount of \$21,420,000, and (ii) pay the costs of issuing the Bonds. See “FINANCING PLAN.”

**Pledge of Water System Revenues.** The Bonds are payable from and secured by a first pledge of and lien on “Net Revenues” received from the operation of the Agency’s existing water system, comprising all facilities for the transportation, treatment and distribution of water for the residents, commercial and industrial consumers of water in the area served by the Agency (the “Water System”). “Net Revenues,” are generally defined as “Gross Revenues” received from the Water System, less the amount of operation and maintenance costs of the Water System becoming payable in such period. See “SECURITY FOR THE BONDS – Pledge of Net Revenues.”

---

\* Preliminary; subject to change.

**Rate Covenants.** The Agency will make the following covenants in the Indenture with respect to charges for the Water System during each Fiscal Year, as follows:

(a) The Agency shall fix, prescribe, revise and collect Water System rates and charges to produce Gross Revenues for the Water System during each Fiscal Year that are at least sufficient, after making allowances for contingencies and error in the estimates, to pay the following amounts in the following order:

(i) All Operation and Maintenance Costs of the Water System estimated by the Agency to become due and payable in that Fiscal Year;

(ii) the Debt Service on the Bonds and the State Loans;

(iii) all other payments required for compliance with the Indenture and the Parity Bond Instruments pursuant to any Parity Bonds relating to the Water System; and

(iv) all payments required to meet any other obligations of the Agency which are charges, liens, encumbrances upon or payable from the Gross Revenues of the Water System or the Net Revenues of the Water System.

(b) The Agency shall fix, prescribe, revise and collect Water System rates and charges to produce Gross Revenues for the Water System (exclusive of connection fees and transfers to the Revenue Fund from a rate stabilization fund) during each Fiscal Year which are sufficient to yield Net Revenues of the Water System at least equal to 100% of the amounts payable as described in clause (a) above in that Fiscal Year for Bonds which have a lien on Net Revenues.

(c) The Agency shall fix, prescribe, revise and collect Water System rates and charges to produce Gross Revenues for the Water System during each Fiscal Year that are sufficient to yield Net Revenues of the Water System at least equal to 115% of the amounts payable as described in clause (a) above in that Fiscal Year for all Bonds which have a lien on Net Revenues.

See “SECURITY FOR THE BONDS – Rate Covenants.” See APPENDIX A – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE” for definitions of defined terms used herein.

**Issuance of Additional Parity Obligations.** The Agency may issue or incur additional obligations and bonds on a parity with or subordinate to the Bonds, provided that the conditions set forth in the Indenture are met. See “SECURITY FOR THE BONDS - Issuance of Parity Obligations,” “-State Loans” and “- Issuance of Subordinate Obligations.”

**Payment.** Principal of the Bonds will be payable in each of the years and in the amounts set forth on the cover page hereof at the office of the Trustee. Interest on the Bonds will be paid by check or draft of the Trustee mailed by first class mail to the person entitled thereto. See “THE BONDS – General Provisions.” Initially, interest on and principal and premium, if any, of the Bonds will be payable when due by wire of the Trustee to the Depository DTC which will in turn remit such interest, principal and premium, if any, to DTC Participants (as defined herein), which will in turn remit such interest, principal and premium, if any, to Beneficial Owners (as defined herein) of the Bonds. See “THE BONDS - Book-Entry Only System” and “APPENDIX E – DTC AND THE BOOK-ENTRY ONLY SYSTEM.”

**Redemption.** The Bonds are subject to optional and mandatory sinking account redemption prior to their stated maturity dates. See “THE BONDS – Redemption.”

***Risks of Investment.*** The Bonds are repayable only from certain money available to the Agency from its Water System. For a discussion of some of the risks associated with the purchase of the Bonds, see “BONDOWNERS’ RISKS.”

Neither the Bonds nor the obligation of the Agency to pay principal of or interest thereon constitutes a debt of the Agency, the City of Encinitas, the State of California or any of its political subdivisions within the meaning of any constitutional limitation on indebtedness, or a pledge of the full faith and credit of the Agency or the City of Encinitas. The Bonds are secured solely by the pledge of Net Revenues of the Agency and certain funds held under the Indenture.

## **FINANCING PLAN**

### **The Refunding Plan**

In 2007, the Agency caused the execution and delivery of the issued the 2007 COPs in the aggregate original principal amount of \$26,860,000 for the purpose of financing certain capital improvements to and water rights for the Water System.

Proceeds of the Bonds, together with certain funds made available through the refunding of the 2007 COPs, will be deposited with The Bank of New York Mellon Trust Company, N.A., as escrow agent and trustee for the 2007 COPs (the “Escrow Bank”), pursuant to an Escrow Deposit and Trust, dated as of June 1, 2016, by and among the Agency, the Desert Water Agency Financing Corporation and the Escrow Bank. Amounts so deposited will be invested in certain federal securities and held by the Escrow Bank and will be sufficient to pay the debt service coming due and the prepayment price of the 2007 COPs through and including May 1, 2018.

Causey Demgen & Moore P.C., as verification agent (the “Verification Agent”), upon delivery of the Bonds, will deliver a report on the mathematical accuracy of certain computations, contained in schedules provided to it by the Agency, relating to the sufficiency of moneys and/or federal securities and the interest thereon to provide for the prepayment and defeasance of the 2007 COPs. The report of the Verification Agent will include a statement to the effect that the scope of its engagement is limited to verifying the mathematical accuracy of the computations contained in such schedules provided to it, and that it has no obligation to update its report because of events occurring, or information coming to its attention, subsequent to the date of its report.



## Estimated Sources and Uses of Funds

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

Sources:

Principal Amount of Bonds

Original Issue Premium/Discount

Released Funds Relating to the 2007 COPs

*TOTAL SOURCES*

Uses:

Deposit to Escrow Fund

Deposit to Costs of Issuance Fund<sup>(1)</sup>

*TOTAL USES*

<sup>(1)</sup> Costs of Issuance include legal fees, underwriter's discount, printing costs, rating agency fees and other miscellaneous expenses.

## DEBT SERVICE SCHEDULE

Annualized debt service on the Bonds assuming no optional redemption is presented below.

| <b>Bond Year</b>    |                         |                        |                            |  |
|---------------------|-------------------------|------------------------|----------------------------|--|
| <b>Ending</b>       |                         |                        |                            |  |
| <b><u>May 1</u></b> | <b><u>Principal</u></b> | <b><u>Interest</u></b> | <b><u>Debt Service</u></b> |  |

Total:

## THE BONDS

### Authority for Issuance

The Bonds are authorized pursuant to the provisions of Sections 53570 et seq. and 53580 et seq. of the California Government Code, a resolution adopted by the Board of Directors of the Agency on June 7, 2016, and the Indenture.

## General Provisions

***Bond Terms.*** The Bonds will be dated their date of delivery and issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple of \$5,000, so long as no Bond has more than one maturity date. The Bonds will mature in the amounts and on the dates, and bear interest at the rates per annum, set forth on the inside cover page of this Official Statement.

***Payments of Principal and Interest.*** Interest on the Bonds will be payable on May 1 and November 1 in each year, beginning November 1, 2016 (each an “Interest Payment Date”) to the person whose name appears on the Bond Registration Books as the Owner thereof as of the Record Date immediately preceding each such Interest Payment Date. While the Bonds are subject to the book-entry system, the principal, interest and any prepayment premium with respect to a Bond will be paid by the Trustee to DTC for subsequent disbursement to beneficial owners of the Bonds.

If there exists a default in payment of interest due on any Interest Payment Date, interest will be payable on a payment date established by the Trustee to the persons in whose names the Bonds are registered at the close of business on a special record date for the payment of such defaulted interest established by notice mailed by the Trustee to the registered Owners of the Bonds not less than 15 days preceding such special record date.

Principal of and premium (if any) on any Bond will be paid upon presentation and surrender thereof at the Principal Corporate Trust Office of the Trustee. Both the principal of and interest and premium (if any) on the Bonds will be payable in lawful money of the United States of America.

***Calculation of Interest.*** The Bonds will bear interest based on a 360-day year comprised of twelve 30-day months from the Interest Payment Date next preceding the date of authentication thereof, unless said date of authentication is an Interest Payment Date, in which event such interest is payable from such date of authentication, and unless said date of authentication is prior to November 1, 2016, in which event such interest is payable from the date of delivery of the Bonds; provided, however, that if, as of the date of authentication of any Bond, interest thereon is in default, such Bond will bear interest from the date to which interest has previously been paid or made available for payment thereon in full.

## Redemption

***Optional Redemption.*** The Bonds maturing on or before May 1, 2026 are not subject to optional redemption prior to maturity. The Bonds maturing on May 1, 2027 and thereafter are subject to redemption prior to their stated maturity at the option of the Agency, as a whole or in part on any date, by such maturities as are selected by the Agency from any available source of funds on or after May 1, 2026 at a redemption price equal to the principal amount of the Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption.

***Mandatory Sinking Account Redemption.*** The Bonds maturing on May 1, \_\_\_\_\_ (the “Term Bonds”) are subject to mandatory redemption, in part by lot, from Sinking Account payments in the amounts and on the dates set forth in the following schedule on May 1, 20\_\_ and on May 1 in each year thereafter, respectively, at a redemption price equal to the principal amount thereof to be redeemed (without premium), together with interest accrued thereon to the date fixed for redemption; provided, however, that if some but not all of the Term Bonds have been optionally redeemed, the total amount of Sinking Account payments to be made subsequent to such redemption shall be reduced in an amount equal to the principal amount of the Term Bonds so redeemed by reducing each such future Sinking Account payment on a pro rata basis (as nearly as practicable) in integral multiples of \$5,000, as shall be designated in a Written Request filed by the Agency with the Trustee.

**Term Bonds Maturing May 1, \_\_\_\_\_**

**Redemption Date  
(May 1)**

**Principal  
Amount**

In lieu of such redemption, the Trustee may apply amounts in the Sinking Account to the purchase of Term 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 may be directed by the Agency, except that the purchase price (exclusive of accrued interest) may not exceed the redemption price then applicable to the Term Bonds, as set forth in a Written Request of the Agency. The par amount of any Term Bonds so purchased by the Agency in any twelve-month period immediately preceding any April 15 in the table above will be credited towards and will reduce the principal amount of Term Bonds required to be redeemed on the succeeding May 1.

***Selection of Bonds for Redemption.*** Whenever provision is made in the Indenture for the optional redemption of less than all of the Bonds, the Trustee shall select the Bonds to be redeemed from all Bonds or such given portion thereof not previously called for redemption, among series and among maturities as directed by the Agency and by lot within a maturity in any manner which the Trustee in its sole discretion shall deem appropriate and fair; provided, however, that if less than all of the Bonds are called for redemption at any one time, upon the written direction of the Agency, the Agency shall specify a reduction in any pending Sinking Account payments.

***Notice of Redemption.*** Notice of redemption shall be mailed by first class mail, postage prepaid, not less than thirty (30) nor more than sixty (60) days before any redemption date, to respective Owners of any Series 2016 Bonds designated for redemption at their addresses appearing on the Registration Books, and to the Securities Depositories and to the Information Services. Each notice of redemption shall state the date of the notice, the redemption date, the place or places of redemption, whether less than all of the Bonds of such series (or all Bonds of a single maturity) are to be redeemed, the CUSIP numbers and Bond numbers of the Bonds to be redeemed, the maturity or maturities of the Bonds to be redeemed and in the case of 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 Bonds the redemption price thereof, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such Bonds be then surrendered. Neither the failure to receive any notice nor any defect therein shall affect the proceedings for such redemption or the cessation of accrual of interest from and after the redemption date. Notice of redemption of Bonds shall be given by the Trustee, at the expense of the Agency, for and on behalf of the Agency.

With respect to the optional redemption of the Bonds, the Agency may instruct the Trustee to include a statement in the notice of such redemption which shall state that such redemption is conditioned upon the receipt by the Trustee on or before the date fixed for such redemption of sufficient funds for such purpose. In the event that sufficient funds shall not have been deposited with the Trustee on or before the date fixed for redemption, the Trustee shall promptly notify the Owners in the same manner in which notice was sent that such redemption is cancelled and the notice thereof shall be deemed to be cancelled and rescinded.

***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 Bonds (or portions thereof) so called for redemption being held by the Trustee, on the redemption date designated in such notice, the Bonds (or portions thereof) so called for redemption shall become due and payable, interest on the Bonds so called for redemption shall cease to accrue, said Bonds (or portions thereof) shall cease to be entitled to any benefit or security under this Indenture, and the Owners of said Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof.

All Bonds redeemed pursuant to the provisions of this Article shall be canceled by the Trustee upon surrender thereof and destroyed.

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

The Bonds will be issued as fully registered bonds in book-entry only form, registered in the name of Cede & Co. as nominee of DTC, and will be available to ultimate purchasers in the denomination of \$5,000 or any integral multiple of \$5,000, under the book-entry system maintained by DTC. While the Bonds are subject to the book-entry system, the principal, interest and any prepayment premium with respect to a Bond will be paid by the Trustee to DTC, which in turn is obligated to remit such payment to its DTC Participants for subsequent disbursement to Beneficial Owners of the Bonds. Purchasers of the Bonds will not receive certificates representing their interests therein, which will be held at DTC.

See “APPENDIX E – DTC AND THE BOOK-ENTRY ONLY SYSTEM” for further information regarding DTC and the book-entry system.

## **SECURITY FOR THE BONDS**

### **Pledge of Net Revenues**

***First and Exclusive Lien on Net Revenues.*** Under the Indenture, the Agency transfers, places a charge upon, assigns and sets over to the Trustee, for the benefit of the Owners, that portion of the Net Revenues which is necessary to pay the principal of and interest on the Bonds in any Fiscal Year, together with all moneys on deposit in the Debt Service Fund, and such portion of the Net Revenues is irrevocably pledged to the punctual payment of the principal or Redemption Price of and interest on the Bonds. The Net Revenues may not be used for any other purpose while any of the Bonds remain Outstanding, except that out of Net Revenues there may be apportioned and paid such sums for such purposes, as are expressly permitted by the Indenture, including Parity Bonds. See “SECURITY FOR THE BONDS – Parity Obligations.” This pledge constitutes a first, direct and exclusive charge and lien on the Net Revenues for the payment of the principal of and interest on the Bonds in accordance with the terms thereof.

***Net Revenues.*** The Indenture defines Net Revenues as the amount of the Gross Revenues received from the Water System during such period, less the amount of Operation and Maintenance Costs of the Water System becoming payable during such period.

“Gross Revenues” means all gross income and receipts derived by the Agency from the ownership and operation of the Water System or otherwise arising from the Water System including but not limited to investment earnings and including all amounts levied by the Agency as a fee for connecting to the Water System (“Connection Charges”), to the extent permitted by law; but excluding (a) the proceeds of any ad valorem property taxes levied for the purpose of making payments relating to the California State Water Project, (b) the proceeds of any special assessments or special taxes levied on real property within any assessment district or community facilities district for the purpose of paying special

assessment bond or special tax bond obligations of the Agency relating to the Water System, and (c) and revenues of any nature received by the Agency in connection with wastewater services.

“Operation and Maintenance Costs” means the reasonable and necessary costs and expenses paid by the Agency for maintaining and operating the Water System, including but not limited to (a) the costs of acquiring water, including the treatment thereof, (b) the expenses of management and repair and other costs and expenses necessary to maintain and preserve the Water System in good repair and working order, (c) the administrative costs of the Agency attributable to the operation and maintenance of the Water System; but in all cases excluding (i) Additional Payments payable by the Agency under the Installment Purchase Agreement, (ii) debt service expenses relating to the obligations of the Agency with respect to the Water System; (iii) depreciation, replacement and obsolescence charges or reserves therefor, (iv) expenses relating to the California State Water Project, and (v) amortization of intangibles or other bookkeeping entries of a similar nature.

## **Revenue Fund**

In order to carry out and effectuate the pledge and lien of Net Revenues to payment of debt service on the Bonds, the Agency will covenant and agree in the Indenture that all Gross Revenues, when and as received, will be held by the Agency in trust and will be deposited by the Agency in its Revenue Fund (the “Revenue Fund”) and will be accounted for through and held in trust in the Revenue Fund, and the Agency will only have such beneficial right or interest in any of such money as provided in the Indenture. All Gross Revenues will be accounted for separately and apart from all other money, funds, accounts or other resources of the Agency.

All Gross Revenues will be transferred, disbursed, allocated and applied solely to the uses and purposes set forth below:

(1) Operating Costs. The Agency will first pay from the moneys in the Revenue Fund the Maintenance and Operation Costs as such costs become due and payable.

(2) Debt Service Fund. On or before the second Business Day prior to each Interest Payment Date, beginning the second Business Day prior to November 1, 2016, the Agency will transfer from the Revenue Fund to the Trustee for deposit in the Debt Service Fund, which the Trustee will establish and maintain, the following amounts:

(i) an amount equal to the aggregate amount of interest to become due and payable on all Outstanding Bonds on the next succeeding Interest Payment Date, plus

(ii) beginning May 1, 2017, an amount equal to the aggregate amount of Principal Installments (including any Sinking Fund Installments) becoming due and payable on all Outstanding Bonds on the next succeeding Principal Installment Date.

All interest earnings and profits or losses on the investment of amounts in the Debt Service Fund (described below) shall be deposited in or charged to the Debt Service Fund and applied to the purposes thereof. No transfer and deposit need be made into the Debt Service Fund if the amount contained therein, taking into account investment earnings and profits, is at least equal to the Interest Requirement or Principal Installments to become due on the next Interest Payment Date or Principal Installment Date upon all Outstanding Bonds.

(3) Surplus. As long as all of the foregoing payments, allocations and transfers are made at the times and in the manner described above in subsections (1) and (2), any moneys



remaining in the Revenue Fund may at any time be treated as surplus and applied for any lawful purpose.

### **Debt Service Fund**

The Indenture provides that the Trustee will establish and maintain a Debt Service Fund.

Prior to each Interest Payment Date, the Trustee will withdraw from the Debt Service Fund an amount equal to the Interest Requirement payable on such Interest Payment Date, and will cause this amount to be applied to the payment of interest when due. Prior to each Principal Installment Date, the Trustee will withdraw from the Debt Service Fund an amount equal to the principal amount of the Outstanding Serial Bonds, if any, maturing on that Principal Installment Date, and will cause the same to be applied to the payment of the principal of Bonds when due.

### **Rate Covenants**

The Agency will make the following covenants in the Indenture with respect to Charges for the Water System:

(a) The Agency shall fix, prescribe, revise and collect Water System rates and charges to produce Gross Revenues for the Water System during each Fiscal Year which are at least sufficient, after making allowances for contingencies and error in the estimates, to pay the following amounts in the following order:

(i) all Operation and Maintenance Costs of the Water System estimated by the Agency to become due and payable in that Fiscal Year;

(ii) the Debt Service on the Bonds and the State Loans;

(iii) all other payments required for compliance with the Indenture and the Parity Bonds Instruments pursuant to which any Parity Bonds relating to the Water System are issued; and

(iv) all payments required to meet any other obligations of the Agency which are charges, liens, encumbrances upon or payable from the Gross Revenues of the Water System or the Net Revenues of the Water System.

(b) The Agency shall fix, prescribe, revise and collect Water System rates and charges to produce Gross Revenues for the Water System (exclusive of connection fees and transfers to the Revenue Fund from a rate stabilization fund) during each Fiscal Year which are sufficient to yield Net Revenues of the Water System at least equal to 100% of the amounts payable as described in clause (a) above in that Fiscal Year for Bonds which have a lien on Net Revenues.

(c) The Agency shall fix, prescribe, revise and collect Water System rates and charges to produce Gross Revenues for the Water System during each Fiscal Year that are sufficient to yield Net Revenues of the Water System at least equal to 115% of the amounts payable as described in clause (a) above in that Fiscal Year for Bonds which have a lien on Net Revenues.

### **Parity Obligations**

Under the Indenture the Agency may issue "Parity Bonds" (including without limitation long-term contracts, loans, sub-leases or other legal financing arrangements) of the Agency payable from and

secured by a pledge of and lien upon any of the Net Revenues) only in compliance with the following conditions.

***Parity Bonds and Indebtedness.*** In addition to the Bonds, the Agency may, by a “Parity Bonds Instrument” (as defined in Appendix A), issue or incur other loans, advances or indebtedness payable from Net Revenues to be derived from the Water System, to provide financing for the Water System, in such principal amount as may be determined by the Agency. The Agency may issue or incur any such Parity Bonds subject to the following specific conditions:

(a) The Agency shall be in compliance with all covenants set forth in the Indenture.

(b) The Net Revenues of the Water System, calculated on sound accounting principles, as shown by the books of the Agency for the latest Fiscal Year or any more recent 12 month period selected by the Agency ending not more than 60 days prior to the adoption of the Parity Bonds Instrument, as shown by the books of the Agency, plus, at the option of the Agency, any or all of the items listed in subsections (i) and (ii) below, must at least equal 115% of Maximum Annual Debt Service and debt service on any State Loans, with Maximum Annual Debt Service calculated on all Bonds to be Outstanding immediately subsequent to the issuance of such Parity Bonds which have a lien on Net Revenues of the Water System. The items that may be added to Net Revenues for the purpose of issuing or incurring Parity Bonds are the following:

(i) an allowance for Net Revenues from any additions to or improvements or extensions of the Water System to be made with the proceeds of such Parity Bonds, and an allowance for Net Revenues from any such additions, improvements or extensions that have been made from moneys from any source but in any case which, during all or any part of such Fiscal Year or such 12-month period, were not in service, all in an amount equal to 90% of the estimated additional average annual Net Revenues to be derived from such additions, improvements and extensions for the first 36-month period in which each addition, improvement or extension is respectively to be in operation; and

(ii) an allowance for earnings arising from any increase in the Charges which have become effective prior to the incurring of such additional indebtedness but which, during all or any part of such Fiscal Year or such 12 month period, was not in effect, in an amount equal to the amount by which the Net Revenues would have been increased if such increase in Charges had been in effect during the whole of such Fiscal Year or such 12 month period.

(c) The Parity Bonds Instrument providing for the issuance of such Parity Bonds must provide that:

(i) the proceeds of such Parity Bonds will be applied to the acquisition, construction, improvement, financing or refinancing of additional facilities, improvements or extensions of existing facilities within the Water System, or otherwise for facilities, improvements or property which the Agency determines are of benefit to the Water System, or for the purpose of refunding any Bonds in whole or in part, including all costs (including costs of issuing such Parity Bonds and including capitalized interest on such Parity Bonds during any period which the Agency deems necessary or advisable) relating thereto;

(ii) interest on such Parity Bonds must be payable on an Interest Payment Date;

(iii) the principal of such Parity Bonds must be payable on May 1 and/or November 1 in any year in which principal is payable; and

(iv) money, or a surety bond or parity debt instrument may be deposited in a reserve account for such Parity Bonds from the proceeds of the sale of such Parity Bonds in such amount as may be determined by the Agency.

**State Loans.** The Agency may borrow money from the State to finance improvements to the Water System by complying with all of the provisions listed above for issuing parity obligations *except* those listed under subsections (c)(ii), (iii) and (iv), and the obligation of the Agency to make payments to the State under the loan agreement memorializing the loan (the “State Loan”) may be treated as Parity Bonds for purposes of the Indenture; provided that the Agency may not make a payment on any State Loan to the extent it would have the effect of causing the Agency to fail to make a timely payment on the Bonds.

### **Subordinate Obligations**

Nothing in the Indenture prohibits or impairs the authority of the Agency to issue bonds or other obligations secured by a lien on Gross Revenues or Net Revenues which is subordinate to the lien established under the Indenture securing the Bonds or Parity Bonds upon such terms and in such principal amounts as the Agency may determine; provided, that the Agency may issue or incur any such Subordinate Bonds subject to the following specific conditions:

(a) The Agency must be in compliance with all covenants set forth in the Indenture.

(b) The Net Revenues of the Water System, calculated on sound accounting principles, as shown by the books of the Agency for the latest Fiscal Year or any more recent 12 month period selected by the Agency ending not more than 60 days prior to the adoption of the Subordinate Bonds Instrument pursuant to which such Subordinate Bonds are issued, as shown by the books of the Agency, plus, at the option of the Agency, any or all of the items designated as (i) and (ii) below, must at least equal 100% of Maximum Annual Debt Service, with Maximum Annual Debt Service calculated on all Bonds or Parity Bonds to be Outstanding immediately subsequent to the issuance of such Subordinate Bonds which have a lien on Net Revenues of the Water System. The items that may be added to such Net Revenues for the purpose of issuing or incurring Subordinate Bonds are the following:

(i) An allowance for Net Revenues from any additions to or improvements or extensions of the System to be made with the proceeds of such Subordinate Bonds, and also for Net Revenues from any such additions, improvements or extensions which have been made from moneys from any source but in any case which, during all or any part of such Fiscal Year or such 12-month period, were not in service, all in an amount equal to 90% of the estimated additional average annual Net Revenues to be derived from such additions, improvements and extensions for the first 36-month period in which each addition, improvement or extension is respectively to be in operation; and

(ii) An allowance for earnings arising from any increase in the Charges which has become effective prior to the incurring of such additional indebtedness but which, during all or any part of such Fiscal Year or such 12-month period, was not in effect, in an amount equal to the amount by which the Net Revenues would have been increased if such increase in Charges had been in effect during the whole of such Fiscal Year or such 12-month period.

(c) The Subordinate Bonds Instrument providing for the issuance of Subordinate Bonds must provide that:

(i) The proceeds of such Subordinate Bonds must be applied to the acquisition, construction, improvement, financing or refinancing of additional facilities, improvements or extensions of existing facilities within the Water System, or otherwise for facilities, improvements or property which the Agency determines are of benefit to the Water System, or for the purpose of refunding any Bonds and Parity Bonds in whole or in part, including all costs (including costs of issuing such Subordinate Bonds and including capitalized interest on such Subordinate Bonds during any period which the Agency deems necessary or advisable) relating thereto;

(ii) Interest on such Subordinate Bonds must be payable on an Interest Payment Date; and

(iii) The principal of such Subordinate Bonds must be payable on October 1 in any year in which principal is payable.

### **Variable Rate Indebtedness**

Parity Bonds or Subordinate Bonds may be issued as variable rate indebtedness, and shall be assumed to bear interest at the highest of: (i) the actual rate on the date of calculation, or if the Parity Bonds or Subordinate Bonds are not yet outstanding, the initial rate (if established and binding), (ii) if the Parity Bonds or Subordinate Bonds have been outstanding for at least twelve months, the average rate over the twelve months immediately preceding the date of calculation, or if no Parity Bonds or Subordinate Bonds are outstanding for the twelve prior months under the Parity Bonds Instrument or Subordinate Bonds Instrument, the average rate borne by reference to an index comparable to that to be utilized in determining the interest rate for the Parity Bonds or Subordinate Bonds to be issued; and (iii) (a) if interest on the Parity Bonds or Subordinate Bonds is excludable from gross income under the applicable provisions of the Tax Code, the most recently published Bond Buyer "Revenue Bond Index" (or comparable index if no longer published), or (b) if interest is not so excludable, the interest rate on direct U.S. Treasury Obligations with comparable maturities provided, however, that for purpose of any rate covenant measuring actual debt service coverage during a test period, variable rate Parity Bonds or Subordinate Bonds shall be deemed to bear interest at the actual rate per annum applicable during the test period.

### **Eminent Domain Proceeds**

The Indenture provides that if all or any part of the Water System is taken by eminent domain proceedings, the Agency will deposit all Net Proceeds with the Trustee in a special fund in trust and apply those funds to the cost of acquiring or constructing or financing Improvements to the Water System if the following conditions are met:

(a) the Agency first secures and files with the Trustee a Certificate of the Agency showing (i) the estimated loss in annual Net Revenues, if any, suffered, or to be suffered, by the Agency by reason of such eminent domain proceedings, (ii) a general description of the Improvements to the Water System then proposed to be acquired or constructed by the Agency from such Net Proceeds, and (iii) an estimate of the additional Net Revenues to be derived from such Improvements; and

(b) the Trustee, on the basis of such Certificate of the Agency, determines that such additional Net Revenues will sufficiently offset the loss of Net Revenues, resulting from such eminent domain proceedings so that the ability of the Agency to meet its obligations under the Indenture will not be substantially impaired, which determination will be final and conclusive.

If these conditions are met, the Agency will then promptly proceed with the acquisition or construction or financing of such Improvements substantially in accordance with such Certificate of the Agency and payments therefor will be made by the Trustee from such Net Proceeds and from other moneys of the Agency lawfully available therefor, and any balance of such Net Proceeds not required by the Agency for these purposes will be deposited in the Revenue Fund.

If these conditions are not met, then such Net Proceeds will be held in trust by the Trustee and applied to the payment of the Bonds of such Series as they become due by their terms, and, pending such application, such remaining moneys may be invested by the Trustee in the manner provided in the Indenture.

### **Casualty Insurance Proceeds**

The Agency will covenant in the Indenture that it will at all times maintain such insurance on the Water System as is customarily maintained with respect to works and properties of like character against accident to, loss of or damage to such works or properties. If any useful part of the Water System is damaged or destroyed, such part will be restored to use.

The Net Proceeds of insurance against accident to or destruction of the physical Water System will be used for repairing or rebuilding the damaged or destroyed portions of the Water System (to the extent that such repair or rebuilding is determined by the Agency to be useful or of continuing value to the Water System), and to the extent not so applied, will be held in trust by the Trustee and applied to the payment of the Bonds of such Series as they become due by their terms, and, pending such application, such remaining moneys may be invested by the Trustee in the manner provided in the Indenture

Any such insurance must be in the form of policies or contracts for insurance with insurers of good standing and will be payable to the Agency, or may be in the form of self-insurance by the Agency. The Agency will establish such fund or funds or reserves as it determines, in its sole judgment, are necessary to provide for its share of any such self-insurance.

## **DESERT WATER AGENCY**

### **General**

The Agency was formed in September 1961 by the Legislature of the State of California through the enactment of special legislation (Statutes of 1961, chapter 1069 – California Water Code Appendix Chapter 100 (West)) for the purpose of importing water by contracting for participation in the State Water Project of the State Department of Water Resources and for any other activities authorized by the Legislature as proper for the Agency to conduct. The Agency's contract for water provided for delivery of up to 38,100 acre feet. of water per year. In 2004, the contract was amended to reflect an allotment of 50,000 acre feet. In 2007, the contract was amended to reflect an allotment of 55,750 acre feet. Scheduled deliveries totaled 55,750 acre feet for 2014 and 2015. The Agency negotiated an agreement with the Metropolitan Water District of Southern California for the exchange of the Agency's entitlement to Northern California water for an equal amount of Metropolitan Water District's Colorado River water. The exchange agreement became effective when approved by the Secretary of the Interior on December 1, 1972 and extends until 2035. The Agency is currently negotiating a 50 year extension of the exchange agreement; however, the failure to do so will not have a material negative impact on the Agency's ability to deliver water to its customers.

The State Water Project transports water pumped from the Sacramento-San Joaquin Delta and Feather River water released from the Oroville Dam south via the Edmund G. Brown California Aqueduct.



The major facilities of the Water System consist of:

- 27 production wells with a capacity of 77.71 million gallons per day
- 23 reservoirs with the capacity of 59.75 million gallons
- 369 miles of transmission and distribution pipelines (majority of which are either steel or ductile iron)
- 11 booster stations and 55 pumps supplying 7 different pressure zones
- 22,248 active services and 11 active reclamation services
- 3,521 fire hydrants and fire services
- one reclamation plant with a treatment capacity of 10 million gallons per day and 6.6 million gallons of storage capacity
- two hydro-electric plants – one located in Whitewater and the other located in Snow Creek (which captures mountain stream water)
- solar facilities including 5.75 acres of solar panels – currently generates 300 KW for the operations headquarters building and 700 KW for the recycling facility
- 12 percolation ponds (spreading basin) in the Mission Creek Sub-Basin

The Agency owns and operates a water recycling facility. The facility produces highly treated water from wastewater which meets all State of California Department of Health Services requirements for unrestricted use. The recycled water is supplied at reduced rates to large water users, and electrical energy is saved because reclaimed water displaces pumped groundwater at 25% of the required energy. Reclaimed water users also benefit by reduced fertilizer costs.

At the plant, the water enters the chemical feed structure where chemicals are added to aid in the filtration process. The water then flows through the treatment modules where it is filtered. Following filtration it is disinfected with chlorine and then pumped to a storage reservoir where clear, high quality, odor-free water awaits use on golf courses, parks, and green belt areas.

The Agency provides sewer services to designated areas of Cathedral City that are not served by the City of Palm Springs Wastewater Treatment Plant. The Agency established a master sewer plan and a new collection system for Cathedral City, and works closely with the city staff and elected officials to plan for the modernization of Cathedral City sewer services.

**Revenues generated from the Agency's sewer services are not pledged to the payment of debt service on the Bonds. Also, the ad valorem taxes levied by the Agency for the purpose of paying its proportionate share of the capital and other costs of the State Water Project is not pledged to the payment of debt service on the Bonds.**

The Agency provides water service to customers in the City of Palm Springs, portions of the City of Cathedral City and certain properties in unincorporated areas of Riverside County (Snow Creek and Falls Creek). The population within the Agency's boundaries is approximately 71,400. For information concerning the local economy, see "APPENDIX A – SELECTED REGIONAL ECONOMIC AND DEMOGRAPHIC DATA." Currently, approximately 86% of the customers are residential while approximately 14% of the customers are commercial.

The area encompassed by the Agency has experienced moderate growth for the past 10 years. The areas served by the Agency is recovering from the recent housing slowdown. Within the next 5 to 10

years, based on current approved developments and anticipated projects, the Agency projects an estimated growth of two percent per year.

## Organization

The Agency is governed by a five member Board of Directors elected by the registered voters within its boundaries. Members of the Board serve four-year alternating terms. The Board's responsibility is to set water rates, rules, regulations and policy. By a vote of the entire Board, one member of the Board is selected to serve as President and one member is selected to serve as Vice President.

The Agency employs 74 employees, including the General Manager, Assistant General Manager and Finance Director.

The present directors, together with the expiration date of their terms of office, are listed below.

### DESERT WATER AGENCY Board of Directors

| <u>Name</u>       | <u>Title</u>        | <u>Year First Elected<br/>to the Board</u> | <u>Term Expires</u> |
|-------------------|---------------------|--------------------------------------------|---------------------|
| James Cioffi      | President           | 2009                                       | November 2017       |
| Joseph K. Stuart  | Vice President      | 2013                                       | November 2017       |
| Kristin Bloomer   | Secretary-Treasurer | 2015                                       | November 2019       |
| Patricia G. Oygur | Director            | 1992                                       | November 2019       |
| Craig Ewing       | Director            | 2007                                       | November 2019       |

## Management

**Mark Krause, General Manager.** Mark Krause officially assumed the role of General Manager of Desert Water Agency on January 30, 2016, after having served as the Agency's Assistant General Manager since October 1, 2004 and before that Operations Engineer since 1995. Mark joined the Agency after serving nine years as an associate civil engineer with Krieger & Stewart, Inc., a Riverside-based civil and engineering consulting firm. Mark graduated with a bachelors of science degree in agricultural engineering from the University of Cal Poly in San Luis Obispo, and is a registered civil engineer. Mark's work-related affiliations include the Association of California Water Agencies, American Water Works Association, American Society of Civil Engineer and the Water Environment Federation.

**Steve Johnson, Assistant General Manager.** Steve Johnson began his career with the Agency in 1995 as an Assistant Engineer. In 1998 he was promoted to Associate Engineer, and then to Operations Engineer in 2004. In February 2016, Johnson was promoted to Assistant General Manager. Prior to joining the Agency, Johnson worked as a Staff Engineer for the global engineering consulting firm Dames & Moore, working from their Los Angeles headquarters. Johnson graduated with a bachelors of science degree in civil engineering from California State Polytechnic University, Pomona, is a registered civil engineer in the state of California, has a Grade IV wastewater treatment plant operator certificate from the state of California Water Resources Control Board, and is a current member of the Association of California Water Agencies water quality committee.

**Martin Krieger, Finance Director.** Martin Krieger, a graduate of California State University Long Beach, has been with the Agency since February 1986. He began as Accounting Supervisor and in May 1998 was promoted to Controller. In October 2004, he was promoted to his current position as

Finance Director. Additionally, in April 2006, Krieger was appointed (by then California State Treasurer Phil Angelides) to serve as a director on a 5 member State of California Investment Advisory Board (LIAB). Krieger continues to serve as a director on the Board under new State Treasurer John Chiang. Krieger is also an active member in the California Society of Municipal Finance Officers, California Municipal Treasurers Association, Association of California Water Agencies, American Water Works Association and serves on the United Way Budget and Allocations Committee.

## **Pension Plans**

All full-time Agency employees are required to participate in the Desert Water Agency Miscellaneous Plan with California Public Employees' Retirement System (CalPERS), an agent multiple-employer public employee defined benefit pension plan. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. A menu of benefit provisions as well as other requirements is established by State statutes within the Public Employee's Retirement Law. The Agency selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through Board approval. CalPERS issues a separate comprehensive annual report. Copies of CalPERS' annual financial report may be obtained from its Executive Office, 400 Q Street, Sacramento, CA 95811.

Active plan members who were hired before January 1, 2013, sometimes referred to as "Classic" employees, are required to contribute 8 percent of their annual covered salary. A resolution passed by the Board of the Agency directed the Agency to pay this portion, called Employer Paid Member Contributions (EPMC) through December 31, 2012.

Beginning January 1, 2013, the Agency established two classes of employees, as dictated by the newly enacted Public Employees Pension Reform Act (PEPRA).

The new class of employees are employees who were hired on or after January 1, 2013. The Agency pays its portion of retirement, referred to as the Employer Contribution, and the employee contributes 6.5 percent of their annual covered salary as pre-taxable deduction. The Agency is not allowed by law to contribute to this part of the pension obligation.

The Agency is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2015-16 is 22.512 percent. Contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS. In the 1986-87 fiscal year, the Agency began paying the employees' portion of their CalPERS salary reduction. For fiscal year 2014-15, the Agency's contribution for the employees' portion of CalPERS amounted to \$0 as the Agency is no longer obligated to the required contributions on behalf of its employees.

For fiscal year 2014-15 the Agency's annual pension cost was \$1,606,739 and the Agency actually contributed \$1,208,856. The required contribution for fiscal year 2014-15 was determined as part of the June 30, 2012 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay.

Further information with respect to the Agency's pension plan is set forth in Note 10 to the Agency's audited financial statements for Fiscal Years ended June 30, 2015 and 2014, attached as Appendix B to this Official Statement.

## **Post-Employment Benefits**

In addition to the pension benefits described above, the Agency provides post-retirement health care benefits, in accordance with State of California Government Code Sections 53205 and 53205.1, to all retired employees aged fifty or over with at least 12 years of full-time service; eligible surviving family members of deceased employees who were active full-time employees of the Agency at time of death and whose sum of years of age and years worked for the Agency equal sixty or more; all retired directors with 12 years or more of service with eligible family members if directors served in office after January 1, 1981 and were first elected beginning before January 1, 1995; and eligible surviving family members of deceased employees who were retired and had 12 years of service with the Agency and were fifty years old or greater, active full-time and at time of death, the sum of their age and the years of service equal sixty or more; or directors who were still serving their term of office when they became deceased. Currently, 20 retirees and surviving family members meet those eligibility requirements. The resolution which created the provision for these benefits was adopted on June 18, 1996. The Agency accounts for post-employment benefits on the (pay-as-you-go) cash basis. During the years ended June 30, 2015 and 2014, there were \$547,668 and \$495,451, respectively, in expenditures made for post-employment health care benefits. On March 3, 1998, the Agency amended Resolution 787 to add a provision for all retired employees age 50 or older with 25 years of full-time service, along with eligible family members. The provision adds payment of dental and vision insurance premiums for eligible individuals. During the year ended June 30, 2015, there were 38 persons eligible for these benefits. Total expenditures for dental and vision benefits for the year ended June 30, 2015 was \$104,011.

**EFFECTIVE MAY 1, 2007, THE AGENCY ADOPTED A RESOLUTION THAT ELIMINATES ALL POST-EMPLOYMENT BENEFITS FOR ANY NEW HIRES ON OR AFTER MAY 1, 2007. THIS RESOLUTION WAS ENACTED TO REDUCE AND CONTROL THE AGENCY'S "OTHER POST EMPLOYMENT BENEFIT" COSTS AS ITS RELATES TO GASB NO. 45.**

## **Risk Management**

The Agency participates in a joint venture under a joint powers agreement (JPA) with the Association of California Water Agencies Joint Powers Insurance Authority (JPIA). The JPIA arranges for and provides insurance coverage for its nearly 300 member districts. Coverage amounts are shown in the Agency's audited financial statements included as Appendix B of this Official Statement. The agreement with the JPIA is for liability, property, and workers' compensation insurance. The first \$200,000 of basic coverage is pooled with excess insurance purchased by the JPIA. The coverage in excess of \$2,000,000 is covered by the JPIA and insures the Agency from the \$2,000,000 base through \$58,000,000. The property insurance carries no co-insurance requirement and has a \$25,000 self-insured retention, similar to a deductible, per occurrence.

Earthquake coverage include a 10 percent or \$50,000 minimum and a \$25,000 deductible. Flood coverage includes a minimum \$25,000 deductible. Earthquake and flood have a maximum \$5,000,000 limit per occurrence, respectively. No assurance can be made that the Agency will continue to maintain the current level of coverage, which may exceed that required under the Installment Purchase Agreement.

## **Land Use**

Land use within the Agency is primarily residential with some commercial and light industrial uses. According to the City of Palm Springs, approximately 51.6 percent of the land within the Agency is zoned for residential use. Approximately 18.9 percent of the land is zoned for commercial use, with the remainder zoned for industrial and public institutional uses.

## **Source of Water Supply**

### Ground Water

Far beneath the surface of the earth, water is stored in vast natural basins. Four enormous basins capture Coachella Valley groundwater. They continuously undergo the process of replenishment. Geologic barriers keep the water contained within each basin.

The Whitewater River sub-basin, the largest of the four basins, supplies most of the Agency's water.

### Surface Water (from local mountains)

Mountain streams also bring us water by way of Chino Creek, Snow Creek and Falls Creek. The amount varies from year to year with minimal flows in dry years and heavy flows in very wet seasons.

### Imported Water

The Agency, along with the Coachella Valley Water District, have contracts with the State of California for water supply totaling approximately 194,100 acre-feet. This supply is used to recharge groundwater basins within the Coachella Valley.

Groundwater is pumped from the Whitewater River sub-basin through the Agency's 27 wells and 11 booster stations. The water is then distributed through the Agency's mains (pipelines), which vary in size from 1 inch to 42 inches. The water delivered through the mains is distributed through metered services which are billed on a monthly basis.

See "LITIGATION" herein regarding a lawsuit filed by the Agua Caliente Band of Cahuilla Indians ("Cahuilla") seeking an adjudication of the Cahuilla claim to a federal reserved groundwater right in the Coachella Valley and other matters regarding their federal water right.

## Water Connections and Demand History

The following table shows water connections and demand history of the Agency.

### DESERT WATER AGENCY Water Connections and Demand History

| <b><u>Fiscal Year</u></b> | <b><u>New Service<br/>Connections<sup>(1)</sup></u></b> | <b><u>Total<br/>Connections<br/>(Services)<sup>(1)</sup></u></b> | <b><u>Annual<br/>System<br/>Demand<br/>(AF)</u></b> | <b><u>Average Day<br/>Demand (mgd)</u></b> |
|---------------------------|---------------------------------------------------------|------------------------------------------------------------------|-----------------------------------------------------|--------------------------------------------|
| 2010/11                   | 74                                                      | 21,543                                                           | 37,523                                              | 32.23                                      |
| 2011/12                   | 474                                                     | 21,657                                                           | 36,589                                              | 31.96                                      |
| 2012/13                   | 240                                                     | 21,806                                                           | 36,484                                              | 32.30                                      |
| 2013/14                   | 200                                                     | 21,963                                                           | 37,699                                              | 31.43                                      |
| 2014/15                   | 426                                                     | 22,126                                                           | 32,736                                              | 27.55                                      |

<sup>(1)</sup> Service connections are completed prior to service being activated.

Source: Desert Water Agency.



## Principal Water Users

The ten largest water customers in the Agency are as follows:

**DESERT WATER AGENCY  
Top Ten Principal Water Users  
July 1, 2014 through June 30, 2015**

| <u>Name</u>                              | <u>Total Usage<br/>(in Hundred Cubic Feet)</u> |
|------------------------------------------|------------------------------------------------|
| 1. City of Palm Springs                  | 383,465                                        |
| 2. Palm Springs Villas HOA 1 & 2         | 141,466                                        |
| 3. Desert Hospital                       | 109,547                                        |
| 4. Canyon Estates HOA                    | 107,081                                        |
| 5. Sunrise Palms HOA                     | 83,483                                         |
| 6. O'Donnell Golf Club                   | 82,587                                         |
| 7. Spa Resort & Casino                   | 74,090                                         |
| 8. Palm Springs International Airport    | 64,186                                         |
| 9. Millennium Housing                    | 38,758                                         |
| 10. Palm Springs Unified School District | <u>32,555</u>                                  |
| Principal Water Uses Total               | 1,117,218 <sup>(1)</sup>                       |
| Total Usage During Same Period           | 13,444,770                                     |

<sup>(1)</sup> The top ten principal water users comprise approximately 8.3% of the Agency's total water usage and revenues from water sales.

Source: Desert Water Agency.

## Water System Rates and Charges

For all metered service, the charges for service consist of "Monthly Service Charge," "Quantitative Charge" and "Zone Pumping charge" for water delivered. The following table shows the Monthly Service Charge schedule effective as of July 1, 2015.

**DESERT WATER AGENCY  
Monthly Service Charge**

| <u>Meter Size</u> | <u>Amount</u> | <u>Connections</u> |
|-------------------|---------------|--------------------|
| 5/8 X 3/4 inch    | \$10.75       | 12,707             |
| 1 inch            | 13.25         | 6,863              |
| 1-1/2 inch        | 19.75         | 1,763              |
| 2 inch            | 27.75         | 1,244              |
| 3 inch            | 34.00         | 27                 |
| 4 inch            | 73.00         | 1                  |
| 6 inch            | 185.50        | 11                 |
| 8 inch            | 330.75        | 1                  |

Source: Desert Water Agency.

In addition to the Monthly Service Charge, the Agency imposes a Quantitative Charge (other than reclaimed water) or \$1.57 per hundred cubic feet (HCF).

A Zone Pumping Charge is added to the Quantitative Charge for service furnished at the higher elevations which are listed below:

**DESERT WATER AGENCY  
Zone Pumping Charge**

| <u>Zone Area</u>                                                    | <u>Additional<br/>Charge Per 100<br/>Cubic Feet</u> | <u>Connections</u> |
|---------------------------------------------------------------------|-----------------------------------------------------|--------------------|
| A. Janis-Tuscany, Terrace, Andreas Hills, Valley Vista & Palm Oasis | \$0.130                                             | 1,099              |
| B. Lower Southridge, Vista Miller                                   | 0.190                                               | 433                |
| C. Upper Southridge                                                 | 0.460                                               | 11                 |
| D. P.S. Aerial Tram                                                 | 1.950                                               | 1                  |

Source: Desert Water Agency.

The following table shows average residential monthly billing information for the last four fiscal years.

**DESERT WATER AGENCY  
Average Residential Billing Information**

|                                                | <u>Fiscal Year Ended June 30,</u> |              |              |              |
|------------------------------------------------|-----------------------------------|--------------|--------------|--------------|
|                                                | <u>2012</u>                       | <u>2013</u>  | <u>2014</u>  | <u>2015</u>  |
| Billing Units (100 Cubic Feet)                 | 15,472,653                        | 15,570,077   | 15,114,449   | 13,444,770   |
| Residential as a Percent of Total Water System | 67.42                             | 60.77%       | 66.62%       | 66.40%       |
| Total Revenues                                 | \$19,317,948                      | \$14,351,887 | \$15,009,018 | \$16,422,901 |
| Residential as a Percent of Total Water System | 65.8%                             | 65.2%        | 65.9%        | 67.3%        |
| Number of Residential Customers                | 17,378                            | 17,772       | 18,363       | 18,494       |
| Residential as a Percent of Total Water System | 85.1%                             | 85.2%        | 85.4%        | 85.5%        |

Source: Desert Water Agency.

For all new connections, the following Service Connection & Meter Installation Charge, Backup Facility Charge and Supplemental Imported Water Capacity Charge are assessed:

**DESERT WATER AGENCY  
Service Connections & Meter Installation Charge**

| <u>Meter Size*</u> | <u>Amount</u> |
|--------------------|---------------|
| 1 inch             | \$1,625.00    |
| 2 inch             | 2,770.00      |

Source: Desert Water Agency.

\* For service larger than 2-inch, the charge is cost plus 15% for general administrative overhead.

**DESERT WATER AGENCY  
Backup Facility Charge**

| <u>Meter Size</u> | <u>Amount</u> |
|-------------------|---------------|
| <b>Base Zone</b>  |               |
| 5/8 X 3/4 inch    | \$2,400.00    |
| 1 inch            | 4,700.00      |
| 1-1/2 inch        | 10,360.00     |
| 2 inch            | 21,460.00     |
| <b>Zone A</b>     |               |
| 5/8 X 3/4 inch    | \$5,400.00    |
| 1 inch            | 11,000.00     |
| 1-1/2 inch        | 21,280.00     |
| 2 inch            | 44,080.00     |
| <b>Zone B</b>     |               |
| 5/8 X 3/4 inch    | \$6,200.00    |
| 1 inch            | 12,500.00     |
| 1-1/2 inch        | 25,200.00     |
| 2 inch            | 52,200.00     |
| <b>Zone C</b>     |               |
| 5/8 X 3/4 inch    | \$17,400.00   |
| 1 inch            | 34,900.00     |
| 1-1/2 inch        | 53,200.00     |
| 2 inch            | 110,200.00    |

Source: Desert Water Agency.

**DESERT WATER AGENCY**  
**Supplemental Imported Water Capacity Charge**

| <u>Meter Size</u>  | <u>Amount</u> |
|--------------------|---------------|
| <b>Residential</b> |               |
| 5/8 X 3/4 inch     | \$1,370.00    |
| 1 inch             | 2,250.00      |
| 1-1/2 inch         | 4,440.00      |
| 2 inch             | 10,960.00     |
| <b>Commercial</b>  |               |
| 5/8 X 3/4 inch     | \$1,250.00    |
| 1 inch             | 2,740.00      |
| 1-1/2 inch         | 8,830.00      |
| 2 inch             | 15,090.00     |
| <b>Irrigation</b>  |               |
| 5/8 X 3/4 inch     | \$1,720.00    |
| 1 inch             | 6,530.00      |
| 1-1/2 inch         | 25,210.00     |
| 2 inch             | 23,970.00     |

---

Source: Desert Water Agency.

## Capital Improvement Projects

Described below are capital improvement projects that are in progress or are anticipated in the next several years. The Agency expects to finance such capital improvement projects using current revenues and funds on hand.

### DESERT WATER AGENCY Capital Improvement Projects

|                          | 2017               | 2018               | 2019               | 2020               | 2021               |
|--------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Pipelines                | \$1,364,643        | \$1,412,952        | \$1,462,970        | \$1,514,759        | \$1,568,382        |
| Transportation Equipment | 238,004            | 246,429            | 255,153            | 264,185            | 273,537            |
| Miscellaneous            | 1,562,098          | 1,617,397          | 1,674,653          | 1,733,935          | 1,795,317          |
| General Plan Projects    | <u>631,484</u>     | <u>653,838</u>     | <u>676,984</u>     | <u>700,950</u>     | <u>725,763</u>     |
| <b>Total</b>             | <b>\$3,796,230</b> | <b>\$3,930,616</b> | <b>\$4,069,760</b> | <b>\$4,213,829</b> | <b>\$4,362,999</b> |

Source: Desert Water Agency.

## Historical Operating Results

The following tables set forth the actual operating results for Fiscal Years 2011 through 2015. The Agency's accounting records are maintained on an accrual basis, and accounting policies and procedures conform to generally accepted accounting principles for water utilities. The Agency is required to follow the Uniform System of Accounts as prescribed by the California State Controller's office for water utilities and has established an accounting system, using the enterprise method, for maintaining the financial records of the Agency. The Agency reports all of its activities (including revenues and expenses relating to its sewer services and its participation in the State Water Project) in a consolidated financial statement. Revenues, however, generated from the Agency's sewer services and its participation in the State Water Project are not pledged to the payment of Bonds.

**DESERT WATER AGENCY**  
**Historical Operating Results**  
**for Fiscal Years 2011 through 2015**

|                                                             | <u>2015</u>          | <u>2014</u>          | <u>2013</u>          | <u>2012</u>          | <u>2011</u>          |
|-------------------------------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| <b>Operating Revenues</b>                                   |                      |                      |                      |                      |                      |
| Water sales (1)                                             | \$26,719,783         | \$24,670,839         | \$24,578,975         | \$21,087,691         | \$19,516,853         |
| Water services (2)                                          | 1,377,830            | 1,329,362            | 1,103,114            | 1,060,050            | 800,878              |
| Hydroplant revenues                                         | 32,058               | 40,863               | 186,327              | 245,206              | 172,388              |
| Reclamation sales/services                                  | 1,448,296            | 1,380,261            | 1,267,786            | 910,799              | 897,987              |
| Government Grants                                           | 635,695              | 0                    | 0                    | 0                    | 0                    |
| Reimbursement of prior year expense                         | 47,723               | 342,174              | 58,808               | 34,504               | 442,685              |
| <b>Total Operating Revenues</b>                             | <b>30,261,385</b>    | <b>27,763,499</b>    | <b>27,195,010</b>    | <b>23,347,250</b>    | <b>21,380,791</b>    |
| <b>Operating Expenses</b>                                   |                      |                      |                      |                      |                      |
| Source of Supply                                            | 9,595,547            | 11,165,333           | 12,679,244           | 10,839,220           | 8,399,958            |
| Pumping                                                     | 3,327,781            | 3,184,519            | 3,121,365            | 2,863,064            | 3,282,215            |
| Water treatment                                             | 739,027              | 646,760              | 627,660              | 576,648              | 571,995              |
| Transmission and distribution                               | 2,485,172            | 2,274,964            | 1,710,198            | 2,300,163            | 1,770,384            |
| Customer accounts                                           | 925,889              | 988,750              | 1,005,484            | 970,221              | 960,689              |
| Water reclamation                                           | 1,757,387            | 1,488,180            | 792,367              | 787,252              | 862,574              |
| Administration and general                                  | 8,948,423            | 10,237,826           | 9,937,621            | 9,872,542            | 9,746,985            |
| Other operating expenses                                    | 825,672              | 777,871              | 783,217              | 636,523              | 582,978              |
| Depreciation and amortization                               | 10,821,897           | 10,834,825           | 9,906,105            | 10,407,895           | 10,084,435           |
| <b>Total Operating Expenses</b>                             | <b>39,426,795</b>    | <b>41,599,028</b>    | <b>40,563,261</b>    | <b>39,253,528</b>    | <b>36,262,213</b>    |
| <b>Operating Loss</b>                                       | <b>(9,165,410)</b>   | <b>(13,835,529)</b>  | <b>(13,368,251)</b>  | <b>(15,906,278)</b>  | <b>(14,431,422)</b>  |
| <b>Nonoperating revenues</b>                                |                      |                      |                      |                      |                      |
| Property Taxes                                              | 20,811,320           | 18,442,491           | 18,074,185           | 16,538,463           | 14,278,445           |
| Investment income                                           | 929,871              | 854,132              | 822,081              | 1,074,226            | 1,113,168            |
| Unrealized gain (loss) on investments                       | (27,514)             | 420,641              | (825,844)            | 49,886               | (150,673)            |
| Other                                                       | 492,655              | 1,058,480            | 251,121              | 281,193              | 369,163              |
| <b>Total Nonoperating Revenues</b>                          | <b>22,206,332</b>    | <b>20,775,744</b>    | <b>18,321,543</b>    | <b>17,943,768</b>    | <b>15,610,103</b>    |
| <b>Nonoperating Expenses</b>                                |                      |                      |                      |                      |                      |
| Interest                                                    | 1,361,924            | 1,344,131            | 1,098,690            | 1,257,544            | 1,240,969            |
| Net (gains) losses on retirement of capital assets          | 62,381               | 41,828               | 12,163               | 24,476               | 28,799               |
| Other                                                       | 7,757                | 7,761                | 7,761                | 7,761                | 7,759                |
| <b>Total Nonoperating Expenses</b>                          | <b>1,432,062</b>     | <b>1,393,720</b>     | <b>1,118,614</b>     | <b>1,289,781</b>     | <b>1,277,527</b>     |
| <b>Increase in Net Assets, before capital contributions</b> | <b>11,608,860</b>    | <b>5,546,495</b>     | <b>3,834,678</b>     | <b>747,709</b>       | <b>(98,846)</b>      |
| <b>Capital Contributions</b>                                |                      |                      |                      |                      |                      |
| Contributions of property – maintenance and operation       | 335,082              | 464,785              | 1,387,985            | 883,664              | 125,672              |
| Contributions of property – general fund                    | 0                    | 0                    | 0                    | 0                    | 0                    |
| Contributions of property – wastewater                      | 0                    | 61,503               | 3,576                | 4,952,728            | 0                    |
| Capacity charges                                            | 11,820               | 34,650               | 64,395               | 229,445              | 101,505              |
| <b>Total Capital Contributions</b>                          | <b>343,902</b>       | <b>560,938</b>       | <b>1,455,956</b>     | <b>6,065,837</b>     | <b>227,177</b>       |
| <b>Increase in net assets</b>                               | <b>11,955,762</b>    | <b>6,107,433</b>     | <b>5,290,364</b>     | <b>6,813,546</b>     | <b>128,331</b>       |
| <b>Net assets, beginning of year</b>                        | <b>261,819,023</b>   | <b>255,711,590</b>   | <b>250,420,956</b>   | <b>243,607,410</b>   | <b>243,479,079</b>   |
| <b>Less: Cum. effect of change in accounting principals</b> | <b>(12,158,311)</b>  | <b>0</b>             | <b>0</b>             | <b>0</b>             | <b>0</b>             |
| <b>Net assets, end of year</b>                              | <b>\$261,616,474</b> | <b>\$261,819,023</b> | <b>\$255,711,590</b> | <b>\$250,420,956</b> | <b>\$243,607,410</b> |

(1) Significant increase in fiscal year 2010/11 from prior years due to a rate increase effective November 1, 2011.

(2) Significant increase in fiscal year 2010/11 from prior years due to a rate increase effective November 1, 2011.



## Historical Operating Results and Debt Service Coverage Ratios

The Agency has calculated the historical debt service coverage ratios for the Fiscal Years ending June 30, 2011 through June 30, 2015 as set forth below. None of the revenues and expenses relating to the sewer services and its participation in the State Water Project are included.

### DESERT WATER AGENCY Historical Operating Results and Coverage Ratio for Fiscal Years 2011 through 2015

|                                                | Fiscal Year<br>2011 | Fiscal Year<br>2012 | Fiscal Year<br>2013 | Fiscal Year<br>2014 | Fiscal Year<br>2015 |
|------------------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| <b>Operating Revenues</b>                      |                     |                     |                     |                     |                     |
| Water sales                                    | \$18,947,433        | \$20,376,365        | \$23,661,777        | \$23,703,554        | \$25,748,563        |
| Water services                                 | 795,428             | 1,034,010           | 1,097,714           | 1,328,282           | 1,376,990           |
| Hydroplant Revenues                            | 172,388             | 245,206             | 186,327             | 40,863              | 32,058              |
| Reclamation sales/services                     | 897,987             | 910,799             | 1,267,786           | 1,380,261           | 1,448,296           |
| <b>Total operating revenue</b>                 | <b>\$20,813,236</b> | <b>\$22,566,380</b> | <b>\$26,213,604</b> | <b>\$26,452,960</b> | <b>\$28,605,907</b> |
| <b>Operating Expenses</b>                      |                     |                     |                     |                     |                     |
| Source of supply                               | 647,610             | 1,223,711           | 757,972             | 1,411,903           | 1,415,161           |
| Pumping                                        | 3,282,215           | 2,863,064           | 3,121,365           | 3,184,519           | 3,327,781           |
| Water Treatment                                | 571,995             | 576,648             | 627,660             | 646,760             | 739,027             |
| Transmission and distribution                  | 1,770,384           | 2,300,163           | 1,710,198           | 2,274,964           | 2,485,172           |
| Customer accounts                              | 960,689             | 970,221             | 1,005,484           | 988,750             | 925,889             |
| Water Reclamation                              | 862,574             | 787,252             | 792,367             | 1,488,180           | 1,757,387           |
| Administration and general                     | 9,708,894           | 9,807,486           | 9,899,906           | 10,206,613          | 8,896,934           |
| <b>Total Operating Expenses</b>                | <b>\$17,804,361</b> | <b>\$18,528,545</b> | <b>\$17,914,952</b> | <b>\$20,201,689</b> | <b>\$19,547,351</b> |
| <b>Operating Loss/Gain</b>                     | <b>\$3,008,875</b>  | <b>\$4,037,835</b>  | <b>\$8,298,652</b>  | <b>\$6,251,271</b>  | <b>\$9,058,556</b>  |
| <b>Nonoperating Revenues</b>                   |                     |                     |                     |                     |                     |
| Property Taxes <sup>(4)</sup>                  | 1,222,368           | 1,213,014           | 1,318,837           | 1,337,713           | 1,999,921           |
| Investment income                              | 1,112,173           | 1,072,607           | 820,609             | 850,939             | 927,659             |
| Other                                          | 369,163             | 281,193             | 251,121             | 1,058,480           | 492,655             |
| <b>Total Nonoperating Revenues</b>             | <b>\$2,703,704</b>  | <b>\$2,566,814</b>  | <b>\$2,390,567</b>  | <b>\$3,247,132</b>  | <b>\$3,420,235</b>  |
| <b>Nonoperating Expenses</b>                   |                     |                     |                     |                     |                     |
| Other - Customer Service                       | 7,759               | 7,761               | 7,761               | 7,761               | 7,757               |
| <b>Total Nonoperating Expenses</b>             | <b>\$7,759</b>      | <b>\$7,761</b>      | <b>\$7,761</b>      | <b>\$7,761</b>      | <b>\$7,757</b>      |
| <b>Net Nonoperating Income</b>                 | <b>\$2,695,945</b>  | <b>\$2,559,053</b>  | <b>\$2,382,806</b>  | <b>\$3,239,371</b>  | <b>\$3,412,478</b>  |
| <b>Net Revenues Available for Debt Service</b> | <b>\$5,704,820</b>  | <b>\$6,596,888</b>  | <b>\$10,681,458</b> | <b>\$9,490,642</b>  | <b>\$12,471,034</b> |
| <b>Annual Fiscal Year Debt Service</b>         | <b>\$1,643,124</b>  | <b>\$1,643,124</b>  | <b>\$1,647,324</b>  | <b>\$1,645,524</b>  | <b>\$1,646,455</b>  |
| <b>Coverage</b>                                | <b>3.47</b>         | <b>4.01</b>         | <b>6.48</b>         | <b>5.77</b>         | <b>7.57</b>         |

## **Projected Operating Results and Debt Service Coverage Ratios**

The Agency has calculated the projected debt service coverage ratios for the Fiscal Years ending June 30, 2016 through June 30, 2020 as set forth below. The projections set forth below are forward-looking statements, as such term is defined in the Securities Act of 1933, as amended, and reflect certain significant assumptions concerning future events and circumstances. Actual operating results achieved during the projection period may vary from those presented in the forecast and such variations may be material. For a discussion of certain circumstances that would cause actual results to differ materially from these projections, see “RISK FACTORS” herein.

**DESERT WATER AGENCY**  
**Projected Operating Results and Coverage Ratio**  
**for Fiscal Years 2016 through 2020**

|                                                | <b>Fiscal Year<br/>2016</b> | <b>Fiscal Year<br/>2017</b> | <b>Fiscal Year<br/>2018</b> | <b>Fiscal Year<br/>2019</b> | <b>Fiscal Year<br/>2020</b> |
|------------------------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| <b>Operating Revenues</b>                      |                             |                             |                             |                             |                             |
| Water sales                                    | \$ 22,146,835               | \$ 23,254,177               | \$ 24,416,886               | \$ 25,637,730               | \$ 26,919,616               |
| Water services                                 | 1,207,494                   | 1,267,869                   | 1,331,262                   | 1,397,825                   | 1,467,717                   |
| Hydroplant Revenues                            | 32,100                      | 30,000                      | 30,000                      | 30,000                      | 30,000                      |
| Reclamation sales/services                     | 1,405,173                   | 1,475,432                   | 1,549,203                   | 1,626,663                   | 1,707,997                   |
| <b>Total operating revenue</b>                 | <b>\$24,791,602</b>         | <b>\$26,027,477</b>         | <b>\$27,327,351</b>         | <b>\$28,692,219</b>         | <b>\$30,125,329</b>         |
| <b>Operating Expenses</b>                      |                             |                             |                             |                             |                             |
| Source of supply                               | 1,586,580                   | 1,665,909                   | 1,749,204                   | 1,836,665                   | 1,928,498                   |
| Pumping                                        | 2,593,863                   | 2,671,679                   | 2,751,829                   | 2,834,384                   | 2,919,416                   |
| Water Treatment                                | 482,391                     | 520,982                     | 562,661                     | 607,674                     | 656,288                     |
| Transmission and distribution                  | 3,035,148                   | 3,338,663                   | 3,672,529                   | 4,039,782                   | 4,443,760                   |
| Customer accounts                              | 786,222                     | 809,809                     | 834,103                     | 859,126                     | 884,900                     |
| Water Reclamation                              | 811,425                     | 851,996                     | 894,596                     | 939,326                     | 986,292                     |
| Administration and general                     | 9,395,604                   | 9,677,472                   | 9,967,796                   | 10,266,830                  | 10,574,835                  |
| <b>Total Operating Expenses</b>                | <b>\$18,691,233</b>         | <b>\$19,536,510</b>         | <b>\$20,432,719</b>         | <b>\$21,383,787</b>         | <b>\$22,393,988</b>         |
| <b>Operating Loss/Gain</b>                     | <b>\$6,100,369</b>          | <b>\$6,490,967</b>          | <b>\$6,894,632</b>          | <b>\$7,308,432</b>          | <b>\$7,731,341</b>          |
| <b>Nonoperating Revenues</b>                   |                             |                             |                             |                             |                             |
| Property Taxes <sup>(4)</sup>                  | 1,980,997                   | 2,000,807                   | 2,020,815                   | 2,041,023                   | 2,061,433                   |
| Investment income                              | 872,061                     | 872,061                     | 872,061                     | 872,061                     | 872,061                     |
| Other                                          | 823,500                     | 831,735                     | 840,052                     | 848,453                     | 856,937                     |
| <b>Total Nonoperating Revenues</b>             | <b>\$3,676,558</b>          | <b>\$3,704,603</b>          | <b>\$3,732,928</b>          | <b>\$3,761,537</b>          | <b>\$3,790,432</b>          |
| <b>Nonoperating Expenses</b>                   |                             |                             |                             |                             |                             |
| Other - Customer Service                       | 7,759                       | 7,761                       | 7,761                       | 7,761                       | 7,757                       |
| <b>Total Nonoperating Expenses</b>             | <b>\$7,759</b>              | <b>\$7,761</b>              | <b>\$7,761</b>              | <b>\$7,761</b>              | <b>\$7,757</b>              |
| <b>Net Nonoperating Income</b>                 | <b>\$3,668,981</b>          | <b>\$3,696,846</b>          | <b>\$3,725,171</b>          | <b>\$3,753,780</b>          | <b>\$3,782,675</b>          |
| <b>Net Revenues Available for Debt Service</b> | <b>\$9,769,350</b>          | <b>\$10,187,813</b>         | <b>\$10,619,803</b>         | <b>\$11,062,212</b>         | <b>\$11,514,016</b>         |
| <b>Annual Fiscal Year Debt Service*</b>        | <b>\$1,645,980</b>          | <b>\$1,365,297</b>          | <b>\$1,368,881</b>          | <b>\$1,366,481</b>          | <b>\$1,367,681</b>          |
| <b>Coverage</b>                                | <b>5.94</b>                 | <b>7.46</b>                 | <b>7.76</b>                 | <b>8.10</b>                 | <b>8.42</b>                 |

\* Preliminary; subject to change.

## **Budgetary Process**

The Agency operates on a fiscal year. Historically, in May, a tentative budget is proposed by the Agency's General Manager based on the projected year-end revenues and expenses, taking into account growth within the Agency and inflationary factors. The preliminary budget is then presented to the Board of Directors for their approval and the final budget is adopted before the close of the fiscal year.

## **Billing and Collection Procedures**

Bills for water service are based upon monthly meter readings. During each month, the Agency mails a statement covering charges for all water received by the customer during the preceding month, which charges are due and payable upon receipt. The bill for water service is delinquent if not paid within 30 days after billing. When delinquency occurs, a final notice is mailed to the billing address. If payment is not received within 15 days after the final notice has been issued, the service address if different from the billing address is tagged 48 hours in advance of scheduled turn off. If the occupant does not pay the outstanding account or make arrangements for payment by the date of scheduled turn off, then service may be discontinued without further notice. Service is not restored until all charges that are delinquent for nonpayment of bills, or whose deposit has been applied in whole or in part of the payment of any bills, is required to reestablish credit by a cash deposit.

Over the previous 10 years, the Agency's average write-offs have been 0.127% of total water sales. Over the previous 5 years, the average write-offs have been 0.07% of total water sales.

## **AD VALOREM PROPERTY TAXES**

### **General**

***Valuation of Property for Taxation.*** The assessed value of property in the Agency is established by the Riverside County Assessor, except for public utility property, which is assessed by the State Board of Equalization. Assessed valuations are reported at 100% of the "full value" of the property. Article XIII A of the California Constitution set "full value" at the valuation shown on the 1975-76 tax bill under "full cash value" or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment. The "full cash value" also may be adjusted annually either upward to reflect inflation at a rate not to exceed 2% per year or downward to reflect a reduction in the consumer price index or comparable local data or declining property value caused by damage, destruction, or other factors. No increase in "full cash value" is permitted in the event of reconstruction of property damaged or destroyed in a disaster and in certain other limited circumstances. For a discussion of local economic factors that may affect property values in the Agency, see "APPENDIX F – SELECTED REGIONAL ECONOMIC AND DEMOGRAPHIC DATA."

The California Constitution and various statutes provide exemptions from ad valorem property taxation for certain classes of property such as churches, colleges, nonprofit hospitals and charitable institutions. State law allows exemption from ad valorem property taxation of \$7,000 of full cash value of owner-occupied dwellings. However, the State reimburses all local taxing authorities for the loss of revenues imputed on these exemptions. In addition, although business inventories were removed from the tax rolls beginning with fiscal year 1980-81, State subvention is provided on a calculated base to reimburse local taxing agencies for this reduction of taxable properties. Federal, state, and local government property (with limited exceptions) is also exempt from property taxation.

***Collection of Property Taxes.*** Ad valorem property taxes are levied for each fiscal year on taxable real and personal property that is situated in Riverside County as of the preceding January 1. For

assessment and collection purposes, property is classified either as “secured” or “unsecured,” and is listed accordingly on separate parts of the assessment roll. The “secured roll” is that part of the assessment roll containing State assessed property and property having a tax lien that is sufficient, in the opinion of the assessor, to secure payment of taxes. Other property is assessed on the “unsecured roll.”

Property taxes on the secured roll are due in two installments, the first on November 1 and the second on February 1. Such taxes become delinquent if unpaid on or before December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment. An additional “redemption penalty” of 1 % per month (to the date of payment) begins to accrue on July 1 of the year of the delinquency. If taxes are unpaid for a period of five years or more, the property is subject to public sale by the County Tax Collector.

Property taxes on the unsecured roll are due as of the January 1 lien date and become delinquent if unpaid on or before August 31. A 10% penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of 1½% per month begins to accrue beginning November 1 of the fiscal year. The taxing authority has four ways of collecting unsecured personal property taxes: (i) a civil action against the taxpayer; (ii) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (iii) filing a certificate of delinquency for record in the County Recorder’s office in order to obtain a lien on certain property of the taxpayer; and (iv) seizure and sale of personal property, improvements, or possessory interests belonging or assessed to the assessee.

Taxes collected for each fiscal year are apportioned by the County to the Agency starting in late November. Approximately 55% of the year’s levy is received by the end of January.

**Litigation.** See “LITIGATION” herein regarding a lawsuit filed by Cahuilla challenging the Agency’s right to apply its ad valorem tax and other charges on non-Indian possessory interests on Indian land.

### **Assessed Valuation of Land and Improvements**

The following table sets forth information regarding assessed property values in the Agency for the years shown.

| <b>DESERT WATER AGENCY</b><br><b>Assessed Valuations</b><br><b>Fiscal Years 2004 through 2007</b> |                       |                       |                       |                       |                       |
|---------------------------------------------------------------------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|                                                                                                   | <u><b>2011-12</b></u> | <u><b>2012-13</b></u> | <u><b>2013-14</b></u> | <u><b>2014-15</b></u> | <u><b>2015-16</b></u> |
| Secured                                                                                           | \$8,257,451,065       | \$6,817,538,474       | \$6,728,264,487       | \$8,525,932,576       | \$9,210,517,078       |
| Unsecured                                                                                         | <u>652,423,408</u>    | <u>533,055,927</u>    | <u>767,455,576</u>    | <u>605,406,821</u>    | <u>616,502,172</u>    |
| Total                                                                                             | \$8,909,874,473       | \$7,350,594,401       | \$7,495,720,063       | \$9,131,339,397       | \$9,827,019,250       |
| <b>Percentage Increase<br/>(Decrease)</b>                                                         | --                    | (17.5)%               | 2.0%                  | 21.8%                 | 7.6%                  |

Source: Riverside County, Auditor-Controller’s Office, Property Tax Division.

## Delinquencies

During the fiscal years ending June 30, 2011 through June 30, 2015, the Agency has experienced delinquency rates of 8.0%, 8.0%, 4.86%, 4.39% and 3.95%, respectively.

## Major Taxpayers

The twenty largest ad valorem property taxpayers (secured roll only) within the Agency were as follows:

**DESERT WATER AGENCY  
Twenty Largest Taxpayers (Secured Roll Only)  
2015-16 Secured Lien Tax Roll**

|     | <u>Property Owner</u>                   | <u>Primary Land Use</u>   | <u>2015-16<br/>Assessed Valuation</u> | <u>% of<br/>Total (1)</u> |
|-----|-----------------------------------------|---------------------------|---------------------------------------|---------------------------|
| 1.  | CPV Centinel                            | Power Plant               | \$ 558,043,000                        | 4.11%                     |
| 2.  | Tenet Healthsystem Desert Inc.          | Hospital                  | 73,099,023                            | 0.54                      |
| 3.  | TKG Smoke Tree Commons                  | Shopping Center           | 62,925,346                            | 0.46                      |
| 4.  | Endure Investments                      | Shopping Center           | 49,249,639                            | 0.36                      |
| 5.  | Riviera Reincarnate                     | Hotel                     | 43,779,675                            | 0.32                      |
| 6.  | Indigo Generation LLC                   | Power Plant               | 42,974,000                            | 0.32                      |
| 7.  | HH Palm Springs                         | Hotel                     | 40,827,988                            | 0.30                      |
| 8.  | John Wessman / Wessman Holdings         | Commercial Properties     | 39,359,946                            | 0.29                      |
| 9.  | Wal Mart Real Estate Business Trust     | Commercial                | 32,770,833                            | 0.24                      |
| 10. | Linda Hope                              | Residential               | 27,727,713                            | 0.20                      |
| 11. | Pacific Monarch Resorts Inc.            | Hotel                     | 24,728,824                            | 0.18                      |
| 12. | Robertas LP                             | Auto Dealership           | 23,367,621                            | 0.17                      |
| 13. | Bank of California                      | Resort/Timeshare          | 22,441,472                            | 0.17                      |
| 14. | RBC Hotel Palm Springs                  | Hotel                     | 22,311,699                            | 0.16                      |
| 15. | Walton California                       | Undeveloped               | 21,783,823                            | 0.16                      |
| 16. | Walter Hotel Corp.                      | Hotel                     | 21,361,000                            | 0.16                      |
| 17. | Medical Properties II Palm Springs, LLC | Medical Buildings         | 19,350,000                            | 0.14                      |
| 18. | Albertsons Inc.                         | Supermarket               | 17,500,346                            | 0.13                      |
| 19. | Plaza of Palm Springs Inc.              | Resort/Timeshare          | 17,473,594                            | 0.13                      |
| 20. | CLP Palm Springs CA Waterpark           | Recreational – Water Park | <u>17,268,805</u>                     | <u>0.13</u>               |
|     |                                         |                           | \$1,178,344,347                       | 8.68%                     |

(1) 2015-16 Local Secured Assessed Valuation: \$13,577,230,229.

Source: California Municipal Statistics, Inc.



## Direct And Overlapping Debt

Contained within the Agency are numerous overlapping local agencies providing public services. These local agencies have outstanding bonds issued in the form of general obligation, lease, revenue and special assessment bonds. The following is a listing of direct and overlapping bonded debt supported by ad valorem taxation on property located in the Agency together with lease obligation debt of agencies in the area.

### DESERT WATER AGENCY Direct and Overlapping Debt As of May 1, 2016

2015-16 Assessed Valuation: \$13,957,130,547 (All Property)

| <u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>                                       | <u>% Applicable</u> | <u>Debt 5/1/16</u>  |
|-----------------------------------------------------------------------------------|---------------------|---------------------|
| Desert Community College District                                                 | 19.752%             | \$ 55,975,466       |
| Mt. San Jacinto Community College District                                        | 0.094               | 65,800              |
| Banning Unified School District                                                   | 2.719               | 1,176,566           |
| Hemet Unified School District                                                     | 0.003               | 5,240               |
| Palm Springs Unified School District                                              | 54.097              | 184,243,945         |
| San Geronimo Memorial Healthcare District                                         | 1.119               | 1,277,171           |
| City of Desert Hot Springs Community Facilities District No. 2006-1               | 100.                | 2,100,000           |
| 1915 Act Bonds                                                                    | 100.                | <u>43,322,004</u>   |
| TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT                                         |                     | \$288,166,192       |
| <br><u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>                              |                     |                     |
| Riverside County General Fund Obligations                                         | 5.958%              | \$ 54,837,694       |
| Riverside County Pension Obligations                                              | 5.958               | 18,143,302          |
| Riverside County Board of Education Certificates of Participation                 | 5.958               | 55,707              |
| Hemet Unified School District Certificates of Participation                       | 0.003               | 1,574               |
| City of Cathedral City Certificates of Participation                              | 16.044              | 570,204             |
| City of Desert Hot Springs Certificates of Participation and Judgment Obligations | 98.730              | 10,978,777          |
| City of Palm Springs General Fund Obligations                                     | 98.965              | 119,985,166         |
| City of Palm Springs Pension Obligations                                          | 98.965              | 18,267,059          |
| City of Rancho Mirage General Fund Obligations                                    | 1.437               | 57,624              |
| <b>Desert Water Agency</b>                                                        | <b>100.</b>         | <b><u>-</u></b> (1) |
| TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT                              |                     | \$222,897,107       |
| Less: Riverside County supported obligations                                      |                     | <u>410,823</u>      |
| TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT                                |                     | \$222,486,284       |
| <br><u>OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):</u>                   |                     | \$107,396,323       |
| <br>GROSS COMBINED TOTAL DEBT                                                     |                     | \$618,459,622 (2)   |
| NET COMBINED TOTAL DEBT                                                           |                     | \$618,048,799       |

- (1) Excludes Certificates of Participation (Water System Improvement Project) Series 2007 which are secured by net revenues of the Agency's water system.  
 (2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

#### Ratios to 2015-16 Assessed Valuation:

|                                                 |       |
|-------------------------------------------------|-------|
| Total Overlapping Tax and Assessment Debt ..... | 2.06% |
| Gross Combined Total Debt .....                 | 4.43% |
| Net Combined Total Debt .....                   | 4.43% |

#### Ratio to Redevelopment Successor Agency Incremental Valuation (\$3,271,774,323):

|                                            |       |
|--------------------------------------------|-------|
| Total Overlapping Tax Increment Debt ..... | 3.28% |
|--------------------------------------------|-------|

Source: California Municipal Statistics, Inc.

## **Overlapping Tax Levy**

Property owners in the Agency are subject to the ad valorem taxes levied by the Agency to enable it to make payments under the State Water Supply Contract. For that purpose, the Agency currently levies ad valorem taxes within its jurisdiction of \$0.10 per \$100 of assessed valuation. Each fiscal year, the Agency sets the assessment rate based on the estimated charges per the State Department of Water Resources invoices. **Such taxes, however, are not pledged to the payment of the debt service on the Bonds.**

## **BOND OWNERS' RISKS**

The following describes certain special considerations and risk factors affecting the payment of and security for the Bonds. The following discussion is not meant to be an exhaustive list of the risks associated with the purchase of any Bonds and does not necessarily reflect the relative importance of the various risks. Potential investors in the Bonds are advised to consider the following special factors along with all other information in this Official Statement in evaluating the Bonds. There can be no assurance that other considerations will not materialize in the future.

### **Water System Demand and Growth**

There can be no assurance that the local demand for the services provided by the Water System will be maintained at levels described in this Official Statement under the heading "DESERT WATER AGENCY." Reduction in the level of demand due to conservation efforts of the Agency, or other factors, could require an increase in rates or charges in order to produce Net Revenues sufficient to comply with the Agency's rate covenant in the Indenture. Such rate increases could increase the likelihood of nonpayment, and could also further decrease demand. There can be no assurance that any other entity with regulatory authority over the Water System will not adopt further restrictions on operation of the Water System.

### **Net Revenues; Rate Covenants**

Net Revenues are dependent upon the demand for water sales, which can be affected by population factors, more stringent drinking water regulations, or problems with the Agency's treatment facilities. There can be no assurance that water service demand will be consistent with the levels contemplated in this Official Statement. A decrease in the demand for water could require an increase in rates or charges in order to comply with the rate covenants contained in the Indenture. The Agency's ability to meet its rate covenants is dependent upon its capacity to increase rates without driving down demand to a level insufficient to meet debt service on the Bonds.

### **Agency Expenses**

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

## Drought Measures

**State Orders.** On January 17, 2014, the California Governor declared a drought state of emergency (the “Declaration”) with immediate effect. The Declaration includes the following orders, among others:

(a) local urban water suppliers, including the Agency, are encouraged to implement their local water shortage contingency plans; the Agency’s plan is discussed under the subcaption “—Agency Response to Drought;”

(b) local urban water suppliers, including the Agency, are encouraged to update their urban water management plans to prepare for extended drought conditions;

(c) the California Department of Water Resources (“DWR”) and the State Water Resources Control Board (the “SWRCB”) are directed to expedite the processing of water transfers;

(d) the SWRCB is directed to put water rights holders on notice that they may be required to cease or reduce water diversions in the future;

(e) the SWRCB is directed to consider modifying requirements for reservoir releases or diversion limitations; and (f) DWR is directed to take necessary actions to protect water quality and supply in the Sacramento-San Joaquin River Delta/San Francisco Bay Estuary (the “Bay-Delta”), including the installation of temporary barriers or temporary water supply connections, while minimizing impacts to aquatic species. In addition, on July 15, 2014, the SWRCB adopted emergency measures requiring water suppliers to implement mandatory Statewide water conservation actions.

On March 17, 2015, the SWRCB adopted additional emergency regulations limiting outdoor irrigation to two days per week, extending certain measures set forth in the July 15, 2014 action for an additional 270 days, prohibiting outdoor irrigation for 48 hours following rain and prohibiting restaurants from serving water to customers unless requested. It is anticipated that the Agency will comply with the new regulations through its Water Conservation Ordinance (the “Ordinance”), as discussed under the subcaption “—Agency Response to Drought.”

On April 1, 2015, the California Governor issued an executive order extending the measures set forth in the Declaration and adopting the following additional orders, among others: (i) the SWRCB is directed to impose restrictions to reduce potable urban water usage, including usage by commercial, industrial and institutional properties and golf courses, by 25% from 2013 amounts through February 28, 2016; portions of a water supplier’s service area with higher per capita use must achieve proportionally greater reductions than areas with lower per capita use; (ii) DWR is directed to lead a statewide initiative to replace 50 million square feet of lawns with drought tolerant landscaping; (iii) the California Energy Commission is directed to implement a rebate program for replacement of inefficient appliances; (iv) urban water suppliers are required to provide monthly water usage, conservation and enforcement information; (v) service providers are required to monitor groundwater basin levels in accordance with California Water Code § 10933; (vi) permitting agencies are required to prioritize approval of water infrastructure and supply projects; and (vii) DWR is required to plan salinity barriers in the Bay-Delta. On May 6, 2015, the SWRCB adopted regulations in response to the Governor’s executive order that require the Agency to effect a 32% reduction from 2013 water usage. The Agency has complied with the State mandates on conservation.

On November 13, 2015, the Governor issued Executive Order B-36-15, which calls for an extension of urban water use restrictions until October 31, 2016 should drought conditions persist through January 2016.

On February 2, 2016, the SWRCB extended its previous emergency regulations through October 2016 while making available credits and adjustments of up to 8% in urban water suppliers' conservation mandates based upon climate, water-efficient growth and investments in drought-resilient supply sources. On May 18, 2016, the SWRCB adopted a statewide water conservation approach that replaces the prior percentage reduction-based water conservation standard with a localized "stress test" approach that mandates urban water suppliers act now to ensure at least a three year supply of water to their customers under drought conditions.

***Agency Response to Drought.*** Under the Ordinance, the Agency responds to a drought in stages (Stage No. 1 through Stage No. 5). Implementation of each stage is undertaken by a declaration by the Board of Directors, which declaration is published in a newspaper of general circulation. Certain stages require the holding of a public hearing.

Currently, the following restrictions are in effect:

- All outdoor irrigation is allowed ONLY Mondays, Wednesdays and Fridays before 7 a.m. and after 7 p.m.
- Causing runoff such that water flows onto adjacent property, non-irrigated areas, private and public walkways, roadways, parking lots, or structures shall be prohibited.
- Washing of hard surfaced exteriors, such as driveways, parking lots, building exteriors and walkways, shall be prohibited unless for public health. Use of a recycled water, pressure washers, water brooms and buckets filled with potable water are allowed.
- The use of running water to wash vehicles shall be prohibited. The use of buckets and stop nozzles on hoses, for rinsing only, shall be permitted.
- The use of non-recirculating fountains or other decorative water features is prohibited.
- The application of water to outdoor landscapes during and up to 48 hours after measurable rainfall is prohibited.
- Agency customers are encouraged not to empty and refill swimming pools from June 1 through October 31 unless necessary to address a health or safety emergency.
- The use of potable water to irrigate turf within street medians, and turf within the dedicated right of way on either side of a public street, shall be prohibited.
- A commercial, industrial or institutional customer may implement an alternative water use reduction plan that achieves reductions in water use equivalent to those expected from the restrictions prescribed herein, if approved in advance by the General Manager.
- Restaurants may provide water to customers only upon request.

- Hotels and motels shall provide guests with the option of choosing not to have towels and linens laundered daily. Each hotel or motel shall prominently display notice of this option in each bathroom, using clear and easily understood language.
- The use of potable water outside of newly constructed homes and buildings that is not delivered by drip or micro-spray systems shall be prohibited.

While implementation of the Ordinance in future years may result in lower water sales revenues, it is also likely to result in lower operating costs, in particular groundwater pumping costs and energy costs for water deliveries. The projected operating results set forth under the caption “DESERT WATER AGENCY – Projected Operating Results and Coverage Ratios” reflect the implementation of the current Stage No. 3 measures of the Ordinance. The Agency does not believe that the implementation of the Stage No. 3 measures of the Ordinance will have a material adverse effect on its ability to generate sufficient Net Revenues to pay the debt service on the Bonds.

### **Future Land Use Regulations**

Development within the Agency’s service area is contingent upon the future construction and acquisition of a number of public improvements such as arterial streets, water distribution facilities, sewage collection and transmission facilities, drainage facilities and street lighting, as well as the necessary local in-tract improvements. The installation of the necessary infrastructure improvements and the construction of the residential development are subject to the receipt of discretionary approvals from a number of public agencies concerning the layout and design of the development, the nature and extent of the improvements, land use, health and safety requirements and other matters. The failure to obtain any such approval could adversely affect the planned land development within the Agency.

In addition, there can be no assurance that land development operations within the Agency will not be adversely affected by future government policies, including, but not limited to, governmental policies to restrict or control development.

### **Proposition 218**

On November 5, 1996, the voters of the State approved Proposition 218, the “Right to Vote on Taxes Act.” Proposition 218 added Articles XIII C and XIII D to the State Constitution, which contain a number of provisions affecting the ability of the Agency to levy and collect both existing and future taxes, assessments, fees and charges. Proposition 218 also extends the initiative power to reducing or repealing any local taxes, assessments, fees and charges. This extension of the initiative power is not limited to taxes, assessments, fees and charges imposed on or after November 6, 1996, the effective date of Proposition 218, and could result in retroactive repeal or reduction in any existing taxes, assessments, fees or charges, except those which are pledged to the repayment of debt. If such a repeal or reduction in Agency fees or charges were to occur, and it was held that any such taxes, assessments, fees or charges were not pledged to any debt repayment, the Agency’s ability to pay debt service could be adversely affected.

In addition, while the matter is not free from doubt, Proposition 218 imposed restrictions on the levy of charges for “property-related services.” In July 2006 the California Supreme Court confirmed that a public agency’s charges for ongoing water delivery are “fees and charges” within the meaning of Proposition 218. As a result, voters within the boundaries of the Agency could adopt an initiative measure that reduced or repealed water rates and charges levied by the Agency, although it is not clear (and has not been determined by State courts) whether such action would be enforceable where such fees and charges are pledged to the repayment of indebtedness.

The Agency believes that its fees for water service will not be adversely affected by the application of the procedural requirements of Proposition 218, and that Proposition 218 would not have any immediate adverse effect on its ability to operate its Water System. However, there can be no assurance of the availability of remedies to protect fully the interest of the holders of the Bonds. In addition, Proposition 218 affects the levy of rates and charges of certain public agency customers of the Agency.

### **Constitutional Limit on Appropriations, Fees and Charges**

If a portion of the Water System rates or connection charges were determined by a court to exceed the reasonable costs of providing service, any fee which the Agency charges may be considered to be a “special tax,” which under Articles XIII A or XIII D of the California Constitution must be authorized by a two-thirds vote of the affected electorate. This requirement is applicable to the Agency’s rates for service provided by the Water System. The reasonable cost of service provided by the Water System has been determined by the State Controller to include depreciation and allowance for the cost of capital improvements. In addition, the State courts have determined that fees such as connection fees (capacity charges) will not be special taxes if they approximate the reasonable cost of constructing Water System improvements contemplated by the local agency imposing the fee. Such court determinations have been codified in the Government Code of the State of California (Section 66000 et seq.).

Under Article XIII B of the California Constitution, state and local government entities have an annual “appropriations limit” which limits their ability to spend certain moneys called “appropriations subject to limitation,” which consists of tax revenues, certain state subventions and certain other moneys, including user charges to the extent they exceed the costs reasonably borne by the entity in providing the service for which it is levying the charge. In general terms, the “appropriations limit” is to be based on certain Fiscal Year 1978/79 expenditures, and is to be adjusted annually to reflect changes in the consumer price index, population and services provided by these entities. Among other provisions of Article XIII B, if an entity’s revenues in any year exceed the amount permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years.

The Agency is of the opinion that the rates and use charges imposed by the Agency in connection with the Water System do not exceed the costs it reasonably bears in providing such services.

### **Limitations on Remedies Available to Bondowners**

The ability of the Agency to comply with its covenants under the Indenture and to generate Net Revenues sufficient to pay principal of and interest on the Bonds may be adversely affected by actions and events outside of the control of the Agency, and may be adversely affected by actions taken (or not taken) by voters, property owners, taxpayers or payers of assessments, fees and charges. See “Proposition 218” below. Furthermore, any remedies available to the owners of the Bonds upon the occurrence of an event of default under the Indenture are in many respects dependent upon judicial actions, which are often subject to discretion and delay and could prove both expensive and time consuming to obtain.

In addition to the limitations on Bondholder remedies contained in the Indenture, the rights and obligations under the Bonds and the Indenture may be subject to the following: the United States Bankruptcy Code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors’ rights generally, now or hereafter in effect; usual equity principles which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the Federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in



the sovereignty of the State of California and its governmental bodies in the interest of serving a significant and legitimate public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or state government, if initiated, could subject the Owners of the Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation or modification of their rights.

### **Seismic Considerations**

The Agency is located in a seismically active area of California. If there were to be an occurrence of severe seismic activity in the area of the Agency, there could be an interruption in the service provided by the Water System, resulting in a temporary reduction in the amount of Net Revenues available to pay debt service when due on the Bonds.

### **Environmental Regulation**

The kind and degree of water treatment which is effected through the Water System is regulated, to a large extent, by the federal government and the State of California. Treatment standards set forth in federal and State law control the operations of the Water System and mandate its use of technology. In the event that the federal government, acting through the Environmental Protection Agency, or the State of California, acting through the Department of Health Services, or additional federal or State legislation, should impose stricter water quality standards upon the Water System, the Agency's expenses could increase accordingly and rates and charges would have to be increased to offset those expenses. It is not possible to predict the direction which federal or state regulation will take with respect to drinking water quality standards, although it is likely that both will impose more stringent standards with attendant higher costs.

### **No Obligation to Tax**

The obligation of the Agency to pay the principal of and interest on the Bonds does not constitute an obligation of the Agency for which the Agency is obligated to levy or pledge any form of taxation or for which the Agency has levied or pledged any form of taxation. The obligation of the Agency to pay principal of and interest on the Bonds does not constitute a debt or indebtedness of the Agency, the Agency, the State of California or any of its political subdivisions, within the meaning of any constitutional or statutory debt limitation or restriction.

### **Change in Law**

The State has experienced budgetary shortfalls in recent fiscal years, although it is currently expected to finish the current fiscal year with a budget surplus. The Agency cannot predict what actions will be taken in the future by the State Legislature and the Governor to deal with changing State revenues and expenditures, and it is possible that future legislation will impact revenues of local agencies. These developments at the State level will most likely adversely affect local governments. However, the Agency does not currently anticipate that the State budget problems will materially adversely impact the operation of the Agency's Water System.

### **Geologic and Topographic**

The value of the Water System, and the ability to generate Gross Revenues, is contingent upon the ability of the Agency to deliver water to its customers. The financial stability of the Agency can be adversely affected by a variety of factors, particularly those which may affect infrastructure and other public improvements and private improvements and the continued habitability and enjoyment of such

private improvements. Such additional factors include, without limitation, geologic conditions (such as earthquakes), topographic conditions (such as earth movements and floods) and climatic conditions (such as droughts and tornadoes). The Agency is in an active geological area.

Engineering standards require that some of these factors be taken into account, to a limited extent, in the design of improvements, including the Water System. Some of these factors may also be taken into account, to a limited extent, in the design of other infrastructure and public improvements neither designed nor subject to design approval by the Agency. Design criteria in any of these circumstances are established upon the basis of a variety of considerations and may change, leaving previously-designed improvements unaffected by more stringent subsequently established criteria. In general, design criteria reflect a balance at the time of protection and the future costs of lack of protection, based in part upon a present perception of the probability that the condition will occur and the seriousness of the condition should it occur. Conditions may occur which may result in damage to improvements in varying degrees, and such damage may entail significant repair or replacement costs, and there can be no assurance that such repair or replacement will occur. Under any of these circumstances, the public and private improvements within the Agency in general may well depreciate or disappear, notwithstanding the establishment of design criteria for any such condition.

The area encompassed by the Agency, like that in much of California, may be subject to unpredictable seismic activity. Occurrence of earthquakes could cause an interruption of deliveries of water to and from the Agency until repairs could be effected, thus possibly diminishing the value of the Water System and the amount of Net System Revenues.

### **Secondary Market for Bonds**

There can be no guarantee that there will be a secondary market for the Bonds or, if a secondary market exists, that any Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then-prevailing circumstances. Such prices could be substantially different from the original purchase price.

### **Federal Tax-Exempt Status of the Bonds**

The Internal Revenue Code of 1986, as amended (the “Code”) imposes a number of requirements that must be satisfied for interest on state and local obligations, such as the Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of Bond proceeds, limitations on the investment earnings on Bonds proceeds prior to expenditure, a requirement that certain investment earnings on the Bond proceeds be paid periodically to the United States and a requirement that the issuers file an information report with the Internal Revenue Service (the “IRS”). The Agency has covenanted in certain of the documents referred to herein that they will comply with such requirements. Failure to comply with the requirements stated in the Code and related regulations, rulings and policies may result in the treatment of interest on the Bonds as taxable, retroactively to the date of issuance of such Bonds.

### **IRS Audit of Tax-Exempt Issues**

The IRS has initiated an expanded program for the auditing of tax-exempt issues, including both random and targeted audits. It is possible that the Bonds will be selected for audit by the IRS. It is also possible that the market value of the Bonds might be affected as a result of such an audit of the Bonds (or by an audit of similar obligations).

## **Parity Obligations**

As described in “SECURITY FOR THE BONDS – Parity Obligations” above, the Indenture permits the Agency to issue Parity Bonds, its obligations under which would be payable on a parity with the payment of debt service of the Bonds. In the event of a decline in Net Revenues available to pay debt service on the Bonds, the existence of Parity Bonds could adversely affect the Agency’s ability to pay debt service on the Bonds.

## **TAX MATTERS**

In the opinion of Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code and is exempt from State of California personal income taxes. Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, provided however, that for the purpose of calculating federal corporate alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The Agency has covenanted to comply with certain restrictions designed to insure that interest on the Bonds will not be included in federal gross income. Failure to comply with these covenants may result in interest on the Bonds being included in federal gross income, possibly from the date of original issuance of the Bonds. The opinion of Bond Counsel assumes compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Owners from realizing the full current benefit of the tax status of such interest. As one example, legislative proposals are announced from time to time which generally would limit the exclusion from gross income of interest on obligations like the Bonds to some extent for taxpayers who are individuals and whose income is subject to higher marginal income tax rates. Other proposals have been made that could significantly reduce the benefit of, or otherwise affect, the exclusion from gross income of interest on obligations like the Bonds. The introduction or enactment of any such legislative proposals, clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, and regarding the impact of future legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

Certain requirements and procedures contained or referred to in the Indenture, the Tax Certificate, and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinion as to the exclusion from gross income of interest on any Bond if any such change occurs or action is taken or omitted upon the advice or approval of counsel other than Best Best & Krieger LLP.

The IRS has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the Bonds will be selected for audit by the IRS. It is also possible that the market value of the Bonds might be affected as a result of such an audit of the Bonds (or by an audit of other similar bonds).

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may otherwise affect a Owner's federal or state tax liability. The nature and extent of these other tax consequences will depend upon the particular tax status of the Bond Owner or the Owner's other items of income or deduction, and Bond Counsel expresses no opinion regarding any such other tax consequences.

A copy of the proposed form of opinion of Bond Counsel is attached hereto as Appendix D.

### **CERTAIN LEGAL MATTERS**

Best Best & Krieger, LLP, Bond Counsel, will render an opinion with respect to the validity of the Bonds, the form of which opinion is set forth in Appendix D. Bond Counsel has assumed no responsibility for the accuracy, completeness or fairness of the Official Statement. Certain legal matters will also be passed upon for the Agency by Norton Rose Fulbright US LLP, as Disclosure Counsel. Certain legal matters will be passed upon for the Agency by its General Counsel. Payment of the fees and expenses of Disclosure Counsel is contingent upon issuance of the Bonds.

### **FINANCIAL STATEMENTS**

The Agency's financial statements for the Fiscal Year ended June 30, 2015, included in Appendix B, have been audited by Ahern Adcock Devlin LLP (the "Auditor") Certified Public Accountants and Business Advisors. The Auditor was not requested to consent to the inclusion of its report in Appendix B and it has not undertaken to update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in the Official Statement, and no opinion is expressed by the Auditor with respect to any event subsequent to the date of its report.

### **LITIGATION**

The Agency's retail service area includes a significant portion of the tribal reservation land of the Agua Caliente Band of Cahuilla Indians ("Cahuilla"), consisting of alternate sections of land in a checkerboard pattern interspersed with other sections of non-Cahuilla land in private ownership. Additional parcels have also been purchased and added to in the Cahuilla trust property. Recently adopted federal regulations from the U.S. Department of the Interior have produced litigation over the ability of the County of Riverside and the Agency to tax private possessory interests on Cahuilla trust land. Furthermore, the Cahuilla have sued other water providers in the Coachella Valley asserting claims of reserved rights to the local groundwater supply. The litigation is described as follows.

#### **Agency Challenge to BIA Regulation re Taxes and Charges**

The Agency filed a challenge on March 29, 2013 in the United States District Court for Central District of California against the U.S. Department of the Interior for issuing a regulation that claims to preempt local taxes and charges on non-Indian lessees of Indian reservation lands. The Cahuilla reservation is located within the Agency's service area, and the Agency imposes water service charges, groundwater replenishment assessments, and ad valorem taxes on customers including the non-Indian lessees on the Cahuilla reservation. California law allows applying taxes on possessory interests. Federal

case law in the 9th Circuit has previously supported applying taxes on non-Indian possessory interests on Indian land. The outcome of the case could affect whether the Agency may continue to apply its ad valorem tax and other charges on non-Indian lessees on the Cahuilla reservation.

Currently the federal district court dismissed the Agency's case for lack of standing and ripeness based on the Department of the Interior not taking any action to actually enforce the regulation. The Agency has appealed the dismissal and the period of appellate briefing closed in mid-April, 2016. Oral arguments could occur for the appeal within the next 6 months. Depending upon the decision of the appellate court, which could take a year or more, the district court will take up further proceedings, or the case will be closed with no further appeal, or further appeal will be pursued to the U.S. Supreme Court.

#### Agua Caliente Challenge to Riverside County Tax re Preemption

The Cahuilla filed a challenge on January 2, 2014, in the United States District Court for the Central District of California against the County of Riverside (the "County") for imposing taxes on non-Indian lessees of Cahuilla reservation lands. The law suit claims that the tax is preempted by federal law (including the above-noted BIA regulation). On February 18, 2014, the Agency moved to intervene and was granted intervention based on receiving part of the taxes levied by the County that are imposed as the Agency's ad valorem tax. The outcome of the case could affect whether the Agency may continue to apply its ad valorem tax on non-Indian lessees.

Currently, the Agency and the County have moved to dismiss the case because the Cahuilla had sued in the 1970s for the same issue, and in that case the 9th Circuit held that non-Indian possessory interests could be taxed. The federal district court denied the Agency and the County's motion on February 8, 2016, holding that the law had changed since the date of that earlier case. The parties are in the process of conducting discovery and proceeding with mediation. It is expected that the parties will likely file motions for summary judgment during the latter part of this year. The Agency expects that any decision will be appealed, which would take up to two or more years to resolve.

#### Agua Caliente Groundwater Case Against Agency and CVWD

On May 14, 2013, the Cahuilla sued the Agency and the Coachella Valley Water District ("CVWD") in the United States District Court for the Central District of California, seeking an adjudication of the Cahuilla claim to a federal reserved groundwater right in the Coachella Valley, as well as other claims that the Agency and CVWD are unlawfully using the Cahuilla "pore space" (groundwater storage space) and are impacting the quality of their federal water right. The case was trifurcated—phase 1 deals with whether the federal reserved rights doctrine extends to groundwater; phase 2 deals with interim legal questions about whether there are rights to water quality and pore space; and phase 3 deals with quantification of the rights, if the rights are established. The outcome of the case may affect the Agency's water rights and how it delivers water to customers.

Currently, the district court ruled on phase 1, holding that there is a reserved right to groundwater. The Agency and CVWD appealed, and briefs are currently being filed. Closing appellate reply briefs will be filed in Spring 2016. Oral argument will likely be heard before the end of 2016, and a decision issued sometime thereafter—likely over a year from now. It is likely the outcome will be appealed to the U.S. Supreme Court. The remainder of the case is stayed until Phase I is resolved by the appellate court. The later phases, if the case proceeds, could take many years to complete.

The Agency has calculated that loss in property tax revenues, including property tax revenues from levies to pay costs associated with the State Water Project, for Fiscal Year ended June 30, 2016, if it were prohibited from levying taxes on non-Indian lessees of Indian reservation lands would have been

approximately \$2.1 million. Such amount equates to approximately \$0.02 per \$100 of assessed values within the Agency's service area.

If the Agency were to lose the groundwater rights case, the most likely outcome would be that the groundwater basin would be adjudicated and the Cahuilla would be granted entitlement to a certain amount of water rights. At this time, the Agency cannot determine what the quantity of such entitlement would be nor can it determine what impact, if any, this would have on its operations.

Other than the litigations described above, to the best knowledge of the Agency, there is no action, suit, proceeding or investigation at law or in equity before or by any court or governmental agency or body pending or threatened against the Agency to restrain or enjoin the authorization, execution or delivery of the Bonds, or the pledge of the Net Revenues or the collection of the payments to be made pursuant to the Indenture, or in any way contesting or affecting validity of the Bonds, the Indenture or the agreement for the sale of the Bonds, or in any way contesting or affecting the transactions described in this Official Statement.

## **RATING**

S&P Global Ratings ("S&P") has assigned the Bonds a rating of "\_\_\_\_\_." Such rating reflects only the views of such organization and any desired explanation of the significance of such rating should be obtained from the rating agency furnishing the same. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that this rating will continue for any given period of time or that this rating will not be revised downward or withdrawn entirely by S&P, if in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of any rating obtained may have an adverse effect on the market price of the Bonds.

The Agency and the Underwriter have undertaken no responsibility either to bring to the attention of the owners of the Bonds any proposed change in or withdrawal of a rating or to oppose any such proposed revision or withdrawal, however. Any such downward change in or withdrawal of a rating might have an adverse effect on the market price or marketability of the Bonds.

## **CONTINUING DISCLOSURE**

The Agency has covenanted for the benefit of owners of the Bonds to provide certain financial information and operating data relating to the Agency and the Water System by not later than March 31 of each year commencing with the report for the 2015-16 fiscal year (the "Annual Report") and to provide notices of the occurrence of certain enumerated events. The Annual Report and the notices of enumerated events will be filed by the Dissemination Agent with the Municipal Securities Rulemaking Board's Electronic Municipal Market Access system ("EMMA") or any successor assigned by the Municipal Securities Rulemaking Board or Securities and Exchange Commission. These covenants have been made in order to assist the Underwriters in complying with Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended (the "Rule"). The specific nature of the information to be contained in the Annual Report or the notices of enumerated events by the Agency is set forth in "APPENDIX C — FORM OF CONTINUING DISCLOSURE AGREEMENT."

The Agency has complied in all material respects with its continuing disclosure undertakings during the past five years.



## **UNDERWRITING**

The Bonds are being purchased by Hilltop Securities Inc. (the "Underwriter"). The Underwriter has agreed to purchase the Bonds at a purchase price of \_\_\_\_\_ (which is equal to the principal amount of the Bonds (\$\_\_\_\_\_), plus/less original issue premium/discount of \$\_\_\_\_\_, less an underwriter's discount of \$\_\_\_\_\_). The Underwriter has agreed to purchase all of the Bonds, if any, are purchased, the obligation to make such purchase being subject to the approval of certain legal matters by counsel and certain other conditions.

The Underwriter may offer and sell Bonds to certain dealers and others at prices lower than the offering prices stated on the inside cover page hereof. The offering prices may be changed from time to time by the Underwriter.

## **EXECUTION**

The execution of this Official Statement and its delivery have been authorized by the Board of Directors of the Agency.

DESERT WATER AGENCY

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

## **APPENDIX A**

### **SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE OF TRUST**

Certain provisions of the Indenture are summarized below. This summary does not purport to be complete or definitive and is qualified in its entirety by reference to the full terms of the Indenture.

**APPENDIX B**

**AUDITED FINANCIAL STATEMENTS  
FOR FISCAL YEARS ENDED JUNE 30, 2015 AND 2014**

**APPENDIX C**

**FORM OF THE CONTINUING  
DISCLOSURE AGREEMENT**

## **APPENDIX D**

### **FORM OF OPINION OF BOND COUNSEL (Closing Date)**

Desert Water Agency  
1200 S. Gene Autry Trail  
Palm Springs, California 92264

Re:     \$\_\_\_\_\_ Desert Water Agency Water Revenue Refunding Bonds, Series 2016

Ladies and Gentlemen:

We have reviewed the Constitution and the laws of the State of California and certain proceedings taken by the Desert Water Agency (the "Agency") in connection with the issuance by the Agency of its \$\_\_\_\_\_ Water Revenue Refunding Bonds, Series 2016 (the "Bonds"). The Bonds are being issued under that certain Indenture of Trust, dated as of June 1, 2016 (the "Indenture"), by and between The Bank of New York Mellon Trust Company, N.A., as trustee, and the Agency. The Bonds have been issued pursuant to the provisions of Article II (commencing with Section 53580) of Chapter 3 of Part I of Division 2 of Title 5 of the California Government Code (the "Refunding Law"), and an authorizing resolution adopted by the Agency on June 7, 2016 (the "Resolution") approving the Indenture. The proceeds of the Bonds have been applied by the District to refinance certain improvements to the Water System.

In such connection, we have reviewed the Indenture, the tax certificate of the Agency for the Bonds dated the date hereof (the "Tax Certificate"), certificates of the Agency and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other events come to our attention after the date hereof. Accordingly, this opinion speaks only as of its date and is not intended to, and may not, be relied upon in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We are admitted to the practice of law in the State of California and our opinions are 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 have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Agency. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to ensure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Indenture and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion

in appropriate cases, and to the limitations on legal remedies against cities and their subordinate entities in the State of California. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the documents mentioned in the preceding sentence. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering materials relating to the Bonds and express no opinion with respect thereto.

All terms not defined herein have the meaning ascribed to those terms in the Indenture.

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

1. The Bonds have been duly and validly authorized by the Agency and are legal, valid and binding limited obligations of the Agency. The Bonds are secured and payable solely from sources provided therefor in the Indenture.

2. The Indenture has been duly authorized by the Agency, are valid and binding obligations of the Agency and are enforceable on the Agency in accordance with their respective terms, except to the extent that enforceability may be limited by moratorium, bankruptcy, reorganization, fraudulent conveyance or transfer, insolvency or other laws affecting creditors' rights generally, or by the exercise of judicial discretion in accordance with general principles of equity or otherwise in appropriate cases; provided, however, that we express no opinion with respect to any indemnification, contribution, choice of law or waiver provisions contained therein.

3. The Indenture creates a valid pledge of that which the Indenture purports to pledge, subject to the provisions of the Indenture, except to the extent that the enforceability of the Indenture may be limited by moratorium, bankruptcy, reorganization, fraudulent conveyance or transfer, insolvency or other laws affecting creditors' rights generally, or by the exercise of judicial discretion in accordance with general principles of equity or otherwise in appropriate cases.

4. Under existing statutes, regulations, rulings and court decisions, the interest on the Bonds is excluded from gross income for purposes of federal income taxation. Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum tax provisions of the Code; it should be further noted, however, that, with respect to corporations, such interest will be included in adjusted current earnings when calculating corporate alternative minimum taxable income. Although the interest on the Bonds is excluded from gross income for purposes of federal income taxation, the accrual or receipt of interest on the Bonds, or any portion thereof, may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences will depend on the recipient's particular tax status or other items of income or deduction. We express no opinion regarding any such consequences.

5. Interest on the Bonds is exempt from State of California personal income tax.

Respectfully submitted,



## **APPENDIX E**

### **DTC AND THE BOOK-ENTRY ONLY SYSTEM**

The description that follows of the procedures and recordkeeping with respect to beneficial ownership interests in the Bonds, payment of principal of, premium, if any, and interest on the Bonds to Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interests in the Bonds, and other related transactions by and between DTC, Participants and Beneficial Owners, is based on information furnished by DTC which the Agency believes to be reliable, but the Agency does not take responsibility for the completeness or accuracy thereof. The Agency cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners either (a) payments of principal, premium, if any, and interest with respect to the Bonds or (b) certificates representing ownership interests in or other confirmation of ownership interests in the Bonds, or that they will so do on a timely basis or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Official Statement. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond will be issued for each maturity (and each individual yield in the case of bifurcated maturities) of the Bonds, in the aggregate principal amount of such issue, 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 has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com); provided that nothing contained in such website is incorporated into this Official Statement.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2013 Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their

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

To facilitate subsequent transfers, all 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 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 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 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 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Indenture. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit will agree 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 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 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 Agency 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the 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 Agency 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 Agency, 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 Agency 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.

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

NEITHER THE AGENCY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS WITH RESPECT TO THE PAYMENTS OR THE PROVIDING OF NOTICE TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS OR THE SELECTION OF BONDS FOR REDEMPTION.

DTC (or a successor securities depository) may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Agency. The Agency, in its sole discretion and without the consent of any other person, may terminate the services of DTC (or a successor securities depository) with respect to the Bonds. The Agency undertakes no obligation to investigate matters that would enable the Agency to make such a determination. In the event that the book-entry system is discontinued as described above, the requirements of the Indenture will apply.

THE AGENCY AND THE UNDERWRITER CANNOT AND DO NOT GIVE ANY ASSURANCES THAT DTC, THE PARTICIPANTS OR OTHERS WILL DISTRIBUTE PAYMENTS OF PRINCIPAL, INTEREST OR PREMIUM, IF ANY, WITH RESPECT TO THE BONDS PAID TO DTC OR ITS NOMINEE AS THE REGISTERED OWNER, OR WILL DISTRIBUTE ANY REDEMPTION NOTICES OR OTHER NOTICES, TO THE BENEFICIAL OWNERS, OR THAT THEY WILL DO SO ON A TIMELY BASIS OR WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT. THE AGENCY AND THE UNDERWRITER ARE NOT RESPONSIBLE OR LIABLE FOR THE FAILURE OF DTC OR ANY PARTICIPANT TO MAKE ANY PAYMENT OR GIVE ANY NOTICE TO A BENEFICIAL OWNER WITH RESPECT TO THE BONDS OR AN ERROR OR DELAY RELATING THERETO.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Agency deems reliable, but the Agency takes no responsibility for the accuracy thereof.

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

The Agency may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bonds will be printed and delivered as described in the Indenture and payment of interest to each Owner who owns of record \$1,000,000 or more in aggregate principal amount of Bonds may be made to such Owner by wire transfer to such wire address within the United States that such Owner may request in writing for all Interest Payment Dates following the 15th day after the Trustee's receipt of such request.

## APPENDIX F

### SELECTED REGIONAL ECONOMIC AND DEMOGRAPHIC DATA

*The following information related to the City of Palm Springs and the surrounding areas and the State of California is supplied for informational purposes only.*

#### General Information

The City of Palm Springs (the “City”) encompasses 96.2 square miles in central Riverside County, including approximately 13.5 square miles annexed in 1994. The City is located 108 miles east of downtown Los Angeles and 120 miles west of the Arizona border. Neighboring communities include Palm Desert, Rancho Mirage, Desert Hot Springs and Cathedral City.

A major Southern California resort destination, Palm Springs attracts both local vacationers, distant “snowbirds” and permanent retirees. Palm Springs is very much an event-oriented city. The Palm Springs International Film Festival is an annual event. With premieres, parties, conferences and celebrations, this festival epitomizes the Palm Springs lifestyle.

Palm Springs area is well known for its championship golf courses. The Bob Hope Chrysler Classic, the Kraft Nabisco Championship and the Frank Sinatra Celebrity Invitational Golf Tournament are three well-publicized celebrity events. With over 80 golf courses in the Palm Springs area, the Professional Golf Association (PGA) holds tournaments in the area several times throughout its annual tour.

Other major events include the Coachella Valley Music Festival, Stagecoach Country Music Festival, and BNP Paribas WTA Tennis Tournament.

There are over 200 hotels and inns in the City and throughout the Coachella Valley. Accommodating vacationers and visitors plays a major role in the City’s economy, providing a significant amount of transient occupancy tax and sales tax. The Hard Rock Café and Starwood Hotels have each announced plans to build new hotels near the City’s Convention Center.

#### Governmental Services

##### Public Safety and Welfare

The City of Palm Springs Police Department consists of 93 sworn police officers including the Chief, two Captains, four Lieutenants, and 14 Sergeants. These personnel are assigned to Administration, Patrol, investigations, Traffic, Airport, Bicycle Patrol, and other specialized details. There are five fire stations located in and operated by the City, staffed by approximately 68 fire personnel. The emergency master plan located these stations to ensure that a response time of five minutes or less to emergencies was possible. The City also provides parking control in the downtown business district.

##### Public Services

Water is supplied to Palm Springs by the Desert Water Agency. Sewer service is provided by the City. Although the City operates two cogeneration facilities which provide electricity to certain municipally owned facilities, Southern California Edison provides electricity to the citizens of the City of Palm Springs. The City owns and operates the Palm Springs International Airport, with 10 airlines that service well over 1 million visitors from over 500 cities from around the world each year.

### Community Services

Other services provided by the City include building permit and inspection, planning and zoning, landscape and public infrastructure maintenance, street cleaning, traffic signal maintenance, municipal code compliance and rent control.

### Parks and Recreation

The City operates the Library Center, a 33,000 square foot facility with over 100,000 items available, as well as free wireless internet access and extensive computer links. The Village Green, located in the heart of downtown Palm Springs, includes the Historical Society Museum, the Cornelia White historical site and Ruddy's General Store Museum. The Palm Springs Department of Parks and Recreation provides citizens with a variety of park and recreational services on a year round basis. Facilities include two community centers, eight parks, a dog park, an Olympic size community pool, ten tennis courts, the 18-hole Tahquitz Creek –Legends golf course and the 18-hole Tahquitz Creek – Resort golf course, a 30,000 square feet skate park and five playgrounds, as well as numerous biking and hiking trails. In addition, the City also owns Frances Stevens Park, which is home to Palm Canyon Theatre, a regional Actors Equity theatre, and an art/festival center.

### **Community Facilities and Services**

The City is served by the Palm Springs Unified School District, with 16 elementary schools, 5 middle schools, 4 comprehensive high schools, and 4 alternative schools including 1 adult school. In addition, higher education within the Coachella Valley includes the College of the Desert, a local accredited junior college, located 10 miles southeast of Palm Springs, within the city of Palm Desert. In the nearby city of Palm Desert, a satellite campus of California State University, San Bernardino (CSUSB) offers curriculum towards a B.A. in various disciplines as well as Bachelor of vocational education; special B.A. in paralegal administration, and 6 masters degree programs, including education and public administration. Teaching credentials are also available. Further, CSUSB is currently working with local government agencies to select a site for a permanent independent campus in the Coachella Valley.

Medical services in the City and surround Coachella Valley are provided by a number of local and regional facilities. The Desert Regional Medical Center, located in the City, is a 385-bed tertiary acute-care hospital that is home to the Coachella Valley's only designated trauma center. Additionally, the Eisenhower Medical Center, located in the nearby city of Rancho Mirage, is a health care complex comprised of 476 beds, the Annenberg Center for Health Sciences at Eisenhower, the Barbara Sinatra Children's Center at Eisenhower and the Betty Ford Center on the Eisenhower campus. Also, the 145-bed JFK Memorial Hospital is part of Tenet, California, and is located in Indio.

Palm Springs has many visitor attractions in addition to the beautiful weather and championship golf courses. The Palm Springs Aerial Tramway, rising 8,516 feet up Mt. San Jacinto, is the world's largest rotating tramcar. Mt. San Jacinto State Park offers dozens of miles of hiking trails located within a 13,000 acre pristine wilderness. Centuries ago, ancestors of the Agua Caliente Cahuilla Indians settled in the Palm Springs area and developed extensive and complex communities in Palm, Murray, Andreas, Tahquitz and Chino Canyons. Many traces of these communities exist in the canyons today, including rock art, house pits and foundations, irrigation ditches, dams, reservoirs, and trails.

The Palm Springs Art Museum is located in downtown Palm Springs, and the museum's extensive permanent collection includes significant works by western, contemporary and glass artists, and features temporary exhibitions from internationally acclaimed artists. Located inside the Palm Springs Art

Museum, the Annenberg Theater presents an eclectic mix of live events including national touring companies. In addition, the Palm Springs Air Museum offers one of the world's finest collections of functioning World War II aircraft.

Palm Springs has several special events that attract visitors from near and far: VillageFest, a weekly street fair held every Thursday along Palm Canyon Drive in the heart of the City's downtown, the Festival of Lights parade, Palm Springs Modernism Week, and the Palm Springs International Film Festival. Founded in 1990 by then Mayor Sonny Bono, the Palm Springs International Film Festival celebrated its 27th anniversary in January 2016. The Festival included over 400 screenings of more than 200 films from approximately 60 countries. The Festival presents a majority of the films submitted for consideration in the Best Foreign Language category for the Academy Awards, as well as a large number of American independent and international features and documentaries marking their world, North American or U.S. debuts. Screenings are held on over a dozen screens throughout Palm Springs. The Festival's Awards Gala draws the biggest actors and actresses, celebrity filmmakers, media, industry professionals and film fans from all over the world to kick off the winter awards season in style.

## Transportation

Interstate 10 runs adjacent to Palm Spring's northern City limits. This route provides access to the Southern California freeway system to the west, as well as Arizona to the east. Rail freight service is available from Southern Pacific Transportation. Bus services are provided by Continental Trailways, Greyhound Bus Lines and Sunline System, both local and distant. Palm Springs International Airport, expanded in 1999, is the only commercial airport in Riverside County and is served by many major airlines.

## Population

The following table provides a comparison of population growth for Palm Springs and Riverside County between 2011 and 2015. During the winter season, the population in Palm Springs increases to approximately 75,000.

### CHANGE IN POPULATION PALM SPRINGS AND RIVERSIDE COUNTY 2011 – 2015

| Year                                    | PALM SPRINGS |                   | RIVERSIDE COUNTY |                   |
|-----------------------------------------|--------------|-------------------|------------------|-------------------|
|                                         | Population   | Percentage Change | Population       | Percentage Change |
| 2011                                    | 44,831       |                   | 2,205,731        |                   |
| 2012                                    | 45,318       | 1.1%              | 2,229,467        | 1.1%              |
| 2013                                    | 45,679       | 0.8               | 2,253,516        | 1.1               |
| 2014                                    | 46,135       | 1.0               | 2,280,191        | 1.2               |
| 2015                                    | 46,611       | 1.0               | 2,308,441        | 1.2               |
| <b>% Change Between<br/>2011 – 2015</b> |              | 4.0%              | 4.7%             |                   |

Source: State of California, Department of Finance, "E-4 Population Estimates for Cities, Counties and the State, 2011-2015, with 2010 Census Benchmark." Sacramento, California, May 2015



## Per Capita Income

Per capita income information for Palm Springs, Riverside County, the State of California and the United States are summarized in the following table.

**PER CAPITA INCOME  
RIVERSIDE COUNTY, CALIFORNIA AND UNITED STATES  
2009 – 2013<sup>1</sup>**

| <u>Year</u> | <u>Palm Springs</u> | <u>Riverside County<sup>2</sup></u> | <u>State of California<sup>2</sup></u> | <u>United States<sup>2</sup></u> |
|-------------|---------------------|-------------------------------------|----------------------------------------|----------------------------------|
| 2009        | \$28,883            | \$29,651                            | \$41,587                               | \$39,379                         |
| 2010        | 35,974              | 29,612                              | 42,282                                 | 40,144                           |
| 2011        | 36,875              | 31,196                              | 44,749                                 | 42,332                           |
| 2012        | 37,498              | 32,534                              | 47,505                                 | 44,200                           |
| 2013        | 36,920              | 33,278                              | 48,434                                 | 44,765                           |

<sup>1</sup> 2013 is most recent full-year data available.

<sup>2</sup> Computed using Census Bureau midyear population estimate.

Source: U.S. Department of Commerce, Bureau of Economic Analysis; City of Palm Springs Comprehensive Annual Financial Report.

## Employment and Industry

As of August 2015, the civilian labor force for the City was approximately 21,800 of whom 20,500 were employed. At that time, the unadjusted unemployment rate was 5.7% for the City compared to 7.0% for the County and 6.1% for the State. Civilian labor force, employment and unemployment statistics for the City, County, the State, and the nation, for the years 2010 through 2014 are shown in the following table.

### CIVILIAN LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT ANNUAL AVERAGES from 2010 through 2014<sup>1</sup>

| <u>Year</u>          | <u>Civilian<br/>Labor Force</u> | <u>Employment</u> | <u>Unemployment</u> | <u>Unemployment Rate</u> |
|----------------------|---------------------------------|-------------------|---------------------|--------------------------|
| <b>2010</b>          |                                 |                   |                     |                          |
| City of Palm Springs | 20,500                          | 18,200            | 2,400               | 11.5%                    |
| Riverside County     | 976,200                         | 841,100           | 135,200             | 13.8                     |
| California           | 18,336,300                      | 16,091,900        | 2,244,300           | 12.2                     |
| United States        | 153,889,000                     | 139,064,000       | 14,285,000          | 9.6                      |
| <b>2011</b>          |                                 |                   |                     |                          |
| City of Palm Springs | 20,600                          | 18,300            | 2,200               | 10.9                     |
| Riverside County     | 978,200                         | 849,400           | 128,800             | 13.2                     |
| California           | 18,419,500                      | 16,260,100        | 2,159,400           | 11.7                     |
| United States        | 154,975,000                     | 139,869,000       | 13,747,000          | 8.9                      |
| <b>2012</b>          |                                 |                   |                     |                          |
| City of Palm Springs | 20,900                          | 18,900            | 2,000               | 9.6                      |
| Riverside County     | 989,100                         | 873,900           | 15,200              | 11.6                     |
| California           | 18,554,800                      | 16,630,100        | 1,924,700           | 10.4                     |
| United States        | 4,975,000                       | 142,469,000       | 12,506,000          | 8.1                      |
| <b>2013</b>          |                                 |                   |                     |                          |
| City of Palm Springs | 21,100                          | 19,400            | 1,700               | 8.1                      |
| Riverside County     | 998,600                         | 899,800           | 98,800              | 9.9                      |
| California           | 18,671,600                      | 17,002,900        | 1,668,700           | 8.9                      |
| United States        | 155,389,000                     | 143,929,000       | 11,460,000          | 7.4                      |
| <b>2014</b>          |                                 |                   |                     |                          |
| City of Palm Springs | 21,500                          | 20,000            | 1,500               | 6.8                      |
| Riverside County     | 1,010,700                       | 927,300           | 83,400              | 8.2                      |
| California           | 8,811,400                       | 17,397,100        | 1,414,300           | 7.5                      |
| United States        | 155,922,000                     | 146,305,000       | 144,068,000         | 6.2                      |

<sup>1</sup> Full-year data for 2015 is not yet available

Source: California State Employment Development Department and United States Bureau of Labor Statistics.

The City is located in the Riverside-San Bernardino-Ontario Metropolitan Statistical Area (“MSA”). As of August 2015, six major job categories constitute 78.4% of the work force. They are service producing (17.3%), government (16.9%), educational and health services (14.7%), professional

and business services (11.3%), leisure and hospitality (11.2%), and manufacturing (7.0%). The number of wage and salary workers by industry for each of the years 2011 through 2015 in the MSA is presented in the table below.

**RIVERSIDE-SAN BERNARDINO-ONTARIO MSA  
WAGE AND SALARY WORKERS BY INDUSTRY<sup>(1)</sup>  
(in thousands)**

| <b>Industry</b>                           | <b><u>2011</u></b> | <b><u>2012</u></b> | <b><u>2013</u></b> | <b><u>2014</u></b> | <b><u>2015</u></b> |
|-------------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Government                                | 217.8              | 215.0              | 216.6              | 220.3              | 225.1              |
| Other Services                            | 39.4               | 40.7               | 41.4               | 43.6               | 43.4               |
| Leisure and Hospitality                   | 121.4              | 128.4              | 133.7              | 142.3              | 149.5              |
| Educational and Health Services           | 155.6              | 163.4              | 184.8              | 194.1              | 196.1              |
| Professional and Business Services        | 127.6              | 127.9              | 134.7              | 137.6              | 150.6              |
| Financial Activities                      | 39.7               | 41.0               | 42.3               | 42.8               | 44.6               |
| Information                               | 12.2               | 11.6               | 11.5               | 11.1               | 11.1               |
| Transportation, Warehousing and Utilities | 68.5               | 74.3               | 79.1               | 88.0               | 92.6               |
| Service Producing                         |                    |                    |                    |                    |                    |
| Retail Trade                              | 157.2              | 160.0              | 162.8              | 168.3              | 168.9              |
| Wholesale Trade                           | 49.3               | 53.2               | 57.1               | 59.1               | 62.9               |
| Manufacturing                             |                    |                    |                    |                    |                    |
| Nondurable Goods                          | 29.5               | 30.2               | 30.2               | 30.6               | 32.1               |
| Durable Goods                             | 56.3               | 57.3               | 57.6               | 59.8               | 62.1               |
| Goods Producing                           |                    |                    |                    |                    |                    |
| Construction                              | 61.0               | 65.7               | 72.4               | 81.1               | 84.3               |
| Mining and Logging                        | <u>1.1</u>         | <u>1.2</u>         | <u>1.2</u>         | <u>1.3</u>         | <u>1.2</u>         |
| Total Nonfarm                             | 1,136.6            | 1,169.9            | 1,225.4            | 1,280.0            | 1,324.5            |
| Farm                                      | <u>12.8</u>        | <u>12.7</u>        | <u>11.7</u>        | <u>11.1</u>        | <u>11.1</u>        |
| Total (all industries)                    | <u>1,149.4</u>     | <u>1,182.6</u>     | <u>1,237.1</u>     | <u>1,291.1</u>     | <u>1,335.6</u>     |

<sup>(1)</sup> Annually, as of August 2015.

Source: State of California Employment Development Department, Labor Market Information Division, *"Industry Employment & Labor Force - by month March 2014 Benchmark."*

The major employers operating within the City and their respective range of number of employees as of June 30, 2015 are provided in the table below.

**CITY OF PALM SPRINGS  
MAJOR EMPLOYERS  
(as of June 30, 2015)**

| <u>Name of Company</u>         | <u>Employment</u> | <u>Type of Business/Service</u> |
|--------------------------------|-------------------|---------------------------------|
| Desert Regional Medical Center | 1,000-4,999       | Medical Services                |
| Spa Casino                     | 1,000-4,999       | Casino                          |
| Hard Rock hotel – Palm Springs | 500-999           | Hotel                           |
| Care Fusion                    | 250-499           | Medical Equipment Manufacturing |
| City of Palm Springs           | 250-499           | Government                      |
| Desert Sun                     | 250-499           | Newspaper                       |
| Kaplan College                 | 250-499           | Education                       |
| Palm Springs Personnel         | 250-499           |                                 |
| Palm Springs Riviera Resort    | 250-499           | Hotel                           |
| Savoury's Inc.                 | 250-499           | Catering                        |
| Walmart Supercenter            | 250-499           | Retail                          |

Source: City of Palm Springs.

**Commercial Activity**

The following table summarizes the volume of retail sales and taxable transactions for the City of Palm Springs for 2009 through 2013 (the most recent full-year for which statistics are available from the State Board of Equalization).

**CITY OF PALM SPRINGS  
TOTAL TAXABLE TRANSACTIONS  
2009 – 2013<sup>(1)</sup>**

| <u>Year</u> | <u>Retail Sales<br/>(\$000's)</u> | <u>% Change</u> | <u>Retail Sales<br/>Permits</u> | <u>Total<br/>Taxable<br/>Transactions<br/>(\$000's)</u> | <u>% Change</u> | <u>Issued<br/>Sales Permits</u> |
|-------------|-----------------------------------|-----------------|---------------------------------|---------------------------------------------------------|-----------------|---------------------------------|
| 2009        | \$579,183                         |                 | 1,298                           | \$763,354                                               |                 | 1,865                           |
| 2010        | 610,488                           | 5.4%            | 1,320                           | 806,540                                                 | 5.7%            | 1,869                           |
| 2011        | 662,012                           | 8.4             | 1,409                           | 880,426                                                 | 9.2             | 1,973                           |
| 2012        | 728,329                           | 10.0            | 1,459                           | 955,731                                                 | 8.6             | 2,036                           |
| 2013        | 758,274                           | 4.1             | 1,459                           | 985,824                                                 | 3.2             | 2,033                           |

<sup>(1)</sup> 2013 is the most recent full-year for which data is available.  
Source: State Board of Equalization, "Taxable Sales in California."

The following table compares taxable transactions by type of business for the City of Palm Springs for the years 2009 through 2013 (the most recent full-year for which statistics are available from the State Board of Equalization).

**CITY OF PALM SPRINGS**  
**TAXABLE TRANSACTION BY TYPE OF BUSINESS**  
(in thousands of dollars)  
**2009-2013**

|                                                    | <u><b>2009</b></u>           | <u><b>2010</b></u>           | <u><b>2011</b></u>           | <u><b>2012</b></u>           | <u><b>2013</b></u>           |
|----------------------------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| <i>Retail and Food Services</i>                    |                              |                              |                              |                              |                              |
| Clothing and Accessories Stores                    | \$ 31,268                    | \$ 33,871                    | \$ 35,678                    | \$ 39,934                    | \$ 43,508                    |
| Food and Beverage Stores                           | 41,454                       | 42,565                       | 44,267                       | 49,225                       | 53,658                       |
| Food Services and Drinking Places                  | 152,975                      | 160,993                      | 177,414                      | 193,066                      | 205,742                      |
| Home Furnishings & Appliances                      | 6,661                        | 9,974                        | 11,699                       | 12,737                       | 14,440                       |
| Building Materials, Garden Equipment, and Supplies | 75,080                       | 77,396                       | 81,638                       | 89,755                       | 89,238                       |
| Gasoline Stations                                  | 82,493                       | 92,826                       | 103,943                      | 122,154                      | 124,041                      |
| Other Retail Group                                 | <u>189,253<sup>(1)</sup></u> | <u>192,866<sup>(1)</sup></u> | <u>207,373<sup>(1)</sup></u> | <u>221,458<sup>(1)</sup></u> | <u>227,647<sup>(1)</sup></u> |
| <b>Total Retail and Food Services<sup>2</sup></b>  | <b>579,184</b>               | <b>610,488</b>               | <b>662,012</b>               | <b>728,329</b>               | <b>758,274</b>               |
| <i>All Other Outlets</i>                           | <u>184,170</u>               | <u>196,053</u>               | <u>218,415</u>               | <u>227,402</u>               | <u>227,550</u>               |
| <b>Total All Outlets<sup>2</sup></b>               | <b><u>\$763,354</u></b>      | <b><u>\$806,540</u></b>      | <b><u>\$880,426</u></b>      | <b><u>\$955,731</u></b>      | <b><u>\$985,824</u></b>      |

<sup>1</sup> General Merchandise Stores and Motor Vehicle and Parts Dealers are included within.

<sup>2</sup> Totals may not compute due to rounding.

Source: California State Board of Equalization, "Taxable Sales in California."

**Building Activity**

The following table summarizes building activity valuations for the City of Palm Springs for the fiscal years 2010-11 through 2014-15

**CITY OF PALM SPRINGS**  
**BUILDING ACTIVITY AND VALUATION**  
**Fiscal Years 2010-11 through 2014-15**

|                                  | <u><b>2010-11</b></u> | <u><b>2011-12</b></u> | <u><b>2012-13</b></u> | <u><b>2013-14</b></u> | <u><b>2014-15</b></u> |
|----------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Total Residential                | \$34,155,766          | \$32,659,420          | \$63,187,869          | \$71,555,885          | \$74,547,911          |
| Total Commercial                 | <u>63,200,296</u>     | <u>46,516,379</u>     | <u>36,836,647</u>     | <u>55,640,146</u>     | <u>130,087,005</u>    |
| <b>Total Valuation</b>           | <b>\$97,356,062</b>   | <b>\$79,175,799</b>   | <b>\$100,024,516</b>  | <b>\$127,196,031</b>  | <b>\$204,635,916</b>  |
| <br><b>New Residential Units</b> | <br><b>92</b>         | <br><b>111</b>        | <br><b>162</b>        | <br><b>172</b>        | <br><b>157</b>        |

Source: City of Palm Springs.

\$ \_\_\_\_\_  
**DESERT WATER AGENCY**  
**Water Revenue Refunding Bonds, Series 2016**

\_\_\_\_\_, 2016

**PURCHASE CONTRACT**

Desert Water Agency  
1200 Gene Autry Trail  
Palm Springs, CA 92264

Ladies and Gentlemen:

Hilltop Securities Inc. (the “**Underwriter**”), offers to enter into this Purchase Contract (this “**Purchase Contract**”) with the Desert Water Agency (the “**Agency**”) with regard to the Bonds described below, which Purchase Contract, upon the acceptance hereof by the Agency, will be binding upon the Agency and the Underwriter. This offer is made subject to the written acceptance of this Purchase Contract by the Agency and the delivery of such acceptance to the Underwriter at or prior to 11:59 p.m., Pacific time, on the date hereof, and, if it is not so accepted, such offer may be withdrawn by the Underwriter upon written notice to the Agency by the Underwriter at any time before its acceptance.

The Agency acknowledge and agree that: (i) the purchase and sale of the Bonds (as defined below) pursuant to this Purchase Contract is an arm’s-length commercial transaction between the Agency and the Underwriter; (ii) in connection with such transaction, the Underwriter is acting solely as a principal and not as an agent or a fiduciary of the Agency; (iii) the Underwriter has not assumed a fiduciary responsibility in favor of the Agency with respect to: (A) the offering of the Bonds or the process leading thereto (whether or not the Underwriter, or any affiliate of the Underwriter, has advised or is currently advising the Agency on other matters), or (B) any other obligation to the Agency except the obligations expressly set forth in this Purchase Contract; and (iv) each of the Agency has consulted with its own legal and financial advisor to the extent it deemed appropriate in connection with the offering of the Bonds.

1. Upon the terms and conditions and upon the basis of the representations, warranties, and agreements hereinafter set forth, the Underwriter hereby agrees to purchase from the Agency for reoffering to the public, and the Agency hereby agrees to sell to the Underwriter for such purpose, all (but not less than all) of the \$\_\_\_\_\_ aggregate principal amount of the Agency’s Water Revenue Refunding Bonds, Series 2016 (the “**Bonds**”). The purchase price of the Bonds shall be \$\_\_\_\_\_ (representing the par amount of the Bonds, plus/less original issue premium/discount of \$\_\_\_\_\_, less an Underwriter’s discount of \$\_\_\_\_\_). The Preliminary Official Statement with respect to the Bonds, dated \_\_\_\_\_, 2016 (the “**Preliminary Official Statement**”), as amended to conform to the terms of this Purchase Contract, and dated the date hereof, and with such changes and amendments as are mutually agreed to by the Agency and the Underwriter, including the cover

page, the appendices, and all information incorporated therein by reference, is herein collectively referred to as the “**Official Statement.**” The Agency represents that it has deemed the Preliminary Official Statement to be final as of its date, except for either revision or addition of the offering price(s), yield(s) to maturity, selling compensation, aggregate denominational amount and maturity value, denominational amount and maturity value per maturity, delivery date, rating(s), and other terms of the Bonds that depend upon the foregoing as provided in and pursuant to Rule 15c2-12 of the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the “**Rule**”), by delivering a certificate to the Underwriter substantially in the form of Exhibit B attached hereto.

2. The Bonds shall mature on the dates and in the amounts, and will bear interest at the rates, set forth in Exhibit A hereto and as further described in the Official Statement and shall be issued under and pursuant to the Indenture of Trust, dated as of \_\_\_\_\_ 1, 2016 (the “**Indenture**”), by and between the Agency and The Bank of New York Mellon Trust Company, N.A. (the “**Trustee**”). Capitalized terms used herein without definition shall have the meanings given to such terms in the Indenture.

3. The Underwriter shall make a bona fide public offering of all the Bonds at not in excess of the respective initial public offering prices to be set forth on the cover page of the Official Statement. The Underwriter reserves the right to change such initial offering prices as the Underwriter shall deem necessary in connection with the marketing of the Bonds and to offer and sell the Bonds to certain dealers (including dealers depositing such bonds into investment trusts) and others at prices lower than the initial offering prices set forth on the cover page of the Official Statement. The Underwriter also reserves the right to (i) overallocate or effect transactions that stabilize or maintain the market prices of the Bonds at levels above those which might otherwise prevail in the open market and (ii) discontinue such stabilizing, if commenced, at any time. “Public offering” shall include an offering to a representative number of institutional investors or registered investment companies, regardless of the number of such investors to which the Bonds are sold.

4. The Agency hereby authorizes the use by the Underwriter of (i) the Indenture, (ii) the Continuing Disclosure Agreement, dated as of \_\_\_\_\_ 1, 2016 (the “**Continuing Disclosure Agreement**”), by and between the Agency and The Bank of New York Mellon Trust Company, N.A., as dissemination agent (the “**Dissemination Agent**”), (iii) the Escrow Agreement, dated as of \_\_\_\_\_ 1, 2016 (the “**Escrow Agreement**”), by and between the Agency and The Bank of New York Mellon Trust Company, N.A., as escrow agent (the “**Escrow Agent**”), and (iv) the Official Statement, and any supplements or amendments thereto, and the information contained in each of such documents, in connection with the public offering and sale of the Bonds.

The Agency will deliver to the Underwriter, within seven (7) business days after the date of this Purchase Contract and in sufficient time to accompany any confirmation requesting payment from any customers of the Underwriter, copies of the Official Statement in final form (including all documents incorporated by reference therein) and any amendment or supplement thereto in such quantities as the Underwriter may reasonably request in order to comply with the obligations of the Underwriter pursuant to the Rule and the rules of the Municipal Securities



Rulemaking Board. As soon as practicable following receipt thereof from the Agency, the Underwriter shall deliver the Official Statement to the Municipal Securities Rulemaking Board.

5. At 8:00 a.m., Pacific Standard Time, on \_\_\_\_\_, 2016, or at such other time or on such other business day as shall have been mutually agreed upon by the Agency and the Underwriter (the “**Closing Date**”), the Agency will cause the Trustee to authenticate and deliver to the Underwriter at the office of The Depository Trust Company (“**DTC**”) in New York, New York, or at such other place as the Agency and the Underwriter may mutually agree upon, the Bonds in fully-registered book-entry form, duly executed and registered in the name of Cede & Co., as nominee of DTC. Subject to the terms and conditions hereof, the Underwriter will accept such delivery and pay the purchase price of the Bonds by wire transfer payable in immediately available funds to or upon the order of the Agency at such place in Palm Springs, California, or New York, New York, as shall have been mutually agreed upon by the Agency and the Underwriter. Such delivery of and payment for the Bonds is referred to herein as the “**Closing**.” The Bonds shall be made available for inspection by DTC at least one business day before the Closing.

6. The Agency represents, warrants, and covenants to the Underwriter that:

(A) The Agency is a water agency duly organized and validly existing under and by virtue of the Constitution and the laws of the State of California (the “**State**”).

(B) The Agency has the legal right and power to issue and deliver the Bonds and to execute and deliver, and to perform its obligations under, the Indenture, the Escrow Agreement, the Continuing Disclosure Agreement, and this Purchase Contract (collectively, the “**Agency Documents**”). The Agency has duly authorized the issuance and delivery of the Bonds and the execution and delivery of, and performance of its obligations under, the Agency Documents and, as of the date hereof, such authorizations are in full force and effect and have not been amended, modified, or rescinded. When executed and delivered by the respective parties thereto, the Agency Documents will constitute legal, valid, and binding obligations of the Agency in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium, or similar laws and the application of equitable principles relating to or affecting creditors’ rights generally. The Agency has complied, and will at the Closing be in compliance in all respects, with its obligations under the Agency Documents.

(C) The Bonds are special limited obligations of the Agency and are payable, as to principal, premium (if any), and interest with respect thereto, from Net Revenues (as defined in the Indenture) pledged under the Indenture.

(D) The Bonds will be issued in accordance with the Indenture and will conform in all material respects to the descriptions thereof contained in the Official Statement. The Indenture creates a valid pledge of, first lien upon, and security interest in, the pledged Net Revenues.

(E) The information in the Official Statement (excluding any information with respect to DTC and the book-entry only system) is true and correct in all material respects, and the information in the Official Statement does not contain any misstatement of any material fact and does not omit any statement necessary to make the statements, in the light of the circumstances in which such statements were made, not misleading.

(F) The Agency covenants with the Underwriter that for twenty-five days after the Closing Date (the “**Delivery Period**”), if any event occurs that might or would cause the Official Statement, as then supplemented or amended, to contain an untrue statement of a material fact or to omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the Agency shall notify the Underwriter thereof, and if in the opinion of the Underwriter such event requires the preparation and publication of a supplement or amendment to the Official Statement, the Agency will cooperate with the Underwriter and the Agency in the preparation of an amendment or supplement to the Official Statement, at the expense of the Agency, in a form and in a manner approved by the Underwriter.

(G) The Agency 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. The Agency 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.

(H) If the Official Statement is supplemented or amended, the Official Statement, as so supplemented or amended, as of the date of such supplement or amendment, will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(I) The Agency is not 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, decree, consent, or other agreement to which the Agency is a party, and no event has occurred and is continuing that, with the passage of time or the giving of notice, or both, would constitute such a default or event of default under any of the foregoing.

(J) The authorization, execution, and delivery by the Agency of the Agency Documents, and compliance by the Agency with the provisions thereof, do not and will not conflict with or constitute a breach of or default by the Agency under any applicable constitutional provision, law, or administrative rule or regulation of the State or the United States, or any applicable judgment, decree, consent, or other agreement to which it is bound or by which its properties may be affected.

(K) No authorization, consent, or approval of, or filing or registration with, any Governmental Agency (as defined below) or court is, or under existing requirements of law will be, necessary for the valid execution and delivery of, or performance by the

Agency of its obligations under, the Agency Documents, other than any authorization, consent, approval, filing, or registration as may be required under the Blue Sky or securities laws of any state in connection with the offering, sale, or issuance of the Bonds. All authorizations, consents, or approvals of, or filings or registrations with, any Governmental Agency or court necessary for the valid issuance of, and performance by the Agency of its obligations under, the Bonds will have been duly obtained or made prior to the issuance of the Bonds (and disclosed to the Underwriter). As used herein, the term “**Governmental Agency**” refers to any legislative body or governmental official, department, commission, board, bureau, agency, instrumentality, body, or public benefit corporation.

(L) The Agency shall furnish such information, execute such instruments, and take such other action in cooperation with the Underwriter as the Underwriter may reasonably request in order (i) to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriter may designate and (ii) to determine the eligibility of the Bonds for investment under the laws of such states and other jurisdictions, and shall use its best efforts to continue such qualifications in effect so long as required for the distribution of the Bonds; provided, however, that the Agency shall not be required to execute a general consent to service of process or qualify to do business in connection with any such qualification or determination in any jurisdiction.

(M) There is no action, suit, proceeding, inquiry, or investigation, at law or in equity, before or by any court, regulatory agency, or public board or body, pending or, to the best knowledge of the Agency, threatened (i) in any way questioning the existence of the Agency or the titles of the officers of the Agency to their respective offices; (ii) affecting, contesting, or seeking to prohibit, restrain, or enjoin the issuance of the Bonds or the execution or delivery of any of the Agency Documents, or the payment or collection of any amounts pledged or to be pledged to pay the Net Revenues or the principal of and interest on the Bonds, or in any way contesting or affecting the validity of the Bonds or the Agency Documents or the consummation of the transactions contemplated thereby or any proceeding of the Agency taken with respect to any of the foregoing, or contesting the exclusion of the interest on the Bonds from taxation or contesting the powers of the Agency and its authority to pledge the Net Revenues; (iii) that may result in any material adverse change relating to the Agency that will materially adversely affect the Agency’s ability to apply the Net Revenues to pay the Bonds when due; or (iv) 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 necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(N) Other than in the ordinary course of its business or as contemplated by the Official Statement, between the date of this Purchase Contract and the Closing Date the Agency will not, without the prior written consent of the Underwriter, offer or issue any

certificates, bonds, notes, or other obligations for borrowed money or incur any material liabilities, direct or contingent, payable from or secured by a pledge of the Net Revenues.

(O) Any certificate signed by any official or other representative of the Agency and delivered to the Underwriter pursuant to this Purchase Contract shall be deemed a representation and warranty by the Agency to the Underwriter as to the truth of the statements therein made.

7. Reserved.

8. The Underwriter has entered into this Purchase Contract in reliance upon the representations, warranties, and covenants of the Agency contained herein and in the Agency Documents, and the performance by the Agency of its obligations hereunder, both as of the date hereof and as of the Closing Date. The Underwriter's obligations under this Purchase Contract are and shall be subject to the following further conditions:

(A) The representations and warranties of the Agency contained herein shall be true, complete, and correct in all material respects on the date hereof and at and as of the Closing, as if made at and as of the Closing, and the statements made in all certificates and other documents delivered to the Underwriter at the Closing pursuant hereto shall be true, complete, and correct in all material respects at the Closing; the Agency shall be in compliance with each of the agreements made by it in this Purchase Contract (unless such agreements are waived by the Underwriter); there shall not have occurred an adverse change in the financial position, results of operations, or financial condition of the Agency that materially adversely affects the ability of the Agency to pay the Net Revenues when due or otherwise perform any of its obligations under the Agency Documents; and there shall not have occurred an adverse change in the financial position of the Agency that materially adversely affects the ability of the Agency to make payments of principal of and interest on the Bonds when due or otherwise perform any of its obligations under the Agency Documents.

(B) At the time of the Closing, the Agency Documents shall be in full force and effect, and shall not have been amended, modified, or supplemented (except as may be agreed to in writing by the Underwriter); all actions that, in the opinion of Best Best & Krieger LLP, Riverside, California, Bond Counsel ("**Bond Counsel**"), shall be necessary in connection with the transactions contemplated hereby shall have been duly taken and shall be in full force and effect; and the Agency shall perform or shall have performed its obligations required under or specified in the Agency Documents to be performed at or prior to the Closing and the Agency shall perform or shall have performed its obligations required under or specified in the Agency Documents to be performed at or prior to the Closing.

(C) At the time of the Closing, the Official Statement (as amended and supplemented) shall be true and correct in all material respects, and shall not omit any statement or information necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(D) Except as disclosed in the Official Statement or in a schedule delivered to the Underwriter at the Closing, no decision, ruling, or finding shall have been entered by any court or Governmental Agency since the date of this Purchase Contract (and not reversed on appeal or otherwise set aside) that has any of the effects described in Section 8(F) hereof.

(E) (i) No default by the Agency shall have occurred and be continuing in the payment of the principal of or premium, if any, or interest on any bond, note, or other evidence of indebtedness issued by the Agency, and (ii) no bankruptcy, insolvency, or other similar proceeding in respect of the Agency shall be pending or, to the knowledge of the Agency, contemplated.

(F) The Underwriter may terminate this Purchase Contract by written notification to the Agency if at any time after the date hereof and prior to the Closing:

(i) legislation shall have been enacted by the United States or the State or shall have been reported out of committee or be pending in committee, or a decision shall have been rendered by a court of the United States or the Tax Court of the United States, or a ruling shall have been made or a regulation, proposed regulation, or a temporary regulation shall have been published in the Federal Register or any other release or announcement shall have been made by the Treasury Department of the United States or the Internal Revenue Service, with respect to Federal or State taxation upon revenues or other income or payments of the general character to be derived by the Agency or upon interest received on obligations of the general character of the Bonds, which, in the reasonable opinion of the Underwriter (after consultation with, and receipt of advice from, the Agency), materially adversely affects the market for the Bonds; or

(ii) the United States shall have become engaged in hostilities that have resulted in a declaration of war or a national emergency or the President of the United States of America shall have committed the armed forces of the United States of America to combat so as to adversely affect the financial markets in the United States of America and that, in the reasonable opinion of the Underwriter (after consultation with, and receipt of advice from, the Agency), materially adversely affects the market for the Bonds; or

(iii) there shall have occurred a general suspension of trading on the New York Stock Exchange, or a general banking moratorium shall have been declared by Federal, California, or New York authorities having jurisdiction and being in force; or

(iv) there shall have occurred an adverse change in the financial position, results of operations, or financial condition of the Agency that, in the reasonable opinion of the Underwriter (after consultation with, and receipt of advice from, the Agency), materially adversely affects the market for the Bonds; or

(v) 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 that, in the reasonable opinion of the Underwriter, materially adversely affects the market price of the Bonds; or

(vi) 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, 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 issuance, offering, or sale of obligations of the general character of the Bonds, or the issuance, 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, as 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

(vii) 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 ability of underwriters to trade obligations of the general character of the Bonds; or

(viii) any rating of the Bonds shall have been downgraded, suspended, or withdrawn 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 Section 6(M) that, in the judgment of the Underwriter, materially adversely affects the market price of the Bonds; or

(x) any event occurring, or information becoming known, that, in the reasonable judgment of the Underwriter, makes any statement or information contained in the Official Statement, as of its date, untrue in any material adverse respect, or has the effect that the Official Statement, as of its date, contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(G) At or prior to the Closing, the Underwriter shall receive the following documents:

(1) the opinion of Bond Counsel, dated the Closing Date, in substantially the form included in the Official Statement as Appendix D, addressed to the Agency (and accompanied by reliance letters to the Underwriter and the Trustee);

(2) a supplemental opinion of Bond Counsel, in form and substance satisfactory to the Underwriter, dated the Closing Date, addressed to the Agency and the Underwriter, to the effect that:

(i) the Purchase Contract has been duly authorized, executed, and delivered by the Agency and, assuming due authorization, execution, and delivery by the Underwriter, such document constitutes the legal, valid, and binding agreement of the Agency enforceable in accordance with its terms, subject to laws relating to bankruptcy, insolvency, or other laws affecting the enforcement of creditors' rights generally and the application of equitable principles if equitable remedies are sought;

(ii) the Bonds are not subject to registration requirements of the Securities Act of 1933, as amended, and the Indenture is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended; and

(iii) the statements contained in the Official Statement under the captions "INTRODUCTION," "FINANCING PLAN," "THE BONDS," "SECURITY FOR THE BONDS," "TAX MATTERS," "LITIGATION," "APPENDIX A – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE," "APPENDIX C – FORM OF CONTINUING DISCLOSURE AGREEMENT," and "APPENDIX D – FORM OF OPINION OF BOND COUNSEL," insofar as such statements purport to summarize certain provisions of the Indenture, the Escrow Agreement, the Continuing Disclosure Agreement, the Bonds, and the opinion of Bond Counsel concerning certain federal tax matters relating to the Bonds, are accurate in all material respects;

(3) an opinion of general counsel to the Agency, in form and substance satisfactory to the Underwriter, dated the Closing Date, addressed to the Agency and the Underwriter, to the effect that:

(i) the Agency is a water agency duly organized and validly existing under and by virtue of the constitution and the laws of the State;

(ii) the Agency has full legal power and lawful authority to enter into the Agency Documents;

(iii) the resolution of the Agency approving and authorizing the execution and delivery of the Agency Documents (the "**Agency Resolution**") was duly adopted at a meeting of the Board of Directors of the Agency that was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout, and the Agency Resolution is in full force and effect and has not been modified, amended, or rescinded as of the Closing Date;



(iv) the Agency Documents have been duly authorized, executed, and delivered by the Agency and, assuming due authorization, execution, and delivery by the other parties thereto, such documents constitute the legal, valid, and binding agreements of the Agency enforceable in accordance with their terms, subject to laws relating to bankruptcy, insolvency, or other laws affecting the enforcement of creditors' rights generally and the application of equitable principles if equitable remedies are sought;

(v) to the best knowledge of such counsel, the execution and delivery by the Agency of the Agency Documents, and compliance by the Agency with the provisions thereof, under the circumstances contemplated thereby, do not and will not in any material respect conflict with or constitute a breach of or default under any law, administrative regulation, court decree, resolution, or agreement to which the Agency is subject to or by which it is bound;

(vi) to the best knowledge of such counsel, the Official Statement (excluding therefrom financial statements and other statistical data included in the Official Statement, and any information with respect to DTC and the book-entry only system, as to which no view need be expressed) does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(vii) except as otherwise disclosed in the Official Statement, to the best knowledge of such counsel after reasonable investigation, there is no action, suit, proceeding, inquiry, or investigation, at law or in equity, before or by any court, regulatory agency, or public board or body, pending or, to the best knowledge of such counsel, threatened (a) in any way questioning the existence of the Agency or the titles of the officers of the Agency to their respective offices; (b) affecting, contesting, or seeking to prohibit, restrain, or enjoin the issuance of the Bonds or the execution or delivery of any of the Agency Documents, or the payment or collection of any amounts pledged or to be pledged to pay the Net Revenues or the principal of and interest on the Bonds, or in any way contesting or affecting the validity of the Bonds or the Agency Documents or the consummation of the transactions contemplated thereby or any proceeding of the Agency taken with respect to any of the foregoing, or contesting the exclusion of the interest on the Bonds from taxation or contesting the powers of the Agency and its authority to pledge the Net Revenues; (c) that may result in any material adverse change relating to the Agency that will materially adversely affect the Agency's ability to pay the Net Revenues when due; 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 necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; and

(viii) no authorization, approval, consent, or other order of the State or any other governmental authority or agency within the State having jurisdiction over the Agency is required for the valid authorization, execution, and delivery by the Agency of the Agency Documents;

(4) a letter from Norton Rose Fulbright US LLP, Los Angeles, California, disclosure counsel to the Agency (“**Disclosure Counsel**”), dated the Closing Date, addressed to the Underwriter and the Agency, to the effect that, based upon its participation in the preparation of the Official Statement as counsel to the Agency and without having undertaken to determine independently the fairness, accuracy, or completeness of the statements contained in the Official Statement, such counsel has no reason to believe that, as of the date of the Closing, the Official Statement (excluding therefrom the reports, financial and statistical data and forecasts therein, the information with respect to DTC and the book-entry system and the information included in the Appendices thereto, as to which no belief need be expressed) contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(5) a certificate of the Agency, in form and substance satisfactory to the Underwriter, dated the Closing Date, to the effect that;

(i) the representations and warranties of the Agency contained in this Purchase Contract are true and correct in all material respects on and as of the Closing Date with the same effect as if made on the Closing Date; and

(ii) there has been no material adverse change in the financial condition or results of operations of the Agency from the date of the Official Statement to the Closing Date;

(6) a certificate, dated the date of the Preliminary Official Statement, from the Agency addressed to the Underwriter, in the form attached hereto as Exhibit B;

(7) an opinion of counsel to the Trustee, dated the Closing Date, addressed to the Underwriter, the Agency, and the Agency, to the effect that;

(i) the Trustee is a national banking association and is validly existing, duly qualified to do business and in good standing under the laws of each jurisdiction in which the performance of its duties under the Indenture would require such qualification and has the requisite power and authority to execute, deliver and perform its obligations under the Indenture;

(ii) the Trustee is duly eligible and qualified to act as Trustee under the Indenture;

(iii) the Trustee has all requisite power, authority, and legal right to execute and deliver the Indenture and to perform its obligations under the

Indenture, and has taken all necessary corporate action to authorize the execution and delivery of and the performance of its obligations under the Indenture;

(iv) the Trustee has duly executed and delivered the Indenture. Assuming the due authorization, execution, and delivery thereof by the other parties thereto, the Indenture is the legal, valid, and binding agreement of the Trustee enforceable against the Trustee in accordance with its terms, except to the extent enforceability thereof may be subject to (A) bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance, and other similar laws affecting creditors' rights and remedies heretofore or hereafter enacted, and (B) the application of equitable principles and the exercise of judicial discretion in appropriate cases;

(v) the Bonds have been duly authenticated by the Trustee;

(vi) the execution, delivery, and performance of the Indenture by the Trustee and the consummation of the transactions contemplated thereby do not and will not (a) to the knowledge of such counsel, conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default under, any indenture, mortgage, deed of trust, loan agreement, or other agreement or instrument to which the Trustee is a party or by which the Trustee is bound or to which any of the property or assets of the Trustee or any of its subsidiaries is subject, (b) result in any violation of the provisions of the charter, articles of association, by-laws, or applicable resolutions of the Trustee, or (c) to the knowledge of such counsel, result in any violation of any statute or any order, rule, or regulation of any court or government agency or body having jurisdiction over the Trustee or any of its properties or assets; and

(vii) to the knowledge of such counsel, there are no actions, proceedings, or investigations pending or threatened against the Trustee before any court, administrative agency or tribunal (a) asserting the invalidity of the Indenture, (b) seeking to prevent the consummation of any of the transactions contemplated thereby, or (c) that might materially and adversely affect the performance by the Trustee of its obligations under, or the validity or enforceability of the Indenture;

(8) a certificate, dated the Closing Date, signed by a duly authorized officer of the Trustee, to the effect that:

(i) the Trustee is a national banking association organized and existing under and by virtue of the laws of the United States of America, having the necessary power to enter into, accept, and administer the trusts created under the Indenture and to authenticate the Bonds;

(ii) the Indenture has been duly authorized, executed, and delivered by a duly authorized officer of the Trustee, and the execution, delivery, and

performance of the Indenture have been duly authorized by all necessary action of the Trustee;

(iii) the Indenture constitutes the legal, valid, and binding obligation of the Trustee enforceable in accordance with its 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;

(iv) the Bonds have been duly authenticated by a duly authorized officer of the Trustee;

(v) no consent, approval, authorization, or other action by any governmental or regulatory authority having jurisdiction over the Trustee that has not been obtained is or will be required for the execution and delivery of the Indenture or the performance by the Trustee of its duties and obligations under the Indenture;

(vi) the execution and delivery by the Trustee of the Indenture and compliance with the terms thereof will not conflict with, or result in a violation or breach of, or constitute a default under, any loan agreement, indenture, bond, note, resolution, or any other agreement or instrument to which the Trustee is a party or by which it is bound, or any law or any rule, regulation, order, or decree of any court or governmental agency or body having jurisdiction over the Trustee or any of its activities or properties (except that no representation, warranty, or agreement need be made with respect to any federal or State securities or blue sky laws or regulations);

(vii) the Trustee's action in executing and delivering the Indenture will not contravene the articles or bylaws of the Trustee and is in full compliance with, and does not conflict with, any applicable law or governmental regulation currently in effect, and such action does 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

(viii) there is no action, suit, proceeding, or investigation, at law or in equity, before or by any court or governmental agency, public board, or body that has been served on the Trustee, or to the best knowledge of the Trustee, threatened against the Trustee which in the reasonable judgment of the Trustee would affect the existence of the Trustee or in any way contesting or affecting the validity or enforceability of the Indenture or contesting the powers of the Trustee or its authority to enter into and perform its obligations thereunder;

(9) a certificate, dated the Closing Date, signed by a duly authorized officer of the Escrow Agent, to the effect that:

(i) the Escrow Agent is a national banking association organized and existing under and by virtue of the laws of the United States of America, having

the necessary power to enter into, accept, and administer the funds created under the Escrow Agreement;

(ii) the Escrow Agreement have been duly authorized, executed, and delivered by a duly authorized officer of the Escrow Agent, and the execution, delivery, and performance of the Escrow Agreement has been duly authorized by all necessary action of the Escrow Agent;

(iii) the Escrow Agreement constitutes the legal, valid, and binding obligation of the Escrow Agent enforceable in accordance with its 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;

(iv) no consent, approval, authorization, or other action by any governmental or regulatory authority having jurisdiction over the Escrow Agent that has not been obtained is or will be required for the execution and delivery of the Escrow Agreement or the performance by the Escrow Agent of its duties and obligations under the Escrow Agreement;

(v) the execution and delivery by the Escrow Agent of the Escrow Agreement and compliance with the terms thereof will not conflict with, or result in a violation or breach of, or constitute a default under, any loan agreement, indenture, bond, note, resolution, or any other agreement or instrument to which the Escrow Agent is a party or by which it is bound, or any law or any rule, regulation, order, or decree of any court or governmental agency or body having jurisdiction over the Escrow Agent or any of its activities or properties (except that no representation, warranty, or agreement need be made with respect to any federal or State securities or blue sky laws or regulations);

(vi) the Escrow Agent's action in executing and delivering the Escrow Agreement will not contravene the articles or bylaws of the Escrow Agent and is in full compliance with, and does not conflict with, any applicable law or governmental regulation currently in effect, and such action does not conflict with or violate any contract to which the Escrow Agent is a party or any administrative or judicial decision by which the Escrow Agent is bound; and

(vii) there is no action, suit, proceeding, or investigation, at law or in equity, before or by any court or governmental agency, public board, or body that has been served on the Escrow Agent, or to the best knowledge of the Escrow Agent, threatened against the Escrow Agent which in the reasonable judgment of the Escrow Agent would affect the existence of the Escrow Agent or in any way contesting or affecting the validity or enforceability of the Escrow Agreement or contesting the powers of the Escrow Agent or its authority to enter into and perform its obligations thereunder;

(10) certified copies of the Agency Resolution, an incumbency resolution of the Trustee, and an incumbency resolution of the Escrow Agent;

(11) copies each of the Agency Documents and the Official Statement, duly executed and delivered by the respective parties thereto;

(12) a tax certificate of the Agency, in form satisfactory to Bond Counsel, signed by an appropriate officer of each of the Agency and the Agency;

(13) evidence that the underlying rating on the Bonds of “\_\_\_” by Standard & Poor’s Ratings Service is in full force and effect on the Closing Date;

(14) copies of the statements with respect to the sale of the Bonds required to be delivered to the California Debt and Investment Advisory Commission pursuant to Sections 8855 and 53583 of the California Government Code;

(15) evidence that the federal tax information form 8038-G has been prepared by Bond Counsel for filing; and

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

If the Agency shall be unable to satisfy the conditions to the Underwriter’s obligations contained in this Purchase Contract or if the Underwriter’s obligations shall be terminated for any reason permitted by this Purchase Contract, this Purchase Contract shall terminate and neither of the Agency nor the Underwriter shall have any further obligation hereunder.

9. The performance by the Agency of its obligations is conditioned upon (i) the performance by the Underwriter of its obligations hereunder and (ii) receipt by the Agency and the Underwriter of opinions and certificates being delivered at the Closing by persons and entities other than Agency.

10. No expenses and costs of the Agency incident to the performance of the Agency’s obligations in connection with the authorization, issuance, and sale of the Bonds to the Underwriter, such as the costs of preparation (including word processing, printing, and reproduction), distribution and delivery of the Preliminary Official Statement, the Official Statement, and this Purchase Contract, in reasonable quantities, fees of rating agencies, fees and expenses of any financial advisor to the Agency, and fees and expenses of Bond Counsel or Disclosure Counsel for the Agency, shall be paid by the Underwriter. Except as indicated above, all out-of-pocket expenses of the Underwriter, including the California Debt and Investment Advisory Commission fee, traveling, and other expenses and the fees and expenses of the Underwriter, including Underwriter’s Counsel, shall be paid by the Underwriter.

11. Any notice or other communication to be given to the Agency under this Purchase Contract may be given by delivering the same in writing to the Desert Water Agency, 1200 Gene Autry Trail, Palm Springs, California 92264, Attention: General Manager; and any notice or other communication to be given to the Underwriter under this Purchase Contract may be given by delivering the same in writing to Hilltop Securities Inc., 2533 South Coast Hwy 101, Suite 250, Cardiff, California 92007, Attention: Todd Smith. The approval of the Underwriter when required hereunder or the determination of their satisfaction as to any document referred to herein shall be in writing signed by the Underwriter and delivered to the Agency.

12. For all purposes of this Purchase Contract, a default shall not be deemed to be continuing if it has been cured, waived, or otherwise remedied. This Purchase Contract shall be governed by and construed in accordance with the laws of the State applicable to contracts made and performed within the State.

13. 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.

[Remainder of Page Intentionally Left Blank.]



14. This Purchase Contract when accepted by the Agency in writing shall constitute the entire agreement among the Agency, the Agency, and the Underwriter and is made solely for the benefit of the Agency, the Agency, and the Underwriter (including the successors or assigns of the Underwriter). No other person shall acquire or have any right hereunder or by virtue hereof.

Very truly yours,

HILLTOP SECURITIES INC.

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

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

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

The foregoing is hereby agreed to and accepted as of the date first above written:

DESERT WATER AGENCY

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

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

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

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

**EXHIBIT A**

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

**DESERT WATER AGENCY  
Water Revenue Refunding Bonds  
Series 2016**

| <b>Maturity Date<br/>(May 1)</b> | <b>Principal<br/>Amount</b> | <b>Interest<br/>Rate</b> | <b>Yield</b> |
|----------------------------------|-----------------------------|--------------------------|--------------|
|----------------------------------|-----------------------------|--------------------------|--------------|

**Total**

**EXHIBIT B**  
**“DEEMED FINAL CERTIFICATE”**  
**FOR**  
**PRELIMINARY OFFICIAL STATEMENT**

\_\_\_\_\_, 2016

Hilltop Securities Inc.  
Cardiff, California

Re: Desert Water Agency  
Water Revenue Refunding Bonds,  
Series 2016

Ladies and Gentlemen:

With respect to the proposed sale by the Desert Water Agency (the “**Agency**”) of its Water Revenue Refunding Bonds, Series 2016 (the “**Bonds**”), the Agency has delivered to you a Preliminary Official Statement, dated the date hereof (the “**Preliminary Official Statement**”). The Agency, for purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the “**Rule**”), deems the Preliminary Official Statement to be final as of its date, except for the omission of no more than the following information: the offering prices, interest rates, selling compensation, aggregate principal amount, principal amount per maturity, dates and amounts of mandatory sinking fund payments, delivery dates, ratings, and identity of the purchasers and any other terms of the Bonds relating to such matters and any other information permitted to be omitted by the Rule.

**DESERT WATER AGENCY**

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

---

ESCROW DEPOSIT AND TRUST AGREEMENT

Relating to

DESERT WATER AGENCY  
CERTIFICATES OF PARTICIPATION SERIES 2007

by and among the

DESERT WATER AGENCY

DESERT WATER AGENCY FINANCING CORPORATION

and

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

Dated as of \_\_\_\_\_, 2016

---

## ESCROW DEPOSIT AND TRUST AGREEMENT

This ESCROW DEPOSIT AND TRUST AGREEMENT (this "Agreement") is made and entered into as of this 1st day of \_\_\_\_\_, 2016, by and among the DESERT WATER AGENCY, a water agency, duly organized and existing under the laws of the State of California (the "Water Agency"), DESERT WATER AGENCY FINANCING CORPORATION, a non-profit public benefit corporation organized and existing under the laws of the State of California (the "Corporation") and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., a national banking association organized and existing under the laws of the United States of America, acting as prior trustee for the 2007 Certificates hereinafter referred to (the "Prior Trustee") and acting as Escrow Bank hereunder (the "Escrow Bank").

### WITNESSETH:

WHEREAS, for the purpose of providing funds to finance the acquisition and construction of certain water system improvements, the Water Agency has previously authorized the execution, delivery and sale of its Certificates of Participation Series 2007 in the aggregate principal amount of \$26,860,000 (the "2007 Certificates") pursuant to the Trust Agreement dated as of December 1, 2007 (the "2007 Trust Agreement"), by and among the Water Agency, the Corporation and The Bank of New York Mellon Trust Company, N.A. as trustee (the "Prior Trustee"); and

WHEREAS, the Water Agency has determined to authorize the execution, delivery and sale of its Refunding Water Revenue Bonds, Series 2016 in the aggregate principal amount of \$\_\_\_\_\_ (the "2016 Bonds") at this time for the purpose in part of providing funds to refund the 2007 Certificates pursuant to terms of the 2007 Trust Agreement;

WHEREAS, the Water Agency, the Corporation and the Escrow Bank wish to enter into this Agreement for the purpose of providing the terms and conditions relating to the deposit and application of moneys and Defeasance Securities to provide for the payment and repayment of the 2007 Certificates, pursuant to and in accordance with the provisions of Article XII of the 2007 Trust Agreement.

NOW, THEREFORE, IN CONSIDERATION OF THE ABOVE PREMISES AND OF THE MUTUAL PROMISES AND COVENANTS HEREIN CONTAINED AND FOR OTHER VALUABLE CONSIDERATION THE RECEIPT AND SUFFICIENCY OF WHICH ARE HEREBY ACKNOWLEDGED, THE PARTIES HERETO DO HEREBY AGREE AS FOLLOWS:

Section 1. Definition of Defeasance Securities. As used herein, the term "Defeasance Securities" shall mean non-callable direct and general obligations of the United States of America or obligations of Agencies of the United States of America which are unconditionally guaranteed by the full faith and credit of the United States of America.

Section 2. Establishment of Escrow Fund. There is hereby created the Escrow Fund to be held by the Escrow Bank as an irrevocable escrow securing the payment of the 2007 Certificates. All cash and Defeasance Securities in the Escrow Fund, as identified in Section 3 hereof and Exhibit B hereto, are hereby irrevocably pledged as a special fund for the payment of the principal of and interest and premium on the 2007 Certificates in accordance with the

provisions of the 2007 Trust Agreement. If at any time the Escrow Bank shall receive actual knowledge that the cash and Defeasance Securities in the Escrow Fund will not be sufficient to make any payments required by Section 4 hereof and as set forth in Exhibit C hereof, the Escrow Bank shall notify the Water Agency of such fact and the Water Agency shall immediately cure such deficiency from any source of legally available funds.

Section 3. Deposit into Escrow Fund; Investment of Amounts. Concurrently with execution and delivery of the 2016 Bonds, the Water Agency shall cause to be transferred to the Escrow Bank for deposit into the Escrow Fund the amount of \$\_\_\_\_\_ in immediately available funds, which shall be derived as follows: \$\_\_\_\_\_ from the proceeds of sale of the 2016 Bonds; \$\_\_\_\_\_ from the Interest Account held under the 2007 Trust Agreement; \$\_\_\_\_\_ from the Reserve Fund held under the 2007 Trust Agreement and \$\_\_\_\_\_ representing funds delivered by the District to the 2007 Trustee. The Prior Trustee is hereby directed to make the foregoing transfer. The Escrow Bank shall invest the amount of \$\_\_\_\_\_ in the Defeasance Securities shown in Exhibit B attached hereto and shall hold the remaining \$\_\_\_\_\_ as uninvested cash. The Escrow Bank shall have no security interest in or lien upon or right of set off against the cash at any time on deposit in the Escrow Fund and the Escrow Bank irrevocably waives and releases any such security interest, lien or rights of set off.

Section 4. Instructions as to Application of Deposit. The total amount of cash deposited in the Escrow Fund pursuant to Section 3 shall be transferred to the Prior Trustee by Escrow Bank and the Prior Trustee shall apply such monies to the principal of and interest on 2007 Certificates coming due and payable commencing November 1, 2016, through and including May 1, 2018, and the prepayment price thereof on May 1, 2018, all at the times and in the amounts set forth in Exhibit A attached hereto and by this reference incorporated herein. Any funds on hand with the Escrow Bank on the day after prepayment of the 2007 Certificates and not needed for the prepayment of 2007 Certificates shall be returned to the District.

Section 5. Application of Certain Terms of 2007 Trust Agreement. All of the terms of the 2007 Trust Agreement relating to the making of payments of principal of and interest and premium on the 2007 Certificates and the registration, removal and the succession of the Prior Trustee shall apply to the Escrow Bank and are incorporated in this Agreement as if set forth in full herein.

Section 6. Proceedings for Prepayment of 2007 Certificates. The Water Agency hereby irrevocably elects to prepay the 2007 Certificates in full on May 1, 2018, pursuant to the provisions of Section 4.01(c) of the 2007 Trust Agreement. The Prior Trustee shall send notices of such prepayment and defeasance of the 2007 Certificates in accordance with Section 4.03 of the 2007 Trust Agreement and at the expense of the Water Agency in the forms attached as Exhibits E and D hereto. Notice of Prepayment shall be sent no later than April 1, 2018 and notice of defeasance shall be sent no later than 5 business days after the delivery of the 2016 Bonds.

Section 7. Compensation to Escrow Bank. The Water Agency shall pay the Escrow Bank full compensation for its duties under this Agreement, including out-of-pocket costs such as publication costs, prepayment expenses, legal fees and other costs and expenses relating hereto and, in addition, all fees, costs and expenses relating to the purchase of any Defeasance Securities after the date hereof. Under no circumstances shall amounts deposited in or credited to the Escrow Fund be deemed to be available for said purposes.

Section 8. Liabilities and Obligations of Escrow Bank. The Escrow Bank shall have no obligation to make any payments or disbursement of any type or incur any financial liability in the performance of its duties under this Agreement unless the Water Agency shall have deposited sufficient funds therefor with the Escrow Bank. The Escrow Bank may rely and shall be protected in acting upon the written instructions of the Water Agency or its agents relating to any matter or action as Escrow Bank under this Agreement.

The Water Agency covenants to indemnify and hold harmless the Escrow Bank against any loss, liability or expense, including legal fees, incurred in connection with the performance of any of its duties hereunder, except the Escrow Bank shall not be indemnified against any loss, liability or expense resulting from its negligence or willful misconduct.

The Escrow Bank shall not be liable for any loss resulting from any investment, sale, transfer or other disposition made pursuant to this Agreement in compliance with the provisions hereof. The Escrow Bank shall have no lien whatsoever on, or right of set-off with respect to, any of the moneys or Defeasance Securities on deposit in the Escrow Fund for the payment of fees and expenses for services rendered by the Escrow Bank under this Agreement or otherwise.

The Escrow Bank shall not be liable for the accuracy of the calculations as to the sufficiency of the Defeasance Securities and moneys to pay the 2007 Certificates. So long as the Escrow Bank applies the Defeasance Securities and moneys as provided herein, the Escrow Bank shall not be liable for any deficiencies in the amounts necessary to pay the 2007 Certificates caused by such calculations.

The Escrow Bank undertakes to perform only such duties as are expressly and specifically set forth in this Agreement and no implied duties or obligations shall be read into this Agreement against the Escrow Bank.

In no event shall the Escrow Bank be liable for any special, indirect or consequential damages, even if the Escrow Bank or the Water Agency know(s) of the possibility of such damages. The Escrow Bank shall have no duty or responsibility under this Agreement in the case of any default in the performance of the covenants or agreements contained in the 2007 Trust Agreement. The Escrow Bank is not required to resolve conflicting demands to money or property in its possession under this Agreement.

The Escrow Bank shall not be liable for any action or omission of the Water Agency under this Agreement.

The Escrow Bank shall not be responsible for any of the recitals or representations contained herein.

The Escrow Bank shall furnish the Water Agency periodic cash transaction statements which include detail for all investment transactions effected by the Escrow Bank or brokers selected by the Water Agency. Upon the Water Agency's election, such statements will be delivered via the Escrow Bank's online service and upon electing such service, paper statements will be provided only upon request. The Water Agency waives the right to receive brokerage confirmations of security transactions effected by the Escrow Bank as they occur, to the extent permitted by law. The Water Agency further understands that trade confirmations for securities transactions effected by the Escrow Bank will be available upon request and at no additional cost



and other trade confirmations may be obtained from the applicable broker.

Section 9. Amendment. This Agreement may be amended by the parties hereto with the written consent of one hundred percent (100%) of the Owners of 2007 Certificates Outstanding, but only if there shall have been filed with the Water Agency and the Escrow Bank a written opinion of Bond Counsel stating that such amendment will not materially adversely affect the interests of the owners of the 2007 Certificates or the 2016 Bonds, and that such amendment will not cause interest on the 2007 Certificates or the 2016 Bonds to become includable in the gross incomes of the owners for Federal income tax purposes.

Section 10. Agreement, Execution in Counterparts. This Agreement shall inure to the benefit of the parties hereto and the Owners of 2007 Certificates. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 11. Applicable Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

*(Signature page follows)*

IN WITNESS WHEREOF, the Water Agency, the Corporation and the Escrow Bank have each caused this Agreement to be executed by their duly authorized officers all as of the date first above written.

DESERT WATER AGENCY

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

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

ATTEST:

\_\_\_\_\_

\_\_\_\_\_  
Secretary

DESERT WATER AGENCY FINANCING  
CORPORATION

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

\_\_\_\_\_  
President

ATTEST:

\_\_\_\_\_

\_\_\_\_\_  
Secretary

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

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

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

*-Signature Page-  
Escrow Deposit and Trust Agreement (2007)*

**EXHIBIT A**

**SCHEDULE OF INSTALLMENT PAYMENTS**

| <b><u>Period</u></b><br><b><u>Ending</u></b> | <b><u>Principal</u></b> | <b><u>Interest</u></b> | <b><u>Principal</u></b><br><b><u>Redeemed</u></b> | <b><u>Total</u></b> |
|----------------------------------------------|-------------------------|------------------------|---------------------------------------------------|---------------------|
|----------------------------------------------|-------------------------|------------------------|---------------------------------------------------|---------------------|

## EXHIBIT B

### DEFEASANCE SECURITIES

| <u>Purchase<br/>Date</u> | <u>Type of<br/>Security</u> | <u>CUSIP<br/>or ID</u> | <u>Maturity<br/>Date</u> | <u>Par<br/>Amount</u> | <u>Rate</u> | <u>Yield</u> | <u>Price</u> | <u>Interest<br/>Class</u> | <u>Interest<br/>Frequency</u> | <u>Interest<br/>Day Basis</u> |
|--------------------------|-----------------------------|------------------------|--------------------------|-----------------------|-------------|--------------|--------------|---------------------------|-------------------------------|-------------------------------|
|--------------------------|-----------------------------|------------------------|--------------------------|-----------------------|-------------|--------------|--------------|---------------------------|-------------------------------|-------------------------------|

## EXHIBIT C

### ESCROW CASH FLOW & SUFFICIENCY

| <u>Date</u> | <u>Escrow<br/>Requirement</u> | <u>Net Escrow<br/>Receipts</u> | <u>Excess Receipts</u> | <u>Excess Balance</u> |
|-------------|-------------------------------|--------------------------------|------------------------|-----------------------|
|-------------|-------------------------------|--------------------------------|------------------------|-----------------------|

## **EXHIBIT D**

### **DEFEASANCE NOTICE**

#### **Desert Water Agency Certificates of Participation Series 2007**

#### **NOTICE OF DEFEASANCE**

OWNERS of certain maturities of the above-described Certificates of Participation (the “Defeased Bonds”) are hereby NOTIFIED that, pursuant to an Escrow Agreement dated as of \_\_\_\_\_, 2016, by and among the Desert Water Agency, the Desert Water Agency Financing Corporation, and The Bank of New York Mellon Trust Company, N.A., as Escrow Bank (the “Escrow Bank”), the Escrow Bank has received and holds in irrevocable trust, cash moneys or noncallable direct and general obligations of the United States of America or obligations of any agency or instrumentality of the United States the payment of principal of and interest on which is unconditionally guaranteed by the full faith and credit of the United States of America (collectively, the “Escrowed Securities”) interest on and the principal of which obligations, when due, will provide moneys together with any such cash sufficient to pay interest on and the principal of a portion of the Defeased Bonds to May 1, 2018, as indicated on such Defeased Bonds and to prepay the Defeased Bonds on May 1, 2018, as indicated on such Defeased Bonds, all as verified by an independent certified public accountant. The Escrow Bank shall collect interest on and the principal of such obligations and shall pay the same, together with any such cash moneys held by the Escrow Bank, to owners of record of the Defeased Bonds, in such amounts and at such times as shall be required to pay interest on and the principal of the Defeased Bonds to the prepayment date or maturity date, as applicable.

The Defeased Bond CUSIP numbers, maturity dates and principal amounts are listed below:

| <b><u>Original<br/>CUSIP Number</u></b> | <b><u>Maturity Date<br/>(May 1)</u></b> | <b><u>Principal<br/>Amount<br/>Outstanding</u></b> | <b><u>Principal<br/>Amount<br/>Defeased</u></b> | <b><u>Interest<br/>Rate</u></b> |
|-----------------------------------------|-----------------------------------------|----------------------------------------------------|-------------------------------------------------|---------------------------------|
|-----------------------------------------|-----------------------------------------|----------------------------------------------------|-------------------------------------------------|---------------------------------|

The Defeased Bonds are now deemed to have been paid, and the owners thereof shall hereafter be limited to the application of such cash moneys or Escrowed Securities for the payment of interest on and the principal of such Defeased Bonds as the same become due and payable as described above.

THIS IS NOT A NOTICE OF REDEMPTION. THIS NOTICE IS FOR INFORMATIONAL PURPOSES ONLY AND DOES NOT REQUIRE OR SOLICIT THE PRESENT SURRENDER OR EXCHANGE OF THE DEFEASED BONDS.

*The CUSIP numbers have been assigned by an independent service for convenience of reference and none of the District, the Corporation, the Trustee or the Escrow Bank shall be held liable for any inaccuracy in any such CUSIP number.*

DATED: \_\_\_\_\_

THE BANK OF NEW YORK MELLON  
TRUST COMPANY, N.A., as Escrow Bank  
and Trustee, on behalf of the DESERT  
WATER AGENCY

## **EXHIBIT E**

### **Desert Water Agency Certificates of Participation Series 2007**

#### **NOTICE OF FULL OPTIONAL PREPAYMENT**

OWNERS of Certificates of Participation (the “2007 Certificates”) identified in the table below are hereby NOTIFIED that, pursuant to the Trust Agreement dated as of December 1, 2007, each by and among the Desert Water Agency (the “Agency”), the Desert Water Agency Financing Corporation (the “Corporation”), and The Bank of New York Mellon Trust Company, N.A. (the “Trustee”), the Trustee will cause all of the 2007 Certificates to be prepaid on May 1, 2007, at a prepayment price of 100% plus interest accrued to the date of prepayment.

| <b><u>Original<br/>CUSIP Number</u></b> | <b><u>Maturity Date<br/>(May 1)</u></b> | <b><u>Principal<br/>Amount</u></b> |
|-----------------------------------------|-----------------------------------------|------------------------------------|
|-----------------------------------------|-----------------------------------------|------------------------------------|

To receive payment on the prepayment date, owners of the 2007 Certificates should present and surrender said 2007 Certificates on the prepayment date at the address of the Trustee set forth below:

Hand Delivery

Mailing Address

A form W-9 must be submitted with the 2007 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 Economic Growth and Tax Relief Reconciliation Act of 2001 (the “Act”), 30% will be withheld if tax identification number is not properly certified. Owners of 2007 Certificates who wish to avoid the application of these provisions should submit a complete Form W-9 when presenting their 2007 Certificates.

On May 1, 2018, the 2007 Certificates to be prepaid will be payable at a prepayment price of 100 percent of the principal amount plus accrued interest to such date. From and after



May 1, 2018 interest evidenced and represented by the 2007 Certificates to be prepaid will cease to accrue.

*The CUSIP numbers have been assigned by an independent service for convenience of reference and none of the Agency, the Corporation or the Trustee shall be held liable for any inaccuracy in any such CUSIP number.*

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

Dated: \_\_\_\_\_, 2016

## TABLE OF CONTENTS

|                                                                      | <b>Page</b> |
|----------------------------------------------------------------------|-------------|
| Section 1. Definition of Defeasance Securities.....                  | 1           |
| Section 2. Establishment of Escrow Fund .....                        | 1           |
| Section 3. Deposit into Escrow Fund; Investment of Amounts .....     | 2           |
| Section 4. Instructions as to Application of Deposit.....            | 2           |
| Section 5. Application of Certain Terms of 2007 Trust Agreement..... | 2           |
| Section 6. Proceedings for Prepayment of 2007 Certificates .....     | 2           |
| Section 7. Compensation to Escrow Bank .....                         | 2           |
| Section 8. Liabilities and Obligations of Escrow Bank .....          | 3           |
| Section 9. Amendment.....                                            | 4           |
| Section 10. Agreement, Execution in Counterparts .....               | 4           |
| Section 11. Applicable Law .....                                     | 4           |
| EXHIBIT A SCHEDULE OF INSTALLMENT PAYMENTS .....                     | A-1         |
| EXHIBIT B DEFEASANCE SECURITIES .....                                | B-1         |
| EXHIBIT C ESCROW CASH FLOW & SUFFICIENCY .....                       | C-1         |
| EXHIBIT D DEFEASANCE NOTICE.....                                     | D-1         |
| EXHIBIT E PREPAYMENT NOTICE .....                                    | E-1         |

---

---

**INDENTURE OF TRUST**

**By and between the**

**DESERT WATER AGENCY**

**and**

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

**Dated as of \_\_\_\_\_, 2016**

**Relating to  
Desert Water Agency  
\$ \_\_\_\_\_  
Water Revenue Refunding Bonds,  
Series 2016**

---

---

## **INDENTURE OF TRUST**

THIS INDENTURE OF TRUST, made and entered into as of \_\_\_\_\_, 2016, by and between the DESERT WATER AGENCY, a water agency organized and existing under the constitution and laws of the State of California (the "Agency"), and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., a national banking association organized and existing under the laws of the United States of America, with a corporate trust office in Los Angeles, California, and being qualified to accept and administer the trusts hereby created, as trustee (the "Trustee"),

### **WITNESSETH:**

WHEREAS, the Agency through the Desert Water Agency Financing Corporation caused to be issued its \$26,860,000 Certificates of Participation (Water System Improvement Project) Series 2007 (the "2007 Certificates"), for the purpose of financing water system improvements for the Agency; and

WHEREAS, the 2007 Certificates were secured by payments to be made under an Installment Purchase Agreement, dated as of December 1, 2007, between the Agency and the Corporation (the "2007 Installment Purchase Agreement"); and

WHEREAS, interest rates have declined since the 2007 Certificates were issued, and the Agency will receive economic benefit by refunding the 2007 Certificates and the 2007 Installment Purchase Agent; and

WHEREAS, the Agency, after due investigation and deliberation, has determined that it is in the interests of the Agency at this time to provide for the issuance of its water revenue refunding bonds under this Indenture for the purpose of refunding the 2007 Certificates and the 2007 Installment Purchase Agreement, and to that end the Board of Directors has heretofore adopted its Resolution No. \_\_\_\_\_, approving and authorizing the issuance of its Desert Water Agency Water Revenue Refunding Bonds, Series 2016 (the "Series 2016 Bonds") for such purposes;

WHEREAS, in order to provide for the authentication and delivery of the Series 2016 Bonds, to establish and declare the terms and conditions upon which the Series 2016 Bonds are to be issued and secured and to secure the payment of the principal thereof and of the interest and premium, if any, thereon, the Board of Directors has authorized the execution and delivery of this Indenture;

WHEREAS, all of the Series 2016 Bonds will be secured by a pledge of the Net Revenues, as defined herein, and certain other moneys and securities held by the Agency and the Trustee hereunder; and

WHEREAS, the Agency has determined that all acts and proceedings required by law necessary to make the Series 2016 Bonds, when executed by the Agency, authenticated and delivered by the Trustee and duly issued, the valid, binding and legal special obligations of the Agency, and to constitute this 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 this Indenture have been in all respects duly authorized;

NOW, THEREFORE, THIS INDENTURE WITNESSETH, that in order to secure the payment of the principal of and the interest and premium (if any) on all Series 2016 Bonds at any time issued and Outstanding under this Indenture, according to their tenor, and to secure the performance and observance of all the covenants and conditions therein and herein set forth, and to declare the terms and conditions upon and subject to which the Series 2016 Bonds are to be issued and received, and in consideration of the premises and of the mutual covenants herein contained and of the purchase and acceptance of the Bonds by the Owners thereof, and for other valuable considerations, the receipt whereof is hereby acknowledged, the Agency does hereby covenant and agree with the Trustee, for the benefit of the respective Owners from time to time of the Series 2016 Bonds, as follows:

## **ARTICLE I**

### **DEFINITIONS; AUTHORIZATION AND PURPOSE OF BONDS; EQUAL SECURITY**

**SECTION 1.01 Definitions.** Unless the context otherwise requires, the terms defined in this Section shall for all purposes of this Indenture and of any Parity Bonds Instrument and of the Bonds and of any certificate, opinion, request or other documents herein mentioned have the meanings herein specified.

“Authorized Investments” means any of the following, but only to the extent that the same are acquired at Fair Market Value, which at the time of investment are legal investments under the laws of the State of California for the moneys proposed to be invested therein:

- (a) direct obligations of (including obligations issued or held in book entry form on the books of) the Department of the Treasury of the United States of America;
- (b) obligations of any of the following federal agencies which obligations represent full faith and credit of the United States of America, including: (i) Export-Import Bank; (ii) Farm Credit System Financial Assistance Corporation, (iii) Farmers Home Administration; (iv) General Services Administration; (v) U.S. Maritime Administration; (vi) Small Business Administration; (vii) Government National Mortgage Association (GNMA); (viii) U.S. Department of Housing & Urban Development (PHA's); (ix) Federal Housing Administration and (x) Federal Financing Bank;
- (c) senior debt obligations rated “Aa” by Moody’s and “AA” by S&P issued by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation, senior debt obligations of other government-sponsored agencies, obligations of the Resolution Funding Corporation (REFCORP) and senior debt obligations of other government sponsored agencies;
- (d) U.S. dollar denominated deposit accounts, federal funds and banker’s acceptances with domestic commercial banks (including the Trustee and its affiliates)

which have a rating on their short term certificates of deposit on the date of purchase of “P-1” by Moody’s and “A-1” or “A-1+” by S&P and maturing no more than 360 days after the date of purchase, provided that ratings on holding companies are not considered as the rating of the bank;

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

(f) investments in a money market fund rated “AAAm” or “AAAm-G” or better by S&P, including any such money market fund from which the Trustee or its affiliates receive fees for services to such fund;

(g) pre-refunded municipal obligations defined as follows: Any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and (i) which are rated, based upon an irrevocable escrow account or fund (the “escrow”), in the highest rating category of Moody’s and S&P or any successors thereto; or (ii)(A) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in paragraph (a) above, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (B) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to above, as appropriate;

(h) investment agreements, supported by appropriate opinions of counsel, between the Trustee and a financial institution whose long-term debt has a Minimum Rating;

(i) Repurchase agreements (repos”) that provide for the transfer of securities from a dealer bank or securities firm (seller/borrower) to the Trustee (buyer/lender), and the transfer of cash from the Trustee 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 Trustee in exchange for the securities at a specified date. Repurchase Agreements must satisfy the following criteria:

1. Repos must be between the Trustee and a dealer bank or securities firm.

a. Primary dealers on the Federal Reserve reporting dealer list which fall under the jurisdiction of the SIPC and 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 repo contract must include the following:

a. Securities which are acceptable for transfer are:

(1) Direct U.S. governments

(2) Federal agencies backed by the full faith and credit of the U.S government (and FNMA and FHLMC)

b. The term of the repo may be up to 30 days

c. The collateral must be delivered to the Trustee (if the 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. The Trustee has a perfected first priority security interest in the collateral.

e. Collateral is free and clear of third-party liens and in the case of an SIPC broker was not acquired pursuant to a repo or reverse repo.

f. Failure to maintain the requisite collateral percentage, after a two day restoration period, will require the Trustee to liquidate collateral.

g. Valuation of Collateral

(1) The securities must be valued by such dealer bank or securities firm weekly, marked-to-market at current market price plus accrued interest.

(a) The value of collateral must be equal to 104% of the amount of cash transferred by the Trustee 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 the Trustee, 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 Trustee to the effect that the Repo meets guidelines under state law for legal investment of public funds; and

(j) the Local Agency Investment Fund maintained by the State of California.

“Authorized Official” means the Agency General Manager, Finance Director, Treasurer or any other officer of the Agency duly authorized by the Board of Directors for that purpose.

“Average Annual Debt Service” means the total aggregate Debt Service for the entire period during which the Bonds are Outstanding divided by the number of Fiscal Years or portions thereof during which the Bonds are Outstanding.

“Board of Directors” means the Board of Directors of the Agency or any other legislative body of the Agency hereafter provided for pursuant to law.

“Bond Counsel” means any attorney at law or firm of attorneys, of nationally recognized standing in matters pertaining to the federal tax exemption of interest on bonds issued by states and political subdivisions, and duly admitted to practice law before the highest court of any state of the United States of America.

“Bond Law” means Sections 53570 et seq. and 53580 et seq. of the California Government Code, as in effect on the Closing Date.

“Bond Registration Books” means the books maintained by the Trustee pursuant to Section 2.08 for the registration and transfer of ownership of the Bonds.

“Bonds” means, collectively, the Series 2016 Bonds and any Parity Bonds issued and at any time Outstanding hereunder and under a Parity Bonds Instrument.

“Bond Year” means the twelve-month period beginning on the anniversary of the Closing Date in each year and ending on the day prior to the anniversary date of the Closing Date in the following year except that the first Bond Year shall begin on the Closing Date.

“Business Day” means any day other than a Saturday, Sunday or a day on which the Trustee is authorized by law to remain closed.

“Certificate of the Agency” means a certificate in writing signed by an Authorized Official, or by any other officer of the Agency duly authorized by the Board of Directors for that purpose.

“Closing Date” means the date upon which there is an exchange of the Series 2016 Bonds for the proceeds representing the purchase of such Series by the Original Purchaser thereof.

“Continuing Disclosure Certificate” means that certain Continuing Disclosure Certificate executed by the Agency and dated the date of original execution and delivery of the Bonds, as originally executed and as it may be amended from time to time in accordance with the terms thereof.



“Corporation” means the Desert Water Agency Financing Corporation.

“Cost of Issuance Fund” means the Account by that name established pursuant to Section 3.04.

“Costs of Issuance” means all expenses incurred in connection with the authorization, issuance, sale and delivery of the Bonds, including but not limited to compensation, fees and expenses of the Agency and the Trustee and their respective counsel, compensation to any financial consultants and underwriters, legal fees and expenses, filing and recording costs, rating agency fees, costs of preparation and reproduction of documents and costs of printing.

“Debt Service” means, during any period of computation, the amount obtained for such period by totaling the following amounts:

(a) The principal amount of all Outstanding Serial Bonds and Term Bonds payable by their terms in such period;

(b) The interest which would be due during such period on the aggregate principal amount of Bonds which would be Outstanding in such period if the Bonds are paid or redeemed as scheduled.

“Debt Service Fund” means the fund by that name established and held by the Trustee pursuant to Section 4.03.

“Defeasance Obligations” means (a) cash, (b) non-callable Federal Securities described in paragraph (a) of the definition thereof (“Treasuries”), (c) evidences of ownership of proportionate interests in future interest and principal payments on Treasuries held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Treasuries are not available to any person claiming through the custodian or to whom the custodian may be obligated or (d) pre-refunded municipal obligations rated “AA” and “Aa” by S&P or Moody’s, respectively (or any combination thereof).

“Depository” means (a) initially, DTC, and (b) any other Securities Depositories acting as Depository pursuant to Section 2.10.

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

“Agency” means the Desert Water Agency, an irrigation Agency organized and existing under the Constitution and laws of the State, and any successor thereto.

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

“Escrow Bank” means The Bank of New York Mellon Trust Company, N.A., acting as Escrow Bank under the Escrow Deposit and Trust Agreement.

“Escrow Deposit and Trust Agreement” means the Escrow Deposit and Trust Agreement, dated as of \_\_\_\_\_, 2016, by and among the Agency and the Escrow Bank.

“Escrow Fund” means the fund of that name established and held by the Escrow Bank pursuant to the Escrow Deposit and Trust Agreement.

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

“Fair Market Value” means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm’s length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of section 1273 of the Tax Code) and, otherwise, the term “Fair Market Value” means the acquisition price in a bona fide arm’s length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Tax Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Tax Code, (iii) the investment is a United States Treasury Security—State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or (iv) any commingled investment fund in which the Agency and related parties do not own more than a ten percent (10%) beneficial interest therein if the return paid by the fund is without regard to the source of the investment.

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

(a) direct general obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America); and

(b) obligations of any department, agency or instrumentality of the United States of America the timely payment of principal of and interest on which are unconditionally and fully guaranteed by the United States of America.

“Fiscal Year” means the period commencing on July 1 of each year and terminating on the next succeeding June 30.

“Gross Revenues” means all gross income and receipts derived by the Agency from the ownership and operation of the Water System or otherwise arising from the Water System including but not limited to investment earnings and including all amounts levied by the Agency as a fee for connecting to the Water System (“Connection Charges”), to the extent permitted by law; but excluding (a) the proceeds of any ad valorem property taxes levied for the purpose of making payments relating to the California State Water Project, (b) the proceeds of any special assessments or special taxes levied on real property within any assessment district or community facilities district for the purpose of paying special assessment bond or special tax bond obligations of the Agency relating to the Water System, and (c) and revenues of any nature received by the Agency in connection with wastewater services.

“Improvement” means any addition, extension, improvement, equipment, machinery or other facilities to or for the Water System.

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

“Independent Certified Public Accountant” means any certified public accountant or firm of such accountants appointed and paid by the Agency, and who, or each of whom-

- (a) is in fact independent and not under domination of the Agency;
- (b) does not have any substantial identity of interest, direct or indirect, with the Agency; and
- (c) is not and no member of which is connected with the Agency as an officer or employee of the Agency, but who may be regularly retained to make annual or other audits of the books of or reports to the Agency.

“Independent Consultant” means any financial or engineering consultant (including without limitation any Independent Certified Public Accountant) with an established reputation in the field of municipal finance or firm of such consultants appointed and paid by the Agency, and who, or each of whom-

- (a) is in fact independent and not under domination of the Agency;
- (b) does not have any substantial identity of interest, direct or indirect, with the Agency; and
- (c) is not and no member of which is connected with the Agency as an officer or employee of the Agency, but who may be regularly retained to make annual or other audits of the books of or reports to the Agency.

“Information Services” means in accordance with then-current guidelines of the Securities and Exchange Commission, the Electronic Municipal Market Access System (referred to as “EMMA”), a facility of the Municipal Securities Rulemaking Board (at <http://emma.msrb.org>), or such service or services as the Authority may designate in a certificate delivered to the Trustee.

“Interest Payment Date” means, with respect to the Series 2016 Bonds, May 1 and November 1 in each year, beginning \_\_\_\_\_, and with respect to any Parity Bonds, any date on which interest is due and payable thereon, and continuing so long as any Series 2016 Bonds or Parity Bonds remain Outstanding.

“Maximum Annual Debt Service” means, as of the date of calculation, the maximum amount of Debt Service for the current or any future Fiscal Year.

“Minimum Rating” means a long-term rating of A or better from S&P or Moody’s or a short-term rating which is in the highest general rating category of S&P and Moody’s, in any

event determined without regard to any refinement or gradation of such rating by a numerical modifier, a plus or a minus sign, or otherwise.

“Moody’s” means Moody’s Investors Service, a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors or assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term “Moody’s” shall be deemed to refer to any other nationally recognized securities rating agency selected by the Agency.

“Net Proceeds,” when used with reference to any insurance or condemnation award or sale of property, means the gross proceeds from the sale of property or insurance or condemnation award with respect to which that term is used remaining after payment of all expenses (including attorneys’ fees and any extraordinary expenses of the Trustee) incurred in the collection of such gross proceeds.

“Net Revenues” means, for any period of computation, the amount of the Gross Revenues received from the Water System during such period, less the amount of Operation and Maintenance Costs of the Water System becoming payable during such period.

“Nominee” means (a) initially, Cede & Co. as nominee of DTC, and (b) any other nominee of the Depository designated pursuant to Section 2.10(a) of the Indenture.

“Operation and Maintenance Costs” means the reasonable and necessary costs and expenses paid by the Agency for maintaining and operating the Water System, including but not limited to (a) the costs of acquiring water, including the treatment thereof, (b) the expenses of management and repair and other costs and expenses necessary to maintain and preserve the Water System in good repair and working order, (c) the administrative costs of the Agency attributable to the operation and maintenance of the Water System; but in all cases excluding (i) Additional Payments payable by the Agency under the Installment Purchase Agreement, (ii) debt service expenses relating to the obligations of the Agency with respect to the Water System; (iii) depreciation, replacement and obsolescence charges or reserves therefor, (iv) expenses relating to the California State Water Project, and (v) amortization of intangibles or other bookkeeping entries of a similar nature.

“Original Purchaser” means, in the case of the Series 2016 Bonds, Hilltop Securities, Inc., and its successors and assigns.

“Outstanding,” when used as of any particular time with reference to Bonds, means (subject to the provisions of Section 7.03) all Bonds theretofore executed, issued and delivered by the Agency under this Indenture except -

- (a) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation;
- (b) Bonds paid or deemed to have been paid within the meaning of Section 9.03; and

(c) Bonds in lieu of or in substitution for which other Bonds shall have been executed, issued and delivered by the Agency pursuant to this Indenture or any Parity Bonds Instrument.

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

“Parity Bonds” means all bonds, notes or other obligations (including without limitation long-term contracts, loans, sub-leases or other legal financing arrangements) of the Agency payable from and secured by a pledge of and lien upon any of the Net Revenues issued or incurred pursuant to Section 3.05 or 3.06.

“Parity Bonds Instrument” means the resolution, trust indenture or installment sale agreement adopted, entered into or executed and delivered by the Agency, and under which Parity Bonds are issued.

“Participating Underwriter” has the meaning ascribed thereto in the Continuing Disclosure Certificate.

“Principal Corporate Trust Office” means the corporate trust office of the Trustee at the address set forth in Section 9.10, provided that for purposes of payment, cancellation, surrender, exchange and transfer of Bonds, such term means the corporate trust office of the Trustee in Los Angeles, California or such other or additional offices as may be designated by the Trustee from time to time.

“Record Date” means, with respect to the Series 2016 Bonds, the fifteenth (15th) calendar day of the month immediately preceding an Interest Payment Date or, with respect to any Parity Bonds, any other date established in the applicable Parity Bonds Instrument.

“Revenue Fund” means the fund by that name held by the Agency as set forth in Section 4.02.

“S&P” means Standard & Poor’s Corporation, a corporation duly organized and existing under and by virtue of the laws of the State of New York, and its successors or assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term “S&P” shall be deemed to refer to any other nationally recognized securities rating agency selected by the Agency.

“Series 2016 Bonds” means the Desert Water Agency Water Revenue Refunding Bonds, Series 2004, issued and at any time Outstanding hereunder.

“Series 2016 Escrow Fund” means the fund by that name established pursuant to Section 3.03 hereof.

“State” means the State of California.

“State Loans” means loans incurred by the Agency with the State pursuant to Section 3.06.

“Subordinate Bonds” means all bonds, notes or other obligations (including without limitation long-term contracts, loans, sub-leases or other legal financing arrangements) of the Agency payable from and secured by a pledge of and lien upon any of the Net Revenues, subordinate to the pledge of Net Revenues to pay the Bonds and any Parity Debt, and issued or incurred pursuant to Section 3.08.

“Subordinate Bonds Instrument” means the resolution, trust indenture or installment sale agreement adopted, entered into or executed and delivered by the Agency, and under which Subordinate Bonds are issued.

“Supplemental Indenture” means any supplement or amendment to this Indenture which complies with the provisions of Section 7.01 or 7.02.

“Tax Code” means the Internal Revenue Code of 1986 as in effect on the date of issuance of the Bonds or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the date of issuance of the Bonds, together with applicable proposed, temporary and final regulations promulgated, and applicable official public guidance published, under the Tax Code.

“Tax Regulations” means temporary and permanent regulations promulgated under the Tax Code.

“2007 Trustee” means The Bank of New York Mellon under the 2007 Trust Agreement.

“2007 Certificates” means the \$26,860,000 original principal amount Certificates of Participation (Water System Improvements) Series 2007.

“2007 Installment Purchase Agreement” means the Installment Purchase Agreement, dated as of December 1, 2007, between the Agency and the Desert Water Agency Financing Corporation.

“2007 Trust Agreement” means the Trust Agreement, dated as of December 1, 2007, among the 2007 Trustee, the Agency, and the Corporation.

“Trustee” means The Bank of New York Mellon Trust Company, N.A., appointed by the Agency to act as trustee hereunder pursuant to Section 6.01, and its assigns or any other corporation or association which may at any time be substituted in its place, as provided in Section 6.01.

“Water System” means the existing water system of the Agency, comprising all facilities for the transportation, reclamation, treatment and distribution of water for the residents, commercial and industrial consumers of water in the Agency.

**SECTION 1.02 Rules of Construction.** All references in this Indenture to “Articles,” “Sections,” and other subdivisions are to the corresponding Articles, Sections or subdivisions of

this Indenture; and the words “herein,” “hereof,” “hereunder,” and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or subdivision hereof.

Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. Unless the context shall otherwise indicate, words importing the singular number shall include the plural number and vice versa, and words importing persons shall include corporations and associations, including public bodies, as well as natural persons.

**SECTION 1.03 Authorization and Purpose of Series 2016 Bonds.** The Agency has reviewed all proceedings heretofore taken relative to the authorization of the Series 2016 Bonds and has found, as a result of such review, and hereby finds and determines that all things, conditions, and acts required by law to exist, happen and/or be performed precedent to and in the issuance of the Series 2016 Bonds do exist, have happened and have been performed in due time, form and manner as required by law, and the Agency is now authorized, as an exercise of the municipal affairs power of the Agency as a water agency under the constitution and laws of the State and pursuant to the Bond Law and each and every requirement of law, to issue the Series 2016 Bonds in the manner and form provided in this Indenture. Accordingly, the Agency hereby authorizes the issuance of the Series 2016 Bonds pursuant to the Bond Law and this Indenture for the purpose of providing funds to refund the 2007 Certificates and 2007 Installment Purchase Agreement, and to pay Costs of Issuance of the Series 2016 Bonds.

**SECTION 1.04 Equal Security.** In consideration of the acceptance of the Bonds by the Owners thereof, this Indenture shall be deemed to be and shall constitute a contract among the Agency, the Trustee and the Owners from time to time of the Bonds; and the covenants and agreements herein set forth to be performed on behalf of the Agency shall be for the equal and proportionate benefit, security and protection of all Owners of the Bonds without preference, priority or distinction as to security or otherwise of any of the Bonds over any of the others by reason of the number or date thereof or the time of sale, execution or delivery thereof, or otherwise for any cause whatsoever, except as expressly provided therein or herein.

## **ARTICLE II**

### **ISSUANCE OF SERIES 2016 BONDS**

**SECTION 2.01 Terms of Series 2016 Bonds.** The Series 2016 Bonds authorized to be issued by the Agency under and subject to the Bond Law and the terms of this Indenture shall be designated the “Desert Water Agency Water Revenue Refunding Bonds, Series 2016”, and shall be issued in the original principal amount of \_\_\_\_\_ Dollars (\$\_\_\_\_\_).

The Series 2016 Bonds shall be issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple thereof, so long as no Series 2016 Bond shall have more than one maturity date. The Series 2016 Bonds shall mature on October 1 in each of the years and in the amounts, and shall bear interest at the rates, as follows:

| Maturity Date<br>( <u>May 1</u> ) | Principal<br><u>Amount</u> | Interest<br><u>Rate</u> |
|-----------------------------------|----------------------------|-------------------------|
|-----------------------------------|----------------------------|-------------------------|

Interest on the Series 2016 Bonds shall be payable on each Interest Payment Date to the person whose name appears on the Bond 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 or draft of the Trustee mailed by first class mail to the Owner or, at the option of any Owner of at least \$1,000,000 aggregate principal amount of the Bonds with respect to which written instructions have been filed with the Trustee prior to the Record Date, by wire transfer, at the address of such Owner as it appears on the Bond Registration Books. In the event there exists a default in payment of interest due on such Interest Payment Date, such interest shall be payable on a payment date established by the Trustee to the persons in whose names the Bonds are registered at the close of business on a special record date for the payment of such defaulted interest established by notice mailed by the Trustee to the registered Owners of the Bonds not less than 15 days preceding such special record date. Principal of and premium (if any) on any Series 2016 Bond shall be paid upon presentation and surrender thereof at the Principal Corporate Trust Office of the Trustee. Both the principal of and interest and premium (if any) on the Series 2016 Bonds shall be payable in lawful money of the United States of America.

The Series 2016 Bonds shall be dated the Closing Date and bear interest based on a 360-day year comprised of twelve 30-day months from the Interest Payment Date next preceding the date of authentication thereof, unless said date of authentication is an Interest Payment Date, in which event such interest is payable from such date of authentication, and unless said date of authentication is prior to November 1, 2016, in which event such interest is payable from the Closing Date; provided, however, that if, as of the date of authentication of any Series 2016 Bond, interest thereon is in default, such Series 2016 Bond shall bear interest from the date to which interest has previously been paid or made available for payment thereon in full.

## **SECTION 2.02 Terms of Redemption.**

(a) Sinking Account Redemption. The Term Bonds are subject to mandatory redemption, in part by lot, from Sinking Account payments in the amounts and on the dates set forth in the following schedule on May 1, 20\_\_ with respect to Term Bonds maturing May 1,



20\_\_ and on March 1 in each year thereafter, respectively, at a redemption price equal to the principal amount thereof to be redeemed (without premium), together with interest accrued thereon to the date fixed for redemption; provided, however, that if some but not all of the Series 2016 Bonds have been redeemed pursuant to subsections (b)(1) below, the total amount of Sinking Account payments to be made subsequent to such redemption shall be reduced in an amount equal to the principal amount of the Series 2016 Bonds so redeemed by reducing each such future Sinking Account payment on a pro rata basis (as nearly as practicable) in integral multiples of \$5,000, as shall be designated in a Written Request filed by the Agency with the Trustee.

**Term Bonds Maturing May 1,**

| <b>Redemption Date<br/>(<u>May 1</u>)</b> | <b>Principal<br/><u>Amount</u></b> |
|-------------------------------------------|------------------------------------|
|-------------------------------------------|------------------------------------|

In lieu of such redemption, the Trustee may apply amounts in the Sinking Account to the purchase of Term 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 may be directed by the Agency, except that the purchase price (exclusive of accrued interest) may not exceed the redemption price then applicable to the Term Bonds, as set forth in a Written Request of the Agency. The par amount of any Term Bonds so purchased by the Agency in any twelve-month period immediately preceding any April 15 in the table above will be credited towards and will reduce the principal amount of Term Bonds required to be redeemed on the succeeding May 1.

(b) **Optional Redemption.** The Series 2016 Bonds maturing on or before May 1, 2026 are not subject to optional redemption prior to maturity. The Series 2016 Bonds maturing on May 1, 2027 and thereafter are subject to redemption prior to their stated maturity at the option of the Agency, as a whole or in part on any date, by such maturities as are selected by the Agency from any available source of funds on or after May 1, 2026 at a redemption price equal to the principal amount of the Series 2016 Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption.

The Issuer shall provide the Trustee a Written Request of its intention to redeem Bonds under this subsection (b), and the manner of selecting such Bonds for redemption from among the maturities thereof and the redemption price thereof, at least 45 days prior to the redemption date.

(c) **Selection of Bonds for Redemption.** Whenever provision is made in Section 2.02 of this Indenture for the redemption of less than all of the Series 2016 Bonds of any series, (other than pursuant to Section 2.02(a) hereof) the Trustee shall select the Series 2016 Bonds to be redeemed from all Series 2016 Bonds or such given portion thereof not previously called for

redemption, among series and among maturities as directed by the Agency and by lot within a maturity in any manner which the Trustee in its sole discretion shall deem appropriate and fair; provided, however, that if less than all of the Series 2016 Bonds of a series are called for redemption at any one time, upon the written direction of the Agency, the Agency shall specify a reduction in any pending Sinking Account payments for such series required to be made hereunder.

(d) Notice of Redemption. Notice of redemption shall be mailed by first class mail, postage prepaid, not less than thirty (30) nor more than sixty (60) days before any redemption date, to respective Owners of any Series 2016 Bonds designated for redemption at their addresses appearing on the Registration Books, and to the Securities Depositories and to the Information Services. Each notice of redemption shall state the Series 2016 date of the notice, the redemption date, the place or places of redemption, whether less than all of the Series 2016 Bonds of such series (or all Series 2016 Bonds of a single maturity) are to be redeemed, the CUSIP numbers and Series 2016 Bond numbers of the Series 2016 Bonds to be redeemed, the maturity or maturities of the Series 2016 Bonds to be redeemed and in the case of Series 2016 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 Series 2016 Bonds the redemption price thereof, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such Series 2016 Bonds be then surrendered. Neither the failure to receive any notice nor any defect therein shall affect the proceedings for such redemption or the cessation of accrual of interest from and after the redemption date. Notice of redemption of Bonds shall be given by the Trustee, at the expense of the Issuer, for and on behalf of the Issuer.

(e) Conditional Notice of Optional Redemption of Bonds. With respect to the optional redemption of the Series 2016 Bonds pursuant to 2.02(b) the Agency may instruct the Trustee to include a statement in the notice of such redemption which shall state that such redemption is conditioned upon the receipt by the Trustee on or before the date fixed for such redemption of sufficient funds for such purpose. In the event that sufficient funds shall not have been deposited with the Trustee on or before the date fixed for redemption, the Trustee shall promptly notify the Owners in the same manner in which notice was sent that such redemption is cancelled and the notice thereof shall be deemed to be cancelled and rescinded.

(f) Partial Redemption of Bonds. Upon surrender of any Series 2016 Bonds redeemed in part only, the Agency shall execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the Agency, a new Series 2016 Bond or Series 2016 Bonds of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Series 2016 Bonds surrendered.

(g) 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 Series 2016 Bonds (or portions thereof) so called for redemption being held by the Trustee, on the redemption date designated in such notice, the Series 2016 Bonds (or portions thereof) so called for redemption shall become due and payable, interest on the Series 2016 Bonds so called for redemption shall cease to accrue, said Series 2016 Bonds (or portions thereof) shall cease to be entitled to any benefit or security under this Indenture, and the

Owners of said Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof.

All Bonds redeemed pursuant to the provisions of this Article shall be canceled by the Trustee upon surrender thereof and destroyed.

**SECTION 2.03 Form of Series 2016 Bonds.** The Series 2016 Bonds, the Trustee's certificate of authentication, and the assignment to appear thereon, shall be substantially in the respective forms set forth in Exhibit A attached hereto and by this reference incorporated herein, with necessary or appropriate variations, omissions and insertions, as permitted or required by this Indenture.

**SECTION 2.04 Execution of Series 2016 Bonds.** The Series 2016 Bonds shall be signed in the name and on behalf of the Agency with the manual or facsimile signatures of its General Manager, and attested by the manual or facsimile signature of its Secretary under the seal of the Agency. Such seal may be in the form of a facsimile of the Agency's seal and shall be imprinted or impressed upon the Series 2016 Bonds. The Series 2016 Bonds shall then be delivered to the Trustee for authentication by it. In case any officer who shall have signed any of the Series 2016 Bonds shall cease to be such officer before the Series 2016 Bonds so signed shall have been authenticated or delivered by the Trustee or issued by the Agency, such Series 2016 Bonds may nevertheless be authenticated, delivered and issued and, upon such authentication, delivery and issue, shall be as binding upon the Agency as though the individual who signed the same had continued to be such officer of the Agency. Also, any Series 2016 Bond may be signed on behalf of the Agency by any individual who on the actual date of the execution of such Series 2016 Bond shall be the proper officer although on the nominal date of such Series 2016 Bond such individual shall not have been such officer.

Only such of the Series 2016 Bonds as shall bear thereon a certificate of authentication in substantially the form set forth in Exhibit A, manually executed by the Trustee, shall be valid or obligatory for any purpose or entitled to the benefits of this Indenture, and such certificate of the Trustee shall be conclusive evidence that the Series 2016 Bonds so authenticated have been duly authenticated and delivered hereunder and are entitled to the benefits of this Indenture.

**SECTION 2.05 Transfer of Series 2016 Bonds.** Any Series 2016 Bond may, in accordance with its terms, be transferred upon the Bond Registration Books by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Series 2004 Bond for cancellation, accompanied by delivery of a written instrument of transfer in a form approved by the Trustee, duly executed. Whenever any Series 2016 Bond shall be surrendered for transfer, the Agency shall execute and the Trustee shall thereupon authenticate and deliver to the transferee a new Bond or Bonds of like tenor, maturity and aggregate principal amount. The Agency shall pay all costs of the Trustee incurred in connection with any such transfers, except that the Trustee may require the payment by the Bond Owner requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer.

**SECTION 2.06 Exchange of Series 2016 Bonds.** Series 2016 Bonds may be exchanged at the Principal Corporate Trust Office of the Trustee, for Series 2016 Bonds of the same tenor and maturity and of other authorized denominations. The Agency shall pay all costs of the Trustee

incurred in connection with any such exchanges, except that the Trustee may require the payment by the Bond Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange.

**SECTION 2.07 Temporary Bonds.** The Bonds may be issued initially in temporary form exchangeable for definitive Bonds when ready for delivery. The temporary Bonds may be printed, lithographed or typewritten, shall be of such denominations as may be determined by the Agency and may contain such reference to any of the provisions of this Indenture as may be appropriate. Every temporary Bond shall be executed by the Agency and be registered and authenticated by the Trustee upon the same conditions and in substantially the same manner as the definitive Bonds. If the Agency issues temporary Bonds, it will execute and furnish definitive Bonds without delay, and thereupon the temporary Bonds may be surrendered, for cancellation, in exchange therefor at the Principal Corporate Trust Office of the Trustee, and the Trustee shall authenticate and deliver in exchange for such temporary Bonds an equal aggregate principal amount of definitive Bonds of authorized denominations. Until so exchanged, the temporary Bonds shall be entitled to the same benefits under this Indenture as definitive Bonds authenticated and delivered hereunder.

**SECTION 2.08 Bond Registration Books.** The Trustee will keep or cause to be kept at its trust office sufficient Bond Registration Books for the registration and transfer of the Bonds, which shall at all times during regular business hours, and upon reasonable notice, be open to inspection by the Agency; 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 said books, Bonds as hereinbefore provided.

**SECTION 2.09 Bonds Mutilated, Lost, Destroyed or Stolen.** If any Bond shall become mutilated, the Agency, at the expense of the Owner of said Bond, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like maturity and principal amount in exchange and substitution for the Bond so mutilated, but only upon surrender to the Trustee of the Bond so mutilated. Every mutilated Bond so surrendered to the Trustee shall be cancelled by it and delivered to, or upon the order of, the Agency. If any Bond issued hereunder 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 it and indemnity satisfactory to it shall be given, the Agency, at the expense of the Bond Owner, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like maturity and principal amount in lieu of and in substitution for the Bond so lost, destroyed or stolen. The Agency may require payment of a reasonable fee for each new Bond issued under this Section and of the expenses which may be incurred by the Agency and the Trustee. Any Bond issued under the provisions of this Section in lieu of any Bond alleged to be lost, destroyed or stolen shall constitute an original contractual obligation on the part of the Agency whether or not the Bond alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and shall be equally and proportionately entitled to the benefits of this Indenture with all other Bonds secured by this Indenture.

**SECTION 2.10 Book Entry System.**

(a) **Original Delivery.** The Bonds shall be initially delivered in the form of a separate single fully registered Bond (which may be typewritten) for each maturity of the Bonds. Upon

initial delivery, the ownership of each such Bond shall be registered on the Bond Registration Books maintained by the Trustee pursuant to Section 2.08 hereof in the name of the Nominee.

Except as provided in subsection (c), the ownership of all of the Outstanding Bonds shall be registered in the name of the Nominee on such Bond Registration Books.

With respect to Bonds the ownership of which shall be registered in the name of the Nominee, the Agency and the Trustee shall have no responsibility or obligation to any Depository System Participant or to any person on behalf of which the Agency holds an interest in the Bonds. Without limiting the generality of the immediately preceding sentence, the Agency 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 Depository System Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any Depository System Participant or any other person, other than a Bond Owner as shown in the Registration Books, of any notice with respect to the Bonds, including any notice of redemption, (iii) the selection by the Depository of the beneficial interests in the Bonds to be redeemed in the event the Agency elects to redeem the Bonds in part, (iv) the payment to any Depository System Participant or any other person, other than a Bond Owner as shown in the Registration Books, of any amount with respect to principal, premium, if any, or interest represented by the Bonds or (v) any consent given or other action taken by the Depository as Owner of the Bonds. The Agency and the Trustee may treat and consider the person in whose name each Bond is registered as the absolute owner of such Bond for the purpose of payment of principal, premium, if any, and interest represented by such Bond, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of registering transfers of ownership of such Bond, and for all other purposes whatsoever. The Trustee shall pay the principal, interest and premium, if any, represented by the Bonds only to the respective Owners or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge all obligations with respect to payment of principal, interest and premium, if any, represented by the Bonds to the extent of the sum or sums so paid. No person other than a Bond Owner shall receive a Bond evidencing the obligation of the Agency to make payments of principal, interest and premium, if any, pursuant to this Trust Indenture. Upon delivery by the Depository to the Nominee of written notice to the effect that the Depository has determined to substitute a new Nominee in its place, such new nominee shall become the Nominee hereunder for all purposes; and upon receipt of such a notice the Agency shall promptly deliver a copy of the same to the Trustee.

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

(c) Transfers Outside Book-Entry System. In the event that either (i) the Depository determines not to continue to act as Depository for the Bonds, or (ii) the Agency determines to terminate the Depository as such, then the Agency shall thereupon discontinue the book-entry system with such Depository. In such event, the Depository shall cooperate with the Agency and the Trustee in the execution of replacement Bonds by providing the Trustee with a list showing the interests of the Depository System Participants in the Bonds, and by surrendering the Bonds, registered in the name of the Nominee, to the Trustee on or before the date such replacement Bonds are to be issued. The Depository, by accepting delivery of the Bonds, agrees to be bound by the provisions of this subsection (c). If, prior to the termination of the

Depository acting as such, the Agency fails to identify another Securities Depository to replace the Depository, then the Bonds shall no longer be required to be registered in the Registration Books in the name of the Nominee, but shall be registered in whatever name or names the Owners transferring or exchanging Bonds shall designate, in accordance with the provisions hereof.

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

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

### **ARTICLE III**

#### **ISSUE OF SERIES 2016 BONDS; PARITY BONDS**

**SECTION 3.01** Issuance of Series 2016 Bonds. Upon the execution and delivery of this Indenture, the Agency shall execute and deliver Series 2016 Bonds in the aggregate principal amount of \_\_\_\_\_ Dollars (\$\_\_\_\_\_) to the Trustee for authentication and delivery to the Original Purchaser thereof upon the Request of the Agency.

**SECTION 3.02** Application of Proceeds of Sale of Series 2016 Bonds; Transfer from the 2007 Trust Agreement. Upon the receipt of payment for the Series 2016 Bonds on the Closing Date in the amount of \$\_\_\_\_\_ (being an amount equal to the principal amount of the Series 2016 Bonds (\$\_\_\_\_\_), plus a net premium of \$\_\_\_\_\_, less: (i) underwriter's discount (\$\_\_\_\_\_); and the Trustee shall apply the proceeds of sale thereof as follows:

(a) The Trustee shall deposit in the Escrow Fund and transfer to the Escrow Bank, for deposit to the Escrow Fund, the amount of \$\_\_\_\_\_; and

(b) The Trustee shall deposit in the Cost of Issuance Fund an amount equal to \$\_\_\_\_\_.

**SECTION 3.03 Escrow Fund.** There is hereby created as a fund to be known as the “Desert Water Agency Water Revenue Refunding Bonds, Series 2016 Escrow Fund” (the “Series 2016 Escrow Fund”). In accordance with Section 3.02(a) hereof, the Trustee shall transfer all monies in the Series 2016 Escrow Fund to the Escrow Bank and shall close the Series 2016 Escrow Fund.

**SECTION 3.04 Cost of Issuance Fund.** There is hereby created a fund to be known as the “Desert Water Agency Water Revenue Refunding Bonds, Series 2016 Cost of Issuance Fund” (the “Cost of Issuance Fund”), which the Agency hereby covenants and agrees to cause to be maintained and which shall be held in trust by the Trustee. The moneys in the Cost of Issuance Fund shall be used in the manner provided by law solely for the purpose of the payment of Costs of Issuance upon receipt by the Trustee of Requests of the Agency therefor, on or after the Closing Date. Any funds remaining in the Cost of Issuance Fund on the earlier of (1) the date an Authorized Official notifies the Trustee that all third party Costs of Issuance have been paid, or (2) \_\_\_\_\_, 2016, shall be transferred by the Trustee to the Desert Water Agency: Authority Financing Director, 1200 S Gene Autry Trail, Palm Springs, California, 92264, to cover staff time and administrative expenses incurred by the Desert Water Agency in connection with the issuance of the Bonds.

**SECTION 3.05 Issuance of Parity Bonds.** In addition to the Series 2016 Bonds, the Agency may, by Parity Bonds Instrument, issue or incur other loans, advances or indebtedness payable from Net Revenues to be derived from the Water System, to provide financing for the Water System, in such principal amount as shall be determined by the Agency. The Agency may issue or incur any such Parity Bonds subject to the following specific conditions, which are hereby made conditions precedent to the issuance and delivery of such Parity Bonds:

(a) The Agency shall be in compliance with all covenants set forth in this Indenture.

(b) The Net Revenues of the Water System, calculated on sound accounting principles, as shown by the books of the Agency for the latest Fiscal Year or any more recent twelve (12) month period selected by the Agency ending not more than sixty (60) days prior to the adoption of the Parity Bonds Instrument pursuant to which such Parity Bonds are issued, as shown by the books of the Agency, plus, at the option of the Agency, any or all of the items hereinafter in this paragraph designated (i) and (ii), shall at least equal One Hundred Fifteen percent (115%) of Maximum Annual Debt Service, with Maximum Annual Debt Service calculated on all Bonds and State Loans to be Outstanding immediately subsequent to the issuance of such Parity Bonds which have a lien on Net Revenues of the Water System. The items any or all of which may be added to such Net Revenues for the purpose of issuing or incurring Parity Bonds hereunder are the following:

(i) An allowance for Net Revenues from any additions to or improvements or extensions of the Water System to be made with the proceeds of such Parity Bonds, and also for Net Revenues from any such additions, improvements or extensions which have been made from moneys from any source but in any case which, during all or any part of such Fiscal Year or such twelve (12) month period, were not in service, all in an amount equal to ninety percent (90%) of the estimated additional average annual Net Revenues to be derived from such additions, improvements and extensions for the first thirty-six (36) month period in which each addition, improvement or extension is respectively to be in operation; and

(ii) An allowance for earnings arising from any increase in the Water System rates and charges which has become effective prior to the incurring of such additional indebtedness but which, during all or any part of such Fiscal Year or such twelve (12) month period, was not in effect, in an amount equal to the amount by which the Net Revenues would have been increased if such increase in Water System rates and charges had been in effect during the whole of such Fiscal Year or such twelve (12) month period.

(c) The Parity Bonds Instrument providing for the issuance of such Parity Bonds under this Section 3.05 shall provide that:

(i) The proceeds of such Parity Bonds shall be applied to the acquisition, construction, improvement, financing or refinancing of additional facilities, improvements or extensions of existing facilities within the Water System, or otherwise for facilities, improvements or property which the Agency determines are of benefit to the Water System, or for the purpose of refunding any Bonds in whole or in part, including all costs (including costs of issuing such Parity Bonds and including capitalized interest on such Parity Bonds during any period which the Agency deems necessary or advisable) relating thereto;

(ii) Interest on such Parity Bonds shall be payable on an Interest Payment Date;

(iii) The principal of such Parity Bonds shall be payable on May 1 or November 1 in any year in which principal is payable; and

(iv) Money or a surety bond may be deposited in a reserve account for such Parity Bonds from the proceeds of the sale of such Parity Bonds or otherwise in such amount as may be determined by the Agency.

**SECTION 3.06 State Loans.** The Agency may borrow money from the State to finance improvements to the Water System, without complying with the provisions of Section 3.05 (c) (ii), (iii) or (iv), and the obligation of the Agency to make payments to the State under the loan agreement memorializing said loan (the “State Loan”) shall be treated as Parity Bonds for purposes of this Indenture; provided that the Agency shall not make a payment on such State



Loan to the extent it would have the effect of causing the Agency to fail to make a timely payment on the Bonds.

**SECTION 3.07 Subordinate Bonds.** Nothing in this Indenture shall prohibit or impair the authority of the Agency to issue bonds or other obligations secured by a lien on Gross Revenues or Net Revenues which is subordinate to the lien established hereunder, upon such terms and in such principal amounts as the Agency may determine; provided, that the Agency may issue or incur any such Subordinate Bonds subject to the following specific conditions which are hereby made conditions precedent to the issuance and delivery of such Subordinate Bonds:

(a) The Agency shall be in compliance with all covenants set forth in this Indenture.

(b) The Net Revenues of the Water System, calculated on sound accounting principles, as shown by the books of the Agency for the latest Fiscal Year or any more recent twelve (12) month period selected by the Agency ending not more than sixty (60) days prior to the adoption of the Subordinate Bonds Instrument pursuant to which such Subordinate Bonds are issued, as shown by the books of the Agency, plus, at the option of the Agency, any or all of the items hereinafter in this paragraph designated (i) and (ii), shall at least equal One Hundred percent (100%) of Maximum Annual Debt Service, with Maximum Annual Debt Service calculated on all Bonds to be Outstanding immediately subsequent to the issuance of such Subordinate Bonds which have a lien on Net Revenues of the Water System. The items any or all of which may be added to such Net Revenues for the purpose of issuing or incurring Subordinate Bonds hereunder are the following:

(i) An allowance for Net Revenues from any additions to or improvements or extensions of the System to be made with the proceeds of such Subordinate Bonds, and also for Net Revenues from any such additions, improvements or extensions which have been made from moneys from any source but in any case which, during all or any part of such Fiscal Year or such twelve (12) month period, were not in service, all in an amount equal to ninety percent (90%) of the estimated additional average annual Net Revenues to be derived from such additions, improvements and extensions for the first thirty-six (36) month period in which each addition, improvement or extension is respectively to be in operation, all as shown in the written report of an Independent Consultant engaged by the Agency; and

(ii) An allowance for earnings arising from any increase in the Water System rates and charges which has become effective prior to the incurring of such additional indebtedness but which, during all or any part of such Fiscal Year or such twelve (12) month period, was not in effect, in an amount equal to the amount by which the Net Revenues would have been increased if such increase in Water System rates and charges had been in effect during the whole of such Fiscal Year or such twelve (12) month period, all as shown in the written report of an Independent Consultant engaged by the Agency.

(c) The Subordinate Bonds Instrument providing for the issuance of such Subordinate Bonds under this Section 3.08 shall provide that:

(i) The proceeds of such Subordinate Bonds shall be applied to the acquisition, construction, improvement, financing or refinancing of additional facilities, improvements or extensions of existing facilities within the Water System, or otherwise for facilities, improvements or property which the Agency determines are of benefit to the Water System, or for the purpose of refunding any Bonds in whole or in part, including all costs (including costs of issuing such Subordinate Bonds and including capitalized interest on such Subordinate Bonds during any period which the Agency deems necessary or advisable) relating thereto;

(ii) Interest on such Subordinate Bonds shall be payable on an Interest Payment Date; and

(iii) The principal of such Subordinate Bonds shall be payable on May 1 or November 1 in any year in which principal is payable.

**SECTION 3.08 Variable Rate Indebtedness.** Parity Bonds or Subordinate Bonds may be issued as variable rate indebtedness, and shall be assumed to bear interest at the highest of: (i) the actual rate on the date of calculation, or if the Parity Bonds or Subordinate Bonds are not yet outstanding, the initial rate (if established and binding), (ii) if the Parity Bonds or Subordinate Bonds have been outstanding for at least twelve months, the average rate over the twelve months immediately preceding the date of calculation, or if no Parity Bonds or Subordinate Bonds are outstanding for the twelve prior months under the Parity Bonds Instrument or Subordinate Bonds Instrument, the average rate borne by reference to an index comparable to that to be utilized in determining the interest rate for the Parity Bonds or Subordinate Bonds to be issued; and (iii) (A) if interest on the Parity Bonds or Subordinate Bonds is excludable from gross income under the applicable provisions of the Tax Code, the most recently published Bond Buyer “Revenue Bond Index” (or comparable index if no longer published), or (B) if interest is not so excludable, the interest rate on direct U.S. Treasury Obligations with comparable maturities, provided, however, that for purposes of any rate covenant measuring actual debt service coverage during a test period, variable rate Parity Bonds or Subordinate Bonds shall be deemed to bear interest at the actual rate per annum applicable during the test period.

**SECTION 3.09 Validity of Bonds.** The validity of the authorization and issuance of the Bonds shall not be affected in any way by any proceedings taken by the Agency in connection with the Water System, and the recital contained in the Bonds that the same are issued pursuant to the Bond Law shall be conclusive evidence of their validity and of the regularity of their issuance.

## **ARTICLE IV**

### **PLEDGE OF NET REVENUES; FUNDS AND ACCOUNTS**

#### **SECTION 4.01 Pledge of Net Revenues, Revenue Fund.**

(a) The Agency hereby transfers, places a charge upon, assigns and sets over to the Trustee, for the benefit of the Owners, that portion of the Net Revenues which is necessary to pay the principal of and interest on the Bonds in any Fiscal Year, together with all moneys on deposit in the Debt Service Fund, including the Interest Account, the Principal Account and the Sinking Account established therein, and such portion of the Net Revenues is hereby irrevocably pledged to the punctual payment of the principal of and interest on the Bonds. The Net Revenues shall not be used for any other purpose while any of the Bonds remain Outstanding, except that out of Net Revenues there may be apportioned and paid such sums for such purposes, as are expressly permitted by this Article. Said pledge shall constitute a first, direct and exclusive charge and lien on the Net Revenues for the payment of the principal of and interest on the Bonds in accordance with the terms thereof and on the Debt Service Fund, and the Interest Account, Principal Account and Sinking Account established therein.

(b) The Net Revenues constitute a trust fund for the security and payment of the principal of and interest on the Bonds. The general fund of the Agency is not liable and the credit of the Agency is not pledged for the payment of the principal of and interest on the Bonds. The Owner of the Bonds shall not compel the exercise of the taxing power by the Agency or the forfeiture of its property. The principal of and interest on the Bonds are not a debt of the Agency, nor a legal or equitable pledge, charge, lien or encumbrance, upon any of its property, or upon any of its income, receipts, or revenues except the Net Revenues of the Water System.

**SECTION 4.02 Receipt and Deposit of Revenues.** The Agency has heretofore established the Revenue Fund, which the Agency agrees to continue to hold and maintain for the purposes and uses set forth herein. The Agency covenants and agrees that all Gross Revenues, when and as received, will be received and held by the Agency in trust hereunder and will be deposited by the Agency in the Revenue Fund and will be accounted for through and held in trust in the Revenue Fund, and the Agency shall only have such beneficial right or interest in any of such money as in this Indenture provided. All such Gross Revenues shall be transferred, disbursed, allocated and applied solely to the uses and purposes hereinafter in this Article set forth, and shall be accounted for separately and apart from all other money, funds, accounts or other resources of the Agency.

**SECTION 4.03 Establishment of Funds and Accounts and Allocation of Revenues Thereto.** The Debt Service Fund, as a special fund, is hereby created. The Debt Service Fund shall be held and maintained by the Trustee. All Gross Revenues shall be held in trust by the Agency in the Revenue Fund and shall be applied, transferred, used and withdrawn only for the purposes hereinafter authorized in this Article.

(1) **Operating Costs.** The Agency shall first pay from the moneys in the Revenue Fund the budgeted Operation and Maintenance Costs as such Costs become due and payable.

(2) Debt Service Payments. Not later than the first Business Day preceding each date on which principal of or interest on the Bonds becomes due and payable, the Trustee shall transfer from the Debt Service Fund and deposit into the following respective accounts (each of which the Trustee shall establish and maintain within the Debt Service Fund), the following amounts in the following order of priority, the requirements of each such account at the time of deposit to be satisfied before any transfer is made to any account subsequent in priority:

(a) The Trustee shall deposit in the Interest Account an amount required to cause the aggregate amount on deposit in the Interest Account to be at least equal to the amount of interest becoming due and payable on such Interest Payment Date on all Series 2016 Bonds then Outstanding.

(b) The Trustee shall deposit in the Principal Account an amount required to cause the aggregate amount on deposit in the Principal Account to equal the principal amount of the Series 2016 Bonds coming due and payable on such Interest Payment Date.

(c) The Trustee shall deposit in the Sinking Account an amount equal to the aggregate principal amount of the Term Bonds required to be redeemed on such date, if any, pursuant to Section 4.01(a).

(3) Surplus. As long as all of the foregoing payments, allocations and transfers are made at the times and in the manner set forth above in subsections (1) and (2), any moneys remaining in the Revenue Fund may at any time be treated as surplus and applied for any lawful purpose.

**SECTION 4.04** Application of Debt Service Fund. Moneys in the Debt Service Fund shall be applied as follows:

(a) 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 Series 2016 Bonds as it shall become due and payable (including accrued interest on any Series 2016 Bonds purchased or redeemed prior to maturity pursuant to this Indenture).

(b) 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 Series 2016 Bonds at their respective maturity dates.

(c) Application of Sinking Account. All moneys on deposit in the Sinking Account shall be used and withdrawn by the Trustee for the sole purpose of redeeming or purchasing (in lieu of redemption) Term Bonds pursuant to Section 4.01(a).

**SECTION 4.05** Investments. All moneys in the Revenue Fund may be invested by the Agency from time to time in any investments authorized by law, consistent with the Agency's investment policy. All moneys in the Debt Service Fund, and the accounts established therein, and Cost of Issuance Fund shall be invested by the Trustee solely in Authorized Investments, as directed pursuant to a Request of the Agency. In the absence of any such Request of the Agency,

the Trustee may (but shall not be required to) invest any such moneys in money market funds described in paragraph (f) of the definition of Authorized Investments. Obligations purchased as an investment of moneys in any Fund or Account shall be deemed to be part of such Fund or Account, and all interest or gain derived from the investment of amounts in any of the Funds or Accounts established hereunder shall be deposited in the Fund or Account from which such investment was made; and shall be accounted for and applied as provided in Section 4.04(c) with respect to the Debt Service Fund. For purposes of acquiring any investments hereunder, the Trustee may commingle funds held by it hereunder with the written approval of the Agency. The Trustee or an affiliate may act as principal or agent in the acquisition or disposition of any investment, and shall be entitled to its customary fees therefor. The Trustee shall incur no liability for losses arising from any investments made pursuant to this Section.

The Trustee shall furnish the Agency periodic cash transaction statements which include detail for all investment transactions effected by the Trustee or brokers selected by the Agency. Upon the Agency's election, such statements will be delivered via the Trustee's online service and upon electing such service, paper statements will be provide only upon request. The Agency waives the right to receive brokerage confirmations of security transactions effected by the Trustee as they occur, to the extent permitted by law. The Agency 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.

#### **SECTION 4.06 Valuation; Investments.**

(a) Method of Valuation and Frequency of Valuation. In computing the amount in any Fund or Account, Authorized Investments shall be valued at Fair Market Value. With respect to all Funds and Accounts, valuation shall occur annually.

(b) Additional Limitations. Except as otherwise provided in the following sentence, the Agency covenants that all investments of amounts deposited in any fund or account created by or pursuant to this Indenture, or otherwise containing gross proceeds of the Bonds (within the meaning of section 148 of the Tax Code) shall be acquired, disposed of, and valued (as of the date that valuation is required by this Indenture or the Tax Code) at Fair Market Value. Investments in funds or accounts (or portions thereof) that are subject to a yield restriction under applicable provisions of the Tax Code and (unless valuation is undertaken at least annually) shall be valued at their present value (within the meaning of section 148 of the Tax Code). The Trustee shall not be liable for verification of the application of any sections of the Tax Code or for any determination of Fair Market Value or present value.

### **ARTICLE V**

#### **COVENANTS OF THE AGENCY; SPECIAL TAX COVENANTS**

**SECTION 5.01 Punctual Payment; Compliance With Documents.** The Agency shall punctually pay or cause to be paid the interest and principal to become due with respect to all of the Bonds in strict conformity with the terms of the Bonds and of this Indenture, and will

faithfully observe and perform all of the conditions, covenants and requirements of this Indenture and all Parity Bonds Instruments.

**SECTION 5.02 Against Encumbrances.** The Agency will not mortgage or otherwise encumber, pledge or place any charge upon the Water System or any part thereof, or upon any of the Net Revenues, except as provided in the Indenture.

**SECTION 5.03 Discharge of Claims.** The Agency covenants that in order to fully preserve and protect the priority and security of the Bonds the Agency shall pay from the Net Revenues and discharge all lawful claims for labor, materials and supplies furnished for or in connection with the Water System which, if unpaid, may become a lien or charge upon the Net Revenues prior or superior to the lien of the Bonds and impair the security of the Bonds. The Agency shall also pay from the Net Revenues all taxes and assessments or other governmental charges lawfully levied or assessed upon or in respect of the Water System or upon any part thereof or upon any of the Net Revenues therefrom.

**SECTION 5.04 Acquisition, Construction or Financing of Improvements to the Water System.** The Agency will acquire, construct, or finance Improvements to the Water System to be financed with the proceeds of any Parity Bonds with all practicable dispatch, and such Improvements will be made in an expeditious manner and in conformity with laws so as to complete the same as soon as possible.

**SECTION 5.05 Maintenance and Operation of Water System in Efficient and Economical Manner.** The Agency covenants and agrees to maintain and operate the Water System in an efficient and economical manner and to operate, maintain and preserve the Water System in good repair and working order.

**SECTION 5.06 Against Sale, Eminent Domain.**

(a) The Agency will not sell, lease or otherwise dispose of the Water System or any part thereof essential to the proper operation of the Water System or to the maintenance of the Net Revenues except as herein expressly permitted. The Agency will not enter into any lease or agreement which impairs the operation of the Water System or any part thereof necessary to secure adequate Net Revenues for the payment of the interest on and principal of the Bonds, or which would otherwise impair the rights of the Holders with respect to the Net Revenues or the operation of the Water System. Any real or personal property which has become non-operative or which is not needed for the efficient and proper operation of the Water System, or any material or equipment which has worn out, may be sold at not less than the market value thereof without the consent of the Holders if such sale will not reduce Net Revenues and if all of the Net Proceeds of such sale are deposited in the Revenue Fund.

(b) If all or any part of the Water System shall be taken by eminent domain proceedings, the Net Proceeds realized by the Agency therefrom shall be deposited by the Agency with the Trustee in a special fund in trust and applied by the Agency to the cost of acquiring or constructing or financing Improvements to the Water System if (A) the Agency first secures and files with the Trustee a Certificate of the Agency showing (i) the estimated loss in annual Net Revenues, if any, suffered, or to be suffered, by the Agency by reason of such

eminent domain proceedings, (ii) a general description of the Improvements to the Water System then proposed to be acquired or constructed by the Agency from such Net Proceeds, and (iii) an estimate of the additional Net Revenues to be derived from such Improvements; and (B) the Trustee, on the basis of such Certificate of the Agency, determines that such additional Net Revenues will sufficiently offset the loss of Net Revenues, resulting from such eminent domain proceedings so that the ability of the Agency to meet its obligations hereunder will not be substantially impaired, which determination shall be final and conclusive. If the foregoing conditions are met, the Agency shall then promptly proceed with the acquisition or construction or financing of such Improvements substantially in accordance with such Certificate of the Agency and payments therefor shall be made by the Trustee from such Net Proceeds and from other moneys of the Agency lawfully available therefor, and any balance of such Net Proceeds not required by the Agency for the purposes aforesaid shall be deposited in the Revenue Fund. If the foregoing conditions are not met, then such Net Proceeds shall be held in trust by the Trustee and applied to the payment of the Bonds, as the same become due by their terms, and, pending such application, such remaining moneys may be invested by the Trustee in the manner provided in Section 4.06.

**SECTION 5.07 Insurance.** The Agency covenants that it shall at all times maintain such insurance on the Water System as is customarily maintained with respect to works and properties of like character against accident to, loss of or damage to such works or properties. If any useful part of the Water System shall be damaged or destroyed, such part shall be restored to use. The Net Proceeds of insurance against accident to or destruction of the physical Water System shall be used for repairing or rebuilding the damaged or destroyed portions of the Water System (to the extent that such repair or rebuilding is determined by the Agency to be useful or of continuing value to the Water System), and to the extent not so applied, shall be held by the Trustee and applied to the payment of the Bonds, as the same became due by their terms and pending such application, such remaining moneys may be invested by the Trustee in the manner provided in Section 4.06.

Any such insurance shall be in the form of policies or contracts for insurance with insurers of good standing and shall be payable to the Agency, or may be in the form of self-insurance by the Agency. The Agency shall establish such fund or funds or reserves as it determines, in its sole judgment, are necessary to provide for its share of any such self-insurance.

**SECTION 5.08 Records and Accounts.** The Agency covenants that it shall keep proper books of record and accounts of the Water System, separate from all other records and accounts, in which complete and correct entries shall be made of all transactions relating to the Water System. Said books shall, upon reasonable request, be subject to the inspection of the Owners of not less than ten percent (10%) of the Outstanding Bonds or their representatives authorized in writing.

The Agency covenants that it will cause the books and accounts of the Water System to be audited annually by an Independent Certified Public Accountant and will make available for inspection by the Bond Owners at the office of the Trustee in Los Angeles, California, upon reasonable request, a copy of the report of such Independent Certified Public Accountant.

The Agency covenants that it will cause to be prepared annually, not more than one hundred eighty (180) days after the close of each Fiscal Year, as a part of its regular annual financial report, a summary statement showing the amount of Gross Revenues and the amount of all other funds collected which are required to be pledged or otherwise made available as security for payment of principal of and interest on the Bonds, the disbursements from the Gross Revenues and other funds in reasonable detail. The Agency shall furnish a copy of the statement to the Trustee, and upon written request, to any Bond Owner.

**SECTION 5.09 Protection of Security and Rights of Owners.** The Agency will preserve and protect the security of the Bonds and the rights of the Owners, and will warrant and defend their rights against all claims and demands of all persons. From and after the sale and delivery of any Parity Bonds by the Agency, such Parity Bonds shall be incontestable by the Agency.

**SECTION 5.10 Against Competitive Facilities.** The Agency will not acquire, construct, operate or maintain a water system or utility within the service area of the Agency that would be competitive with the Water System.

**SECTION 5.11 Payment of Taxes, Etc.** The Agency 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 any Revenues when the same shall become due. The Agency will duly observe and conform with all valid requirements of any governmental authority relative to the Water System or any part thereof, and will comply with all requirements with respect to any state or federal grants received to assist in paying for the costs of the acquisition, construction or financing of any Improvements to the Water System.

**SECTION 5.12 Rates and Charges.**

(a) The Agency shall fix, prescribe, revise and collect Water System rates and charges to produce Gross Revenues for the Water System during each Fiscal Year which are at least sufficient, after making allowances for contingencies and error in the estimates, to pay the following amounts in the following order:

- (i) all Operation and Maintenance Costs of the Water System estimated by the Agency to become due and payable in such Fiscal Year;
- (ii) the Debt Service on the Bonds and the State Loans;
- (iii) all other payments required for compliance with this Indenture and the Parity Bonds Instruments pursuant to which any Parity Bonds relating to the Water System shall have been issued; and
- (iv) all payments required to meet any other obligations of the Agency which are charges, liens, encumbrances upon or payable from the Gross Revenues of the Water System or the Net Revenues of the Water System.

(b) In addition, the Agency shall fix, prescribe, revise and collect Water System rates and charges to produce Gross Revenues for the Water System (exclusive of connection fees and transfers to the Revenue Fund from a rate stabilization fund) during each Fiscal Year which are



sufficient to yield Net Revenues of the Water System at least equal to one hundred percent (100%) of the amounts payable under the preceding clause (a)(ii) in such Fiscal Year for Bonds which have a lien on such Net Revenues.

(c) In addition, the Agency shall fix, prescribe, revise and collect Water System rates and charges to produce Gross Revenues for the Water System during each Fiscal Year which are sufficient to yield Net Revenues of the Water System at least equal to one hundred fifteen percent (115%) of the amounts payable under the preceding clause (a)(ii) in such Fiscal Year for Bonds which have a lien on such Net Revenues.

**SECTION 5.13 No Priority for Additional Obligations.** The Agency covenants that no additional bonds or other obligations shall be issued or incurred having any priority in payment of principal or interest out of the Net Revenues over the Bonds.

**SECTION 5.14 No Arbitrage.** The Agency shall not take, nor permit nor suffer to be taken any action with respect to the proceeds of any of the Bonds which would cause any of the Bonds to be “arbitrage bonds” within the meaning of the Tax Code.

**SECTION 5.15 Information Report.** The Agency is hereby directed to assure the filing of an information report for the Series 2016 Bonds in compliance with Section 149 (e) of the Tax Code.

**SECTION 5.16 Private Activity Bond Limitation.** The Agency shall assure that the proceeds of the Bonds are not so used as to cause the Bonds to satisfy the private business tests of section 141(b) of the Tax Code or the private loan financing test of section 141(c) of the Tax Code.

**SECTION 5.17 Federal Guarantee Prohibition.** The Agency shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause any of the Series 2016 Bonds to be “federally guaranteed” within the meaning of section 149(b) of the Tax Code.

**SECTION 5.18 Further Assurances.** The Agency will adopt, make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Indenture, and for the better assuring and confirming unto the Owners of the Bonds the rights and benefits provided in this Indenture.

**SECTION 5.19 Continuing Disclosure.** The Agency hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of this Indenture, failure of the Agency to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default; however, the Trustee, at the written request of any Participating Underwriter or the holders of at least 25% aggregate principal amount of Outstanding Bonds, shall, but only to the extent indemnified to its satisfaction from any liability or expense, including, without limitation fees and expenses of its attorneys, or any holder or beneficial owner of the Bonds may, take such actions as may be necessary and appropriate to compel performance, including seeking mandate or specific performance by court order.

**SECTION 5.20 Rebate Requirement.** The Agency shall take any and all actions necessary to assure compliance with section 148(f) of the Tax Code, relating to the rebate of excess investment earnings, if any, to the federal government, to the extent that such section is applicable to the Bonds.

**SECTION 5.21 Maintenance of Tax-Exemption.** The Agency shall take all actions necessary to assure the exclusion of interest on the Bonds from the gross income of the Owners of the Bonds to the same extent as such interest is permitted to be excluded from gross income under the Tax Code as in effect on the date of issuance of the Bonds.

## **ARTICLE VI**

### **THE TRUSTEE**

**SECTION 6.01 Appointment of Trustee.** The Bank of New York Mellon Trust Company, N.A., with an office in Los Angeles, California, a banking association organized and existing under and by virtue of the laws of the United States of America, is hereby appointed Trustee by the Agency for the purpose of receiving all moneys required to be deposited with the Trustee hereunder and to allocate, use and apply the same as provided in this Indenture. The Agency agrees that it will maintain a Trustee having a corporate trust office in San Francisco or Los Angeles, California, with a combined capital and surplus of at least Fifty Million Dollars (\$50,000,000), and subject to supervision or examination by federal or State authority, so long as any Bonds are Outstanding. If such bank 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 Section 5.01 the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

The Trustee is hereby authorized to pay the Bonds when duly presented for payment at maturity or purchase prior to maturity, and to cancel all Bonds upon payment thereof. The Trustee shall keep accurate records of all funds administered by it and of all Bonds paid and discharged.

**SECTION 6.02 Acceptance of Trusts.** The Trustee hereby accepts the trusts imposed upon it by this Indenture, and agrees to perform said trusts, but only upon and subject to the following express terms and conditions:

(a) The Trustee, prior to the occurrence of an Event of Default and after curing all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in this Indenture. In case an Event of Default hereunder has occurred (which has not been cured or waived) the Trustee may exercise such of the rights and powers vested in it by this Indenture, and shall use the same degree of care and skill in their exercise, as a prudent and reasonable man would exercise or use under the circumstances in the conduct of his own affairs.

(b) The Trustee may execute any of the trusts or powers hereof and perform the duties required of it hereunder by or through attorneys, agents, or receivers but shall

be answerable for the selection of the same in accordance with the standard specified above, and shall be entitled to rely conclusively on advice of counsel of its choice concerning all matters of trust and its duty hereunder.

(c) The Trustee shall not be responsible for any recital herein, or in the Bonds, or for the validity of this Indenture or any of the supplements thereto or instruments of further assurance, or for the sufficiency of the security for the Bonds issued hereunder or intended to be secured hereby and the Trustee shall not be bound to ascertain or inquire as to the observance or performance of any covenants, conditions or agreements on the part of the Agency hereunder. The Trustee shall not be responsible or liable for any loss suffered in connection with any investment of funds made by it in accordance with Section 4.06.

(d) The Trustee shall not be accountable for the use of any proceeds of sale of the Bonds delivered hereunder. The Trustee may become the Owner of Bonds secured hereby with the same rights which it would have if not the Trustee; may acquire and dispose of other bonds or evidence of indebtedness of the Agency with the same rights it would have if it were not the Trustee; and may act as a depositary 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 Owners of Bonds, whether or not such committee shall represent the Owners of the majority in principal amount of the Bonds then Outstanding.

(e) In the absence of bad faith on its part, the Trustee shall be protected in acting upon any notice, request, consent, certificate, order, affidavit, letter, telegram, facsimile transmission, electronic mail or other paper or document believed by it to be genuine and correct and to have been signed or sent by the proper person or persons. Any action taken or omitted to be taken by the Trustee pursuant to this Indenture upon the request or authority or consent of any person who at the time of making such request or giving such authority or consent is the Owner of any Bond, shall be conclusive and binding upon all future Owners of the same Bond and upon Bonds issued in exchange therefor or in place thereof. The Trustee shall not be bound to recognize any person as an Owner of any Bond or to take any action at his request unless the ownership of such Bond by such person shall be reflected on the Bond Registration Books.

(f) As to the existence or non-existence of any fact or as to the sufficiency or validity of any instrument, paper or proceeding, the Trustee shall be entitled to rely upon a Certificate of the Agency as sufficient evidence of the facts therein contained and prior to the occurrence of an Event of Default hereunder of which the Trustee has been given notice or is deemed to have notice, as provided in Section 6.02(h) hereof, shall also be at liberty to accept a similar certificate to the effect that any particular dealing, transaction or action is necessary or expedient, but may at its discretion secure such further evidence deemed by it to be necessary or advisable, but shall in no case be bound to secure the same. The Trustee may accept a Certificate of the Agency to the effect that an authorization in the form therein set forth has been adopted by the Agency, as conclusive evidence that such authorization has been duly adopted and is in full force and effect.

(g) The permissive right of the Trustee to do things enumerated in this Indenture shall not be construed as a duty and it shall not be answerable for other than its negligence or willful default. The immunities and exceptions from liability of the Trustee shall extend to its officers, as finally adjudicated by a court of law, directors, employees and agents.

(h) The Trustee shall not be required to take notice or be deemed to have notice of any Event of Default hereunder except failure by the Agency to make any of the payments to the Trustee required to be made by the Agency pursuant hereto or failure by the Agency to file with the Trustee any document required by this Indenture to be so filed subsequent to the issuance of the Bonds, unless the Trustee shall be specifically notified in writing of such default by the Agency or by the Owners of at least twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding and all notices or other instruments required by this Indenture to be delivered to the Trustee must, in order to be effective, be delivered at the Principal Corporate Trust Office, and in the absence of such notice so delivered the Trustee may conclusively assume there is no Event of Default hereunder except as aforesaid.

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

(j) The Trustee shall not be required to give any bond or surety in respect of the execution of the said trusts and powers or otherwise in respect of the premises.

(k) Notwithstanding anything elsewhere in this Indenture with respect to the execution of any Bonds, the withdrawal of any cash, the release of any property, or any action whatsoever within the purview of this Indenture, the Trustee shall have the right, but shall not be required, to demand any showings, certificates, opinions, appraisals or other information, or corporate action or evidence thereof, as may be deemed desirable for the purpose of establishing the right of the Agency to the execution of any Bonds, the withdrawal of any cash, or the taking of any other action by the Trustee.

(l) Before taking the action referred to in Section 8.03 the Trustee may require that an indemnity bond satisfactory in terms and amount be furnished for the reimbursement of all expenses to which it may be put and to protect it against all liability, except liability which is finally adjudicated by a court of law to have resulted from its negligence or willful default in connection with any such action.

(m) All moneys received by the Trustee shall, until used or applied or invested as herein provided, be held in trust for the purposes for which they were received but need not be segregated from other funds except to the extent required by law. The Trustee shall not be under any liability for interest on any moneys received hereunder except such as it may agree to in writing.

**SECTION 6.03 Fees, Charges and Expenses of Trustee.** The Trustee shall be entitled to payment and reimbursement for reasonable fees for its services rendered hereunder and all advances, counsel fees (including expenses) and other expenses reasonably and necessarily made or incurred by the Trustee in connection with such services. Upon the occurrence of an Event of Default hereunder, but only upon an Event of Default, the Trustee shall have a first lien with right of payment prior to payment of any Bond upon the amounts held hereunder for the foregoing fees, charges and expenses incurred by it respectively.

**SECTION 6.04 Notice to Bond Owners of Default.** If an Event of Default hereunder occurs with respect to any Bonds, of which the Trustee has been given or is deemed to have notice, as provided in Section 6.02(h) hereof, then the Trustee shall promptly give written notice thereof by first-class mail to the Owner of each such Bond, unless such Event of Default shall have been cured before the giving of such notice; provided, however, that unless such Event of Default consists of the failure by the Agency to make any payment when due, the Trustee may elect not to give such notice if and so long as the Trustee in good faith determines that it is in the best interests of the Bond Owners not to give such notice.

**SECTION 6.05 Intervention by Trustee.** In any judicial proceeding to which the Agency is a party which, in the opinion of the Trustee and its counsel, has a substantial bearing on the interests of Owners of any of the Bonds, the Trustee may intervene on behalf of such Bond Owners, and subject to Section 6.02 hereof, shall do so if requested in writing by the Owners of at least twenty-five percent (25%) in aggregate principal amount of such Bonds then Outstanding.

**SECTION 6.06 Removal of Trustee.** The Owners of a majority in aggregate principal amount of the Outstanding Bonds may at any time, and the Agency may so long as no Event of Default shall have occurred and then be continuing, remove the Trustee initially appointed, and any successor thereto, by an instrument or concurrent instruments in writing delivered to the Trustee (where applicable), whereupon the Agency or such Owners, as the case may be, shall appoint a successor or successors thereto; provided that any such successor shall be a bank or trust company meeting the requirements set forth in Section 6.01 hereof.

**SECTION 6.07 Resignation by Trustee.** The Trustee and any successor Trustee may at any time resign by giving thirty (30) days' written notice, as provided in Section 9.10 hereof, to the Agency. Upon receiving such notice of resignation, the Agency shall promptly appoint a successor Trustee. Any resignation or removal of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee. Upon such acceptance, the Agency shall cause notice thereof to be given by first class mail to the Bond Owners at their respective addresses set forth on the Bond Registration Books. No resignation of the Trustee shall take effect until a successor is appointed and has accepted.

**SECTION 6.08 Appointment of Successor Trustee.** In the event of the removal or resignation of the Trustee pursuant to Sections 6.06 or 6.07, respectively, the Agency shall promptly appoint a successor Trustee. In the event the Agency shall for any reason whatsoever fail to appoint a successor Trustee within forty-five (45) days following the delivery to the Trustee of the instrument described in Section 6.06 or within forty-five (45) days following the receipt of notice by the Agency pursuant to Section 6.07, the Trustee may apply to a court of

competent jurisdiction for the appointment of a successor Trustee meeting the requirements of Section 6.01 hereof. Any such successor Trustee appointed by such court shall become the successor Trustee hereunder notwithstanding any action by the Agency purporting to appoint a successor Trustee following the expiration of such forty-five-day period.

Notwithstanding any other provision of this Trust Indenture, no removal, resignation or termination of the Trustee shall take effect until a successor shall be appointed; provided, however, that if for any reason whatsoever no successor Trustee shall have been appointed within 45 days following receipt of notice by the Agency pursuant to Section 6.07 above, the Trustee may apply to a court of competent jurisdiction for the appointment of a successor Trustee which meets the requirements of Section 6.01 hereof.

**SECTION 6.09 Merger or Consolidation.** Any company into which the Trustee may be merged or converted or with which it may be consolidated, or any company resulting from any merger, conversion or consolidation to which it shall be a party, or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business (provided that such company shall be eligible under Section 6.01), shall be the successor to the Trustee and vested with all of the title to the trust estate and all of the trusts, powers, discretions, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any paper or further act, anything herein to the contrary notwithstanding.

**SECTION 6.10 Concerning any Successor Trustee.** Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to its predecessor and also to the Agency an instrument in writing accepting such appointment hereunder and thereupon such successor, without any further act, deed or conveyance, shall become fully vested with all the estates, properties, rights, powers, trusts, duties and obligations of its predecessors; but such predecessor shall, nevertheless, on the Request of the Agency, or of its successor, execute and deliver an instrument transferring to such successor all the estates, properties, rights, powers and trusts of such predecessor hereunder; and every predecessor Trustee shall deliver all securities and moneys held by it as the Trustee hereunder to its successor. Should any instrument in writing from the Agency be required by any successor Trustee for more fully and certainly vesting in such successor the estate, rights, powers and duties hereby vested or intended to be vested in the predecessor, any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by the Agency.

**SECTION 6.11 Appointment of Co-Trustee.** It is the purpose of this Indenture that there shall be no violation of any law of any jurisdiction (including particularly the law of the State) denying or restricting the right of banking corporations or associations to transact business as Trustee in such jurisdiction. It is recognized that in the case of litigation under this Indenture, and in particular in case of the enforcement of the rights of the Trustee on default, or in the case the Trustee deems that by reason of any present or future law of any jurisdiction it may not exercise any of the powers, rights or remedies herein granted to the Trustee or hold title to the properties, in trust, as herein granted, or take any other action which may be desirable or necessary in connection therewith, it may be necessary that the Trustee appoint an additional individual or institution as a separate or co-trustee. The following provisions of this Section 6.11 are adopted to these ends.

In the event that the Trustee appoints an additional individual or institution as a separate or co-trustee, each and every remedy, power, right, claim, demand, cause of action, immunity, estate, title, interest and lien expressed or intended by this Indenture to be exercised by or vested in or conveyed to the Trustee with respect thereto shall be exercisable by and vest in such separate or co-trustee but only to the extent necessary to enable such separate or co-trustee to exercise such powers, rights and remedies, and every covenant and obligation necessary to the exercise thereof by such separate or co-trustee shall run to and be enforceable by either of them.

Should any instrument in writing from the Agency be required by the separate trustee or co-trustee so appointed by the Trustee for more fully and certainly vesting in and confirming to it such properties, rights, powers, trusts, duties and obligations, any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by the Agency. In case any separate trustee or co-trustee, or a successor to either, shall become incapable of acting, resign or be removed, all the estates, properties, rights, powers, trusts, duties and obligations of such separate trustee or co-trustee, so far as permitted by law, shall vest in and be exercised by the Trustee until the appointment of a new trustee or successor to such separate trustee or co-trustee.

**SECTION 6.12 Indemnification; Limited Liability of Trustee.** The Agency shall indemnify and hold the Trustee harmless from and against all claims, losses, costs, expenses, liabilities and damages including legal fees and expenses arising from the exercise and performance of its duties hereunder and the termination of this Indenture. Such indemnity shall survive the resignation or removal of the Trustee hereunder. No provision in this Indenture shall require the Trustee to risk or expend its own funds or otherwise incur any financial liability hereunder if it shall have reasonable grounds for believing repayment of such funds or adequate indemnity against such liability or risk is not assured to it. The Trustee shall not be liable for any action taken or omitted to be taken by it in accordance with the direction of a majority of the Owners of the principal amount of Bonds Outstanding relating to the time, method and place of conducting any proceeding or remedy available to the Trustee under this Indenture.

## **ARTICLE VII**

### **MODIFICATION AND AMENDMENT OF THE INDENTURE**

**SECTION 7.01 Amendment by Consent of Bond Owners.** This Indenture and the rights and obligations of the Agency and of the Owners of the Bonds may be modified or amended at any time by a Supplemental Indenture which shall become binding when the written consent of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in Section 7.03 hereof, are filed with the Trustee. No such modification or amendment shall (a) extend the maturity of or reduce the interest rate on any Bond or otherwise alter or impair the obligation of the Agency to pay the principal of or interest on at the time and place and at the rate and in the currency provided therein of any Bond without the express written consent of the Owner of such Bond, (b) reduce the percentage of Bonds required for the written consent to any such amendment or modification, or (c) without its written consent thereto, modify any of the rights or obligations of the Trustee.

**SECTION 7.02 Amendment Without Consent of Bondholders.** This Indenture and the rights and obligations of the Agency and of the Owners of the Bonds may also be modified or

amended at any time by a Supplemental Indenture which shall become binding upon execution and delivery, without consent of any Bond Owners, but only to the extent permitted by law and only for any one or more of the following purposes-

(a) to add to the covenants and agreements of the Agency in this Indenture contained, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or power herein reserved to or conferred upon the Agency; or

(b) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in this Indenture, or in any other respect whatsoever as the Agency may deem necessary or desirable, provided under any circumstances that such modifications or amendments shall not adversely affect the interests of the Owners of the Bonds;

(c) to provide for the issuance of any Parity Bonds, and to provide the terms and conditions under which such Parity Bonds may be issued, including but not limited to the establishment of special funds and accounts relating to such Parity Bonds and any other provisions relating solely to such Parity Bonds, subject to and in accordance with the provisions of Section 3.05; or

(d) to make such additions, deletions or modifications as may be necessary or desirable to assure exemption from federal income taxation of interest on the Bonds.

Any rating agency rating the Bonds must receive notification of any amendment to this Indenture at least 15 days prior to its execution.

**SECTION 7.03 Disqualified Bonds.** Bonds owned or held by or for the account of the Agency (but excluding Bonds held in any employees' retirement fund) shall not be deemed Outstanding for the purpose of any consent or other action or any calculation of Outstanding Bonds in this article provided for, and shall not be entitled to consent to, or take any other action in this article provided for.

**SECTION 7.04 Endorsement or Replacement of Bonds After Amendment.** After the effective date of any action taken as hereinabove provided, the Agency may determine that the Bonds shall bear a notation, by endorsement in form approved by the Agency, as to such action, and in that case upon demand of the Owner of any Bond Outstanding at such effective date and presentation of his Bond for that purpose at the Principal Corporate Trust Office, a suitable notation as to such action shall be made on such Bond. If the Agency shall so determine, new Bonds so modified as, in the opinion of the Agency, shall be necessary to conform to such Bond Owners' action shall be prepared and executed, and in that case upon demand of the Owner of any Bond Outstanding at such effective date such new Bonds shall be exchanged at the Principal Corporate Trust Office, without cost to each Bond Owner, for Bonds then Outstanding, upon surrender of such Outstanding Bonds.

**SECTION 7.05 Amendment by Mutual Consent.** The provisions of this Article VII shall not prevent any Bond Owner from accepting any amendment as to the particular Bond held by him, provided that due notation thereof is made on such Bond.



## ARTICLE VIII

### EVENTS OF DEFAULT AND REMEDIES OF BOND OWNERS

**SECTION 8.01** Events of Default and Acceleration of Maturities. The following events shall be Events of Default hereunder:

- (a) Default in the due and punctual payment of the principal of any Bond when and as the same shall become due and payable, whether at maturity as therein expressed by declaration or otherwise;
- (b) Default in the due and punctual payment of any installment of interest on any Bond when and as such interest installment shall become due and payable;
- (c) Default by the Agency in the observance of any of the other covenants, agreements or conditions on its part in this Indenture or in any Parity Bonds Instrument or in the Bonds contained, and such default shall have continued for a period of sixty (60) days after the Agency shall have been given notice in writing of such default by the Trustee; or
- (d) The filing by the Agency of a petition or answer seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America, or if a court of competent jurisdiction shall approve a petition, filed with or without the consent of the Agency, seeking reorganization under the federal bankruptcy laws or any other applicable law of the United States of America, 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 Agency or of the whole or any substantial part of its property.

Upon the occurrence of an Event of Default, the Trustee may, and shall, at the direction of the owners of a majority of the principal amount of the Bonds by written notice to the Agency, declare the principal of the Bonds to be immediately due and payable, whereupon that portion of the principal of the Bonds thereby coming due and there interest thereon accrued to the date of payment shall, without further action, become and be immediately due and payable, anything in this Indenture or in the Bonds to the contrary notwithstanding. This provision, however, is subject to the condition that if, at any time after the principal of the Bonds shall have been so declared due and payable and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the Agency shall deposit with the Trustee a sum sufficient to pay all of the principal of and interest on the Bonds having come due prior to such declaration, with interest on such overdue principal and interest calculated at the rate of interest per annum then borne by the Outstanding Bonds, and the reasonable fees and expenses of the Trustee and those of its attorneys, and any and all other defaults known to the Trustee (other than in the payment of the principal of and interest on the Bonds having come 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 Owners of a majority in aggregate principal amount of the Bonds at the time Outstanding may, by written notice to the Agency and to the Trustee, on behalf of the Owners of

all of the Outstanding Bonds, rescind and annul such declaration and its consequences. However, no such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair or exhaust any right or power consequent thereon.

**SECTION 8.02 Application of Funds Upon Acceleration.** All amounts received by the Trustee pursuant to any right given or action taken by the Trustee under the provisions of this Indenture shall be applied by the Trustee in the following order upon presentation of the several Bonds, and the stamping thereon of the amount of the payment if only partially paid, or upon the surrender thereof if fully paid -

First, to the payment of the fees, costs and expenses of the Trustee and of Bond Owners in declaring such Event of Default, including reasonable compensation to their agents, attorneys and counsel, and to the payment of the fees, costs and expenses of the Trustee, if any, in carrying out the provisions of this Article VIII, including reasonable compensation to its agents, attorneys and counsel; and

Second, to the payment of the whole amount then owing and unpaid upon the Bonds for interest and principal, with interest on such overdue amounts to the extent permitted by law at the rate of interest then borne by the Outstanding Bonds, and in case such moneys shall be insufficient to pay in full the whole amount so owing and unpaid upon the Bonds, then to the payment of such interest, principal and interest on overdue amounts without preference or priority among such interest, principal and interest on overdue amounts ratably in proportion to the aggregate of such interest, principal and interest on overdue amounts.

**SECTION 8.03 Other Remedies; Rights of Bond Owners.** Upon the occurrence of an Event of Default, the Trustee may pursue any available remedy, in addition to the remedy specified in Section 8.01, at law or in equity to enforce the payment of the principal of, premium, if any, and interest on the Outstanding Bonds, and to enforce any rights of the Trustee under or with respect to this Indenture.

If an Event of Default shall have occurred and be continuing and if requested so to do by the Owners of at least twenty-five percent (25%) in aggregate principal amount of Outstanding Bonds and indemnified as provided in Section 6.02 (1), the Trustee shall be obligated to exercise such one or more of the rights and powers conferred by this Article VIII, as the Trustee, being advised by counsel, shall deem most expedient in the interests of the Bond Owners.

No remedy by the terms of this Indenture conferred upon or reserved to the Trustee (or to the Bond Owners) is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Trustee or to the Bond Owners hereunder or now or hereafter existing at law or in equity.

No delay or omission to exercise any right or power accruing upon 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 acquiescence therein; such right or power may be exercised from time to time as often as may be deemed expedient.

**SECTION 8.04 Power of Trustee to Control Proceedings.** In the event that the Trustee, upon the happening of an Event of Default, shall have taken any action, by judicial proceedings

or otherwise, pursuant to its duties hereunder, whether upon its own discretion or upon the request of the Owners of a majority in principal amount of the Bonds then Outstanding, it shall have full power, in the exercise of its discretion for the best interests of the Owners of the Bonds, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; provided, however, that the Trustee shall not, unless there no longer continues an Event of Default, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if at the time there has been filed with it a written request signed by the Owners of a majority in principal amount of the Outstanding Bonds hereunder opposing such discontinuance, withdrawal, compromise, settlement or other disposal of such litigation. Any suit, action or proceeding which any Owner of Bonds shall have the right to bring to enforce any right or remedy hereunder may be brought by the Trustee for the equal benefit and protection of all Owners of Bonds similarly situated and the Trustee is hereby appointed (and the successive respective Owners of the Bonds issued hereunder, by taking and holding the same, shall be conclusively deemed so to have appointed it) the true and lawful attorney-in-fact of the respective Owners of the Bonds for the purpose of bringing any such suit, action or proceeding and to do and perform any and all acts and things for and on behalf of the respective Owners of the Bonds as a class or classes, as may be necessary or advisable in the opinion of the Trustee as such attorney-in-fact.

**SECTION 8.05 Appointment of Receivers.** Upon the occurrence of an Event of Default hereunder, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and of the Bond Owners under this Indenture, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the Net Revenues and other amounts pledged hereunder, pending such proceedings, with such powers as the court making such appointment shall confer.

**SECTION 8.06 Non-Waiver.** Nothing in this Article VIII or in any other provision of this Indenture, or in the Bonds, shall affect or impair the obligation of the Agency, which is absolute and unconditional, to pay the interest on and principal of the Bonds to the respective Owners of the Bonds at the respective dates of maturity, as herein provided, out of the Net Revenues and other moneys herein pledged for such payment.

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

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

**SECTION 8.07 Rights and Remedies of Bond Owners.** No Owner of any Bond issued hereunder shall have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon this Indenture, unless (a) such Owner shall have previously given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of a majority in aggregate principal amount of all the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name; (c) said Owners shall have tendered to the Trustee indemnity reasonably acceptable to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee shall have refused or omitted 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.

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 Bonds of any remedy hereunder; it being understood and intended that no one or more Owners of Bonds shall have any right in any manner whatever by his or their action to enforce any right under this Indenture, except in the manner herein provided, and that all proceedings at law or in equity to enforce any provision of this Indenture shall be instituted, had and maintained in the manner herein provided and for the equal benefit of all Owners of the Outstanding Bonds.

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

**SECTION 8.08 Termination of Proceedings.** In case the Trustee shall have proceeded to enforce any right under this Indenture by the appointment of a receiver or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely, then and in every such case, the Agency, the Trustee and the Bond Owners shall be restored to their former positions and rights hereunder, respectively, with regard to the property subject to this Indenture, and all rights, remedies and powers of the Trustee shall continue as if no such proceedings had been taken.

## **ARTICLE IX**

### **MISCELLANEOUS**

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

**SECTION 9.02 Parties Interested Herein.** Nothing in this Indenture expressed or implied is intended or shall be construed to confer upon, or to give to, any person or entity, other than the Agency, the Trustee and the Owners any right, remedy or claim under or by reason of this Trust Indenture, or any covenant, condition or stipulation hereof, and all covenants, stipulations, promises and agreements in this Indenture contained by and on behalf of the Agency shall be for the sole and exclusive benefit of the Agency, the Trustee and the Owners.

**SECTION 9.03 Discharge of Indenture.** If the Agency shall pay and discharge any or all of the Outstanding Bonds in any one or more of the following ways:

(a) by well and truly paying or causing to be paid the principal of and interest and premium (if any) on such Bonds, as and when the same become due and payable;

(b) by depositing with the Trustee, in trust, at or before maturity, money which, together with the available amounts then on deposit in the funds and accounts established pursuant to this Indenture, is fully sufficient to pay such Bonds, including all principal of and interest thereon; or

(c) by depositing with a qualified escrow holder, in trust, Defeasance Obligations in such amount as the Agency (verified by an Independent Certified Public Accountant) shall determine will, together with the interest to accrue thereon and available moneys then on deposit in the Funds and Accounts established pursuant to this Indenture, be fully sufficient to pay and discharge the indebtedness on such Bonds (including all principal and interest at their respective maturity dates;

then, at the election of the Agency, and notwithstanding that any of such Bonds shall not have been surrendered for payment, the pledge of the Net Revenues and other funds provided for in this Indenture with respect to such Bonds, and all other pecuniary obligations of the Agency under this Indenture with respect to all such Bonds, shall cease and terminate, except only the obligation of the Agency to pay or cause to be paid to the Owners of such Bonds not so surrendered and paid all sums due thereon from amounts set aside for such purpose as aforesaid, and all expenses and costs of the Trustee. Notice of such election shall be filed with the Trustee.

Any funds thereafter held by the Trustee, which are not required for said purposes, shall be paid over to the Agency.

To accomplish defeasance the Agency shall cause to be delivered (i) a report of an Independent Certified Public Accountant verifying the sufficiency of the escrow established to pay the Bonds in full on the maturity date (“Verification”), (ii) an escrow deposit agreement, and (iii) an opinion of nationally recognized bond counsel to the effect that the Bonds are no longer “Outstanding” under this Indenture; each Verification and defeasance opinion shall be acceptable in form and substance, and addressed, to the Agency and the Trustee. If a forward supply contract is employed in connection with the refunding, (i) such verification report shall expressly state that the adequacy of the escrow to accomplish the refunding relies solely on the initial escrowed investments and the maturing principal thereof and interest income thereon and does not assume performance under or compliance with the forward supply contract, and (ii) the applicable escrow agreement shall provide that in the event of any discrepancy or difference

between the terms of the forward supply contract and the escrow agreement (or authorizing document, if no separate escrow agreement is utilized), the terms of the escrow agreement or authorizing document, if applicable, shall be controlling.

**SECTION 9.04 Content of Certificates.** Every certificate with respect to compliance with a condition or covenant provided for in this Indenture shall include (a) a statement that the person or persons making or giving such certificate have read such covenant or condition and the definitions herein relating thereto; (b) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate are based; (c) a statement that, in the opinion of the signers, they have made or caused to be made such examination or investigation as is necessary to enable them to express an informed opinion as to whether or not such covenant or condition has been complied with; and (d) a statement as to whether, in the opinion of the signers, such condition or covenant has been complied with.

Any such certificate made or given by an officer of the Agency may be based, insofar as it relates to legal matters, upon a certificate or opinion of or representations by counsel, unless such officer knows that the certificate or opinion or representations with respect to the matters upon which his certificate may be based, as aforesaid, are erroneous, or in the exercise of reasonable care should have known that the same were erroneous. Any such certificate or opinion or representation made or given by counsel may be based, insofar as it relates to factual matters, on information with respect to which is in the possession of the Agency, upon the certificate or opinion of or representations by an officer or officers of the Agency, unless such counsel knows that the certificate or opinion or representations with respect to the matters upon which his certificate, opinion or representation may be based, as aforesaid, are erroneous, or in the exercise of reasonable care should have known that the same were erroneous.

**SECTION 9.05 Execution of Documents by Bond Owners.** Any request, consent or other instrument required by this Indenture to be signed and executed by Bond Owners may be in any number of concurrent writings of substantially similar tenor and may be signed or executed by such Bond Owners in person or by 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, shall be sufficient for any purpose of this Indenture and shall be conclusive in favor of the Trustee and of the Agency if made in the manner provided in this Section 9.05.

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 affidavit of a witness of such execution or 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 or writing acknowledged to him the execution thereof.

The ownership of Bonds shall be provided by the Bond Registration Books.

Any request, consent or vote of the Owner of any Bond shall bind every future Owner of the same Bond and the Owner of any Bond issued in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or the Agency in pursuance of such request, consent or vote.

In determining whether the Owners of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent or waiver under this Indenture, Bonds which are owned or held by or for the account of the Agency (but excluding Bonds held in any employees' retirement fund) shall be disregarded and deemed not to be Outstanding for the purpose of any such determination, provided, however, that for the purpose of determining whether the Trustee shall be protected in relying on any such demand, request, direction, consent or waiver, only Bonds which the Trustee knows to be so owned or held shall be disregarded.

In lieu of obtaining any demand, request, direction, consent or waiver in writing, the Trustee may call and hold a meeting of the Bond Owners upon such notice and in accordance with such rules and obligations as the Trustee considers fair and reasonable for the purpose of obtaining any such action.

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

**SECTION 9.07 Partial Invalidity.** If any one or more of the covenants or agreements, or portions thereof, provided in this Indenture on the part of the Agency (or of the Trustee) to be performed should be contrary to law, then such covenant or covenants, such agreement or agreements, or such portions thereof, shall be null and void and shall be deemed separable from the remaining covenants and agreements or portions thereof and shall in no way affect the validity of this Indenture or of the Bonds; but the Bond Owners shall retain all rights and benefits accorded to them under the Bond Law or any other applicable provisions of law. The Agency hereby declares that it would have entered into this Indenture and each and every other section, paragraph, subdivision, sentence, clause and phrase hereof and would have authorized the issuance of the Bonds pursuant hereto irrespective of the fact that any one or more sections, paragraphs, subdivisions, sentences, clauses or phrases of this Indenture or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

**SECTION 9.08 Destruction of Cancelled Bonds.** Whenever in this Indenture provision is made for the surrender to the Agency of any Bonds which have been paid or cancelled pursuant to the provisions of this Indenture, the Trustee shall destroy such Bonds and furnish to the Agency a certificate of such destruction.

**SECTION 9.09 Funds and Accounts.** Any Fund or Account required by this Indenture to be established and maintained by the Agency or the Trustee may be established and maintained in the accounting records of the Agency or the Trustee, as the case may be, either as a Fund or an Account, and may, for the purpose of such records, any audits thereof and any reports or statements with respect thereto, be treated either as a Fund or as an Account. All such records with respect to all such Funds and Accounts held by the Agency shall at all times be maintained in accordance with generally accepted accounting principles and all such records with respect to all such Funds and Accounts held by the Trustee shall be at all times maintained in accordance with corporate trust industry practices; in each case with due regard for the protection of the security of the Bonds and the rights of every Owner thereof.

**SECTION 9.10 Notices.** Any notice, request, complaint, demand, communication or other paper shall be sufficiently given and shall be deemed given when delivered or mailed by registered or certified mail, postage prepaid, first class mail, overnight and hand delivery, fax and email addressed as follows:

If to the Agency: Desert Water Agency  
1200 S Gene Autry Trail  
Palm Springs, California, 92264  
Attention: \_\_\_\_\_

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

The Agency and the Trustee may designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

**SECTION 9.11 Unclaimed Moneys.** Anything in this Indenture to the contrary notwithstanding, any moneys held by the Trustee in trust for the payment and discharge of any of the Bonds which remain unclaimed for one (1) year after the date when such Bonds have become due and payable, either at their stated maturity dates if such moneys were held by the Trustee at such date, or for one (1) year after the date of deposit of such moneys if deposited with the Trustee after said date when such Bonds become due and payable, shall, at the Request of the Agency, be repaid by the Trustee to the Agency, as its absolute property and free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Bond Owners shall look only to the Agency for the payment of such Bonds; provided, however, that before being required to make any such payment to the Agency, the Trustee shall, at the expense and direction of the Agency, cause to be mailed to the Owners of all such Bonds, at their respective addresses appearing on the Bond Registration Books, a notice that said moneys remain unclaimed and that, after a date named in said notice, which date shall not be less than thirty (30) days after the date of mailing of such notice, the balance of such moneys then unclaimed will be returned to the Agency.

*(Signature page follows)*



IN WITNESS WHEREOF, the DESERT WATER AGENCY has caused this Indenture to be signed in its name and on its behalf by the General Manager and attested by its Board Secretary, and The Bank of New York Mellon Trust Company, N.A., in token of its acceptance of the trust created hereunder, has caused this Indenture to be signed in its corporate name by its officer identified below, all as of the day and year first above written.

DESERT WATER AGENCY

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

ATTEST:

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

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

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

*-Signature Page-  
Indenture of Trust*

**EXHIBIT A**

**FORM OF SERIES 2016 BOND**

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

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

**UNITED STATES OF AMERICA  
STATE OF CALIFORNIA  
COUNTY OF RIVERSIDE  
DESERT WATER AGENCY  
WATER REVENUE REFUNDING BOND  
SERIES 2016**

INTEREST RATE

MATURITY DATE

DATED DATE

CUSIP

\_\_\_\_\_%

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: \_\_\_\_\_ DOLLARS

Under and by virtue of Sections 53570 et seq. and 53580 et seq. of the California Government Code (the "Bond Law"), the Desert Water Agency (the "Agency"), for value received, will, on the Maturity Date specified above, pay to the Registered Owner named above, or registered assigns (the "Owner"), the Principal Amount stated above, in lawful money of the United States of America, and pay interest thereon in like lawful money from the Interest Payment Date (as hereinafter defined) next preceding the date of authentication of this Bond (unless (i) this Bond is authenticated on an Interest Payment Date, in which event it shall bear interest from such date of authentication, or (ii) this Bond is authenticated prior to \_\_\_\_\_, in which event it shall bear interest from the Dated Date stated above; provided, however, that if at the time of authentication of this Bond, interest is in default on this Bond, this Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment on this Bond) until payment of such Principal Amount in full, at the Interest Rate per annum stated above, payable on May 1 and November 1 in each year, commencing November 1, 2016 (each an "Interest Payment Date"), calculated on the basis of a 360-day year comprised of twelve 30-day months.

Principal hereof and premium, if any, are payable at the corporate trust office of The Bank of New York Mellon Trust Company, N.A. (the "Trustee"), in Los Angeles, California. Interest hereon (including the final interest payment upon maturity) is payable by check or draft of the Trustee mailed by first class mail to the Owner at the Owner's address as it appears on the

registration books maintained by the Trustee as of the close of business on the fifteenth (15th) day of the month next preceding such Interest Payment Date (the "Record Date"); provided, that at the option of any Owner of at least \$1,000,000 aggregate principal amount of the Bonds with respect to which written instructions have been filed with the Trustee prior to the Record Date, such interest may be paid by wire transfer.

This Bond is one of a duly authorized issue of Bonds of the Agency designated as its "Water Revenue Refunding Bonds, Series 2016" (the "Bonds") issued under and pursuant to the Bond Law and under an Indenture of Trust (the "Indenture") by and between the Agency and the Trustee, dated as of \_\_\_\_\_, 2016, and approved by the Agency by Resolution No. \_\_\_\_\_ adopted by the Board of Directors of the Agency on \_\_\_\_\_, 2016 (the "Resolution"). Copies of the Indenture are on file at the office of the Secretary and at the above-mentioned office of the Trustee, and reference to the Indenture and any and all supplements thereto and modifications and amendments thereof and to the Bond Law is made for a description of the terms on which the Series 2016 Bonds are issued, the provisions with regard to the nature and extent of the Net Revenues, as that term is defined in the Indenture, and the rights of the Owners of the Series 2016 Bonds. All the terms of the Indenture and the Bond Law are hereby incorporated herein and constitute a contract between the Agency and the Owner from time to time of this Series 2016 Bond, and to all the provisions thereof the Owner of this Series 2016 Bond, by acceptance hereof, consents and agrees. Each subsequent Owner hereof shall have recourse to all of the provisions of the Bond Law and the Indenture and shall be bound by all of the terms and conditions thereof.

The Series 2016 Bonds are being issued for the purpose of (i) refunding the Agency's 2007 Certificates of Participation, issued in the original principal amount of \$26,860,000; and (ii) paying certain costs of issuing the Series 2016 Bonds.

The Series 2016 Bonds are special obligations of the Agency and are secured by amounts held from time to time in the Debt Service Fund established and held by the Trustee under the Indenture and, subject to certain restrictions set forth in the Indenture, a pledge of and lien on certain Net Revenues (as defined in the Indenture) generated by the Agency's Water System.

**Neither the general fund, the full faith and credit, nor the taxing power of the Agency, the State of California or any other political subdivision thereof is pledged to the payment of the Series 2016 Bonds. The Series 2016 Bonds are not secured by a legal or equitable pledge of or charge, lien or encumbrance upon any property of the Agency or any of its income or receipts except the Net Revenues.**

The Agency covenants in the Indenture that it will fix, prescribe, revise and collect rates and charges for the Water System in each Fiscal Year which are sufficient to pay 115% of principal of and interest payable in that fiscal year on all outstanding Bonds (the Series 2016 Bonds and any Parity Bonds) payable from Net Revenues of the Water System.

[Redemption provisions to come]

Parity Bonds may be issued pursuant to the Indenture and may be made subject to redemption prior to maturity, as a whole or in part, at such time or times, and upon payment of

the principal amount thereof and accrued interest thereon plus such premium or premiums, if any, as may be determined by the Agency in the applicable Parity Bonds Instrument.

The Series 2016 Bonds are issuable as fully registered Bonds, without coupons, in denominations of \$5,000 or any integral multiple thereof. Subject to the limitations and conditions and upon payment of the charges, if any, as provided in the Indenture, Bonds may be exchanged for a like aggregate principal amount of Series 2016 Bonds of other authorized denominations and of the same maturity.

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

The Agency and the Trustee may treat the Owner hereof as the absolute Owner hereof for all purposes, and the Agency and the Trustee shall not be affected by any notice to the contrary. The Indenture may be amended without the consent of the Owners of the Bonds to the extent set forth in the Indenture.

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

This Bond shall not become valid or obligatory for any purpose or be entitled to the benefits of the Indenture until the certificate of authentication and registration hereon shall have been manually signed by an authorized officer or signatory of the Trustee.

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

IN WITNESS WHEREOF, the Desert Water Agency has caused this Series 2016 Bond to be executed in its name and on its behalf with the facsimile signatures of the City of Encinitas General Manager and of its Board Secretary, all as of the \_\_\_\_ day of \_\_\_\_\_, 2016.

DESERT WATER AGENCY

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

ATTEST:

By: \_\_\_\_\_  
Board Secretary

## **CERTIFICATE OF AUTHENTICATION**

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

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

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

By: \_\_\_\_\_  
Authorized Signatory

## FORM OF ASSIGNMENT

For value received the undersigned do(es) hereby sell, assign and transfer unto\_\_\_\_\_

---

---

---

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

the within Bond and do(es) hereby irrevocably constitute and appoint \_\_\_\_\_

\_\_\_\_\_ attorney, to transfer the same on the books of the Trustee, with full power of substitution in the premises.

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

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.

\_\_\_\_\_  
Note: The signature(s) on this Assignment must correspond with the name(s) as written on the face of the within Bond in every particular, without alteration or enlargement or any change whatsoever.

## TABLE OF CONTENTS

### Page

#### ARTICLE I

##### DEFINITIONS; AUTHORIZATION AND PURPOSE OF BONDS; EQUAL SECURITY

|              |                                                      |    |
|--------------|------------------------------------------------------|----|
| SECTION 1.01 | Definitions.....                                     | 2  |
| SECTION 1.02 | Rules of Construction .....                          | 11 |
| SECTION 1.03 | Authorization and Purpose of Series 2016 Bonds ..... | 12 |
| SECTION 1.04 | Equal Security .....                                 | 12 |

#### ARTICLE II

##### ISSUANCE OF SERIES 2016 BONDS

|              |                                                 |    |
|--------------|-------------------------------------------------|----|
| SECTION 2.01 | Terms of Series 2016 Bonds .....                | 12 |
| SECTION 2.02 | Terms of Redemption .....                       | 13 |
| SECTION 2.03 | Form of Series 2016 Bonds.....                  | 16 |
| SECTION 2.04 | Execution of Series 2016 Bonds .....            | 16 |
| SECTION 2.05 | Transfer of Series 2016 Bonds.....              | 16 |
| SECTION 2.06 | Exchange of Series 2016 Bonds .....             | 16 |
| SECTION 2.07 | Temporary Bonds.....                            | 17 |
| SECTION 2.08 | Bond Registration Books .....                   | 17 |
| SECTION 2.09 | Bonds Mutilated, Lost, Destroyed or Stolen..... | 17 |
| SECTION 2.10 | Book Entry System .....                         | 17 |

#### ARTICLE III

##### ISSUE OF SERIES 2016 BONDS; PARITY BONDS

|              |                                                                                                      |    |
|--------------|------------------------------------------------------------------------------------------------------|----|
| SECTION 3.01 | Issuance of Series 2016 Bonds .....                                                                  | 19 |
| SECTION 3.02 | Application of Proceeds of Sale of Series 2016 Bonds; Transfer<br>from the 2007 Trust Agreement..... | 19 |
| SECTION 3.03 | Escrow Fund .....                                                                                    | 20 |
| SECTION 3.04 | Cost of Issuance Fund .....                                                                          | 20 |
| SECTION 3.05 | Issuance of Parity Bonds.....                                                                        | 20 |
| SECTION 3.06 | State Loans.....                                                                                     | 21 |
| SECTION 3.07 | Subordinate Bonds .....                                                                              | 22 |
| SECTION 3.08 | Variable Rate Indebtedness.....                                                                      | 23 |
| SECTION 3.09 | Validity of Bonds.....                                                                               | 23 |

#### ARTICLE IV

##### PLEDGE OF NET REVENUES; FUNDS AND ACCOUNTS

|              |                                                                                  |    |
|--------------|----------------------------------------------------------------------------------|----|
| SECTION 4.01 | Pledge of Net Revenues, Revenue Fund.....                                        | 24 |
| SECTION 4.02 | Receipt and Deposit of Revenues .....                                            | 24 |
| SECTION 4.03 | Establishment of Funds and Accounts and Allocation of Revenues<br>Thereeto ..... | 24 |
| SECTION 4.04 | Application of Debt Service Fund .....                                           | 25 |



## TABLE OF CONTENTS

(continued)

### Page

|              |                              |    |
|--------------|------------------------------|----|
| SECTION 4.05 | Investments .....            | 25 |
| SECTION 4.06 | Valuation; Investments ..... | 26 |

## ARTICLE V

### COVENANTS OF THE AGENCY; SPECIAL TAX COVENANTS

|              |                                                                                       |    |
|--------------|---------------------------------------------------------------------------------------|----|
| SECTION 5.01 | Punctual Payment; Compliance With Documents .....                                     | 26 |
| SECTION 5.02 | Against Encumbrances.....                                                             | 27 |
| SECTION 5.03 | Discharge of Claims.....                                                              | 27 |
| SECTION 5.04 | Acquisition, Construction or Financing of Improvements to the<br>Water System .....   | 27 |
| SECTION 5.05 | Maintenance and Operation of Water System in Efficient and<br>Economical Manner ..... | 27 |
| SECTION 5.06 | Against Sale, Eminent Domain.....                                                     | 27 |
| SECTION 5.07 | Insurance .....                                                                       | 28 |
| SECTION 5.08 | Records and Accounts.....                                                             | 28 |
| SECTION 5.09 | Protection of Security and Rights of Owners .....                                     | 29 |
| SECTION 5.10 | Against Competitive Facilities.....                                                   | 29 |
| SECTION 5.11 | Payment of Taxes, Etc .....                                                           | 29 |
| SECTION 5.12 | Rates and Charges.....                                                                | 29 |
| SECTION 5.13 | No Priority for Additional Obligations .....                                          | 30 |
| SECTION 5.14 | No Arbitrage .....                                                                    | 30 |
| SECTION 5.15 | Information Report.....                                                               | 30 |
| SECTION 5.16 | Private Activity Bond Limitation.....                                                 | 30 |
| SECTION 5.17 | Federal Guarantee Prohibition .....                                                   | 30 |
| SECTION 5.18 | Further Assurances.....                                                               | 30 |
| SECTION 5.19 | Continuing Disclosure .....                                                           | 30 |
| SECTION 5.20 | Rebate Requirement.....                                                               | 31 |
| SECTION 5.21 | Maintenance of Tax-Exemption .....                                                    | 31 |

## ARTICLE VI

### THE TRUSTEE

|              |                                            |    |
|--------------|--------------------------------------------|----|
| SECTION 6.01 | Appointment of Trustee .....               | 31 |
| SECTION 6.02 | Acceptance of Trusts.....                  | 31 |
| SECTION 6.03 | Fees, Charges and Expenses of Trustee..... | 34 |
| SECTION 6.04 | Notice to Bond Owners of Default .....     | 34 |
| SECTION 6.05 | Intervention by Trustee .....              | 34 |
| SECTION 6.06 | Removal of Trustee.....                    | 34 |
| SECTION 6.07 | Resignation by Trustee .....               | 34 |
| SECTION 6.08 | Appointment of Successor Trustee .....     | 34 |
| SECTION 6.09 | Merger or Consolidation .....              | 35 |
| SECTION 6.10 | Concerning any Successor Trustee .....     | 35 |
| SECTION 6.11 | Appointment of Co-Trustee .....            | 35 |

## TABLE OF CONTENTS

(continued)

Page

|              |                                                     |    |
|--------------|-----------------------------------------------------|----|
| SECTION 6.12 | Indemnification; Limited Liability of Trustee ..... | 36 |
|--------------|-----------------------------------------------------|----|

### ARTICLE VII

#### MODIFICATION AND AMENDMENT OF THE INDENTURE

|              |                                                           |    |
|--------------|-----------------------------------------------------------|----|
| SECTION 7.01 | Amendment by Consent of Bond Owners .....                 | 36 |
| SECTION 7.02 | Amendment Without Consent of Bondholders .....            | 36 |
| SECTION 7.03 | Disqualified Bonds.....                                   | 37 |
| SECTION 7.04 | Endorsement or Replacement of Bonds After Amendment ..... | 37 |
| SECTION 7.05 | Amendment by Mutual Consent .....                         | 37 |

### ARTICLE VIII

#### EVENTS OF DEFAULT AND REMEDIES OF BOND OWNERS

|              |                                                        |    |
|--------------|--------------------------------------------------------|----|
| SECTION 8.01 | Events of Default and Acceleration of Maturities ..... | 38 |
| SECTION 8.02 | Application of Funds Upon Acceleration .....           | 39 |
| SECTION 8.03 | Other Remedies; Rights of Bond Owners.....             | 39 |
| SECTION 8.04 | Power of Trustee to Control Proceedings .....          | 39 |
| SECTION 8.05 | Appointment of Receivers .....                         | 40 |
| SECTION 8.06 | Non-Waiver.....                                        | 40 |
| SECTION 8.07 | Rights and Remedies of Bond Owners .....               | 41 |
| SECTION 8.08 | Termination of Proceedings.....                        | 41 |

### ARTICLE IX

#### MISCELLANEOUS

|              |                                            |    |
|--------------|--------------------------------------------|----|
| SECTION 9.01 | Limited Liability of Agency .....          | 41 |
| SECTION 9.02 | Parties Interested Herein .....            | 42 |
| SECTION 9.03 | Discharge of Indenture.....                | 42 |
| SECTION 9.04 | Content of Certificates .....              | 43 |
| SECTION 9.05 | Execution of Documents by Bond Owners..... | 43 |
| SECTION 9.06 | Waiver of Personal Liability .....         | 44 |
| SECTION 9.07 | Partial Invalidity.....                    | 44 |
| SECTION 9.08 | Destruction of Cancelled Bonds .....       | 44 |
| SECTION 9.09 | Funds and Accounts .....                   | 44 |
| SECTION 9.10 | Notices .....                              | 45 |
| SECTION 9.11 | Unclaimed Moneys .....                     | 45 |

|                                           |     |
|-------------------------------------------|-----|
| EXHIBIT A – FORM OF SERIES 2016 BOND..... | A-1 |
|-------------------------------------------|-----|

May 19, 2016

**MEMORANDUM**

**TO:** GENERAL MANAGER AND BOARD OF DIRECTORS  
OF DESERT WATER AGENCY

**FROM:** BEST BEST & KRIEGER LLP

**RE:** MAY 19, 2016 ANNUAL MEMBERSHIP AND BOARD OF DIRECTORS  
MEETINGS OF THE STATE WATER CONTRACTORS, INC.

The annual membership meeting and the monthly Board meeting of the State Water Contractors, Inc. were conducted at the Tsakopoulos Library Galleria in downtown Sacramento.

1. Annual Membership Meeting.

The annual membership meeting began with a caucus of the various classes of membership, for each class to select its representatives on the SWC Board of Directors. The only change was in the selection of the two directors to represent the Class 8 (East Branch) Contractors on the SWC Board. Until that meeting, the Class 8 Contractors were represented on the SWC Board by Doug Headrick of San Bernardino Valley Municipal Water District and by Dan Flory of Antelope Valley-East Kern Water Agency. However, Dan Flory has left his position as General Manager of AVEK to join an engineering firm that will continue to provide professional consulting services to AVEK, but only on a part-time basis. Therefore, Dan had advised the other Class 8 members that he should probably be replaced on the Board by another representative from among the Class 8 members. During the caucus, the Class 8 members determined that for the upcoming year, Doug Headrick would continue to serve as one of the two Class 8 members on the Board, and that the position previously occupied by Dan Flory would be filled instead by Kirby Brill, General Manager of Mojave Water Agency. The other members of the SWC Board remained the same: Ray Stokes, Mark Gilkey, Steve Arakawa, Curtis Creel, Cindy Kao, Dan Masnada, and Phil Miller.

Following the selection of members to serve on the Board for the upcoming year, SWC staff provided a presentation to the members regarding accomplishments for the previous

fiscal year, and proposed objectives for the upcoming fiscal year. In the category of Business Practices, the accomplishments included workshops on financial enhancements and goals, materials to address concerns related to the DWR statement of charges, and completion of the fifth amendment to the tolling agreement for challenging items on previous invoices from DWR. In the category of Energy, the accomplishments included the expenditure of time and effort to address the proposed expansion of the geographical reach of Cal-ISO, with associated shifting of costs, and negotiations with interveners regarding Pacific Gas and Electric's proposed rate increases. In the category of Infrastructure Reliability, the accomplishments included the two month repair work on the aqueduct leak at Pool 30, cleanup of the fire damage at the Thermolito power facility, work on seismic stability issues at the Perris Dam, including the determination that the tower in the lake would not need to be replaced after all, the SWP Pool 3 control system upgrade, and the repairs to the Oroville river valves in order to keep them operational during the year. In the category of Water Supply, the noted accomplishments included the acquisition of 75,000 acre-feet of water released from the Stanislaus River, which caused the SWP allocation to increase by approximately 1 percent, the contract amendment process for Cal Water Fix and associated water management features, the 2015 dry year water transfer program, and Terry Erlewine's work as a member of the Collaborative Adaptive Management Team. The proposed objectives for the upcoming fiscal year were approved by the membership prior to conclusion of its meeting. A copy of the approved objectives is attached to this memo.

2. SWC Board Meeting: Selection of Officers.

Upon conclusion of the annual membership meeting, the SWC Board of Directors convened its meeting. Its first item of business was to select Doug Headrick as President of the Board for fiscal year 2016-2017; selection of Mark Gilkey as Vice President; and selection of Steve Arakawa as Secretary/Treasurer.

3. Funding of Modeling Analysis.

As its next item of business, the Board took action to authorize the General Manager to expend funds for a consultant to perform a modeling analysis for upstream water supply augmentation in the Sacramento River. Of the total expected cost of \$95,000 to conduct this analysis, the Board authorized a SWC contribution to fund a one-fourth share, with the

remainder of the cost to be funded by the San Luis and Delta Mendota Water Authority and other Northern California interests.

4. SWP Management Report.

Mark Anderson, Deputy Director of DWR, provided a report on various subjects. First, he reported on predation activities in the Clifton Court forebay. Reasonable and prudent alternatives set forth in a biological opinion has required the reduction of predation in the Clifton Court forebay. In accordance with those requirements, on April 20, DWR commenced an “electrofishing” program to stun predators of the Delta Smelt, retrieve them, and relocate them to Bethany Bay. As of the date of the meeting, DWR had captured more than 1,500 fish, predominantly striped bass, and had relocated them pursuant to the requirements set forth in the biological opinion. The anticipated additional expense, going forward, was projected to be \$7 million. Anderson reported that work had been conducted on Units 5 and 3 at the Hyatt hydro facility. He said that Unit 5 had been refurbished and was back in service, and that work on Unit 3 was expected to be completed and back in service by June 10, 2016. Anderson also reported that DWR had continued repair work on the Oroville river valves, by replacing the baffle ring that is used to reduce pressure when water is released from those valves. Finally, Anderson mentioned that DWR is working with SWC General Manager Terry Erlewine to get the Delta Compliance Committee up and working.

5. Water Supply Report.

John Leahigh of DWR reported that water supply conditions were much improved this year, but that the drought is not over. He stated that notwithstanding the additional rainfall, this year was nonetheless below normal, resulting in five straight years of below normal or drier conditions. Storage in Lake Oroville topped out at about 97% of capacity. However, the snow pack was well below average, and that DWR would begin drafting water from the reservoirs in order to satisfy flow conditions at the Delta and for export to the State Water Project. Diversions in the Delta were at 800 cfs, with the remainder of the flow devoted to satisfying flow requirements in the Delta. A copy of the water supply report and other supporting documents are also attached to this memo.

6. Energy Report.

Natural gas prices continued to decline in March. Water deliveries from the SWP in March were at 107,000 acre-feet, due to an increase in the allocation to 60% of Table A Amounts. The increase in deliveries also caused the pumping load to increase beyond what had been projected when the allocation was only at 30%. Outages at the Hyatt hydro facility were resulting in diminished hydropower generation, below what had been expected. It was noted that when one unit is taken out of service, it eliminates flow through the entire penstock consisting of three units. The problem with leaking gas at the natural gas storage facility in Aliso Canyon has required that storage facility to be taken off line entirely. That will dramatically impact the gas supply to California, as the Aliso Canyon storage facility is a major component of the State's power supply.

7. General Manager's Report.

General Manager Terry Erlewine reported that work had continued on a revision to the SWC bylaws. The proposed revisions will likely include changes in the way that dues are calculated, which will require two-thirds vote of the membership in order to become effective. Further work on the bylaws is needed, and the SWC Legal Committee also needs to review the proposed revisions.

The Department of Interior and DWR scheduled a meeting to discuss the Coordinated Operations Agreement. The Department of Interior, on behalf of the Federal Contractors, has performed studies to support its desired changes in the Agreement. However, no specific proposal has been presented for changes to the Coordinated Operations Agreement.

As reported in the memo last month, the United States Fish and Wildlife Service has indicated its intention to seek reconsultation of the OCAP Biological Opinions to require that more water be added to existing flow requirements in an effort to save the Delta Smelt. According to indications from the Fish and Wildlife Service, the minimum flows would be increased from 4,000 cfs (currently) to 5,500 cfs. Obviously, this would reduce the quantity of water available for the SWP to take from the Delta.

Terry Erlewine reported that a meeting would be conducted the following day to discuss the allocation between the Federal Contractors and the State Contractors of water and expenses anticipated for the proposed tunnel project. Terry also reported that the Collaborative Adaptive Management Team was beginning to get some work done on Delta Smelt issues.

8. Legal Counsel's Report.

The meeting ended with a closed session with legal counsel to discuss pending litigation and other matters. Among other things, a ruling had just come down regarding Phase 1 of the Delta Plan litigation. The ruling on that phase was disappointing, as the court determined that there was sufficient evidence in the record to support the determination by the Delta Stewardship Council regarding "reduced reliance" on the Delta. In effect, the court determined that the Delta Stewardship Council in fact may impose a requirement to reduce total quantities of water taken from the Delta. The next phase of the litigation will include the CEQA challenge of the environmental document prepared for the Delta Plan.

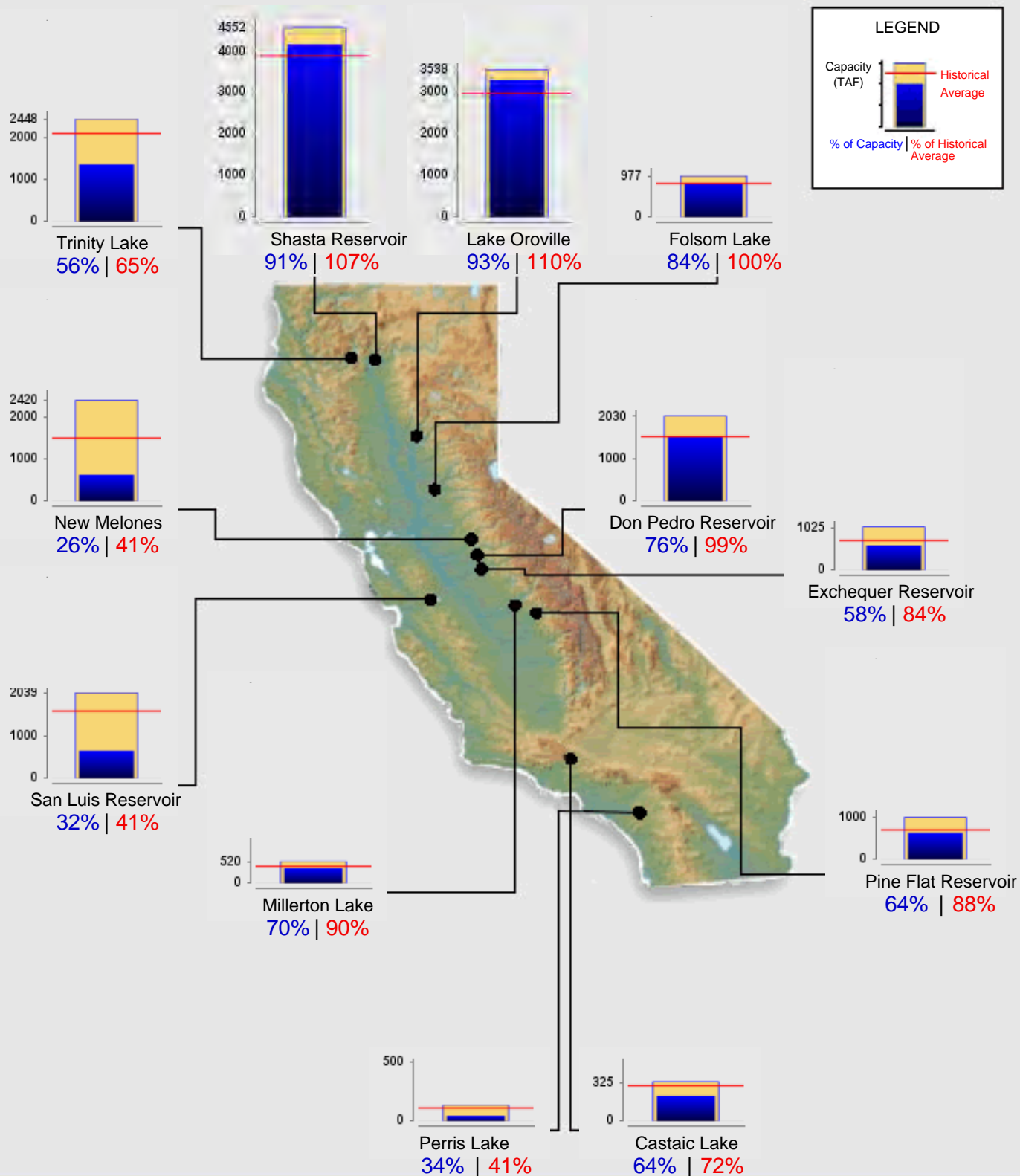
MICHAEL T. RIDDELL



# Reservoir Conditions

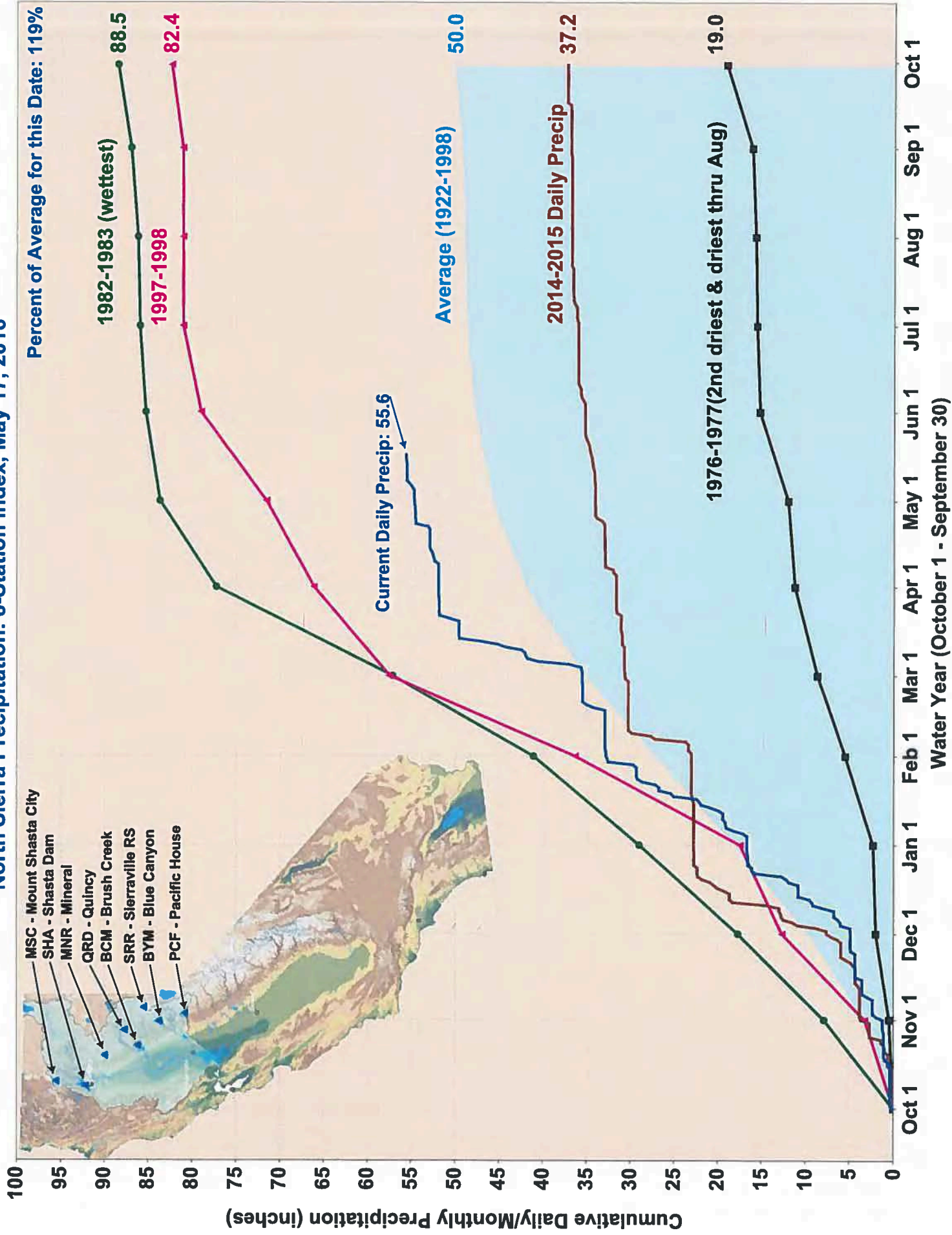
Ending At Midnight - June 2, 2016

## CURRENT RESERVOIR CONDITIONS





# North Sierra Precipitation: 8-Station Index, May 17, 2016

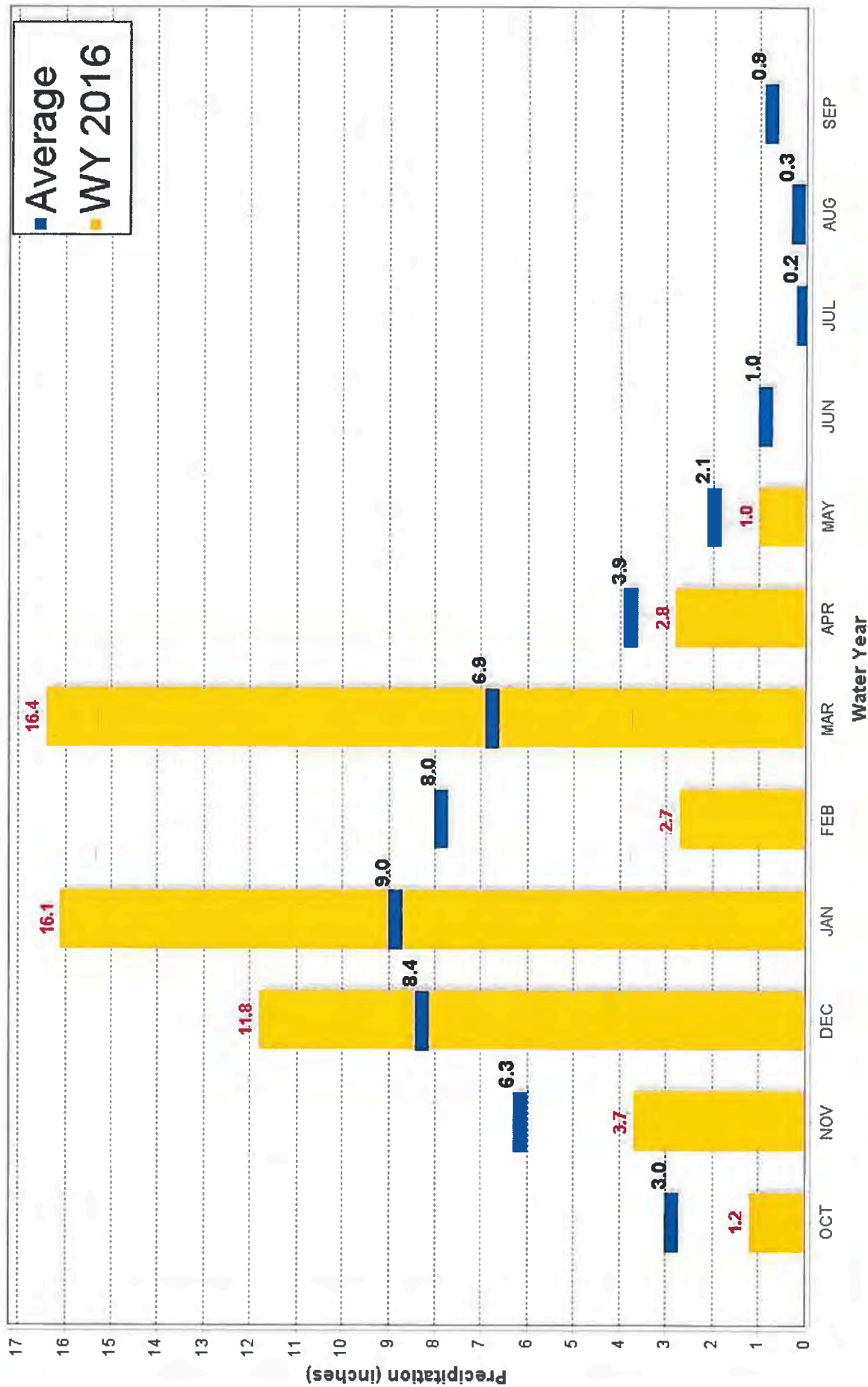




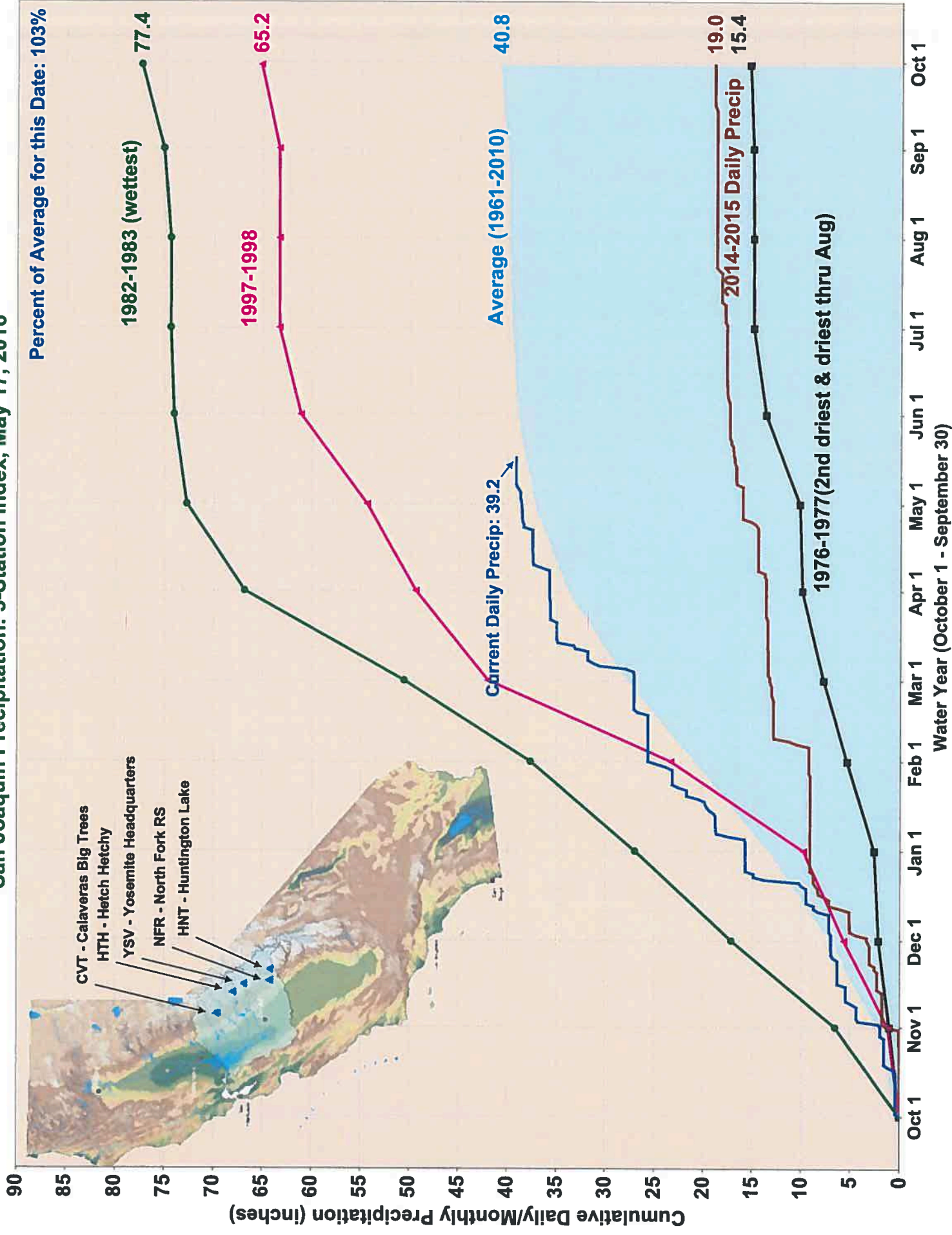
# Northern Sierra 8-Station

## Precipitation Index for Water Year 2016 - Updated on May 17, 2016 12:45 PM

Note: Monthly totals may not add up to seasonal total because of rounding  
Water Year Monthly totals are calculated based on Daily precipitation data from 12am to 12am PST



# San Joaquin Precipitation: 5-Station Index, May 17, 2016



Total Water Year Precipitation



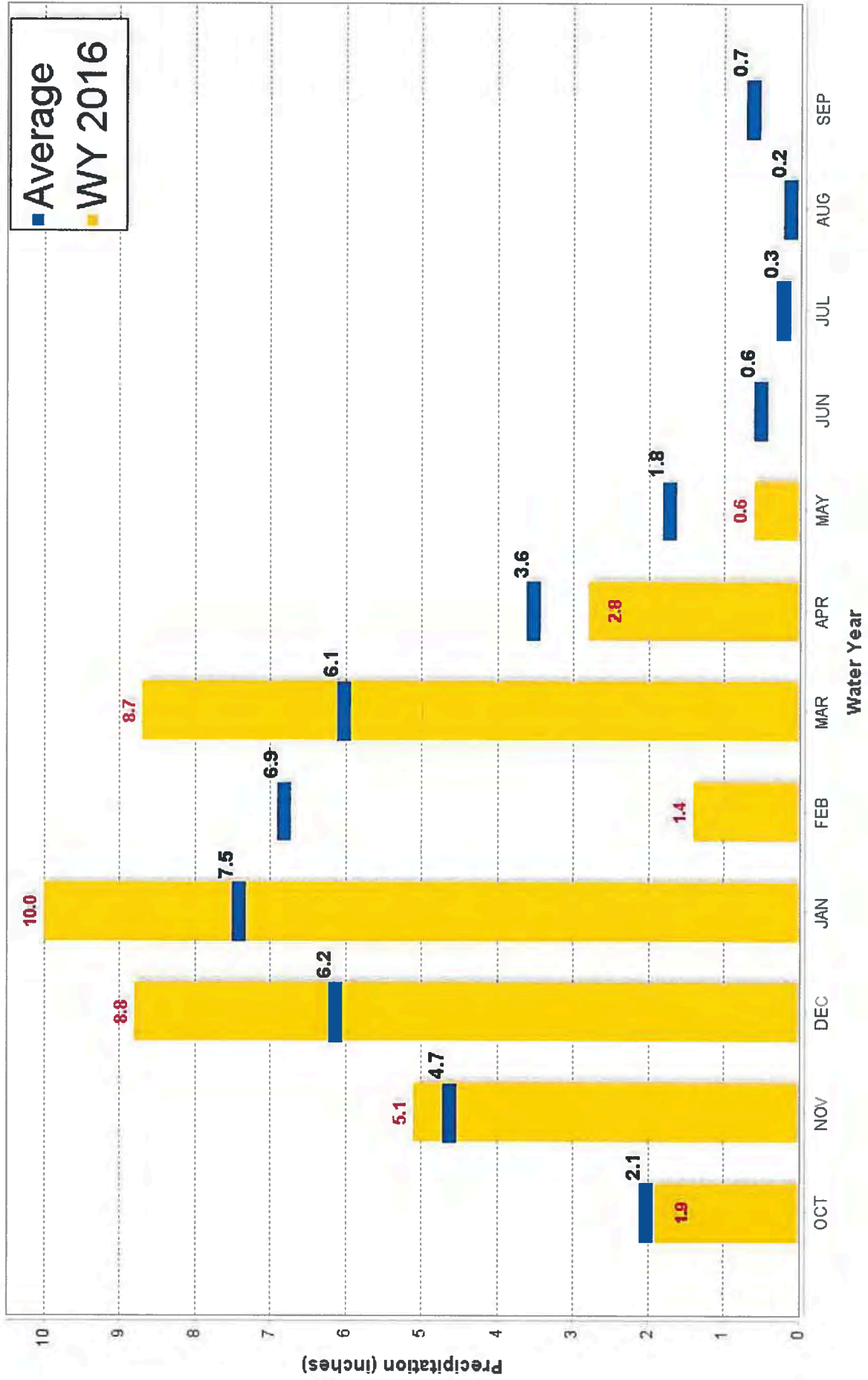


# San Joaquin 5-Station

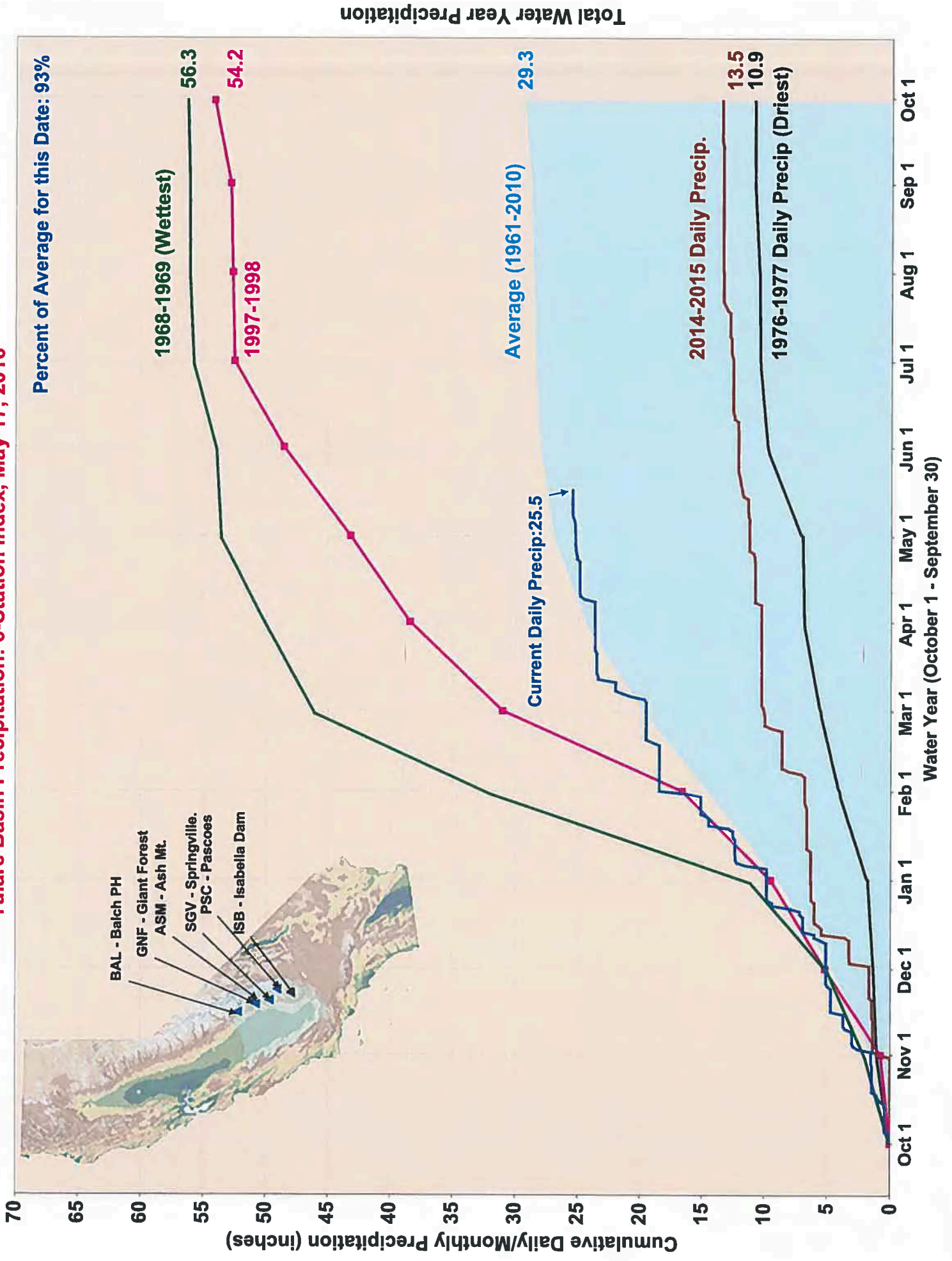
## Precipitation Index for Water Year 2016 - Updated on May 17, 2016 12:45 PM

Note: Monthly totals may not add up to seasonal total because of rounding

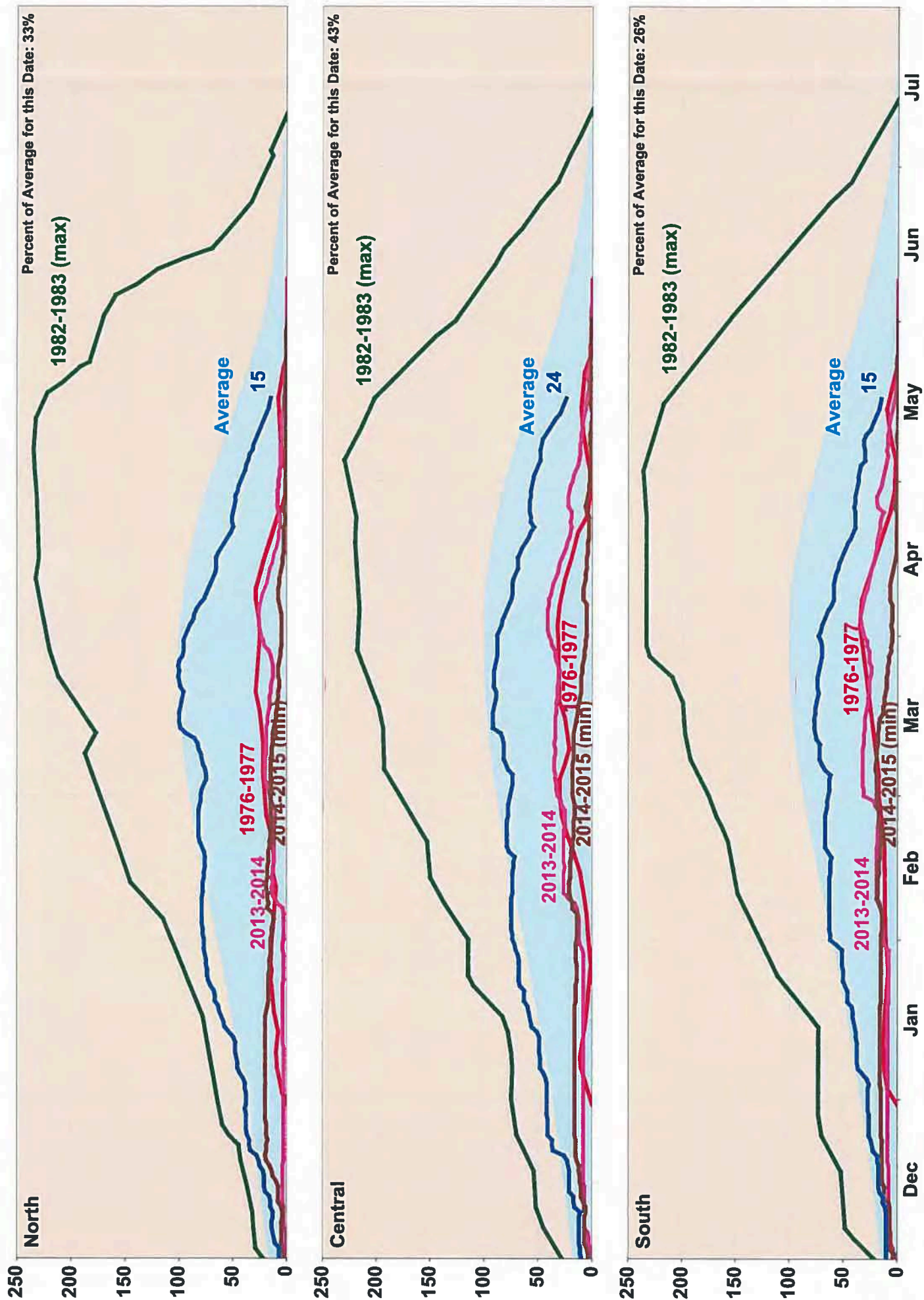
Water Year Monthly totals are calculated based on Daily precipitation data from 12am to 12am PST



## Tulare Basin Precipitation: 6-Station Index, May 17, 2016



California Snow Water Content, May 17, 2016, Percent of April 1 Average



Statewide Percent of April 1: 19%

Statewide Percent of Average for Date: 35%



# State Water Contractors 2015-16 Accomplishment 2016-17 Objectives

STATE WATER CONTRACTORS BOARD  
MAY 19, 2016



## Agenda

- Overview of Major Accomplishments and Revised Objectives by Group
  - Four Major Groups:
    1. Business Practices
    2. Energy Resources
    3. Infrastructure Reliability
    4. Water Supply

## Business Practices **Accomplishments**

### ■ FY 2015-16

1. Workshops to capture Contractors' Financial Enhancement Vision and Goals for Stage 1 of DWR's Financial Enhancement Project.
2. Developed materials to address Contractors' concerns related to increases in annual SOC including analysis of billing component's volatility and compounded growth rate.
3. Completed 5<sup>th</sup> Tolling Amendment and provide information on protest items to the Protest Resolution Workgroup, with 132 of 295 items resolved to-date
4. Developed reporting examples for 51(e) Revenues and the negotiated Reinvestment Account

## Business Practices **Objectives**

### ■ FY 2016-17

#### Objectives Revised:

- Future Capital Objective changed to Future Projects & Financing Oversight
- Deleted Davis-Dolwig Objective

#### Objectives Added:

- Appropriations and Other Funding Oversight
- Review Uses and Investment of 51(e) Revenues
- Forecasting and Financial Planning of O&M and Variable



## Energy Resources Accomplishments

### ■ FY 2015-16

1. Highlighted SWC concerns with expansion of the California ISO into a regional organization through meetings with legislative staff.
2. Participated in negotiations with other interveners that are opposed to PG&E's proposed \$310 million annual increase in transmission charges

## Energy Resources Objectives

### ■ FY 2016-17

#### Objectives Revised:

- For Strategic Power and Transmission Plan, replaced updating Integrated Resources Plan with engaging in post-2020 regulatory proceedings and assessing post-2020 policy impacts on SWP
- Shifted emphasis in Near-Term Risk Management to interpreting Energy Reports for cost trends and risk factors

## Infrastructure Reliability Accomplishments

### ■ FY 2015-16

1. Monitored Emergency Repair of major leak in California Aqueduct at Pool 30. The initial leak area was repaired and two additional high deformation areas of the Aqueduct were repaired in two –month period.
2. Recovery work on Thermalito Powerplant completed by DWR; design phase for restoration effort has been initiated.
3. Perris Dam embankment/foundation stability work to address seismic stability moving towards completion. Analysis indicates that the outlet tower already has adequate seismic stability.
4. Phase III of Control System Upgrade (installation at Oroville and Delta Field Divisions, plus check structures,) is completed
5. River valve outlet repairs provided for use during 2015 low reservoir storage conditions. Additional repairs to the outlet system completed, including baffle ring deflector and new energy dissipater valves.

## Infrastructure Reliability Objectives

### ■ FY 2016-17

#### Objectives Revised:

- Liner Integrity added to previous Aqueduct Subsidence and SWP Capacity Retention objective



## Water Supply Accomplishments

### ■ FY 2015-16

1. Worked with group of SWP/CVP contractors in identifying and implementing water supply availability on Stanislaus River for flow augmentation program of 75,000 acre-feet
2. Provided staffing assistance for workgroups related to California Water Fix contract amendment to support caucus discussion on water management and allocation issues.
3. Administered 2015 Dry Year Water Transfer Program and developed 2016 Dry Year Program, which ultimately did not proceed due to lack of transfer capacity.
4. Prepared routine water operations evaluations for SWP contractors
5. Participated in Collaborative Adaptive Management Team on behalf of export water users

## Water Supply Objectives

### ■ FY 2016-17

#### Objectives Deleted:

- Suisun Marsh Preservation Agreement

#### Objectives Revised:

- Collaborative Adaptive Management Team (CAMT) effort upgraded
- OCAP Compliance expanded to Include Other Regulatory Processes

## Board Action Request

- Approve the State Water Contractors Work Objectives for Fiscal Year 2016-17

## Questions

Terry Erlewine

State Water Contractors

terlewine@swc.org

(916) 447-7357 ex. 203

**STAFF REPORT  
TO  
DESERT WATER AGENCY  
BOARD OF DIRECTORS**

**JUNE 7, 2016**

**RE: FISCAL 2016/2017 OPERATING, GENERAL AND WASTEWATER  
BUDGETS**

Attached for your review is a draft of the proposed Operating, General and Wastewater Fund Budgets for Fiscal Year 2016/2017. Along with the draft budget is a listing of budget highlights.

The Finance Committee has met, reviewed the budgets, and modifications have been made thereto.

Staff is available to answer any questions the Board may have with regard to the budgets for the 2016/2017 Fiscal Year.

**COPIES OF THE  
DRAFT  
2016-2017 BUDGET  
ARE AVAILABLE  
FOR REVIEW  
UPON REQUEST**

**June 7, 2016**

**STAFF REPORT  
TO  
DESERT WATER AGENCY  
BOARD OF DIRECTORS**

**JUNE 7, 2016**

**RE: DWA FRINGE AREA DETACHMENT/CVWD FRINGE AREA  
ANNEXATION**

There is a residential housing development southwesterly of the Ritz Carlton Hotel in Rancho Mirage in which approximately half of the parcels fall within the Desert Water Agency (DWA) boundaries. The other half of the parcels fall within the boundaries of the Coachella Valley Water District (CVWD). There are sixty-four parcels within our boundaries. The CVWD provides potable water and sewer services to all of the parcels including those within our boundaries. The portion of this development that falls within CVWD's boundaries is within the voting district represented by Director Patrick O'Dowd.

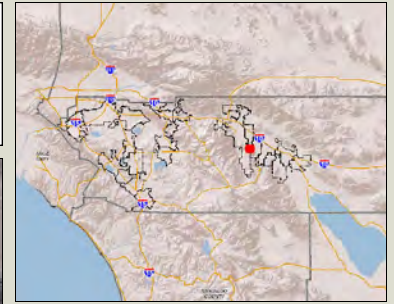
DWA and the CVWD have handled this kind of situation on a smaller scale in the past with an interagency service agreement. However, since there are many parcels and residences it is the desire of CVWD to align their boundary to include their area of serviced by the District thereby allowing all those receiving service to participate in the election of their representative on CVWD's board.

The parcels within our boundaries represent approximately \$121,000,000 in assessed value, which represent \$121,000 in annual possessory interest tax revenue for the DWA. This represents approximately 0.55% of our total tax revenue. Therefore, if the annexation were approved the fiscal impact would be the loss of approximately \$121,000 annually.

CVWD desires annexation of this area and wants to know if our Board would support an application to LAFCO for this purpose.



# DWA Parcels Served by CVWD Skyline Dr



## Legend

- Display Parcels
- City Boundaries
- Water Districts**
  - CVWD
  - DWA
  - EMWD
  - PVID
  - SGPWA
  - WMWD
- roadsanno**
- highways**
  - HWY
  - INTERCHANGE
  - INTERSTATE
  - OFFRAMP
  - ONRAMP
  - USHWY
- counties
- cities
- hydrography
- waterbodies**
  - Lakes
  - Rivers



0 967 1,933 Feet



**\*IMPORTANT\*** Maps and data are to be used for reference purposes only. Map features are approximate, and are not necessarily accurate to surveying or engineering standards. The County of Riverside makes no warranty or guarantee as to the content (the source is often third party), accuracy, timeliness, or completeness of any of the data provided, and assumes no legal responsibility for the information contained on this map. Any use of this product with respect to accuracy and precision shall be the sole responsibility of the user.

REPORT PRINTED ON... 2/3/2016 10:30:26 AM

© Riverside County TLMA GIS

## Notes



**STAFF REPORT  
TO  
DESERT WATER AGENCY  
BOARD OF DIRECTORS**

**JUNE 7, 2016**

**RE: LAKE PERRIS SEISMIC REMEDIATION UPDATE**

The Department of Water Resources (DWR), Operations Maintenance and Engineering Committee have issued their Perris Dam Seismic remediation of embankment contract update for April 2016. The highlights of the attached report are 66.2% of the work has been completed with 48.9% of the time elapsed. The contractor is continuing work on the left abutment haul road; however a change order is expected regarding the delays and revised milestones. The quarry rock processing plant continues. The processing plant has been relocated to improve the quality of the material being produced. This too is expected to result in a change order resulting from a change of conditions claim.

To date there have been \$802,614 in change orders submitted. This amounts to a little more than 1% of the original contract. This amount does not include anticipated change orders resulting from work being performed on the left abutment haul road nor the quarry rock processing plant.

Also provided is the latest weekly report for the most current conditions. The CDSM (Cement Deep Soil Mixing) operation has been completed.



## State Water Contractors - OME Committee Meeting

May 5, 2016

Perris Dam – Seismic Remediation of Embankment – Contract Update  
Specification 14-03 Contract No. C51484



### Contract Summary

|                       |                                             |
|-----------------------|---------------------------------------------|
| Notice To Begin Work: | August 20, 2014                             |
| Contract Completion:  | November 20, 2017                           |
| Pulice Construction:  | \$75,538,626                                |
| Engineers Estimate:   | \$83,000,000                                |
| April Update:         | 66.2% of Work Completed, 48.9% Time Elapsed |

### Completed Work

Cement Deep Soil Mixing Complete  
Borrow Source Cleared and Potholed

Two Rigs



### Safety

DWR and Contractor continue to review left abutment safety hazard concerns. Contractor has successfully completed over 128 work days without a lost-time incident. 1 lost-time incident on project.

### On-Going Work

Placement of Compacted Berm (R&R area); Left Abutment Road Blasting; Rock Processing; Placement of pipe, filter, and drain material for New Toe-Drain Line; R&R Old Toe-Drain pipe, filter, drain material; CDSM – Core Sampling

### Schedule

Construction sequencing has been modified to allow CDSM construction before construction of the toe drain. Toe drain requires filter and drain material from quarry/processing via the left abutment road (both of which are behind schedule).

### Construction Contract Challenges and Potential Impacts

#### Left Abutment Access Road Blasting

Contractor has resumed work on blasting and excavation of the road near the tower after placement of berm/ramp. DWR and the contractor have revised the plan and schedule to complete the left abutment blasting and excavation, liquidated damages are being assessed for the LAAR milestone.



## State Water Contractors - OME Committee Meeting

May 5, 2016

Perris Dam – Seismic Remediation of Embankment – Contract Update  
Specification 14-03 Contract No. C51484



### Quarry Rock Processing

Contractor has relocated main crusher for phase 2 production. The filter and drain material is required for the completion of the toe drains and blanket drain. Contractor continues to claim differing site condition as the cause of material processing problems.

### Other Challenges

Construction during El-Nino winter poses potential risk due to storm water run-off from dam crest and face. Normal drainage from dam site flows across work area, which is currently excavated for CDSM construction.

### Contractor Pay Request

| Month    | Pay Request | Total Contract Paid to Date | Estimated Days*/Cost Ahead/Behind Schedule* |
|----------|-------------|-----------------------------|---------------------------------------------|
| October  | \$3,026,114 | \$16,799,901                | -90 days/ -\$12M                            |
| November | \$2,696,968 | \$19,496,869                | -120 days/ -\$10M                           |
| December | \$4,189,249 | \$23,686,119                | -150 days/ -\$8M                            |
| January  | \$4,287,782 | \$27,973,901                | -150 days/ -\$5M                            |
| February | \$5,851,994 | \$33,825,895                | -180 days/ -\$1M                            |
| March    | \$6,777,338 | \$40,603,233                | -210 days/ +\$3M                            |
| April    | \$6,630,250 | \$47,233,482                | -240 days/ +\$7M                            |

\* Days are based on Intermediate Milestones. Costs are based on a uniform monthly payment for the contract duration.

### Contractor Executed Change Orders

| Change Order              | Description                                                                                                                          | Date    | Amount    | Additional Time (Days) |
|---------------------------|--------------------------------------------------------------------------------------------------------------------------------------|---------|-----------|------------------------|
| 1-10                      | See March Update                                                                                                                     | -       | \$216,748 | 0                      |
| Adjustments               | Differing Site, Working Limits, Fiber Cable Relocation, Shim Plates, Locate upper limit of Zone 4 material, and Modifying CDSM Cells | Pending | \$585,866 | 0                      |
| Total Adjustments and CCO |                                                                                                                                      |         | \$802,614 | 0                      |



**Perris Dam Field Office  
Weekly Report  
05/08/2016 – 05/14/2016**

**SPECIFICATION NO. 14-03**

**SEISMIC REMEDIATION OF DAM EMBANKMENT – PERRIS DAM – STATE WATER FACILITIES, PULICE CONSTRUCTION, INC.**

**Contract Work This Week:**

- Operating the Rock Processing Plant and Quarry activities
- Drilling and blasting in the Quarry
- Drilling and blasting for the Left Abutment Access Road excavation
- Placement of the Compacted Berm from Station 114+00 through Station 122+00
- Foundation Excavation, pipe placement and filter/drain/bedding material placement for the New Toe Drain
- Dam Excavation, existing pipe removal and replacement, and filter/drain/bedding material placement for the Existing Toe Drain
- Placement of compacted Zone 3 filter material blanket between the existing toe drain and the new toe drain

**Notable upcoming work:**

- Placement of compacted Zone 4 drain material blanket between the existing toe drain and the new toe drain

**Other Items:**

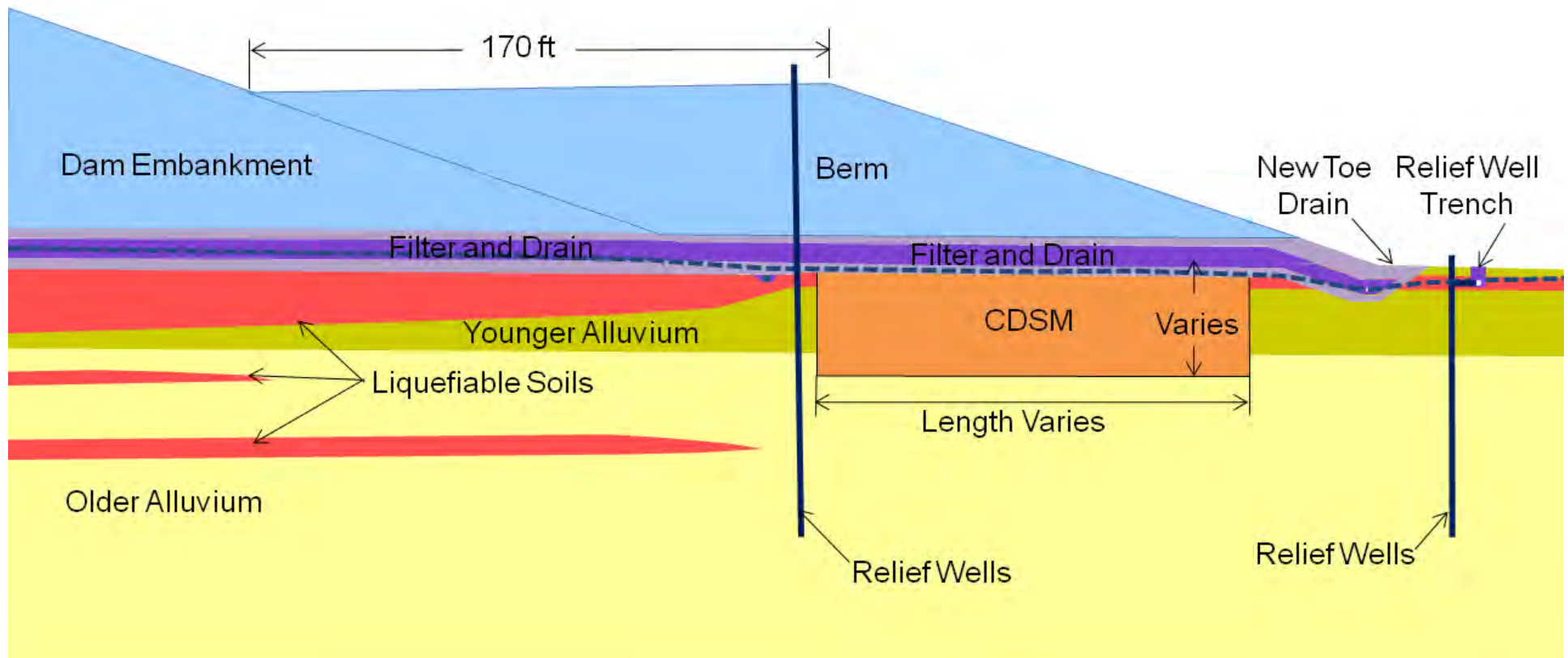
- N/A

**PDFO Contact/Information:** Daniel Rabatich  
(951) 436-5607  
[Daniel.Rabatich@water.ca.gov](mailto:Daniel.Rabatich@water.ca.gov)

**LRPH Contact/Information:** Rich Albert  
(916) 651-0768  
[Richard.Albert@water.ca.gov](mailto:Richard.Albert@water.ca.gov)

|     |                    |                  |                 |                      |                          |                 |
|-----|--------------------|------------------|-----------------|----------------------|--------------------------|-----------------|
| cc: | Joan Weber         | Greg Aleksich    | Will Hicks      | Rich Albert          | Mike Driller Brian Moore | Richard Jones   |
|     | Blaine Laumbach    | Francisco Llamas | Maurice Rubio   | Christina Jimenez    | Paul (Doug) Carlson      | Ted Thomas      |
|     | Stephen Heathcoat  | Brent Yamasaki   | Jack Safely     | Elizabeth Scott      | Eric Chapman             | Nicholas George |
|     | Fred Kardani-Zadeh | Robert Cheng     | Mark Krause     | Reynaldo Ballesteros | Mark Steenburg           | Mark Johnson    |
|     | Dan Charlton       | Albert Romero    | Alfredo Robledo | Steve Friesen        | David Sarkisian          | Jeanne Kuttel   |
|     | Donnell Wilcox     | Joe Belza        | Melanie Holman  | Ashley Cousin        | Dennis Gatchalian        |                 |

# Foundation Treatment and Stability Berm



**STAFF REPORT  
TO  
DESERT WATER AGENCY  
BOARD OF DIRECTORS**

**JUNE 7, 2016**

**RE: CONSERVATION TARGET STUDY, ORDINANCE NO. 65  
MANDATORY CONSERVATION STAGE CHANGE  
AND EXCEPTIONS**

The form that agencies will use to submit a new conservation standard under the State's new emergency regulation is scheduled for release some time on or before Monday, June 6, 2016. This information will be provided at our Board meeting, if available. It is possible that this framework would allow the Agency to calculate a very low conservation target by demonstrating that our supply meets and exceeds our demand. As described at the May 18 State Water Board meeting and confirmed via email by State Water Board staff, long-term sustainability of a groundwater basin will not be of concern for emergency regulation purposes. Subsequent to the Desert Water Agency Public Information and Conservation Committee meeting on May 20, Staff was tasked with determining a new conservation target for the Agency that did factor in sustainability independent of the State's new emergency regulation framework.

The Committee agreed that the analysis should focus on evaluating a comparison of all the inflows and outflows into our service area over time to determine if a surplus or deficit is evident, while understanding that this outcome would be significantly influenced by the time interval selected. The surplus or deficit would be evaluated as a ratio to determine a conservation target percentage (using the formula:  $((\text{inflow}/\text{outflow}) - 1) * 100$ ). In performing that analysis, all inflows were considered including SWP deliveries, non-SWP deliveries, natural inflows and non-consumptive return flows. The analysis took into account advanced deliveries by removing their impact to the water balance. All outflows were considered. This includes all pumping by the Agency, private pumpers in DWA's area of benefit, and surface water diversions.

The water production for each year from 1978 through 2015 was calculated as a percentage of inflow. This data was then organized into 5, 10, 15, 20, and 25-year rolling averages. We looked at every year to see the supply surplus or deficit in those years and also the average of this same data looking back 5, 10, 15, 20 and 25-year intervals. The table below is a summary of our results. The data suggests a conservation target between 10 and 13 percent compared to 2013 (the State's baseline year) would be sufficient in order to meet demand sustainably. As would be expected, the standard deviation improved as the period of years analyzed increased.

Our water restriction prohibiting watering on four days each week resulted in annualized water conservation of 25% compared with water use in the year 2013. Given that the primary tool for reducing water use was the time and day restrictions, one could assume that each day restricted resulted in about 6.25% conservation. This simple calculation does not take into account permanent conservation achieved through time of day restrictions, turf reduction, installation of water-efficient fixtures or the elimination of irrigation within the right of ways or prohibitions made permanent by the Governor's May 9 executive order. If the conservation target is between 10 and 13 percent, a two-day restricted water schedule should satisfy that requirement, resulting in roughly 12.5% water conservation compared to 2013.

|                    | Annual Calculation | 5-Year Rolling Average | 10-Year Rolling Average | 15-Year Rolling Average | 20-Year Rolling Average | 25-Year Rolling Average |
|--------------------|--------------------|------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Average            | (11.82)%           | (10.08)%               | (12.33)%                | (12.72)%                | (11.70)%                | (12.86)%                |
| Standard Deviation | 23.02              | 13.81                  | 6.54                    | 3.32                    | 3.89                    | 2.5                     |

Desert Water Agency Ordinance No. 65, establishing a water conservation plan and restricting the use of water during a threatened or existing water shortage condition, is attached for your review.

In light of this analysis, the State's new regulatory framework and the onset of local temperatures exceeding 110 degrees, Staff recommends reducing the stage of emergency from the current Stage 4 declaration to a modified Stage 3 Emergency with Mandatory Conservation Measures. Stage 3 emergency conservation requirements restrict outdoor irrigation to no more than four days per week, after 7:00 pm and before 7:00 am. Section 6 of the ordinance allows the General Manager of the Agency to make exceptions from the application of any provision of the Ordinance. The General Manager proposes an exception from the Stage 3 Emergency Mandatory Conservation Measures, which restrict irrigation to no more than 5 days per week, on Monday, Wednesday, Friday, Saturday and Sunday, such that irrigation will be allowed 5 days per week instead of only 4. This will allow the Agency to reach its 10 to 13 percent annual percent conservation target if irrigation occurs within the time restrictions and in accordance with other limitations provided by the ordinance.

This item has been introduced only as a discussion item because the emergency regulation submittal form still had not been formally issued as of the date this Staff Report was produced. However, if desired, the Board may elect to take immediate action with regard to staff recommendations, since they would simply loosen restrictions currently in place.

## **ORDINANCE NO. 65**

### **ORDINANCE OF DESERT WATER AGENCY ESTABLISHING A WATER CONSERVATION PLAN AND RESTRICTING THE USE OF WATER DURING THREATENED OR EXISTING WATER SHORTAGE CONDITIONS**

WHEREAS, Desert Water Agency (hereinafter "Agency") is a public agency organized under the Desert Water Agency Law, California Water Code Appendix Section 100-1 et seq., to provide water service among other purposes to water users within the boundaries of the Agency; and

WHEREAS, the Agency is authorized by Water Code Appendix Section 100-15 (13) to restrict the use of Agency water during an emergency caused by a drought, or other threatened or existing water shortage, and during such periods to prohibit the waste or the use of Agency water for any purpose other than household uses or such other restricted uses as may be determined by the Agency to be necessary; and

WHEREAS, the Agency is further authorized by Water Code Sections 375-377 to adopt water conservation programs; and

WHEREAS, California is currently in the fourth year of a significant state-wide drought resulting in severe impacts to California's water supplies and its ability to meet all of the demands for water within the state; and

WHEREAS, Governor Edmond G. Brown, Jr. declared a state-wide emergency on January 17, 2014, and due to continuing dry conditions, a continued state of emergency was declared on April 1, 2015; and

WHEREAS, Water Code Section 1058.5 grants the State Water Resources Control Board the authority to adopt emergency regulations in years when the Governor has declared an emergency based upon state-wide water shortage conditions; and

WHEREAS, on July 15, 2014, the State Water Resources Control Board formally adopted emergency rulemaking to adopt emergency regulations for urban water suppliers; and

WHEREAS, on March 17, 2015, and May 5, 2015, the State Water Resources Control Board formally adopted additional emergency regulations for urban water suppliers due to continuing water shortage conditions; and

WHEREAS, the three sets of emergency regulations adopted by the State Water Resources Control Board prohibit certain types of potable water use, orders all urban water suppliers to implement mandatory conservation measures, and orders water suppliers with 3,000 or more service connections to provide monthly data on water production; and



WHEREAS, the Agency wishes to adopt a water conservation program that implements the requirements set forth in the regulations adopted by the State Water Resources Control Board, and which will provide a framework that can be utilized by the Agency even after the current regulations adopted by the State Water Resources Control Board are no longer in effect if a local water shortage emergency were to arise; and

WHEREAS, the Agency finds and determines that the adoption of the water conservation program set forth herein is necessary to (1) comply with the mandates imposed by the State Water Resources Control Board, (2) protect the health, safety and welfare of the inhabitants of the Agency, (3) assure the maximum beneficial use of the water supplies within the Agency, and (4) ensure that there will be sufficient water supplies to meet the basic needs of human consumption, sanitation and fire protection;

NOW, THEREFORE, BE IT ORDAINED by the Board of Directors of Desert Water Agency as follows:

Section 1: DEFINITIONS.

- 1.1 "Agency" means Desert Water Agency.
- 1.2 "Board" means the Board of Directors of Desert Water Agency.
- 1.3 "General Manager" means the General Manager of Desert Water Agency.
- 1.4 "Measurable rainfall" means rainfall of 1/4 inch or more during any 24-hour period.
- 1.5 "Waste" means any unreasonable or non-beneficial use of water, or any unreasonable method of use of water, including, but not limited to, the specific uses prohibited and restricted by this Ordinance as hereinafter set forth.
- 1.6 "Water user" means any person, firm, partnership, association, corporation or political entity using water obtained from the water system of Desert Water Agency.
- 1.7 "Water" means water supplied by Desert Water Agency.

Section 2: NOTICED PUBLIC HEARING PRIOR TO MANDATORY CONSERVATION, STAGES 2 THROUGH 5.

Except when an emergency is caused by the breakage or failure of a dam, pump, pipeline or conduit, a noticed public hearing shall be conducted prior to the adoption of Stages 2, 3, 4 or 5 of the Water Conservation Plan as set forth in Sections 3.2, 3.3, 3.4 and 3.5 below. Notice of the time and place of hearing shall be published at least seven days prior to the date of hearing in a newspaper printed, published, and circulated within the area in which the water supply is distributed, or if there is no such newspaper, in any newspaper printed, published and circulated in the County of Riverside.

### Section 3: WATER CONSERVATION PLAN STAGES.

#### 3.1 Stage No. 1: Voluntary Conservation and Prohibited Uses.

Stage 1 shall apply whenever normal conditions are in effect. Normal conditions shall be in effect when the Agency is able to meet all the water demands of its customers in the immediate future, and when the State Water Resources Control Board or other regulatory body has not imposed restrictions on the use of water within the Agency. During normal conditions, all water users must continue to use water wisely. The waste or unreasonable use of water is prohibited. Unreasonable use of water shall include, but not be limited to, a use that produces unnecessary runoff onto adjacent property and non-irrigated areas, private and public walkways, roadways, and parking lots or parking structures. It shall also be an unreasonable use of water to irrigate landscapes within 48 hours after measurable rainfall. In addition, the following mandatory restrictions shall apply at all times:

(1) Washing driveways, parking lots, building exteriors, or other exterior hard surfaced areas other than windows, solar panels and tennis courts, or as necessary to protect the public health, shall be prohibited; provided that the use of recycled water and the use of potable water from a bucket, use of a pressure washer, or use of a water broom for such purposes shall be permitted.

(2) Running water shall not be used for washing vehicles. A bucket may be used for the washing of vehicles, and hoses equipped with shutoff nozzles may be used for rinsing.

#### 3.2 Stage 2 Alert: Mandatory Conservation Measures.

When the State Water Resources Control Board or other regulatory body has imposed restrictions on the use of water within the Agency that warrant the restrictions set forth herein, or in the event of a threatened or existing water supply shortage that could prevent the Agency from meeting the water demands of its water users, the Board shall conduct a public hearing to consider declaring a Stage 2 Alert, during which water users shall have the opportunity to present their protests and respective needs to the Board. Upon such declaration the following restrictions shall take effect immediately, in addition to those specified in Section 3.1:

(1) Outdoor irrigation shall be permitted only before 7:00 a.m. and after 7:00 p.m.

(2) Restaurants and other eating establishments shall not provide drinking water to patrons, except upon request.

#### 3.3 Stage 3 Warning: Mandatory Conservation Measures.

When the State Water Resources Control Board or other regulatory body has imposed restrictions on the use of water within the Agency that warrant the restrictions set forth herein, or in the event that a water shortage condition in fact will prevent the Agency from meeting the demands of its water users, following a public hearing as set forth in Section 3.2, during which water users shall have the opportunity to present protests and their respective needs to the Board,

the Board may declare that a Stage 3 Warning condition exists. Upon such declaration, the following water conservation measures shall apply in addition to those set forth in Sections 3.1 and 3.2:

(1) Outdoor irrigation shall be restricted to no more than four days per week, after 7:00 p.m. and before 7:00 a.m.

(2) Commercial car washes shall be required to have recirculating water systems or shall drain used water into the sewer system where it can be recycled.

(3) The use of water for outdoor decorative water features shall be prohibited, unless recirculating water systems are installed and in use.

(4) Irrigation with potable water outside of newly constructed homes and buildings shall require drip irrigation or micro-irrigation systems as established by the California Building Standards Commission and the Department of Housing and Community Development.

#### 3.4 Stage 4 Emergency: Mandatory Conservation Measures.

When the State Water Resources Control Board or other regulatory body has imposed restrictions on the use of water within the Agency that warrant the restrictions set forth herein, or in the event that a water shortage condition requires a significant reduction in water use, following a public hearing as set forth in Section 3.2, during which water users shall have the opportunity to present protests and their respective needs to the Board, the Board may declare that a Stage 4 Emergency condition exists. Upon such declaration, the following water conservation measures shall apply in addition to those set forth in Sections 3.1, 3.2 and 3.3:

(1) Outdoor irrigation shall be restricted to Mondays, Wednesdays, and Fridays before 7:00 a.m. and after 7:00 p.m.

(2) The use of potable water to irrigate ornamental turf within the street medians and within dedicated right of way on each side of a dedicated street shall be prohibited.

#### 3.5 Stage No. 5. Water Allocations.

When the State Water Resources Control Board or other regulatory body has imposed restrictions on the use of water within the Agency that warrant the restrictions set forth herein, or in the event that a water shortage condition requires the Agency to allocate water supplies to water users or warrants a moratorium on new service connections, or both, following a public hearing as set forth in Water Code Sections 350 et seq., the Board may consider adoption of a resolution or ordinance that allocates water deliveries among the Agency's water users, and that imposes penalties for consumption in excess of the allocated amounts. The resolution or ordinance may also, or instead, impose a limit on new water service connections. Violation of the provisions of such resolution or ordinance shall be deemed a violation of this Ordinance, and shall be subject to the enforcement provisions set forth herein.

Section 4: MODIFICATION OF WATER CONSERVATION MEASURES.

The specific requirements of each mandatory conservation stage identified in this Ordinance shall be effective upon adoption by the Board following a public hearing; provided that the Board may modify or amend such requirements at the time of adoption upon a showing of the need for such modification or amendment.

Section 5: IMPLEMENTATION AND TERMINATION OF MANDATORY COMPLIANCE STAGES.

The General Manager of the Agency shall monitor the supply and demand for water on a regular basis to determine the level of conservation required by the implementation or termination of the Water Conservation Plan stages set forth in this Ordinance, and shall notify the Board of the necessity for the implementation or termination of each stage. Each declaration of the Board implementing or terminating a water conservation stage shall be published at least once in a newspaper of general circulation, and shall remain in effect until the Board otherwise declares, as provided herein.

Section 6: EXCEPTIONS.

The General Manager of the Agency is hereby authorized to allow exceptions from the application of any provision of this Ordinance, due to exceptional circumstances, if the General Manager determines that the application of a provision would either: (a) cause an unnecessary and undue hardship to the water user or to the public; or (b) jeopardize the health, sanitation, fire protection or safety of the water user or of the public. Such exceptions may be granted only upon application therefor. Upon granting any such exception, the General Manager may impose any conditions the General Manager determines to be appropriate in the circumstance.

Section 7: CRIMINAL PROCEEDINGS FOR VIOLATION.

The Board hereby determines that, pursuant to Water Code Section 377, it shall be a misdemeanor for any water user to use or apply water contrary to or in violation of any mandatory restriction or requirement established by this Ordinance and, upon conviction thereof, that water user shall be punished by imprisonment in the County jail for not more than 30 days or by a fine of not more than \$1,000, or by both such fine and imprisonment.

Section 8: CIVIL PENALTIES AND ENFORCEMENT.

In addition to criminal penalties, violators of the mandatory provisions of this Ordinance shall be subject to civil penalties and enforcement action by the Agency staff, as follows:

8.1 First Violation.

For a first violation, the Agency staff may serve a written complaint to impose civil penalties to the water user or account holder who is violating the provisions of this Ordinance or violating the water use restrictions imposed by the State Water Resources Control Board. Upon receipt of the complaint for civil penalty, the water user or account holder shall have seven days to request, in writing, a hearing. If no hearing is requested or at the hearing it is determined that



the water user or account holder has committed a violation, a civil penalty of \$50 for a first violation at a single family residence and \$100 for a first violation at a multi-family residential, commercial or institutional establishment may be levied.

#### 8.2 Second Violation.

For a second violation of this Ordinance or water use restrictions imposed by the State Water Resources Control Board within any 12-month period, the Agency staff may serve a written complaint to impose civil penalties on the water user or account holder with written notice thereof, and the water user or account holder shall have the same period of time set forth in Section 8.1 to request a hearing. For a second violation within any 12-month period the civil penalty shall be \$100 at a single family residence and \$200 at a multi-family residential, commercial or institutional establishment.

#### 8.3 Third Violation.

For a third violation of this Ordinance and for each subsequent violation within any 12-month period, the water user or account holder shall be subject to civil penalties and shall have the same opportunity to request a hearing in the manner set forth in Section 8.1. For a third and each subsequent violation within any 12-month period, the civil penalty shall be \$250 at a single family residence and \$500 at a multi-family residential, commercial or institutional establishment.

#### 8.4 Collection of Civil Penalties.

Civil penalties may be billed to the violating water user by separate invoice, or may be added to the water user's invoice for water service as a separately itemized charge as determined by Agency staff. Civil penalties that are not paid may become a lien on the affected property in a manner provided by law to secure payment for water service. In addition, the Agency staff shall be authorized to discontinue water service for any violation of this Ordinance and for failure to pay a civil penalty within the period of time provided by the Agency staff for payment of invoices for water service. In the event that service is terminated, such service shall remain terminated for a period of at least 48 hours, unless such period is extended by action of the Board of Directors. A charge shall be imposed for reconnection and restoration of service in the amount normally charged by the Agency for restoration of service. Such restoration of service shall not be made until the General Manager has determined that the water user has provided adequate assurances that future violations of this Ordinance by such water user will not occur.

#### 8.5 Service of Complaint.

The complaint for civil penalties may be served personally, by certified mail or by affixing a copy of the complaint to the front entry of the property. The complaint shall contain, in addition to the facts of the violation, a statement of the possible civil penalties for the violation and a statement informing the water user of his or her right to a hearing.

## 8.6 Hearing and Appeal.

Within seven days of receipt of a complaint for civil penalties, the water user may request a hearing to present evidence that a violation did not occur. Within seven days after receipt of a written request for a hearing, the Agency will schedule a hearing for the water user to present evidence that a violation did not occur. The hearing shall take place no sooner than 30 days after the complaint has been issued to the violator, unless requested at an earlier date by the violator. If the hearing is held by the Board of Directors, the decision issued at the time of the hearing shall be final. If the hearing is held by the General Manager or his designee, within seven days after issuance of a decision, the water user or account holder may file a request with the Agency to appeal the decision to the Board. Upon receipt of such request, the Board shall schedule the matter for consideration at a regular or special meeting of the Board within thirty days after receiving the request, and at that time, or thereafter, shall render its decision which shall be communicated to the water user in writing, and shall be final.

## Section 9: CUMULATIVE REMEDIES.

The remedies for violations set forth in this Ordinance shall be cumulative to any other remedies available to the Agency according to law.

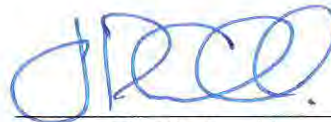
## Section 10: SEVERABILITY.

If any section, subsection, sentence, clause or phrase of this Ordinance is for any reason held to be unconstitutional or invalid, such determination shall not affect the validity of the remaining provisions of this Ordinance.

## Section 11: PUBLICATION.

The Secretary of the Board of Directors of the Agency shall attest to the adoption of this Ordinance and shall cause the same to be published in a newspaper of general circulation which is printed, published and circulated in the Agency within ten days after its adoption.

ADOPTED this first day of March, 2016.



James Cioffi, President

ATTEST:



Kristin Bloomer, Secretary-Treasurer

**DESERT WATER AGENCY  
MEDIA INFORMATION  
MAY 2016**

| <b>DATE</b> | <b>PACKET<br/>PAGE</b> | <b>MEDIA SOURCE</b> | <b>ARTICLE</b>                                                                          |
|-------------|------------------------|---------------------|-----------------------------------------------------------------------------------------|
| 05/04/16    | 1-2                    | THE DESERT SUN      | Drought update: Californians Step Up Water Conservation                                 |
| 05/09/16    | 3-4                    | THE DESERT SUN      | Leeway For Water Agencies Under New Calif. Drought Rules                                |
| 05/10/16    | 5-6                    | LOS ANGELES TIMES   | Brown Details Revised Plan For Dealing With Drought                                     |
| 05/10/16    | 7-8                    | PRESS ENTERPRISE    | Inland Water Goal: Control Own Flow                                                     |
| 05/11/16    | 9-11                   | PRESS ENTERPRISE    | Shortage On The Shoreline                                                               |
| 05/11/16    | 12                     | PRESS ENTERPRISE    | Court Approves Plan To Tap, Ship Desert Water                                           |
| 05/11/16    | 13-15                  | THE DESERT SUN      | Plan To Sell Mojave Water Survives Court Challenges                                     |
| 05/12/16    | 16-17                  | PRESS ENTERPRISE    | Desert Water Transfer Still Challenge                                                   |
| 05/13/16    | 18                     | THE DESERT SUN      | Water Rates Could Double For Coachella Customers                                        |
| 05/17/16    | 19                     | THE PUBLIC RECORD   | Indio Water Authority Customers To Benefit From Collaboration With State Of California  |
| 05/17/16    | 20                     | THE PUBLIC RECORD   | CVWD Statement On Gov. Brown's Order Establishing Long-term Water Conservation Measures |
| 05/18/16    | 21-22                  | THE DESERT SUN      | Sen. Feinstein Wants \$1.3 Billion To Fight Drought                                     |
| 05/19/16    | 23-24                  | THE DESERT SUN      | California Lifts Statewide Water Restrictions                                           |
| 05/19/16    | 25-26                  | LOS ANGELES TIMES   | California Board Allows Water Districts To Set Their Own Conservation Targets           |
| 05/19/16    | 27                     | PRESS ENTERPRISE    | Water Suppliers Get Go-ahead To Set Own Conservation Goals                              |

| DATE     | PACKET<br>PAGE | MEDIA SOURCE      | ARTICLE                                                                           |
|----------|----------------|-------------------|-----------------------------------------------------------------------------------|
| 05/21/16 | 28             | THE DESERT SUN    | Water Rates Could Double For Coachella Customers                                  |
| 05/22/16 | 29-31          | LOS ANGELES TIMES | Yorba Linda Legal Fight Turns Nasty As Residents Seek To Overturn Water Rate Hike |
| 05/25/16 | 32             | THE DESERT SUN    | Water District Eliminates Drought Penalty Fees                                    |
| 05/27/16 | 33             | LOS ANGELES TIMES | Water Board Moves To Dismiss Record Fine Against Irrigation District              |
| 05/27/16 | 34-37          | THE DESERT SUN    | Major Increase In Water Rates Stirs Debate                                        |



## **Drought update: Californians step up water conservation**

Ian James, The Desert Sun, May 4, 2016

Rains in March helped Californians water their yards less and step up their water-saving performance, achieving a statewide reduction of 24.3 percent as compared to the same month in 2013.

That monthly conservation number, announced during Tuesday's meeting of the State Water Resources Control Board, doubled the statewide reduction of 12 percent in February. Since drought measures took effect in June, cities and water districts across California have reported using a cumulative 23.9 percent less water as compared to 2013, which the state is using as a baseline.

"That's pretty remarkable when you think about it," said Felicia Marcus, chair of the state water board. "This is the most welcome news we've had in a long time."

State officials say the amount of water saved to date under Gov. Jerry Brown's 2015 order for a statewide 25 percent reduction in urban water use now totals more than 422 billion gallons – enough to provide 6.5 million Californian with water for a year.

Storms have pushed up the water levels in reservoirs in Northern California, and managers of water districts are pressing for state officials to lift or relax the mandatory conservation targets. The water board plans to consider a staff proposal for possible revisions at a meeting on May 18.

Marcus said the board is trying to figure out how to adjust to a "better but not ideal situation."

"It's not time yet for a drought's over party," Marcus said in a statement. "That said, March brought us much needed rain and snow—still less than average but huge compared to the worst in 500 years, which is where we were last year."

The Coachella Valley's water districts have largely struggled to meet the state's conservation targets and are among the agencies calling for the state to make significant changes to the drought measures. They argue the current rules don't adequately account for the hot climate of the desert, the large seasonal population of tourists and retirees, and the area's mix of water supplies, including groundwater and imported surface water.

"I think the desert as a whole still has room for more conservation and changing the mindset of what it means to live in a desert," said John Soulliere, the conservation and public affairs officer of Mission Springs Water District.

The district's customers, however, are already "very near the bottom of reasonable residential water use," Soulliere said. He pointed out they are averaging 90 gallons per-capita per day in one of the hottest areas of the state. "You can only go so far before you force customers into a level of rationing that threatens quality of life."

**Here are the Coachella Valley's water conservation numbers for March, as compared to the baseline of March 2013:**

Desert Water Agency – water savings: 14.5 percent – target: 32 percent

Coachella Valley Water District – water savings: 17.9 percent – target: 32 percent

Indio Water Authority – water savings: 23.8 percent – target: 27 percent

Coachella Water Authority – water savings: 16.8 percent – target: 20 percent

Myoma Dunes Mutual Water Company – water savings: 29.3 percent – target: 32 percent

Mission Springs Water District – water savings: 8 percent – target: 24 percent

Mission Springs, which provides water to Desert Hot Springs, reported much better water savings of 33 percent in April.

Customers of Coachella Water Authority also conserved more in April, increasing the monthly percentage to 20 percent. The Indio Water Authority said its customers cut back 26.1 percent last month. Other agencies have yet to release their April numbers.

*Ian James writes about water and the environment for The Desert Sun. Email: [ian.james@desertsun.com](mailto:ian.james@desertsun.com) Twitter: @TDSIanJames*

## Leeway for water agencies under new Calif. drought rules

Ian James, The Desert Sun, May 9, 2016

California water regulators announced new drought rules on Monday that will loosen mandatory conservation targets while making permanent some of the measures that have helped reduce water use during the past year.

The state's new approach, laid out in an executive order signed by Gov. Jerry Brown, is aimed at striking a balance between easing the mandatory cutbacks during a wetter year while also preparing for the five-year drought to continue.

"We must remember that one near-average water year in parts of California is no assurance of what next year will bring," said Felicia Marcus, chair of the State Water Resources Control Board. "This year could simply be a punctuation mark in a multiyear mega-drought."

Under proposed regulations released by the board, local water agencies will be able to "self-certify" their available water supplies and the level of conservation they deem necessary. Marcus said that will lead to a more locally tailored approach rather than the across-the-board mandates the state adopted last year.

California's mandatory conservation targets helped achieve a statewide reduction of 23.9 percent in urban water use between June 2015 and March 2016, as compared to 2013, which has been used as a baseline year.

By allowing water agencies to calculate their own estimates of conservation needs, the proposed regulations are expected to lead to reductions in the mandatory monthly water-saving targets in the Coachella Valley and other parts of the state. The rules, which will be considered by the state board on May 18, are to remain in effect through January.

In his executive order, Brown directed state officials to make permanent some of the rules that were adopted temporarily under the drought rules starting last year. Those new permanent measures include requiring local water districts to submit monthly reports on water use, conservation and enforcement – a change adopted last year that has helped regulators track progress toward meeting conservation goals.

The governor also permanently prohibited wasting water by hosing down driveways or sidewalks, running a fountain that doesn't recirculate water, washing cars without a shut-off nozzle, watering turf on street medians, or causing runoff by over-watering lawns.

Among other things, the governor's order tasks state agencies with improving water data, reducing leaks from pipes that waste large quantities, and updating the requirements for agricultural water districts to prepare for droughts and improve efficiency.

Brown ordered state agencies to develop new long-term water-saving targets "as part of a permanent framework" for urban water agencies.

The recalibrated approach signals Brown's interest in pivoting from temporary measures toward more lasting strategies to prepare for the longer and more severe droughts that are expected as a result of climate change.

"Californians stepped up during this drought and saved more water than ever before," Brown said in a statement. "But now we know that drought is becoming a regular occurrence and water conservation must be a part of our everyday life."

El Niño-influenced storms during the winter and spring have boosted the levels of major reservoirs. But 74 percent of the state is still classified by the U.S. Drought Monitor as being in severe drought conditions.

"While El Niño didn't save us, it did help us," Marcus told reporters during a briefing by phone. "We got a reprieve. So we need to use this moment wisely to prepare for the challenging years ahead."

If adopted as proposed by the state board next week, cities and local water districts will be required to self-assess their available water supplies "assuming three additional dry years" and report to the state how much conservation they consider necessary. Urban water districts will have to report on how they reach their conclusions, and will need to report monthly on their conservation performance.

Many water districts had encouraged the state to adopt this sort of "self-certification" process, which Marcus said will allow for a more locally tailored approach to conservation. At the local level, she said, agencies "get more local control, and we all get more transparency."

She said the state water board will keep in place mandatory conservation standards "for suppliers that need them."

The Coachella Valley's water districts have fallen short of state-ordered conservation targets, which depending on the agency have ranged from 20 percent to 36 percent below 2013 levels.

"We are supportive of having the conservation targets based on local water supplies," said Katie Ruark, conservation manager for the Coachella Valley Water District. "I'm optimistic that this will result in a lower conservation standard."

CVWD was among the agencies that lobbied for such a change in the drought rules.

The Desert Water Agency has also recently called for adjustments to give local agencies more of a voice. Ashley Metzger, conservation manager for DWA, said she hopes the changes "will lead to a significant reduction in our targets across the valley."

How much isn't clear. If the regulations are approved, water districts will have until next month to submit their "self-certification" information to the state.

Looking beyond the current drought, Brown ordered the Department of Water Resources and the state water board to develop new targets for improving water efficiency that exceed a previous 2009 requirement for 20-percent reductions by 2020.

"Those standards and targets will avoid a cookie-cutter approach and be tailored to the specific conditions of all of California's diverse regions and communities," said Mark Cowin, director of the Department of Water Resources. Using water more efficiently, he said, will help California prepare for longer and more severe drought cycles.

Marcus called the governor's order a "road map" to prepare for California's big water challenges.

"What happened to us these last few years is what will happen more often as climate change accelerates," Marcus said.

Even though rain and snow have helped ease the drought somewhat, she said, "this is not a time to start using water like it's 1999."

"We need to keep conserving all we can, whenever we can, because it is the smartest thing to do with a precious resource."

## Brown details revised plan for dealing with drought

Matt Stevens and Bettina Boxall, May 10, 2016

Gov. Jerry Brown and top water regulators on Monday laid out a revised game plan for dealing with California's persistent drought, making some conservation rules permanent while also moving to give communities more of a say in deciding how much water they must save.

Brown issued an executive order enshrining a conservation ethic in state regulations — banning permanently some wasteful water practices and ordering regulators to develop new water-efficiency standards designed to drive down long-term urban use.

In doing so, Brown made it clear that the days when Californians could use as much water as they pleased are over.

At the same time, the staff of the State Water Resources Control Board recommended changes to emergency drought rules that would allow communities around the state to relax or even drop mandatory conservation targets that have been in effect for much of the last year.

Though officials emphasized that the harsh California drought has not ended, they said the wet winter and spring in many parts of the state brightened the supply picture sufficiently to give local agencies more flexibility.

California's two largest reservoirs, Shasta and Oroville in Northern California, are more than 90% full. The State Water Project, which delivers supplies to the Southland, has upped its allocation to 60% of requests, the highest it has been since 2012.

"We're making a shift that recognizes supply conditions have improved," water board conservation manager Max Gomberg said.

Under proposed revisions that the water board will consider May 18, local agencies — many of which had complained that the drought rules were too heavy-handed — would set their conservation targets based on their ability to meet demand if there are three more severely dry years.

In the case of some Northern California communities with brimming local reservoirs, that could mean the end of water rationing. It could even ease restrictions in the dry Southland.

As the drought intensified, Brown last year ordered a statewide 25% cut in urban water use, the first mandate of its kind in California history. To achieve that, the water board set individual targets for communities. Those with the highest per-capita use were ordered to reduce water consumption by as much as 36%.

Brown orders California's first mandatory water restrictions: 'It's a different world'

Since then, the state's overall urban use has dropped nearly 24% compared with 2013

But water agencies up and down the state complained that the conservation targets didn't take into account regional climate differences, previous conservation efforts or alternative supplies such as desalinated seawater.

Those complaints grew louder this winter as El Niño drenched the northern half of the state and the mountain snowpack recovered from the record lows of last year.

The percentage cuts imposed by the state last year were a fairly blunt instrument adopted in an emergency situation, said water board chair Felicia Marcus.

The proposed revisions are more tailored to individual circumstances, she added.

"Show us your situation," she said. "Come up with the conservation standard appropriate to you and we reserve the right to set one if [you] don't — and reserve the right to second-guess."

Timothy Quinn, executive director of the Assn. of California Water Agencies, said members were "pleased the staff is proposing a fundamentally different approach that builds on extensive feedback from the water community.... While the statewide drought is not over, it is time to better match conservation levels with local water supply conditions."

Even as state officials signaled an easing of some aspects of the drought rules, Monday's executive order makes other provisions permanent: Bans on hosing off sidewalks, washing cars with hoses that lack shut-off nozzles and irrigating lawns so that water spills onto pavement, as well as watering grass in public street medians.

"Californians stepped up during this drought and saved more water than ever before," Brown said in a statement. "But now we know that drought is becoming a regular occurrence and water conservation must be a part of our everyday life."

Under the executive order, urban agencies will have to continue to file monthly reports on local water use.

Brown also directed the state board to devise over the next seven months long-term standards dealing with indoor residential use, landscape irrigation, leaks and commercial and industrial use.

The details are uncertain at this point, but the new framework would go beyond an existing legislative requirement — adopted before the drought — for a statewide 20% reduction in urban use by 2020. "It will be stronger," Marcus said. "It's a different approach and focuses on being efficient."

"The executive order basically declares business as usual with water as a thing of the past," she added.

In a statement, the Metropolitan Water District of Southern California, the region's water wholesaler, voiced support for the shift.

"Southern California's long-term water plan already assumes conservation achievements above and beyond those targeted by state legislation for 2020," said Jeffrey Kightlinger, the agency's general manager. "Gov. Brown's executive order is completely consistent with conservation objectives for Southern California."

Date: May 10, 2016; Section: Front Page; Page: A1

## CALIFORNIA'S DROUGHT: THE NEXT PHASE

# Inland water goal: control own flow

The state bars some wasteful uses but wants agencies to set their own cutback targets.

By **DAVID DOWNEY**

### STAFF WRITER

Inland water officials may finally get what they wanted: the opportunity to set their own conservation targets. And that could bring relief to thousands of homeowners who have struggled to cut back and still keep lawns and gardens alive.

After a year of enforcing a 25 percent reduction statewide and some sharper cuts locally, state officials Monday proposed setting aside mandated targets and letting agencies develop their own goals for this summer and fall, citing the wet winter up north that refilled crucial reservoirs.

The State Water Resources Control Board is scheduled to take up the plan May 18.

But don't start thinking the drought's over.

Mark Cowin, director of the California Department of Water Resources, emphasized that the state remains in the throes of a five-year dry spell despite the improved conditions up north.

And, said Felicia Marcus, chairwoman of the State Water Resources Control Board, "This is not a time to start using water like it's 1999."

Also on Monday, Gov. Jerry Brown issued an executive order making permanent a temporary ban on the wasteful practices of hosing off sidewalks and driveways, washing cars with hoses not equipped with shutoff nozzles, and letting lawn water run into the street.

Despite the proposal that could ease cutbacks, suppliers will have to continue reporting water use to the state and make contingency plans for droughts as long as five years. And new, permanent water-use efficiency standards will have to be developed.

It makes sense to focus on making permanent lifestyle changes, said Deven Upadhyay, group manager of water resource management for the Metropolitan Water District, Southern California's largest water provider.

"The governor's announcement today and the executive order is starting to move the conversation a little away from emergency conservation and toward long-term conservation," he said.

### BASE IT ON SUPPLY

Local agencies welcomed the proposed change.

"It sounds like we're going to be able to figure out what works best for our community," said Kristeen Farlow, a spokeswoman for the Cucamonga Valley Water District, which serves about 200,000 people in Rancho Cucamonga and portions of Fontana, Upland and Ontario.

"We're, of course, extremely happy about the news, but cautiously optimistic because you never know what's going to actually happen," said Todd Jorgenson, assistant general manager for water for Riverside Public Utilities.

Ditto for the Eastern Municipal Water District, which serves about 600,000 people in the I-215 corridor of Riverside County stretching from Moreno Valley to Murrieta.

"We've always said, 'Base it on your supply,' " said Kevin Pearson, an Eastern spokesman.

It means customers likely won't have to cut back on lawn watering this summer as intensely as they did in 2015, although Pearson said it was premature to say by how much his district's conservation target might be reduced. He said the Eastern board will take up the matter in June.

While the April 2015 order called for 25 percent conservation overall statewide, individual targets were assigned to the various agencies. And many Inland agencies were ordered to go beyond that.

Riverside and Eastern were given 28 percent reductions, and Cucamonga Valley was assigned a target of 32 percent. The city of Riverside filed suit to challenge its target.

### **EL NIÑO DIDN'T SAVE US**

The change in approach comes as the Metropolitan Water District is poised to enter the watering season without limiting allocations to agencies it serves. Last year Metropolitan cut allocations by 15 percent.

Metropolitan's board is set to adopt plans for the summer today.

Upadhyay said Metropolitan expects to receive much more in the way of State Water Project deliveries of Sierra Nevada water. After three years of drawing down its reserves, Upadhyay said, Metropolitan expects to begin building those back up this year.

The most visible local reflection of those reserves is Diamond Valley Lake.

The giant lake near Hemet is less than half full today, Upadhyay said. But the water level is rising to the point where a boat launch is set to open this month. And by year's end, it could be two-thirds full, he said.

Sacramento officials also cited the nearly full reservoirs up north that are triggering the boost in deliveries.

"While El Niño didn't save us, it did help us," said Marcus, the state water board member.

### **NO 'CAKEWALK'**

As a result, Marcus said, the "blunt instrument" of the 25 percent statewide order is no longer needed.

And, with the water board's consent this month, officials intend to allow agencies to self-certify their conservation targets.

But Marcus said agencies will be watched closely to make sure they base targets on real on-the-ground conditions.

"It is not a cakewalk," she said.

Those targets will have to reflect how much water agencies would have to operate with if the next three years matched the dry seasons of 2012-13, 2013-14 and 2014-15, said Max Gomberg, climate and conservation manager.

If the numbers reveal such conditions would leave a 10 percent shortfall, for example, Gomberg said, then an agency would be required to enforce a 10 percent cutback June through next January.

**CONTACT THE WRITER:**

951-368-9699 or

ddowney@pe.com



Date: May 11, 2016; Section: Front Page; Page: A1

# SHORTAGE ON THE SHORELINE

## SPARSE RAIN HERE LEAVES MOST LOCAL LAKES LOW AND DRY

By **DAVID DOWNEY**

### STAFF WRITER

Want to know whether the water in a Southern California lake comes from a rainy, El Niño-blessed locale far away or local rainfall?

Just take a look at the shoreline.

Levels in bodies of water that tap regional pipelines are rising, while local lakes that don't continue to recede. Consider this:

Lake Elsinore officials set out buoys last week to warn boaters of shallow water in their city's namesake lake.

Big Bear Lake is half full following the steepest-ever four-year drop in lake levels.

A local supplier has been prevented from drawing water out of Lake Hemet for four straight years because of low levels there.

Diamond Valley Lake, after reaching a record-low level early this year, is on the rebound thanks to a fresh infusion of water piped in from the Sierra Nevada, where the much-maligned El Niño weather phenomenon did manage to deliver significant rain.

As a result, operator Metropolitan Water District plans to reopen a boat launch at the 810,000-acre-foot reservoir in southwest Riverside County on May 18, following a yearlong closure.

"Improved supply conditions, particularly in Northern California, have helped loosen the drought's grip and allowed us to reintroduce boating and fishing on the lake," said Randy Record, Metropolitan's board chairman and a San Jacinto resident, in a statement.

For first time since 2012, Metropolitan, which pipes in Northern California and Colorado River water to the region, is rebuilding its vast reserves instead of drawing them down, said Bob Muir, a spokesman for the agency in Los Angeles.

"And a key destination for that will be Diamond Valley Lake," Muir said in a telephone interview Tuesday.

Lake Mathews near Corona is also on the rise. It has twice as much water as it did this time last year, according to Metropolitan statistics.

Muir said that's because Lake Mathews is the last stop on the Colorado River Aqueduct. The region received small amounts from up north in 2015, as the drought's grip tightened, and Metropolitan leaned heavily on the Colorado River to keep water flowing to area homes. He said one year ago the agency was constantly pulling water out of the lake.

But that has changed with the easing of deliveries from the State Water Project, which taps the Sierra Nevada. And as of this week, Lake Mathews is 85 percent full.

### GLASS HALF EMPTY

For the most part, though, Southern California lakes have taken – and continue to take – a beating because they are filled by local rain, and not precipitation that falls hundreds of miles away.

In the San Jacinto Mountains of Riverside County, Lake Hemet has hovered around half full for the duration of the drought. And Tom Wagoner, general manager of the Lake Hemet Municipal Water District, said the agency has avoided making withdrawals to hold on to what little savings is left for potential emergencies, such as an earthquake.

"We haven't taken any of the water out of the lake for four years," Wagoner said.

And it didn't help when Metropolitan closed the Diamond Valley boat launch in early 2015. Some boaters and fishing enthusiasts thought – wrongly – that the little lake in the mountains was terminating boat access, too, and

visits plummeted for a while, said Amber Rackley, social media manager for Lake Hemet Recreational Campground.

But then the 600-campsite area opened a water park last summer and visitors streamed back, Rackley said.

"The water park is awesome," she said. "We have a 12-foot trampoline in the water. We have a 15-foot slide. And we have this thing called The Iceberg. It's a rock climbing wall. My kids love it."

To be sure, conditions aren't ideal, she said. "But at least we have water."

Conditions also are passable at Big Bear Lake in San Bernardino County, where water still covers 80 percent of the lake's surface area and allows for most summer recreation, said Mike Stephenson, general manager of Big Bear Municipal Water District.

After reaching capacity in 2012, Big Bear Lake barely has half as much water, Stephenson said.

"The last four years has seen the steepest line from full to 13 1/2 feet down that I've seen in recorded history," Stephenson said. "There is no steeper line in any of the graphs that I can find."

He said the lake, which provides recreation for the region and water for the local ski resorts' snowmaking guns, will manage to get through the summer without problems.

"But, he said, "If we don't get any precip this winter, then we're down to the critical stage."

## EL NIÑO GIVETH

## AND TAKETH AWAY

Lake Elsinore officials, however, are worried about this summer.

The natural lake is hardly one-quarter full and so shallow in places that city employees rushed out over the past few days to set buoys in the water, said Nicole Dailey, senior management analyst for the city.

The city operates two boat launches, but closed one of them – Seaport – in 2014 due to the receding shoreline. And Dailey said that, while La Laguna Resort and Boat Launch will remain open for now, officials intend to closely monitor it.

"The city is very concerned about this summer," she said.

Officials certainly don't want anyone venturing into the water that is as shallow as 3 feet in places, Dailey said. "If you have an outboard, you're going to hit your prop."

The predicament of Lake Elsinore and other lakes stands in stark contrast to the nearly full reservoirs of Northern California, which were blessed with wave after wave of El Niño-fueled storms over the past several months.

Closer to home, however, El Niño didn't exactly live up to expectations.

"Because the results were so bad in the Central Valley and in Southern California, only the greatest optimist would foresee a great rebound for the lakes in the south," said Doug Carlson, a spokesman for the Department of Water Resources.

## CONTACT THE WRITER:

951-368-9699 or

ddowney@pe.com

# INLAND IMPACT

Big Bear Lake has seen its steepest-ever four-year drop as a result of the continuing drought and is half full.

Lake Elsinore is 26 percent full, and city officials have just finished installing buoys to warn boaters of shallow water.

Diamond Valley Lake is rising for the first time since 2012, with fresh infusions of State Water Project water thanks to a wet winter up north.

# Lake levels

The drought has diminished storage at reservoirs across the state. Recent rains have helped improve lake levels in many cases, but much more is needed.

-  Recreation
-  Agriculture
-  Drinking water



## 1 DIAMOND VALLEY LAKE

**Down 56%**

Metropolitan Water District  
Capacity: 810,000 acre-feet  
Current storage: 359,329  
acre-feet; down 95 feet  
Historic low: 300,060 acre-  
feet, early 2016  
Water sources: State Water  
Project



## 2 SILVERWOOD LAKE

**Down 9%**

California Department  
of Water Resources  
Capacity: 74,570 acre-feet  
Current storage: 67,992  
acre-feet; down 734 feet  
Historic low: N/A  
Water source: State Water Project



## 3 LAKE MATHEWS

**Down 15%**

Metropolitan Water District  
Capacity: 182,000 acre-feet  
Current storage: 154,960  
acre-feet  
Historic low: N/A  
Water source: Colorado  
River



## 4 LAKE ARROWHEAD

**Down 12%**

Arrowhead Lake Associa-  
tion; Lake Arrowhead  
Community Services  
District  
Capacity: 46,855 acre-feet  
Current storage: 41,372  
acre-feet; down 7.4 feet  
Historic low: 31,100 acre-feet  
in 2004; down 21 feet  
Water sources: Snowmelt  
and rainfall runoff



## 5 LAKE SKINNER

**Down 7%**

Metropolitan Water District  
Capacity: 44,000 acre-feet  
Current storage: 41,966  
acre-feet  
Historic low: N/A  
Water source: Colorado  
River



## 6 LAKE PERRIS

**Down 64%**

California Department  
of Water Resources  
Capacity: 131,452 acre-feet  
Current storage: 47,157  
acre-feet (restricted  
storage due to dam repairs)  
Historic low: N/A  
Water source: State Water Project



## 7 LAKE HEMET

**Down 48%**

Lake Hemet  
Municipal Water District  
Capacity: 12,775 acre-feet  
Current storage: 6,650  
acre-feet; down 17 feet  
Historic low: 4,490  
acre-feet in 2004,  
down 27 feet;  
empty in 1950s  
Water sources: Hurley  
Creek and local watershed  
runoff



## 8 BIG BEAR LAKE

**Down 48%**

Big Bear Lake  
Municipal Water District  
Capacity: 73,370 acre-feet  
Current storage: 37,586  
acre-feet; down 13.5 feet  
Historic low: 30,000  
acre-feet in 2004,  
down 17.5 feet  
Water sources: Local  
snowmelt and rainfall



## 9 LAKE ELSINORE

**Down 74%**

City of Lake Elsinore  
Capacity: 65,114 acre-feet  
Current storage: 23,160  
acre-feet; down 20 feet  
Historic low: 9,600 acre-feet  
in 1992  
Water sources: San Jacinto  
River and local watershed  
runoff; supplemental  
recycled and well water



## 10 CANYON LAKE

**Down 2%**

Elsinore Valley Municipal  
Water District  
Capacity: 11,867 acre-feet  
Current storage: 11,697  
acre-feet; down 3.36 feet  
Historic low: 8,600 acre-feet  
in 2007  
Water sources: San Jacinto  
River and local watershed  
runoff



## 11 CASTAIC LAKE

**Down 44%**

California Department of  
Water Resources  
Capacity: 325,000 acre-feet  
Current storage: 181,240  
acre-feet; down 194 feet  
Historic low: N/A  
Water source: State Water  
Project



## 12 PYRAMID LAKE

**Down 7%**

California Department of  
Water Resources  
Capacity: 180,000 acre-feet  
Current storage: 166,655  
acre-feet; down 30 feet  
Historic low: N/A  
Water source: State Water  
Project



STAFF GRAPHIC

Date: May 11, 2016; Section: Front Page; Page: A4

# COURT APPROVES PLAN TO TAP, SHIP DESERT WATER

Project by Cadiz Inc. would transfer groundwater from the Mojave.

By **JIM STEINBERG**

**STAFF WRITER**

Cadiz Inc. won a decisive courtroom victory Tuesday for its plans to transfer ancient groundwater in a remote part of San Bernardino County's Mojave Desert to parts of Orange County and other locations.

California's Fourth District Court of Appeal in Santa Ana upheld six lower court decisions dealing with various governmental approvals and environmental reviews of the controversial water project.

"The six Court of Appeal opinions issued today continue an uninterrupted validation of the Cadiz water project and its mission to conserve and deliver enough water for 400,000 people without harm to the environment," said Cadiz CEO Scott Slater.

"The mountains of evidence, peer review, public agency and judicial scrutiny have all determined that the project is technically and legally sound," he said.

The Cadiz project is being developed in a partnership with the Santa Margarita Water District and other Southern California water agencies.

"We were disappointed. We thought we had a good case," said Aruna Prabhala, a staff attorney with the Center for Biological Diversity in Oakland.

The center challenged the project on two fronts: the California Environmental Quality Act study that was used in the approval process and a second case dealing with San Bernardino County's approval of the project, she said.

"We remain very concerned about the project and its impact on desert water resources," which will affect desert wildlife such as bighorn sheep and desert tortoise, Prabhala said. "This project is a boondoggle ... not where California should be heading."

Despite the legal victory, the Cadiz project is not a done deal, Prabhala said.

In October, the U.S. Bureau of Land Management rejected Cadiz's proposed use of an 1875 railway right of way to build a 43-mile pipeline from the Fenner Valley – about 40 miles northeast of Twentynine Palms – to the Colorado River Aqueduct, where it could be delivered to future customers.

Said Slater on Tuesday, "We will now turn to demonstrating through all legal means that our proposed use of the ARZC railroad route for the project's pipeline is within the scope of the existing right of way."

## Plan to sell Mojave water survives court challenges

Ian James, The Desert Sun 11:25 p.m. PDT May 11, 2016

A company's proposal to pump billions of gallons of water from a Mojave Desert aquifer has survived a legal fight as an appeals court rejected several challenges by opponents of the plan.

In six rulings, California's 4th District Court of Appeal upheld earlier decisions backing a state environmental review. Cadiz Inc. praised the rulings, which were issued on Tuesday, as a step toward a project that would pump enough groundwater to supply about 400,000 people.

"This project has met every test," said Scott Slater, the Los Angeles-based company's president and CEO. He said the court decision "validates that we've done it the right way."

The company owns 34,000 acres in the desert along Route 66 in the Cadiz and Fenner valleys, about 75 miles northeast of Palm Springs. It has proposed to pump as much as 50,000 acre-feet of groundwater – or 16.3 billion gallons – each year for the next 50 years, and sell the water to districts in Southern California.

The company's claim that its pumping wouldn't harm the environment is hotly disputed by conservation groups and other opponents.

The court ruled against appeals by several groups, among them the Center for Biological Diversity and the National Parks Conservation Association, and by the company Tetra Technologies, which mines sodium and calcium salts at dry lakes next to Cadiz's property.

"We're disappointed with how the ruling turned out, and we remain very much concerned about the project and its impact on groundwater and desert ecosystems," said Aruna Prabhala, an attorney with the Center for Biological Diversity.

Cadiz has proposed to build a pipeline next to a railroad line to carry the water to the Colorado River Aqueduct. But in October, the federal Bureau of Land Management determined that authorizing the pipeline would go beyond the rights originally granted to the railroad and would require a separate review.

Opponents of the project say they expect a thorough environmental review to be carried out under the National Environmental Policy Act. They say if the company is allowed to draw down the aquifer, it would threaten springs and wildlife in surrounding areas.

"The reality is they haven't even started the appropriate process," said David Lamfrom, director of the California desert program of the National Parks Conservation Association. "For them to use that railroad right-of-way, they would need to go through a federal process."

While pursuing its plan to sell water, the company has been running its wells to irrigate nearly 2,000 acres of farmland, growing lemons, grapes, raisins and other crops.

The company's property is close to the Mojave National Preserve and surrounded by the newly created Mojave Trails National Monument.

Both sides in the dispute have enlisted researchers to study the environmental impacts and the natural rate of groundwater recharge, and they've come to very different conclusions.

"There needs to be a fair reckoning of the science," Lamfrom said. He hopes to see an independent study carried out by U.S. Geological Survey scientists, who could help settle the question of how much water naturally replenishes the aquifer system.

Slater says the company's studies have found that pumping on the valley floor wouldn't affect springs that are located at least 11 miles away and at higher elevation. He says those studies show that if the company doesn't pump the groundwater, it would otherwise gradually flow downhill and evaporate from two dry lakes.

Cadiz has proposed a second phase later on that would involve "banking" imported water. The water would flow in from the Colorado River or the State Water Project, and would seep underground to be stored for later use.

Cadiz's plans to build a business on water in the desert have generated heated debate for years.

The company was founded in 1983 and in the following years gradually expanded its landholdings around the tiny community of Cadiz, a former train stop south of the Marble Mountains where freight trains continue to rumble past.

In 1997, Cadiz and the Metropolitan Water District of Southern California together proposed storing water from the Colorado River in the groundwater basin. Metropolitan eventually decided not to go forward with it, and the company later made revisions to the project and relaunched it in 2009.

Cadiz has since partnered with the Santa Margarita Water District in Orange County, which has a signed contract to buy a portion of the water. The same water district was also the lead agency in the environmental review under the California Environmental Quality Act – the process that the appeals court upheld in this week's rulings.

San Bernardino County has also been involved. In 2012, county supervisors approved a plan that allows the company to extract more water than the natural rate of recharge while requiring monitoring and specifying pumping limits.

The company's plan for a 43-mile pipeline alongside the railroad tracks hit a snag in October. James Kenna, the outgoing state director of the federal Bureau of Land Management, notified the company in a letter that the pipeline plan wasn't within the rights originally granted to the Arizona and California Railroad under an 1875 law.

Slater objected to that decision, which he argued was the product of "political manipulation."

In March, Slater said he and representatives of the Santa Margarita Water District and Arizona and California Railroad met with Jerome Perez, the bureau's new state director, to discuss the matter.

"I think we need to turn our attention to demonstrating that our chosen pathway... is within the scope of that right-of-way," Slater said. "In the end, what is within the scope of that right-of-way is a question for Congress."

The company has been taking its case to lawmakers. It lists 15 members of California's congressional delegation as supporters of the Cadiz Water Project, among them Reps. Paul Cook, R-Apple Valley; Jim Costa, D-Fresno; Dana Rohrabacher, R-Huntington Beach; and Loretta Sanchez, the Santa Ana Democrat who is running for U.S. Senate.

Nine members of Congress, including Cook, Rohrabacher and others, wrote to Bureau of Land Management Director Neil Kornze in December urging him to reconsider Kenna's decision. They called the decision flawed and said the Cadiz pipeline would "supply desperately needed water to the public."

A larger group of 23 members of Congress from western states raised related concerns in a March 22 letter to Rep. Ken Calvert, R-Corona, who chairs the House Appropriations Subcommittee on Interior, Environment and Related Agencies.

They objected to a legal opinion, issued in 2011 by the Interior Department's solicitor, that a railroad's authority to authorize activities along its tracks is limited to activities that relate to "a railroad purpose." They said the bureau's decision on the water pipeline in California "departed even further" from the original railroad law.

The members of Congress aid the agency's interpretation "will have far-reaching consequences throughout the West," where railroad lines are used for infrastructure ranging from power lines to fiber-optic cables.

They proposed to change that through language in an appropriations bill. The group who signed the letter included Reps. Duncan Hunter, R-El Cajon; Linda Sanchez, D-Cerritos; and Raul Ruiz, D-Palm Desert, among others.

Slater, who is a water lawyer, said he is confident the company will be able to proceed.

"In the end, we'll either get cooperation with BLM, Congress will tell us what it thinks about the scope of the right-of-way, or somewhere a judge will make the decision for us all," he said. "If there's not a resolution, we have the courts."

*Ian James writes about water and the environment for The Desert Sun.  
Email:ian.james@desertsun.com Twitter: @TDSIanJames*

Date: May 12, 2016; Section: Front Page; Page: A1

CADIZ PLAN

# Desert water transfer still a challenge

By ALICIA ROBINSON

## STAFF WRITER

Now that plans to pump underground water from deep in the Mojave Desert have survived a legal challenge, project developer Cadiz Inc. faces hurdles in delivering the water to customers around Southern California.

A state appeals court on Tuesday upheld six rulings in the company's favor on various environmental and procedural challenges.

But Cadiz must resolve two key issues before moving the \$225 million project forward.

It needs the federal Bureau of Land Management's approval to use railroad right of way for a 43-mile pipeline that would carry the water to the Colorado River. The agency rejected the company's request in October.

And it needs the Metropolitan Water District of Southern California's permission to use its Colorado River aqueduct to deliver the desert water to users in Los Angeles, Orange and Riverside counties. The MWD and Cadiz are in talks but have not worked out a deal.

The project would tap an underground aquifer from a well on Cadiz land and pump about 50,000 acrefeet of water per year to serve the Santa Margarita Water District, Jurupa Community Services District and Golden State Water Co., serving Los Angeles, Orange and San Bernardino counties, and three other suppliers.

## ON MONUMENT LAND

The company's property sits in the middle of the newly designated Mojave Trails National Monument.

Cadiz President Scott Slater is confident the project will proceed and hopes to break ground this year. But in light of the obstacles, opponents and some who want to buy the water don't see it as a certainty.

"We are not programming this as a firm source of water in the future," Jurupa district General Manager Todd Corbin said.

Slater said Wednesday his focus is on showing BLM officials that the pipeline "will further railroad purposes," which is the standard for using the right of way. The pipeline would have built-in turbines to power railroad lights and crossings, would provide water to put out fires on wooden trestles, and the project would add fiber optic cable for railroad use.

It's the same proposal BLM officials rejected last fall. In a statement Wednesday, agency spokeswoman Martha Maciel said, "Because the proposed pipeline is not within the rights conveyed to the railroad, a separate BLM authorization is necessary."

Project opponents say that would require a federal environmental review.

"They haven't had the type of independent environmental assessment that is required by the federal government to understand the implications that their project would have on public lands that belong to all Americans," said David Lamfrom, California desert program manager for the National Parks Conservation Association. His group was among those that sued to block the Cadiz project.

Slater disagreed, contending he already went through a tougher state-level review, and that the appeals court ruling settled the environmental issues. Either he'll convince BLM officials that they erred in rejecting the pipeline, or Congress could act to clarify its rules that the BLM is interpreting, he said.

Failing that, "Then we'll have to pursue our remedy, and that would be a resolution in court."

Project supporters and opponents also disagree on the effects of pumping 50,000 acre-feet a year out of an aquifer estimated to hold between 17 million and 34 million acre-feet of water, whether it would deplete natural springs that sustain desert plants and animals, and how much groundwater would recharge the basin annually. One acre-foot of water is enough to supply two families in Southern California for a year.



"This project is going to be taking out ancient groundwater on an unsustainable level," said Aruna Prabhala, staff attorney with the Center for Biological Diversity. "We just think that's heading in the wrong direction, particularly in light of California's drought."

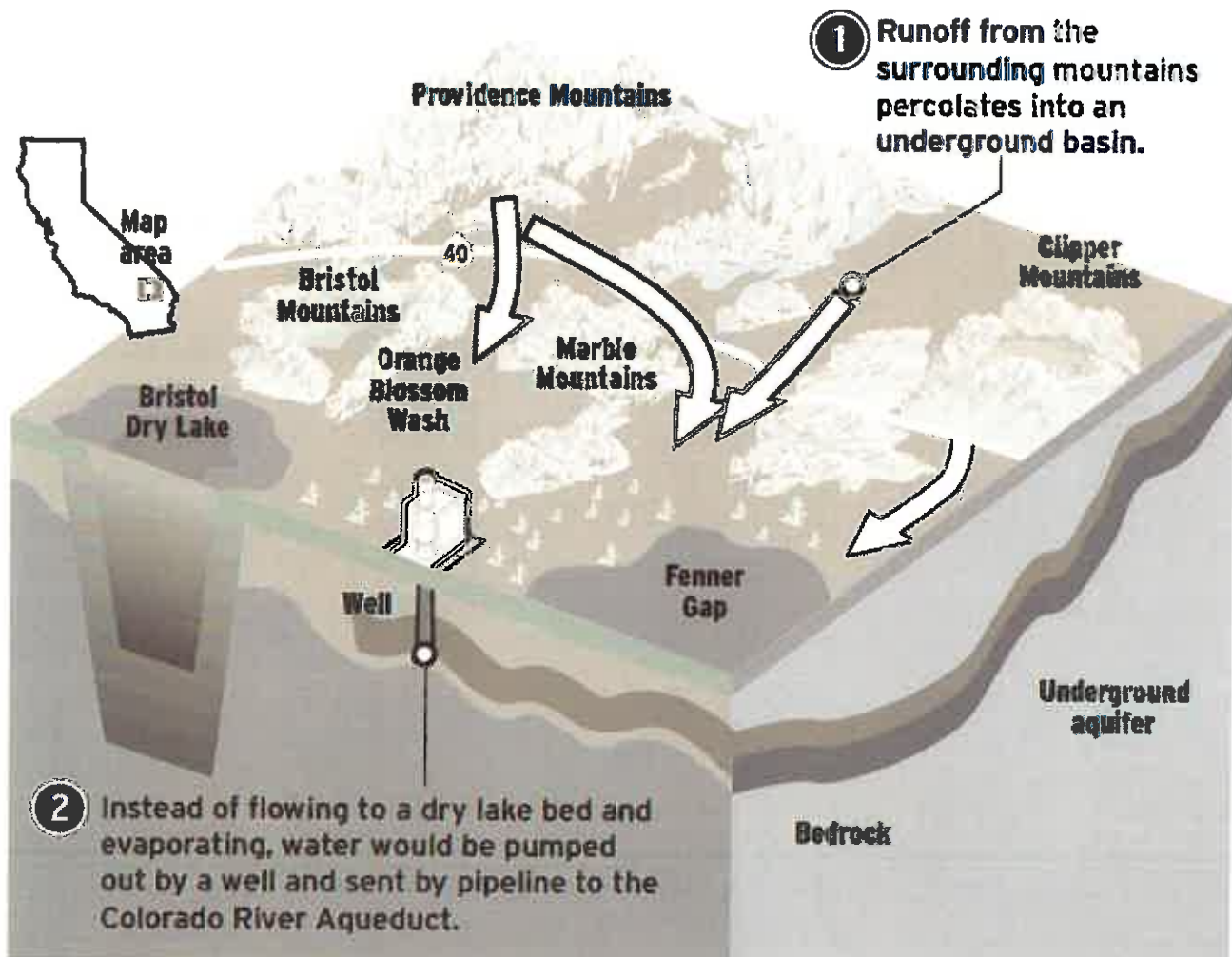
Other issues remain. Cadiz is in discussions with Metropolitan about using the aqueduct, water district spokesman Bob Muir said, but officials need to determine whether it has the capacity for additional users. There are also concerns about hexavalent chromium, a carcinogen, in the water.

Santa Margarita Water District spokeswoman Nicole Stanfield said the court decision "has moved us one step closer to expanding our water portfolio." But Corbin of the Jurupa district is not ready to count on the additional water supply.

"We're going to treat it – if available, if it gets through all of the project concerns, the environmental concerns – as a supplemental source of water," he said.

## Cadiz Valley water project

**Controversy continues over plans to pump water from an underground aquifer in the Cadiz Valley. An appeals court ruled in favor of the project, but the company behind it must overcome federal objections to a needed pipeline. Critics argue the project would deplete groundwater and threaten the desert environment.**



Source: Cadiz Inc.

STAFF GRAPHIC

## Water rates could double for Coachella customers

Anna Rumer, The Desert May 13, 2016

Reducing chromium-6 levels in Coachella's drinking water to comply with new state regulations will cost the city millions of dollars and as much as double residents' water bills within the next five years, city officials say. At high levels, chromium-6 has been linked to kidney and liver damage, but Coachella's dilemma has more to do with recent policy changes and less to do with a widespread consensus on the minimum level at which the compound can cause problems.

Two years ago, the California Department of Public Health reduced the maximum allowable level of chromium-6 in drinking water from 50 parts per billion to 10 ppb, meaning that all five of the Coachella Water Authority's wells were suddenly just above the state standard. The U.S. Environmental Protection Agency doesn't regulate chromium-6 specifically, but does require that drinking water contain less than 100 ppb of any chromium compound.

Since California lowered its maximum chromium-6 levels, several water agencies have filed lawsuits against the state that claim the new standards are unnecessary and will require them to build or contract with expensive water treatment facilities.

Coachella alone would have to pay between \$10 million and \$16 million to build their facility, Utilities General Manager Scott Rogers told the City Council on Wednesday, and up to \$2.6 million every year to operate and maintain that. That's more than 12 percent of the city's 2016 budget that would have to be spent every year treating water.

The city is eligible for grant funding that could cut up to \$5 million off the system's initial price, but won't know if it's received the money until the beginning of 2017.

"We're going to increase our debt if we don't get grant funding," Rogers said. "We're working really hard to focus on the grant and making sure we're setting ourselves up to be successful with that."

The funding is not only vital to the city, but to the people who live there. While with the grant, Rogers estimates that water rates will increase between 12 and 27 percent every year for five years, without it, customers can expect to pay as much as 34 percent annually during that time period. For the average person with a monthly bill of \$30, that would mean paying \$60 a month for the same amount of water.

A full rate study will be conducted in October or November, Rogers said, but the department is working to warn utility customers now by including inserts in their monthly bills about the increases.

Mayor Pro Tem Emmanuel Martinez said he wants to push hard for public awareness, so as not to catch people off guard.

"We already did a rate increase a few years ago and there was an uproar," he said. "The lesson learned is we have to be proactive with outreach in Coachella."

The city has to be in compliance with state standards by 2020 and plans to begin construction of its treatment facility in 2017, but in the meantime, Mayor Steven Hernandez and City Manager David Garcia have said they're reaching out to the State Water Board and Gov. Jerry Brown to advocate for Coachella's grant funding eligibility to be increased due to the town's economic standing.

"This issue is a major one for us as an underserved community," Councilman Manuel Perez said. "We gotta try everything we can to lower the cost on this."

# The Public Record

TUESDAY, MAY 17, 2016

VOLUME 38 - EDITION #39

PALM SPRINGS, CALIFORNIA

\$1.50 - PER SINGLE ISSUE

SERVING ALL OF THE DESERT CITIES AND UNINCORPORATED AREAS OF RIVERSIDE COUNTY IN THE COACHELLA VALLEY

## INDIO WATER AUTHORITY CUSTOMERS TO BENEFIT FROM COLLABORATION WITH STATE OF CALIFORNIA

Indio Water Authority (IWA) recently announced a joint effort with the State Water Resources Control Board (SWRCB) to reallocate a \$61,000 fine into a \$2 million water conservation program in lieu of payment made to the State of California.

In October 2015, IWA and other water districts across the state were fined \$61,000 each for failing to meet state-mandated conservation goals. IWA requested a meeting in December to discuss the fine and options.

"The SWRCB Office of Enforcement made it very clear in our first meeting that they wanted to work collaboratively with us and keep the fine money in Indio," said City Manager Dan Martinez. "As a result, the fine will be used as part of a new comprehensive conservation program that will provide customers a number of new ways to save water."

IWA will launch the new Conserve MORE (More Outreach, Rebates, and Education) Project to provide customers with additional tools and resources to reduce water use.

"The State Water Board is more interested in promoting innovative, proactive planning for future resiliency by water agencies, as opposed to collecting fines," said Cris Carrigan, Director of the SWRCB Office of Enforcement. "The agreement with Indio exemplifies that objective and strikes a great balance for conservation and Indio's customers."

The Conserve MORE Project will consist of three key initiatives:

One of the State's first-ever evaporative cooler rebate program: IWA will add an evaporative cooler rebate to its wide range of water conservation rebates, which includes financial incentives for turf removal, irrigation equipment upgrades, plus water-efficient washing machines and toilets. IWA staff will be posting information regarding the evaporative cooler rebate on its website ([www.indiowater.org](http://www.indiowater.org)) as it becomes available.

A state-of-the-art web portal: IWA will be deploying a state-of-the-art web portal in the fall of 2016 to allow IWA customers to easily track their water usage from any mobile device, tablet or computer to avoid any bill surprises. Once implemented, IWA will be able to provide customers with real-time alerts and let them know about potential leaks and other water related issues.

A collaborative effort with local schools to promote water conservation: IWA will be working in collaboration with the Desert Sands Unified School District (DSUSD) to promote and augment conservation programs already in place. Currently, DSUSD offers a wide-range of water conservation classes as part of its curriculum. IWA will also be conducting numerous public information sessions at local schools promoting water conservation to students and parents.

Indio Water Authority was founded in 2000 and currently supplies safe and reliable water to 88,411 businesses and residential customers in a 38-square mile area. For more information, please visit , [www.indiowater.org](http://www.indiowater.org).

# The Public Record

TUESDAY, MAY 17, 2016

VOLUME 38 - EDITION #39

PALM SPRINGS, CALIFORNIA

\$1.50 - PER SINGLE ISSUE

SERVING ALL OF THE DESERT CITIES AND UNINCORPORATED AREAS OF RIVERSIDE COUNTY IN THE COACHELLA VALLEY

## CVWD STATEMENT ON GOV. BROWN'S ORDER ESTABLISHING LONG-TERM WATER CONSERVATION MEASURES

Gov. Jerry Brown issued an Executive Order today that establishes long-term water conservation measures, including permanent water use restrictions and monthly reporting requirements. Additionally, State Water Resources Control Board (SWRCB) staff released a proposal to change agency conservation targets based on local water supplies.

On April 1, 2015 Governor Brown mandated a 25 percent reduction in urban water use across California. Subsequently, the SWRCB adopted emergency regulations to implement the Governor's order. The regulations based conservation targets on residential gallons per capita per day use and created tiers ranging from 8 to 36 percent reduction. CVWD was as-

signed a 36% conservation mandate. In February 2016, the targets were adjusted to reflect climate, growth, and new water supplies. CVWD's target was reduced to 32% at that time.

Today's Executive Order and SWRCB staff proposal are available here.

The following is a statement from Coachella Valley Water District (CVWD) General Manager Jim Barrett on the changes.

"CVWD has always prioritized conservation as a way of life in the desert and therefore supports the concept of long-term water conservation strategies. Making water use restrictions permanent will help reinforce good habits and reduce water waste. CVWD staff has investigated nearly 650 water waste reports so far this year.

We have worked collaboratively with other local water agencies to develop and implement long-term water management plans that provide a blueprint to a sustainable and drought-resistant water supply.

"CVWD further supports making conservation targets based on local water supplies. This common-sense approach is achievable and effective. This new approach was originally proposed by a collaboration of water agencies, including CVWD, who lobbied that. In order to effectively address the impacts of the drought, both supply and demand should be considered.

"CVWD and its customers have worked hard to try to meet the state's conservation mandate. More than \$6 million has been invested in conservation programs and residents have taken advantage of these programs in record numbers to reduce water use. Since June of 2015, customers have reduced use 25% compared to 2013."

The Coachella Valley Water District is a public agency governed by a five-member board of directors. The district provides domestic and irrigation water, agricultural drainage, wastewater treatment and reclamation services, regional storm water protection, groundwater management and water conservation. It serves approximately 108,000 residential and business customers across 1,000 square miles, located primarily in Riverside County, but also in portions of Imperial and San Diego counties.

## Sen. Feinstein wants \$1.3 billion to fight drought

Bartholomew Sullivan, USA TODAY, May 18, 2016

WASHINGTON — Sen. Dianne Feinstein told an Energy and Natural Resources subcommittee Tuesday her comprehensive water bill would “produce real water” consistent with protections for endangered species.

Feinstein’s bill would invest \$1.3 billion in long-term projects and would permit temporary adjustments in water movement south of the San Joaquin-Sacramento River Delta for Central Valley farmers. The temporary provisions would last two years or until Gov. Jerry Brown declares the five-year drought over. It is opposed by several mainstream environmental groups.

“Despite this recent El Nino, California still faces severe drought,” Feinstein said. Pointing to a map showing parts of California in “abnormally dry,” “severe drought,” and “exceptional drought” conditions, she said: “The sustained pressure of ‘exceptional drought’... is alarming and illustrates California’s emergency situation.”

Other witnesses endorsed provisions of the bill, including Timothy Quinn, executive director of the Association of California Water Agencies, who called it a “good down payment on California’s drought resiliency.” U.S. Bureau of Reclamation Commissioner Estevan Lopez said he was comfortable with its “moderate approach.”

But Laura Ziemer, senior counsel for Trout Unlimited, took exception to a provision she said would make it easier to raise the level of Shasta Dam. She said designating some sets of water users as higher priorities than others seemed likely to perpetuate rather than end the north vs. south “water wars.”

Dan Keppen, executive director of Family Farms Alliance in Klamath Falls, Oregon, told the panel irrigation-agricultural producers support Feinstein’s bill but also back provisions approved last year by the House. He said the alliance supported the Senate bill’s provisions giving water managers greater flexibility and its call for studies of Delta smelt distribution and of the non-native fish that prey on them.

The House version of a water bill passed in July in a form Feinstein said was never likely to pass the Senate because it would violate environmental law regarding fish protection. In recent weeks, after filing her bill in February, she has called for an end to “dogmatic adherence to a rigid set of operating criteria” and called for increased pumping to the maximum extent allowed under the Endangered Species Act.

Rep. Devin Nunes, R-Tulare, backed the House measure and said he looks forward to House-Senate negotiations on a water bill.

“Although I don’t believe Senator Feinstein’s bill will bring any significant improvements to the Valley water supply, I hope she succeeds in getting her bill passed in the Senate, since that would create an opportunity for the House and Senate to negotiate a compromise that could finally bring some relief to Valley families, farmers, and communities,” Nunes said in a statement Tuesday.



Feinstein's fellow Democratic Sen. Barbara Boxer, who has been described as "agnostic" about the bill, said Tuesday she has some concerns.

"I like many of the provisions – including some that were from my 'W21: Water in the 21st Century' bill and some that were included in the new (water resources) bill," Boxer said in a statement. "But I have concerns about some of the operations language. I am hopeful that I can work with Senator Feinstein and Senator (Maria) Cantwell (D-Washington) to address those concerns."

Feinstein's bill calls for "real-time monitoring" of fish species in the Delta to identify opportunities to increase water pumping without violating environmental or endangered species laws as well as opportunities to decrease pumping to protect steelhead trout, Chinook salmon and Delta smelt. In her testimony, she said an example would be pumping during winter storms to get peak flows to storage areas.

The bill also calls for the Interior and Commerce departments to expand hatcheries and rebuild populations of the fish in both the Central Valley Project and State Water Project. Other provisions include calls for reclamation of wastewater, recycling and desalinization projects.

Feinstein was clear in pointing out that the short-term provisions of the bill, which deal exclusively with California issues, contain no operational mandates. The longer-term provisions, such as those involving storage project financing, would pertain to all 17 Western states.

After the hearing, Doug Obegi, the Natural Resources Defense Council senior attorney in its water program, said several provisions affecting fish and the sport and commercial fishing industries were "objectionable from an environmental perspective." He pointed to a letter to senators last week from American Rivers, Defenders of Wildlife, the Sierra Club and others urging them to oppose the bill and its potential harm to fish and fishing jobs.

John McManus, executive director of the Golden Gate Salmon Association, which opposes Feinstein's bill, noted that the Pacific Fisheries Management Council did an analysis earlier this month and concluded the bill "authorizes weaker protections for salmon." Golden Gate prefers an approach to the drought introduced last July by Rep. Jared Huffman, D-San Rafael, that McManus said would not harm salmon.

The committee took no action Tuesday. The next step would be a mark-up or working in possible changes to the proposed legislation but nothing is scheduled yet.

## California lifts statewide water restrictions

Ian James, May 19, 2016

California's water regulators lifted mandatory conservation targets for communities across the state and will instead allow local agencies to set their own water-saving goals.

The new drought rules adopted Wednesday by the State Water Resources Control Board reflect a major change in strategy as the five-year drought grinds on. State officials said the approach is aimed at loosening up temporary restrictions after a wetter winter while keeping in place a system for tracking conservation progress – and keeping open the possibility of returning to tougher measures next year.

Starting next month, 411 urban water suppliers across California will be able to “self-certify” their available water supplies and the levels of conservation they deem necessary. Cities and local water districts will be required to assess their water supplies based on a scenario of three additional dry years, and will have to report to the state on how they arrive at their conservation goals.

The revised regulations will be in effect through the end of January.

“We have a learning lab over the next seven months to see what people do,” said Felicia Marcus, the board’s chair. “Then we have the ability to come back if it doesn’t work.”

Marcus and three other members of the five-person board voted for the changes to the drought regulations.

Board member Tam Doduc abstained, saying she wasn’t comfortable with having an emergency regulation based on a “self-certification” approach. With California facing the possibility of another dry year, she said, now doesn’t seem to be the time to send a message that there is no longer “any sort of real urgent need to conserve at all.”

This winter and spring brought more snow and rain, which pushed up the levels of California’s reservoirs. But the drought is far from over. According to the U.S. Drought Monitor website, 72.7 percent of the state remains under severe drought conditions – with 21 percent of California still classified as being in the worst category of exceptional drought.

Scientists say global warming has exacerbated the drought. The snowpack in the Sierra Nevada, which feeds the state’s water supplies, has been melting early after another winter of record-breaking warmth. As of Wednesday, snow sensors across the Sierra Nevada measured the remaining snowpack at 33 percent of average for the date.

Last year, as the levels of reservoirs were dropping, Gov. Jerry Brown took the unprecedented step of ordering a mandatory 25 percent reduction in urban water use in California. Between June 2015 and March 2016, the state-set conservation targets helped achieve a statewide reduction of 23.9 percent in water use as compared to 2013, which has been used as a baseline year.

Brown has recently said he is pivoting toward long-term strategies to “make water conservation a way of life” and prepare for the longer and more severe droughts that scientists expect due to human-caused climate change.

In an executive order on May 9, Brown directed state officials to make permanent some of the measures that were adopted temporarily under the drought rules last year. Those measures include requiring local water districts to submit monthly reports on water use, conservation and enforcement.

The governor also permanently prohibited wasting water by hosing down driveways or sidewalks, running a fountain that doesn't recirculate water, washing cars without a shut-off nozzle, watering turf on street medians, or causing runoff by over-watering lawns.

Many water districts had urged the state to lift the mandatory restrictions, complaining the previous across-the-board approach didn't take into account local circumstances or give communities a voice. Many districts have also seen their revenues drop as customers have cut back.

The new rules will lead to a substantial loosening of water-saving targets in the Coachella Valley and other parts of the state. Just how much isn't yet clear. Water agencies have until mid-June to submit their conservation standards and supporting information.

The Coachella Valley's water districts have largely fallen short of state-ordered conservation targets, which depending on the agency ranged from 20 percent to 36 percent below 2013 levels. Representatives of the agencies applauded the switch to a "self-certification" system and said they will continue help customers conserve.

"They've learned to be more efficient water users, so I don't see that changing," said Ashley Metzger, conservation manager for the Desert Water Agency, told the board during the meeting in Sacramento. "And a lot of them have made permanent changes. Those changes in and of themselves will continue to save for years to come."

During the past 11 months, customers of DWA have reduced water use by 25 percent as compared to 2013. The state initially gave the agency a mandatory goal of 36 percent, and later reduced the target to 32 percent.

Marcus called the state's new approach an experiment. After the vote, she said: "Fingers crossed and let's keep the messaging going."

"I'm going to take folks at their word that they're going to continue the messaging on conservation, efficiency, which is really important," Marcus said.

"We certainly don't want people to turn to overwatering their lawns again," Marcus said, adding that people's lawns "should be the same color as the surrounding hills."

Several groups, such as the Natural Resources Defense Council and the California Coastkeeper Alliance, voiced concerns about relaxing the conservation standards and moving to voluntary, self-set goals.

"The self-certification process, which allows the water agencies to choose their own goals, is putting the fox in charge of the hen house," said Travis Pritchard, programs director for San Diego Coastkeeper.

"Time and time again, water agencies have complained that conservation hurt their bottom line," Pritchard said. "This new set of regulations allows water agencies to put revenue over responsible water management."



# Los Angeles Times

## California board allows water districts to set their own conservation targets

Matt Stevens, May 19, 2016

For its first four years, the California drought spread its pain across most corners of the state.

The great peaks of the Sierra Nevada were snow-deprived. Central Valley agricultural fields lay fallow. And the trademark green lawns of Southern California suburbia slowly turned brown.

But this summer is going to be different. A strong series of storms have left parts of Northern California rehydrated, with reservoirs brimming with water and once brown and dry hillsides radiating green again. But to the south, residents are enduring another record-dry year.

To deal with the dichotomy, state regulators on Wednesday approved on a 4-0 vote new water conservation rules that for some parts of the state will loosen the strict savings requirements that Gov. Jerry Brown imposed a year ago.

Local water districts will soon be allowed to set their own savings targets based on water supply and demand forecasts tailored to their areas. That means that places that received a lot of rain — and communities that purchase or are entitled to water from sources there — are likely to see fewer restrictions, while dry areas without water from those replenished supplies are likely to suffer through another summer of continued conservation.

Regulators said the changes are necessary to account for the dent the rain and snow made in the drought situation in Northern California, where some residents have questioned why they must continue to limit lawn watering and car washing.

Some experts, however, fear the state is sending a mixed message that obscures the “we’re all in this together” campaign that state officials have tried to foster.

“I do understand the need for flexibility,” said Peter Gleick, president of the Pacific Institute, a water think tank based in Oakland. “The problem with too much flexibility is ... it risks reopening regional conflicts. It risks the people still working hard to conserve water looking at their neighbors who aren’t conserving water and thinking, ‘What’s going on here?’”

Many Northern California cities and towns hit by heavy rains and snow are likely to be able to lower their targets. But even suppliers in Southern California, who largely missed out on El Niño storms, could argue for significant relief.

Because California’s water storage and delivery system is so vast, varied and complex, water watchers warned that the new provisions could create stark disparities between cities.

California’s water system was designed so that water from rain and snow in the north can be delivered to urban areas in the south, where much of the state’s population resides. So, many places in Southern California that suffered through a dry winter will benefit from the north’s wetter weather and be able to ease up on conservation, too.

The State Water Project, for example, draws from reservoirs such as Oroville. Oroville and California’s other massive reservoir, Shasta, are both more than 90% full. Another major reservoir, Lake Folsom, swelled to the point that officials had to release water to prevent flooding earlier this winter.

The growing supply has allowed officials to up the State Water Project allocation to 60% of requests, the highest it has been since 2012. It is a primary source of water for the Metropolitan Water District of Southern California, which delivers water to parts of Los Angeles, Orange and San Diego counties.

The new state regulations are also likely to benefit agencies such as the Coachella Valley Water District. Because the district’s customers use relatively high volumes of water — in part to keep golf courses green in the desert — the

district was assigned a 36% reduction target last year. State regulators subsequently fined the district \$61,000 for perennially failing to meet it.

But the Coachella Valley Water District gets much of its water from an underground aquifer that is so vast, federal officials who once tried to measure its capacity gave up.

Under the new rules, the district could theoretically argue that it has plenty of water in that aquifer to meet customers' demands and should no longer be required to conserve.

"We're going to look at supply and demand and we're going to submit the numbers that are true and accurate," said Heather Engel, the district's director of communication and conservation. "We're not going to lie. For [Coachella Valley Water District], we have a very strong supply, so I suspect we won't have a 36% mandate."

By contrast, water districts dependent on still suffering reservoirs, such as New Melones in the Central Valley, could be forced to set their conservation targets higher because their supplies remain diminished. Communities in that region that rely on groundwater that has dried up because of the drought are also unlikely to see much relief.

More than a year ago, Brown ordered the State Water Resources Control Board to devise a way to achieve the state's first mandatory 25% reduction in urban water use.

The system the board developed spread the burden across all 411 urban water districts; each district had to cut back, though not by the same margins. To set the targets, the water board considered each agency's history of per-capita water use. Heavy users were told to reduce their usage by as much as 36% compared with 2013; lower users had to cut as little as 4%.

Under the new regulations, local agencies will set their conservation targets based on their ability to meet demand if there are three more severely dry years. Water districts will "self-certify" their level of supply and submit their data to the water board, which must ultimately approve the conservation targets that districts propose.

If, for example, a supplier predicts that it would need 10% more water to meet demands three dry years down the road, the supplier will be given a 10% reduction target. Conversely, if a supplier can prove it will have enough water to meet expected demands in 2019, it can set a conservation standard of 0%.

"The goal here is to back off a little and say, 'OK, it's not the ... emergency it was, and so we're going to move to the Ronald Reagan model of trust but verify,'" said Max Gomberg, the water board's climate and conservation manager.

The plan concerns some.

Sara Aminzadeh, executive director of California Coastkeeper Alliance, said some water suppliers have openly questioned the need for conservation, so "putting the power in their hands makes me nervous."

"What do we think Beverly Hills is going to be proposing in terms of conservation?" she said. "I think it's a risky approach, especially as we head into the hotter summer months."

Therese Kosterman, a spokeswoman for Beverly Hills, said the city "is evaluating" the water board's new guidelines and officials will set any new savings target "with the goal of encouraging maximum water conservation and efficiency and maintaining a permanent state of vigilance over water use."

Lester Snow, executive director of the California Water Foundation and former head of the Department of Water Resources, said he would favor a system in which all districts must cut their consumption 10%, "and then go from there."

Gomberg acknowledged that regulators are likely to see a group of agencies set their conservation targets at zero.

"No one wants to publicly report that their water supplies aren't able to withstand drought," he said. "They have their own pressure for painting a rosier picture than is actually warranted."

But, he continued, state regulators cannot continue to use their power "to tell people where it's green ... you need to keep conserving at 28%."

Date: May 19, 2016; Section: Front Page; Page: A1

# Water suppliers get go-ahead to set own conservation goals

Some worry that the ruling sends a message that saving is no longer so important.

By STEVE SCAUZILLO

## STAFF WRITER

The State Water Resources Control Board approved a nine-month drought emergency plan on Wednesday that scraps previous targets and allows urban water suppliers to set their own water conservation goals.

Instead of the hard targets in place for the last year that require up to 36 percent cutbacks, the new regulation allows the 411 urban water suppliers greater flexibility to conserve, taking into account vast regional differences in water supplies. The new rule will also require less than the previous statewide 25 percent conservation goal that Californians failed to reach in February, missing that number by just 1 percent.

Near-capacity reservoirs in Northern California and a healthy snowpack have eased the emergency in the state, water officials said. However, while the northern half of the state is no longer in drought mode, the central and southern regions remain dry due to uneven winter rainfall. The board will press urban water users to conserve, but with a softer approach.

"It is a question of how do we use this short reprieve," said Felicia Marcus, chair of the state water board. "We have the ability to come back if it doesn't work."

Despite voting for the new rules, Marcus was not the only board member uneasy with the changes she characterized as "a different approach."

In a rare move, board member Tam Doduc, a licensed civil engineer, abstained from the vote, saying the lack of specific conservation targets was inappropriate for an emergency regulation.

"We are still trying to recover from years of drought and are still looking at below normal or a dry year," she said. "It doesn't seem to be the time to send a message that there is no real urgent need to conserve at all."

Each urban water supplier will be asked to take a stress test – similar to what banks are required to do under the Dodd-Frank Act – and prove they are able to withstand another three years of drought. For example, if an agency foresees a supply shortage of 10 percent, it will be assigned a mandatory conservation standard of 10 percent, according to Max Gomberg, the board's climate and conservation manager.

Gomberg said many parts of the state are still experiencing the drought's effects, from barren wells to tinder dry forests more susceptible to wildfires.

"We are not out of the woods yet," he said. "We have some continuing challenges. Current climate predictions are for a dry winter. It is a good reason for continued caution."

Most water agencies testified in support of the new regulation, including the Association of California Water Agencies, which represents 430 public agencies.

Some communities, such as those in Humboldt County in Northern California, say they have abundant surface water and welcome the new approach. But some water managers and conservation groups in Southern California say removing stiff targets and replacing them with self-reporting may send the wrong message.

"By taking the hard limits out, it lends to the public perception that the drought is over," said Adan Ortega, executive director of the California Association of Mutual Water Companies. "It also introduces ambiguity into the equation."

For example, groundwater resources relied upon by cities in the Inland Empire and San Gabriel Valley have not been restored due to below-average rainfall in Southern California for the fifth straight year.

State water managers said California has been withdrawing too often from groundwater in the past four years.

"We often talk about groundwater as the savings account for the state. When we deplete that in severe drought, it is tough to build it back up," Gomberg said.

## Water rates could double for Coachella customers

Anna Rumer, The Desert Sun, May 21, 2016

Reducing chromium-6 levels in Coachella's drinking water to comply with new state regulations will cost the city millions of dollars and as much as double residents' water bills within the next five years, city officials say.

At high levels, chromium-6 has been linked to kidney and liver damage, but Coachella's dilemma has more to do with recent policy changes and less to do with a widespread consensus on the minimum level at which the compound can cause problems.

Two years ago, the California Department of Public Health reduced the maximum allowable level of chromium-6 in drinking water from 50 parts per billion to 10 ppb, meaning that all five of the Coachella Water Authority's wells were suddenly just above the state standard. The U.S. Environmental Protection Agency doesn't regulate chromium-6 specifically, but does require that drinking water contain less than 100 ppb of any chromium compound.

Since California lowered its maximum chromium-6 levels, several water agencies have filed lawsuits against the state that claim the new standards are unnecessary and will require them to build or contract with expensive water treatment facilities.

Coachella alone would have to pay between \$10 million and \$16 million to build their facility, Utilities General Manager Scott Rogers told the City Council on Wednesday, and up to \$2.6 million every year to operate and maintain that. That's more than 12 percent of the city's 2016 budget that would have to be spent every year treating water.

The city is eligible for grant funding that could cut up to \$5 million off the system's initial price, but won't know if it's received the money until the beginning of 2017.

"We're going to increase our debt if we don't get grant funding," Rogers said. "We're working really hard to focus on the grant and making sure we're setting ourselves up to be successful with that."

The funding is not only vital to the city, but to the people who live there. While with the grant, Rogers estimates that water rates will increase between 12 and 27 percent every year for five years, without it, customers can expect to pay as much as 34 percent annually during that time period. For the average person with a monthly bill of \$30, that would mean paying \$60 a month for the same amount of water.

A full rate study will be conducted in October or November, Rogers said, but the department is working to warn utility customers now by including inserts in their monthly bills about the increases.

Mayor Pro Tem Emmanuel Martinez said he wants to push hard for public awareness, so as not to catch people off guard.

"We already did a rate increase a few years ago and there was an uproar," he said. "The lesson learned is we have to be proactive with outreach in Coachella."

The city has to be in compliance with state standards by 2020 and plans to begin construction of its treatment facility in 2017, but in the meantime, Mayor Steven Hernandez and City Manager David Garcia have said they're reaching out to the State Water Board and Gov. Jerry Brown to advocate for Coachella's grant funding eligibility to be increased due to the town's economic standing.

"This issue is a major one for us as an underserved community," Councilman Manuel Perez said. "We gotta try everything we can to lower the cost on this."

## Yorba Linda legal fight turns nasty as residents seek to overturn water rate hike

Matt Stevens, May 22, 2016

With its tract homes, expansive lots and rural soul, Yorba Linda exemplifies the sort of sleepy suburb that would coin the motto "Land of Gracious Living."

Recently, though, this upscale Orange County city of 66,000 has been anything but.

Longtime residents are engaged in a legal brawl with their water provider, punctuated by vitriol and name-calling that some say reminds them of the 2016 presidential campaign.

At issue is a \$25-per-month rate hike that Yorba Linda Water District officials say was needed to keep the agency solvent after state-mandated water conservation blew a hole in its budget.

A group of residents said the sudden spike was much higher than necessary and collected enough signatures to put a referendum on the water rates before voters. The water district refused to back down and declared the referendum improper under the law. The residents sued.

An Orange County Superior Court judge is expected to rule in June on whether customers can void a rate increase using this type of ballot measure. If these Yorba Linda residents get their way, the referendum will provide them with a new tool they can use to challenge rates more easily than under existing law.

But the decision potentially carries far wider implications. If the Yorba Linda residents win, the case would embolden other customers across California to use a referendum any time officials propose a rate hike, legal experts and water watchers say.

"It's the road to disaster for utilities," said Rob Hunter, general manager of the Municipal Water District of Orange County. "People would just say, 'No, we don't want to pay more money' ... [and] your rates roll back to what they were."

To the members of the Yorba Linda Taxpayers Assn., that's the point.

"We are fighting for our constitutional right ... for voters to be able to decide a water-rate increase," said Ed Rakochy, the association's community relations director. "This [water district] board believes that they serve themselves but not the customers. They serve us."

For decades, the water district hummed along, collecting vast sums of money from residents who used lots of water on citrus groves and massive green lawns. That revenue helped cover the district's operating costs and drive down the flat fee charged for water service paid by all customers -- including those who used comparatively little water.

The public thinks water is free ... but no one thinks about the infrastructure you need to get the water. That's what you're paying for.— Sanjay Gaur, vice president of Raftelis Financial Consultants

But heavy consumption became taboo in the fourth year of California's drought, and when Gov. Jerry Brown ordered hundreds of districts statewide to slash their water use, Yorba Linda's revenue model was suddenly threatened. State regulators told the district to slash its use by 36% from 2013 levels.

If their customers cut back that much, officials concluded that the district would lose approximately \$9 million in fiscal year 2016. To help cover the gap, the district hastily raised the basic service charge from about \$16 to \$41.

California's hard-hit water districts will get a chance to ask regulators for relief.

The taxpayer group collected protest letters in an effort to overturn the new water rates through the cumbersome process prescribed by Proposition 218, a 1996 law aimed at ensuring that voters approve all taxes and most charges levied on property owners.

But the group did not get a majority of property owners to formally protest the water rates, as the law requires, so the increases took effect in October.

About a month later, the residents submitted a referendum, which required far fewer signatures to move forward. The referendum petition, which the county registrar later certified, demanded that the district repeal the new rates or put them up to a vote. But the water district rejected the referendum, saying it was not valid under Proposition 218.

By January, residents sued the district, asking a judge to order the water provider to honor the referendum. Two months later the taxpayers association began a campaign to recall two of the water district's five board members. Two others are up for reelection in the fall.

"People are being taken advantage of," said Jeff Decker, chairman and co-founder of the taxpayers association. "How much is enough?"

Over the last several months, the fight between the water district and some of its customers has become heated and personal.

The district's general manager said someone broke into his car and stole his work computer. A spokesman for the district produced a letter sent to his home in which "a group of concerned YLWD customers" threatened to "drop by." On the taxpayer association's Facebook page, a few residents called for a boycott of a local restaurant owned by one of the water district's board members.

"We've got an election coming and we can't wait," longtime resident Kent Ebinger said at a district board meeting in January. "If somebody has the word 'incumbent' next to his name, hell, he might as well have the name of a rapist or a child molester as far as I'm concerned."

Water district board members have returned fire, accusing the group of attempting to seize political power. "The land of gracious living is apparently no longer the land of gracious people," the agency's attorney said at a public meeting.

In an interview, Marc Marcantonio, the water district's general manager, invoked his actual wartime experience to describe the level of hostility.

"I'm a big guy. I've been in the Army 23 years. ... I've endured a lot from the Vietnam era and everything else," Marcantonio said. "But this has been the most insulting, toxic environment -- I just can't believe what has transpired."

Thanks in large part to the drought and Brown's executive order, the vast majority of California's urban water suppliers have raised or are raising their water rates, officials say.

As water sales decrease, most water agencies need to do what Yorba Linda did: increase their basic service charge to cover a larger share of their fixed costs, such as system maintenance and personnel. The fixed costs, experts say, make up the majority of a water district's expenses and must be paid regardless of how much water customers use.

"The public thinks water is free ... but no one thinks about the infrastructure you need to get the water. That's what you're paying for," said Sanjay Gaur, vice president of Raftelis Financial Consultants, which performed Yorba Linda's recent rate study.

As a result, many water district officials are watching the Yorba Linda case and worrying about its potential impacts on their own rate-making ability.

Repealing water rate hikes through a referendum could cause suppliers to default on debt obligations and go bankrupt, officials say.

Nobody in Yorba Linda wants to hinder the water district's ability to deliver water, make capital improvements or perform other basic operations, Decker said. That, he added, "would be foolish."

But officials warn that too much cost cutting could even lead to consequences like those in Flint, Mich., which faces a contaminated-water crisis.

"They got lower water rates," said Ric Collett, president of Yorba Linda Water District's board. "Do you want that?"



## Water district eliminates drought penalty fees

Ian James, The Desert Sun, May 25, 2016

The Coachella Valley's largest water district is easing its drought rules and will stop charging extra penalty fees when customers fail to meet conservation goals.

The Coachella Valley Water District's board approved the change Tuesday, following the lead of state water regulators, who last week lifted mandatory conservation targets for local agencies. The drought penalty fees will disappear from water bills starting June 1.

"We're transitioning away from this emergency response to going back to where we were before, which is a long-term approach," said Heather Engel, the district's director of communication and conservation.

"We don't want to send a message to people that by lifting the drought penalties they no longer need to conserve," Engel said. "People need to continue to be mindful."

About one-fourth of the district's 108,000 customers have been paying the drought penalties each month for exceeding their individualized water budgets. The penalty fees have ranged widely, from a few dollars a month for some homeowners to thousands of dollars a month for some homeowner associations.

The State Water Resources Control Board last year ordered the district to cut back water use by 36 percent as compared to 2013. That target was later loosened to 32 percent. The water district fell short of that goal, with customers reducing water use by 25 percent between June 2015 and April 2016.

The Coachella Valley Water District has since 2009 had a rate structure with different tiers designed to penalize those who use more water and reward those who conserve. Starting last July, the district began adding drought surcharges to bills for customers who didn't conserve enough.

The board also updated the district's water restrictions to match state regulators' latest adjustments to drought regulations, which will be in effect through January. Under the restrictions that remain in place, people aren't allowed to hose down driveways or sidewalks, wash cars without a shut-off nozzle, water within 48 hours after rain, or cause runoff by over-watering lawns, among other things.

Engel said the district will continue to enforce those rules and fine violators. Water agencies across California are still required to report to the state each month on their enforcement.

The state water board loosened its rules this month in response to a somewhat wetter winter and spring, which pushed up the levels of reservoirs. The drought, however, is far from over. According to the U.S. Drought Monitor website, about 64 percent of California remains under severe drought conditions and 21 percent of the state is still classified as being in the worst category of exceptional drought.

Jim Barrett, the district's general manager, urged people to continue saving water. Barrett said in a statement that even without the state mandate, "conservation has always been an important tool in the long-term plan to eliminate overdraft of the Coachella Valley's aquifer."

Groundwater levels have declined over the years across much of the valley, while imported water from the Colorado River has helped partially offset those losses.

While some people will see their water bills go down in June, other changes are coming soon. The district's board plans to vote on a package of rate increases on June 14.

Homeowners' water bills, which now average \$30 a month, are projected to increase by about \$6 a month on average, Engel said. Along with the rate increases, the board will consider a proposal to make customers' water budgets stricter in order to promote conservation on a permanent basis.



## Water board moves to dismiss record fine against irrigation district

Bettina Boxall, May 27, 2016

State water regulators are proposing to dismiss a record \$1.5-million fine they intended to levy against a Northern California irrigation district accused of ignoring drought-related cuts in water diversions

The State Water Resources Control Board slapped the fine on the Byron Bethany Irrigation District last summer for continuing to divert supplies after the board ordered senior rights holders to stop river and stream withdrawals.

The action was a high-profile attempt to enforce use limits on agricultural districts that argue their senior water rights are beyond the state's reach.

In a draft order released Thursday, the board says that while it has the authority to regulate senior rights, the evidence in this case is too weak to sustain the fine.

After a March hearing that functioned much like a trial, board officers concluded that there were holes in the water supply-and-demand analysis on which the enforcement action was based.

As the drought worsened last year, the board issued a series of orders curtailing water rights based on their age. At first, regulators told junior holders they had to stop drawing from rivers and streams to leave supplies for more senior rights holders.

Then the board reached further back in California's water hierarchy, telling even senior districts with rights dating from 1903 to halt diversions.

Byron Bethany, which had a 1914 right to take water from the southern end of the Sacramento-San Joaquin River Delta, continued to divert for nearly two weeks after the curtailment order was issued, the board said.

The district, which supplies water to about 160 growers and 15,000 residents in the master-planned community of Mountain House, argued that the state had no authority over its senior rights and asked for a hearing.

The hearing officers found problems with the complicated calculations used to determine which category of rights holders should be ordered to stop withdrawals

"Inconsistencies in the water availability analysis ... preclude us from finding that the prosecution team has carried its burden of proof," states the draft report, which also recommends dropping an enforcement action filed against the West Side Irrigation District of Tracy.

The full board will vote on the dismissal at a June 7 meeting.

## Major increase in water rates stirs debate

Ian James, The Desert Sun, May 27, 2016

Water bills are about to go up significantly for more than 300,000 people across the Coachella Valley.

Under the rate increases proposed by the Coachella Valley Water District, the monthly bill for an average single-family home is set to climb by about \$6, or 23 percent, starting in July.

The rate hikes will vary widely, though, depending on the customer. Some homeowner associations, for instance, would see rates jump by more than 50 percent if they continue using the same amount of water – a change that for some neighborhoods would translate into paying thousands of dollars more in water bills over the coming months. Those increased payments could in turn force HOAs to raise association dues.

First and foremost among the reasons cited by the district is the need to invest \$250 million to begin treating drinking water to remove the naturally occurring heavy metal chromium-6, as required under a strict new state standard. The district also is projecting that because many people have been changing their water habits and conserving more, that will eat into revenues and require higher rates to help fill the budget hole.

The Coachella Valley has long had relatively low water rates, and the district's proposal came as a shock to some people when they crunched the numbers. Those who are opposing the plan say if the CVWD board sticks to its proposal in a vote on June 14, the abrupt shift to higher rates will leave many people shouldering a heavy financial burden.

"It's too fast going from zero to these increases," said Bill Jones, president of the Citrus Course Homeowners Association in La Quinta. "We consider it to be onerous."

He expects that with the higher rates, his HOA of nearly 500 homeowners will end up overspending the amount it budgeted for water this year by tens of thousands of dollars. That would require the association to dedicate more of its budget to water, he said, and could force it to increase homeowners' dues.

The community has plans to convert some of its nearly 10 acres of grass to desert landscaping, Jones said, but that will take time and investment. And in the meantime, he expects the community will take a big financial hit.

"We support the fact that we need to cut down on the amount of water we use," Jones said. "We don't support the speed with which they are implementing this."

The district is the largest of six water suppliers in the Coachella Valley and serves an area stretching across about 1,000 square miles from Cathedral City to communities near the Salton Sea.

CVWD laid out its plans, including changes to its rate structure, in a glossy mailer ahead of the public hearing next month. Under the new fixed charges and per-volume rates, single-family homeowners would see different increases than those living in multifamily units, business owners and homeowner associations that buy water for outdoor irrigation.

The district's figures show that under one scenario, customers living in a multifamily condominium and with a level of water use deemed "efficient," could face an increase of roughly 21 percent starting in July. In another hypothetical example, a commercial business with average water use could end up paying about 18 percent more.

Homeowner associations that buy water for outdoor irrigation would see some of the biggest increases. HOAs often have a few dozen water meters to supply all of their grassy areas, and the large increases in the fixed rates for each meter – from \$7 to \$28 – would add up.

The district's board will be voting on a single year of rate increases for now. But CVWD's notice to customers details potential rate increases through 2020. If those increases are adopted as projected in future years, many customers would see their bills double by 2020 – and the bills of some HOAs could rise more than 150 percent.

Jim Barrett, CVWD's general manager, said the district is basing the new drinking water rates on a study of the costs of providing service for each category of customers.

"We recognize that these rates will be difficult for some of our customers. We appreciate that. We don't see that we have a lot of option in how we do this," Barrett said. He pointed out that CVWD's rates, even after the first year of increases, will still be lower than those of many other agencies in Southern California.

"I get it that there's sticker shock when you look at that fifth year," Barrett said. But he added that each year the district will analyze its costs and revenues, and the board will decide whether to increase rates by the projected amounts.

CVWD last raised its drinking water rates in 2010. Its customers have cut back water use by about 25 percent during the past year in response to the state's mandatory drought rules.

After state regulators lifted those mandatory restrictions this month, the district eliminated the drought penalty fees it had been charging customers who failed to reach their conservation targets. Now the district will no longer have those penalties to offset losses in revenues due to conservation, and Barrett said that's another factor contributing to the higher rates.

The district has a rate structure with individualized water budgets and different tiers designed to penalize those who use more water and reward those who conserve. By readjusting the rate structure, CVWD is making customers' budgets stricter – reducing the total budget of a single-family home by about 25 percent. That change, Barrett said, should help encourage conservation.

The biggest factor behind the need to raise rates, Barrett said, is the district's plan to start treating the water from many wells to remove chromium-6, also known as hexavalent chromium. California regulators adopted a new drinking water standard for the carcinogen in 2014, and water districts have been given until 2020 to comply.

In large portions of the aquifer beneath the Coachella Valley, the groundwater has levels of chromium-6 that exceed the new state limit.

In order to remove the heavy metal, the district plans to build small treatment plants at about 30 of its 92 wells across the valley. The district's managers say it will be their costliest infrastructure project ever.

### **Removing chromium-6**

In a gravel-covered lot obscured by high walls next to a La Quinta mini-mall, a pump hums as it lifts water from hundreds of feet underground. This water, gushing through the pipes at 2,000 gallons a minute, is tainted with chromium-6 at a concentration of 16 parts per billion.

California's new limit is 10 parts per billion, so the water will need to be treated. At this well and others across the valley, the district plans to install ion-exchange treatment units that use resin beads to strip chromium-6 from the water.

The total projected price tag: \$250 million for treatment plants and infrastructure, plus \$8 million in yearly costs for operations and maintenance.

The potential dangers of chromium-6 were highlighted in the 1990s by a court case brought by then-legal clerk Erin Brockovich against Pacific Gas & Electric Company, claiming groundwater contamination in the Mojave Desert town of Hinkley. After the case became widely known through the 2000 film "Erin Brockovich," the California Legislature in 2001 passed a law instructing public health agencies to develop a drinking water standard for hexavalent chromium.

As state officials weighed potential limits, environmental groups argued for a strict standard, and water agencies warned of high costs, questioning the science behind the proposal.

California's limit is the first in the country to focus specifically on hexavalent chromium. The U.S. Environmental Protection Agency limits the level of any chromium compound to 100 parts per billion.

In many areas of the country, chromium-6 has been released into the environment as a pollutant from sources such as chemical plants, leather tanneries and cooling towers. In the Coachella Valley, though, water agencies say chromium-6 occurs naturally, dissolving from rocks into the groundwater.

"I would have preferred that there was no change to the drinking water standard, honestly," Barrett said. "But that's what we have to do because that's what the state has told us to do."

To pay for chromium-6 treatment, the water district is obtaining a state loan, and as a condition needs to have rates in place to cover the debt payments. Barrett said the district will need about \$16 million a year for 20 years to cover the debt.

The cities of Indio and Coachella have also started investing in chromium-6 treatment. City officials in Coachella have said recently that they expect substantial rate increases.

"Chromium-6 treatment is definitely a cost driver for some districts around the state," said Lisa Lien-Mager, director of communications for the Association of California Water Agencies. She said many other agencies are seeking grants and loans to help with the costs.

"Depending on the level of treatment required and capital costs for construction and even land acquisition," she said, "it will be a big ticket item for some water agencies and will have an impact on rates."

### **District facing criticism**

Some of CVWD's customers have studied the finances and strongly oppose the rate increases.

"The public is totally being bamboozled here," said Randy Roberts of Palm Desert. He said he thinks the district has been mismanaging customers' money and should withdraw the rate increase proposal and redo it. The district's managers say they're managing funds properly and have followed legal procedures.

Barrett said the cost study was carried out "to demonstrate to our customers that we've done what we can to fairly, accurately and appropriately allocate costs to different types of users that have different needs from the system."

Some people have questioned whether the higher rates will be a burden for the poor and retirees living on fixed incomes. Barrett said the law, however, does not allow one customer to subsidize another, and therefore the district is not permitted to establish "lifeline rates."

The process of raising rates is laid out under Proposition 218, a 1996 ballot measure that requires districts to charge the actual cost of providing service to customers.

In a separate decision this month, the district's board approved increases in the fees charged to private well owners – including golf courses, farms and some HOAs – based on the amounts of water they pump.

The Coachella Valley's relatively cheap water rates have for decades facilitated the growth of resort-style developments with wall-to-wall grass and artificial lakes.

Joan Taylor, an environmentalist who is the Sierra Club's local conservation chair, said she thinks higher water rates are long overdue.

"It should have happened a long time ago, and it probably still isn't high enough," she said. "There's way too much water wasted in this valley."

Groundwater levels have declined over the years across much of the valley, while imported water from the Colorado River has helped partially offset those losses. The imported water has flowed to ponds near Palm Springs and La Quinta, pushing up water levels in those areas while the aquifer has continued to decline in the mid-valley.

Jones' community, Citrus, was built before desert landscaping was in vogue.

The retirement community of Spanish-style homes in La Quinta includes large grassy areas fringed with rosebushes and palm trees. Water gushes down artificial waterfalls into ponds.

Jones said the community has been looking at estimates for converting grass to desert landscaping in order to save water, but the costs are high.

"We really want more time," he said. "It's not just the Citrus. It's a large number of HOAs that are having the same issue."

Dale Brooks, a fellow member of the homeowner association board, said he thinks the rate increases will have a serious economic impact on communities.

"I think it'll drive people out of the valley."

#### **Comment on the proposed water rate increases**

The Coachella Valley Water District will accept written protests until June 14. Protests may be mailed to: Coachella Valley Water District, Attention: Clerk of the Board, P.O. Box 1058, Coachella, CA 92236 or may be hand-delivered to: Coachella Valley Water District, Attention: Clerk of the Board, 51501 Tyler Street, Coachella, CA 92236; or 75515 Hovley Lane, Palm Desert, CA 92211; or at the public hearing on June 14. Protests must include name, signature, street address, parcel number and/or account number.

The public hearing on the proposed rate changes will be held at 9 a.m. on June 14 at the CVWD administration building, at 75515 Hovley Lane in Palm Desert.

## DESERT WATER AGENCY

### PUBLIC INFORMATION ACTIVITIES

**MAY 2016**

#### Activities:

|                 |                                                                                                               |
|-----------------|---------------------------------------------------------------------------------------------------------------|
| 5/2/16-5/31/16  | Vicki Petek conducted 11 Turf Buy Back post-conversion and follow-up inspections.                             |
| 5/3/16- 5/6/16  | DWA Board and staff attended ACWA's Spring Conference in Monterey, CA.                                        |
| 5/5/16          | Vicki Petek attended and presented to Desert Enforcement Network on the drought and water agency enforcement. |
| 5/6/16          | Ashley Metzger was on a live conservation segment with KESQ TV regarding tap and bottled water.               |
| 5/12/16         | Ashley Metzger was on a live conservation segment with KESQ TV regarding executive order and SWRCB.           |
| 5/13/16         | DWA hosted a facilities tour for local residents.                                                             |
| 5/16/16         | Ashley Metzger attended a planning meeting at the Palm Springs City Hall on the Turf Buy Back program.        |
| 5/17/16         | Ashley Metzger attended a CVAG meeting on landscaper certification.                                           |
| 5/18/16         | Ashley Metzger attended the SWRCB hearing in Sacramento on emergency regulations.                             |
| 5/19/16         | Ashley Metzger was on a live conservation segment with KESQ TV regarding pool tips.                           |
| 5/26/16         | Ashley Metzger was on a live conservation segment with KESQ TV regarding State restrictions.                  |
| 5/28/16-5/29/16 | DWA provided the water trailer to the Piranha's swim meet at the Palm Springs Swim Center.                    |
| 5/30/16         | DWA provided the water trailer at the Palm Springs Air Museum.                                                |

#### Public Information Releases:

May 10, 2016 - Desert Water Agency Responds to Governor Brown's Executive Order and State Water Board's Proposed Framework

#### Water Conservation Reviews

City of Cathedral City Auto Park  
Canyon Vista  
Diplomat  
Mesquite Canyon Estates  
Sundance Condos

Sunrise Oasis Condos #1  
Sunrise Oasis Condos #2  
Sunrise Racquet Club  
Sunrise Villas  
Via Isla Condos

Water Conservation Reviews are annual mailings sent to large water users. The Reviews include a 5-year consumption report, facility map, and information brochures. The purpose is to help customers save water by summarizing their consumption, and offering suggestions for reducing usage. Occasionally, after viewing, the recipient may contact DWA for assistance in the form of a Mobile Lab Evaluation



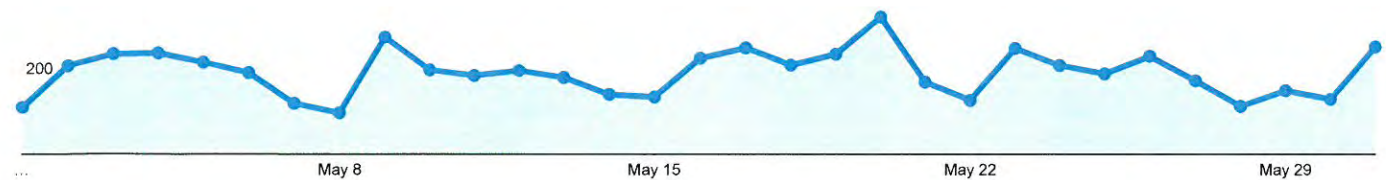
## Audience Overview

May 1, 2016 - May 31, 2016

All Users  
100.00% Sessions

### Overview

Sessions  
400



Sessions  
5,139

Users  
4,195

Pageviews  
11,321

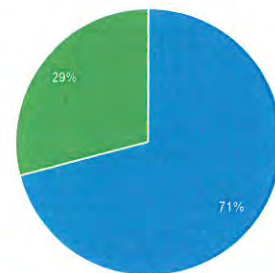
Pages / Session  
2.20

Avg. Session Duration  
00:01:45

Bounce Rate  
53.01%

% New Sessions  
70.97%

New Visitor Returning Visitor



| Language     | Sessions | % Sessions |
|--------------|----------|------------|
| 1. en-us     | 3,788    | 73.71%     |
| 2. (not set) | 1,072    | 20.86%     |
| 3. en-ca     | 65       | 1.26%      |
| 4. en-gb     | 40       | 0.78%      |
| 5. pt-br     | 39       | 0.76%      |
| 6. en        | 31       | 0.60%      |
| 7. c         | 18       | 0.35%      |
| 8. de-de     | 9        | 0.18%      |
| 9. zh-cn     | 9        | 0.18%      |
| 10. it-it    | 7        | 0.14%      |

**DON'T DISMISS THE DROUGHT**

**Check your watering schedule today**

[www.dwa.org/restrictions](http://www.dwa.org/restrictions)

**IRRIGATION SCHEDULE**

SUN MON TUES WED THU FRI SAT

BEFORE 7:00 A.M. OR AFTER 7:00 P.M.

**DESERT WATER**

**Desert Water Agency**  
Public Services

Contact Us Liked Message

**Desert Water Agency  
Facebook Analytics  
May 2016**

|                        |  |                                                                                            |  |  |     |  |    |  |              |
|------------------------|--|--------------------------------------------------------------------------------------------|--|--|-----|--|----|--|--------------|
| 05/31/2016<br>4:15 pm  |  | Clear your property and keep the trees nurtured.                                           |  |  | 7   |  | 8  |  | Boost Post   |
| 05/31/2016<br>1:12 pm  |  | What a difference a year can make - but, that's no reason to stop.                         |  |  | 83  |  | 9  |  | Boost Post   |
| 05/27/2016<br>12:11 pm |  | Our team wishes you and your family a safe and enjoyable Memorial Day.                     |  |  | 667 |  | 15 |  | View Results |
| 05/26/2016<br>10:32 am |  | Energy is our top cost and we're always looking for ways to save.                          |  |  | 481 |  | 32 |  | Boost Post   |
| 05/25/2016<br>10:32 am |  | Check out these tips today! #NoWasteWednesday                                              |  |  | 14  |  | 2  |  | Boost Post   |
| 05/24/2016<br>1:23 pm  |  | Under a lot of pressure? That's a good question for your irrigation.                       |  |  | 145 |  | 2  |  | Boost Post   |
| 05/20/2016<br>8:56 am  |  | Water loss is all around us. Do your part to stop it!                                      |  |  | 58  |  | 3  |  | Boost Post   |
| 05/19/2016<br>9:27 am  |  | Yesterday, the State Water Board voted to account for local supply.                        |  |  | 417 |  | 24 |  | Boost Post   |
| 05/16/2016<br>4:27 pm  |  | A sight for sore eyes! The drought isn't over yet, but we're appreciating the rain.        |  |  | 254 |  | 19 |  | Boost Post   |
| 05/13/2016<br>12:11 pm |  | We enjoyed hosting a facilities tour this morning. Thank you to all who attended.          |  |  | 201 |  | 34 |  | Boost Post   |
| 05/12/2016<br>11:13 am |  | It is important to stay hydrated as summer greets us! Tap water is the best.               |  |  | 75  |  | 4  |  | Boost Post   |
| 05/10/2016<br>4:31 pm  |  | Desert Water responds to the Governor's executive order and the state's drought emergency. |  |  | 733 |  | 43 |  | Boost Post   |
| 05/09/2016<br>7:49 am  |  | Save time and stress - avoid the CalTrans Hwy 101 resurfacing project.                     |  |  | 171 |  | 5  |  | Boost Post   |
| 05/06/2016<br>1:28 pm  |  | We're a-MAY-ored that there is a snow today!                                               |  |  | 247 |  | 14 |  | Boost Post   |
| 05/06/2016<br>9:40 am  |  | Get that yard work done while it is still cool - and #savewater!                           |  |  | 128 |  | 4  |  | Boost Post   |
| 05/05/2016<br>2:45 pm  |  | Stop by DWA for a FREE reusable water bottle this #DroughtVII!                             |  |  | 36  |  | 0  |  | Boost Post   |



**DESERT WATER**

**Check your watering schedule today**

[www.dwa.org/restrictions](http://www.dwa.org/restrictions)

**Desert Water Agency**  
Public Services

**IRRIGATION SCHEDULE**

| SUN | MON | TUES | WED | THU | FRI | SAT |
|-----|-----|------|-----|-----|-----|-----|
|     |     |      |     |     |     |     |

**BEFORE 7:00 A.M. OR AFTER 7:00 P.M.**

**DON'T DISMISS THE DROUGHT**

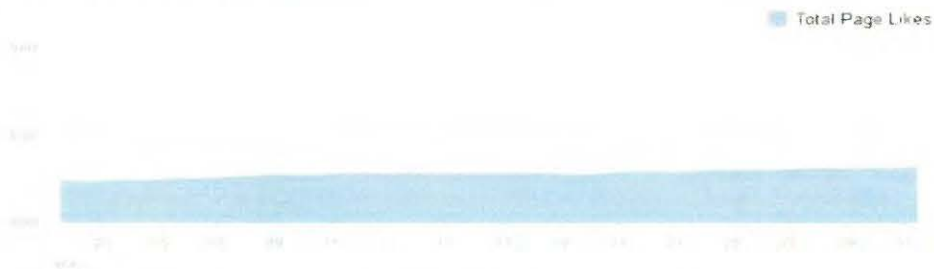
Contact Us

Liked

Message

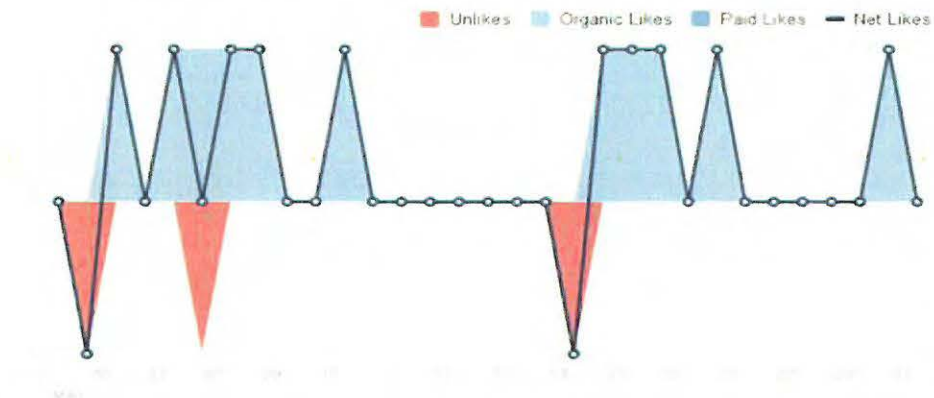
## Desert Water Agency Facebook Analytics May 2016

Total Page Likes as of Today: 833



### Net Likes

Net likes shows the number of new likes minus the number of unlikes



### WANT MORE LIKES?

Create an ad to get more people to like your Page

[Promote Page](#)

### Where Your Page Likes Happened

The number of times your Page was liked, broken down by where it happened





Desert Water Agency  
Twitter Analytics  
May 2016

May 2016 • 31 days

TWEET HIGHLIGHTS

**Top Tweet** earned 424 impressions

Just for #DrinkingWaterWeek, we'll give you a bottle if you stop by. Then fill up at our drinking fountain.  
[pic.twitter.com/7WGPRRe74X](http://pic.twitter.com/7WGPRRe74X)



[View Tweet activity](#)

[View all Tweet activity](#)

**Top mention** earned 2 engagements



**Skip Descant**  
[@DSkip](#) · May 17

The past looks to the future, when artificial turf replaces a water-hungry lawn.  
[desertsun.com/story/news/2016/05/17/dwa-water-modernism-week/811111001](http://desertsun.com/story/news/2016/05/17/dwa-water-modernism-week/811111001)  
[@DWAwater](#) [@ModernismWeek](#)  
[@MyDesert](#)

♥ 2

[View Tweet](#)

**Top media Tweet** earned 251 impressions

We enjoyed hosting some visitors this morning! Thanks to the PS Buzz Bus for shuttling us to a well & reservoir.  
[pic.twitter.com/1kel.dagpCZ](http://pic.twitter.com/1kel.dagpCZ)



[View Tweet activity](#)

[View all Tweet activity](#)

MAY 2016 SUMMARY

Tweets  
17

Profile visits  
208

New followers  
16

Tweet impressions  
9,383

Retweets  
3