



BOARD MEETING AGENDA
Monday, September 26, 2016
Regular Meeting - 7:00 P.M.

Directors
Manny Fernandez
Tom Handley
Pat Kite
Anjali Lathi
Jennifer Toy

Union Sanitary District
Administration Building
5072 Benson Road
Union City, CA 94587

Officers
Paul R. Eldredge
*General Manager/
District Engineer*

Karen W. Murphy
Attorney

1. Call to Order.

2. Pledge of Allegiance.

3. Roll Call.

- Motion 4. Approve Minutes of the Meeting of September 12, 2016.

- Information 5. Monthly Operations Report for August 2016 *(to be reviewed by the Budget & Finance and Legal/Community Affairs Committees)*.

6. Written Communications.

7. Oral Communications.
The public may provide oral comments at regular and special Board meetings; however, whenever possible, written statements are preferred (to be received at the Union Sanitary District office at least one working day prior to the meeting). This portion of the agenda is where a member of the public may address and ask questions of the Board relating to any matter within the Board's jurisdiction that is not on the agenda. If the subject relates to an agenda item, the speaker should address the Board at the time the item is considered. Oral comments are limited to three minutes per individuals, with a maximum of 30 minutes per subject. Speaker's cards will be available in the Boardroom and are to be completed prior to discussion.

- Motion 8. Issuance of Union Sanitary District Wastewater Revenue Refunding Bonds, Series 2016 *(to be reviewed by the Budget & Finance Committee)*.

- Motion 9. Authorize the General Manager to Execute Task Order No. 2 with West Yost Associates to Provide Engineering Services During Construction of the Sludge Degritter System Project *(to be reviewed by the Engineering & Information Technology Committee)*.

- Information 10. Check Register.

- Information 11. Return on Investment for Expanding Trenchless Repair Capabilities *(to be reviewed by the Budget & Finance Committee)*.

- Information 12. Committee Meeting Reports. *(No Board action is taken at Committee meetings):*
 - a. Budget & Finance Committee – Thursday, September 22, 2016, at 11:45 a.m.
 - Director Handley and Director Lathi

- b. Legal/Community Affairs Committee – Thursday, September 22, 2016, at 12:30 p.m.
 - Director Handley and Director Lathi
- c. Engineering and Information Technology Committee – Friday, September 23, 2016, at 9:30 a.m.
 - Director Kite and Director Toy
- d. Legislative Committee – will not meet.
- e. Personnel Committee – will not meet.
- f. Audit Committee – will not meet.
- g. Ad Hoc Subcommittee for Communications Strategy.

Information

-
- 13. General Manager's Report. *(Information on recent issues of interest to the Board).*
-
- 14. Other Business:
 - a. Comments and questions. *Directors can share information relating to District business and are welcome to request information from staff.*
 - b. Scheduling matters for future consideration.
-
- 15. Adjournment – The Board will adjourn to a Special Meeting in the Alvarado Conference Room on Monday, October 3, 2016, at 6:00 p.m.
-
- 16. Adjournment – The Board will then adjourn to the next Regular Meeting in the Boardroom on Monday, October 10, 2016, at 7:00 p.m.

The Public may provide oral comments at regular and special Board meetings; however, whenever possible, written statements are preferred (to be received at the Union Sanitary District at least one working day prior to the meeting).
 If the subject relates to an agenda item, the speaker should address the Board at the time the item is considered. If the subject is within the Board's jurisdiction but not on the agenda, the speaker will be heard at the time "Oral Communications" is calendared. Oral comments are limited to three minutes per individual, with a maximum of 30 minutes per subject. Speaker's cards will be available in the Boardroom and are to be completed prior to discussion of the agenda item.

The facilities at the District Offices are wheelchair accessible. Any attendee requiring special accommodations at the meeting should contact the General Manager's office at (510) 477-7503 at least 24 hours in advance of the meeting.

THE PUBLIC IS INVITED TO ATTEND



Directors
Manny Fernandez
Tom Handley
Pat Kite
Anjali Lathi
Jennifer Toy

BUDGET & FINANCE COMMITTEE MEETING
Committee Members: Director Handley and Director Lathi

Officers
Paul R. Eldredge
*General Manager/
District Engineer*

AGENDA
Thursday, September 22, 2016
11:45 A.M.

Karen W. Murphy
Attorney

Alvarado Conference Room
5072 Benson Road
Union City, CA 94587

1. Call to Order

2. Roll Call

3. Public Comment

4. Items to be reviewed for the Board meeting of September 26, 2016:
 - Monthly Operations Report – Financial Reports
 - Issuance of Union Sanitary District Wastewater Revenue Refunding Bonds, Series 2016
 - Return on Investment for Expanding Trenchless Repair Capabilities

5. Adjournment

Items reviewed at committee meetings will be included in the agenda packet for the upcoming Board meeting. No action will be taken at committee meetings.

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THE PUBLIC IS INVITED TO ATTEND



Directors
Manny Fernandez
Tom Handley
Pat Kite
Anjali Lathi
Jennifer Toy

LEGAL/COMMUNITY AFFAIRS COMMITTEE MEETING
Committee Members: Director Handley and Director Lathi

Officers
Paul R. Eldredge
*General Manager/
District Engineer*

AGENDA
Thursday, September 22, 2016
12:30 P.M.

Karen W. Murphy
Attorney

Alvarado Conference Room
5072 Benson Road
Union City, CA 94587

1. Call to Order

2. Roll Call

3. Public Comment

4. Items to be reviewed for the Board meeting of September 26, 2016:
 - Monthly Operations Report – Odor Report and Work Group Reports

5. Adjournment

Items reviewed at committee meetings will be included in the agenda packet for the upcoming Board meeting. No action will be taken at committee meetings.

The Public may provide oral comments at regular and special Board meetings; however, whenever possible, written statements are preferred (to be received at the Union Sanitary District at least one working day prior to the meeting).

If the subject relates to an agenda item, the speaker should address the Board at the time the item is considered. If the subject is within the Board's jurisdiction but not on the agenda, the speaker will be heard at the time "Public Comment" is calendared. Oral comments are limited to three minutes per individual, with a maximum of 30 minutes per subject. Speaker's cards will be available and are to be completed prior to discussion of the agenda item.

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THE PUBLIC IS INVITED TO ATTEND



**ENGINEERING & INFORMATION TECHNOLOGY
COMMITTEE MEETING**

Committee Members: Director Kite and Director Toy

AGENDA

Friday, September 23, 2016

9:30 A.M.

**Alvarado Conference Room
5072 Benson Road
Union City, CA 94587**

Directors

Manny Fernandez
Tom Handley
Pat Kite
Anjali Lathi
Jennifer Toy

Officers

Paul R. Eldredge
*General Manager/
District Engineer*

Karen W. Murphy
Attorney

**THIS MEETING WILL BE TELECONFERENCED WITH DIRECTOR KITE FROM THE EXTERIOR OF
35040 NEWARK BOULEVARD, NEWARK, CALIFORNIA.
THE TELECONFERENCE LOCATION SHALL BE ACCESSIBLE TO THE PUBLIC.**

1. Call to Order

2. Roll Call

3. Public Comment

4. Items to be reviewed for the Board meeting of September 26, 2016:
 - Authorize the General Manager to Execute Task Order No. 2 with West Yost Associates to Provide Engineering Services During Construction of the Sludge Degritter System Project_____
5. Adjournment

Items reviewed at committee meetings will be included in the agenda packet for the upcoming Board meeting. No action will be taken at committee meetings.

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THE PUBLIC IS INVITED TO ATTEND

**MINUTES OF THE MEETING OF THE
BOARD OF DIRECTORS OF
UNION SANITARY DISTRICT
September 12, 2016**

CALL TO ORDER

President Handley called the meeting to order at 7:00 p.m.

PLEDGE OF ALLEGIANCE

ROLL CALL

PRESENT: Tom Handley, President
Pat Kite, Vice President
Anjali Lathi, Secretary
Manny Fernandez, Director
Jennifer Toy, Director

STAFF: Paul Eldredge, General Manager
Karen Murphy, District Counsel
Sami Ghossain, Technical Services Manager
James Schofield, Collection Services Manager
Armando Lopez, Treatment and Disposal Services Manager
Pamela Arends-King, Business Services Manager/CFO
Chris Pachmayer, Electrical/Support Team Coach
Michael Dunning, Environmental Compliance Coach
Regina McEvoy, Assistant to the General Manager/Board Secretary

APPROVAL OF THE MINUTES OF THE SPECIAL MEETING OF AUGUST 16, 2016

It was moved by Vice President Kite, seconded by Director Fernandez, to approve the Minutes of the Special Meeting of August 16, 2016. Motion carried unanimously.

APPROVAL OF THE MINUTES OF THE MEETING OF AUGUST 22, 2016

It was moved by Secretary Lathi, seconded by Director Toy, to approve the Minutes of the Meeting of August 22, 2016. Motion carried unanimously.

WRITTEN COMMUNICATIONS

There were no written communications.

ORAL COMMUNICATIONS

There were no oral communications.

REVIEW AND CONSIDER APPROVAL OF POLICY NO. 2010, INTERNAL CONTROLS

This item was reviewed by the Audit Committee. Business Services Manager/CFO Arends-King stated one procedural change to the policy had been proposed. In the past, journal entries greater than \$10,000 were reviewed and approved by a second member of finance staff and the approval was verified and documented monthly by the Business Services Workgroup Manager. The proposed change would require all journal entries prepared by accounting staff to be reviewed by the Business Services Workgroup Manager/CFO. A redline showing proposed edits to the policy was included in the Board meeting packet. Staff recommended the Board approve proposed edits to Policy No. 2010, Internal Controls.

It was moved by Director Fernandez, seconded by Director Toy, to Approve Policy No. 2010, Internal Controls. Motion carried unanimously.

REVIEW AND CONSIDER APPROVAL OF POLICY NO. 2025, FRAUD IN THE WORKPLACE

This item was reviewed by the Audit Committee. Business Services Manager/CFO Arends-King stated the only changes proposed to the policy were to eliminate redundant wording. A redline showing proposed edits to the policy was included in the Board meeting packet. Staff recommended the Board approve proposed edits to Policy No. 2025, Fraud in the Workplace.

It was moved by Director Toy, seconded by Secretary Lathi, to Approve Policy No. 2025, Fraud in the Workplace. Motion carried unanimously.

AWARD THE CONSTRUCTION CONTRACT FOR THE SLUDGE DEGRITTER SYSTEM PROJECT TO KIEWIT INFRASTRUCTURE WEST COMPANY

This item was reviewed by the Engineering and Information Technology Committee. Technical Services Manager Ghossain stated the two existing sludge degritters receive flow from Primary Clarifiers 1 through 6. When one of the degritters is out of service, the other unit does not have the capacity to process all of the primary sludge flow. Staff determined an additional degritter was needed to provide redundancy to the system. Sole sourcing of the new Hydro International Eutek Sludge Degritting System was authorized by the Board on May 9, 2016. There were four bids received for the Project, and Kiewit Infrastructure West Company submitted the lowest responsive and responsible bid. Staff recommended the Board award the construction contract, including Bid Alternate A, for the Sludge Degritter System Project to Kiewit Infrastructure West Company.

It was moved by Vice President Kite, seconded by Director Fernandez, to Award the Construction Contract, including Bid Alternate A, for the Sludge Degritter System Project to Kiewit Infrastructure West Company. Motion carried unanimously.

AUTHORIZE THE GENERAL MANAGER TO EXECUTE TASK ORDER NO. 2 WITH RMC WATER AND ENVIRONMENT FOR THE ALVARADO BASIN MASTER PLAN UPDATE

This item was reviewed by the Engineering and Information Technology Committee. Technical Services Manager Ghossain stated the goal of the sewer master plan is to develop a long-term, capital improvement program for the Alvarado Basin that will provide adequate hydraulic capacity in the sewer system as well as address maintenance and structural problems in sewers within the basin. The Alvarado Basin master plan was last updated in 2008. On December 14, 2015, the Board authorized the General Manager to execute an Agreement and Task Order No. 1 with RMC in an amount not to exceed \$89,800, for the condition assessment and wet weather monitoring portion of the master plan update. Task Order No. 1 was completed in August 2016, and Task Order No. 2 is now needed to conduct the capacity assessment portion of the Master Plan Update. Staff recommended the Board authorize the General Manager to execute Task Order No. 2 with RMC for an amount not to exceed \$167,880 for the Alvarado Basin Master Plan Update – Capacity Assessment.

It was moved by Secretary Lathi, seconded by Director Toy, to Authorize the General Manager to execute Task Order No. 2 with RMC Water and Environment for the Alvarado Basin Master Plan Update. Motion carried unanimously.

CONSIDER A RESOLUTION TO ACCEPT A SANITARY SEWER EASEMENT AND QUITCLAIM A PORTION OF ONE EXISTING SANITARY SEWER EASEMENT FOR TRACT 8035 – PATTERSON RANCH, LOCATED ALONG HALF HITCH STREET BETWEEN PASEO PADRE PARKWAY AND RANCHO DEL NORTE DRIVE IN THE CITY OF FREMONT

This item was reviewed by the Legal/Community Affairs Committee. Technical Services Manager Ghossain stated Fremont Pat Ranch, LLC, is constructing 266 residential units for Tract 8035. The alignment of the existing sanitary sewer and corresponding easement conflicts with the proposed streets and parcel layout of the development, and Fremont Pat Ranch, LLC was required to relocate the existing sewer main and grant a new easement to the District. Construction of the relocated sewer main has been completed and Fremont Pat Ranch, LLC has granted the District a new easement. Staff recommended the Board adopt a resolution to accept a sanitary sewer easement and quitclaim a portion of one existing sanitary sewer easement for Tract 8035 – Patterson Ranch located along Half Hitch Street between Paseo Padre Parkway and Rancho Del Norte Drive in the City of Fremont.

It was moved by Secretary Lathi, seconded by Director Fernandez, to Adopt Resolution No. 2787, Accepting a Sanitary Sewer Easement and Quitclaim a Portion of One Existing Sanitary Sewer Easement for Tract 8035 – Patterson Ranch, Located along Half Hitch Street between Paseo Padre Parkway and Rancho Del Norte Drive in the City of Fremont. Motion carried unanimously.

CONSIDER A RESOLUTION TO ACCEPT A SANITARY SEWER EASEMENT FOR TRACT 8177 – TERRA BELLA, LOCATED NEAR THE INTERSECTION OF BEARD ROAD AND FREMONT BOULEVARD IN THE CITY OF FREMONT

This item was reviewed by the Engineering and Information Technology Committee. Technical Services Manager Ghossain stated Standard Pacific Corporation is constructing 45 attached and detached single family residential units for Tract 8177. Sanitary sewer service to the development will be provided by a new sewer main connected to an existing sewer main. Standard Pacific Corporation has constructed the new sewer main and granted the District an easement to provide for access, maintenance, and service. Staff recommended the Board adopt a resolution to accept a sanitary sewer easement for Tract 8177 – Terra Bella, located near the intersection of Beard Road and Fremont Boulevard in the City of Fremont.

It was moved by Secretary Lathi, seconded by Director Toy, to Adopt Resolution No. 2788, Accepting a Sanitary Sewer Easement for Tract 8177 – Terra Bella, Located Near the Intersection of Beard Road and Fremont Boulevard in the City of Fremont. Motion carried unanimously.

INFORMATION ITEMS:

Check Register

All questions were answered to the Board's satisfaction.

Report on the East Bay Dischargers Authority (EBDA) Meeting of August 18, 2016

Staff prepared a desk item for this report. Hard copies of the desk item were distributed at the meeting and will be added to the September 12, 2016, Board meeting packet. Director Toy provided an overview of the EBDA meeting notes included in the Board meeting packet.

California Association of Sanitation Agencies (CASA) 61st Annual Conference

General Manager Eldredge stated he attended the 61st Annual CASA Conference held in Monterey, August 10 – 12, 2016. General Manager Eldredge provided a verbal update regarding the sessions he attended during the conference.

Upcoming Environmental Outreach Events

Technical Services Manager Ghossain provided an overview of the following upcoming Environmental Compliance Team outreach events:

- Saturday, September 17, 2016 – California Coastal Cleanup Day
- Sunday, September 18, 2016 – Newark Days Community Information Faire
- Saturday, October 1, 2016 – Science in the Park

COMMITTEE MEETING REPORTS:

The Audit, Legal/Community Affairs, and Engineering and Information Technology Committees met.

GENERAL MANAGER’S REPORT:

General Manager Eldredge reported the following:

- During the Open House in May of 2015, staff met an individual by the name of Ratinesh Prasad who expressed an interest in the District’s team based culture. Ratinesh interviewed General Manager Eldredge and Organizational Performance Program Manager Brenner for a research project he completed for a Masters of Public Administration course. Mr. Prasad will provide a presentation based on his findings at a Board meeting in October.
- Staff recently discovered illegal dumping at a District owned property located on Stevenson Boulevard near the Fremont and Newark border. The material appears to be construction related and covers the entire one acre property. Staff will look into the matter and try to find out who is responsible. The property will soon be surrounded by a fence to prevent unauthorized access.
- The replacement Cogen Engine was delivered and will be installed.

OTHER BUSINESS:

There was no other business.

ADJOURNMENT:

The meeting was adjourned at 8:10 p.m. to the next scheduled Regular Board Meeting to be held in the Boardroom on Monday, September 26, 2016, at 7:00 p.m.

SUBMITTED:

ATTEST:

REGINA McEVOY
BOARD SECRETARY

ANJALI LATHI
SECRETARY

APPROVED:

TOM HANDLEY
PRESIDENT

Adopted this 26th day of September, 2016



Directors
Manny Fernandez
Tom Handley
Pat Kite
Anjali Lathi
Jennifer Toy

Officers
Paul R. Eldredge
*General Manager/
District Engineer*

Karen W. Murphy
Attorney

DATE: September 20, 2016

TO: Board of Directors - Union Sanitary District

FROM: Paul R. Eldredge, General Manager/District Engineer

SUBJECT: Agenda Item No. 5 - Meeting of September 26, 2016
Information Item: **Monthly Operations Report for August 2016**

Background

Attached are Monthly Operations Reports for August 2016. Staff is available to answer questions regarding information contained in the report.

Work Group Managers

General Manager/Administration	Paul Eldredge	GM
Business Services	Pamela Arends-King	BS
Collection Services	James Schofield	CS
Technical Support	Sami Ghossain	TS
Treatment and Disposal Services	Armando Lopez	T&D
Fabrication, Maintenance, and Construction	Robert Simonich	FMC

ODOR COMPLAINTS:

There was one odor complaint received during the month of August from a Fremont resident. District staff inspected manholes and storm drain inlets near the home and detected odor readings. The structures in front of the home were cleaned and odor readings were no longer detected. Staff will continue to monitor the structure to see if this was an isolated incident.

SAFETY:

- We did not have any safety incidents to report for the month of August.
- One employee who had been on modified duty for the past few months remained in the same condition for the month of August.
- Almost 100% of all employees attended the ergonomics training.
- We completed the critique meeting of the co-digestion trial project. We had many good comments and suggestions.

STAFFING & PERSONNEL:

Completed Recruitments:

- Kevin Landsborough, Plant Operator III Trainee, started 8/29/16
- Alex Peterson, Plant Operator III Trainee, started 8/30/16
- Joel Saldana, Collection Service Worker I, started 8/29/16

Recruitments Opened:

- Collection Service Worker I, replacement for Victor Vasut's retirement, opened 8/22/16

Other Accomplishments:

- Unclassified annual performance appraisals completed.
- Unclassified annual compensation increases completed and processed.
- First session of 2016 USD Leadership School held 8/11/16.

G.M. ACTIVITIES: For the month of August, the GM was involved in the following:

- Attended the General Manager Performance Format, Alternative Financing, and NACWA Leadership Course Combined Board Workshop
- Met with City of Hayward Director of Utilities & Environmental Services to discuss the Hayward ponds
- Participated in Proofread with Perfection Webinar with Executive Team
- Attended the Annual CASA Conference in Monterey
- Attended the Website Feedback Board Workshop
- Met with the City Manager for the City of Union City to discuss its General Plan update
- Met with ACWD General Manager to discuss potential coordination opportunities

G.M. Expenses Reimbursed in August

• Lodging and Travel Related Expenses (CASA)	\$774.94
• Working Lunches with Directors	<u>\$173.50</u>
Total	\$948.44

Attachments: Odor Report and Map
Hours Worked and Leave Time by Work Group
Financial Reports
Business Services
Technical Services
Collection Services
Fabrication, Maintenance, and Construction
Treatment and Disposal Services



ODOR REPORT August 2016

During the recording period from August 01, 2016 through August 31, 2016, there was one odor related service request received by the District.

City: Fremont

1. Complaint Details:

Date: 8/15/2016

Location: MATTOS DR

Wind (from): North West

Temperature: 66 Degrees F

Time: 10:45 am

Reported By: Ray Lei

Wind Speed: 4 mph

Weather: Clear

Response and Follow-up:

We inspected USD manholes and storm drain inlet in front of the home. We did detect 2.5 H₂S odor readings. We cleaned the structures in front of the home. After structures had been cleaned, the readings were zero and no odors were detected. We will continue to monitor the structure to see if this was an isolated incident.



Union City

Newark

Fremont

1. Odor found, USD resolved

Legend

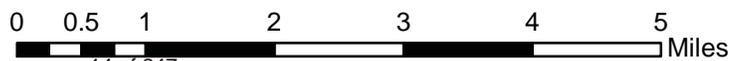
Odor Complaints: August 2016

- ^ Odor found, USD resolved (1)
- ! Odor found, not related to USD (0)
- # No odor found (0)

Odor Complaints: Sep. 2015 to July 2016

- ^ Odor found, USD resolved (14)
- ! Odor found, not related to USD (5)
- # No odor found (11)

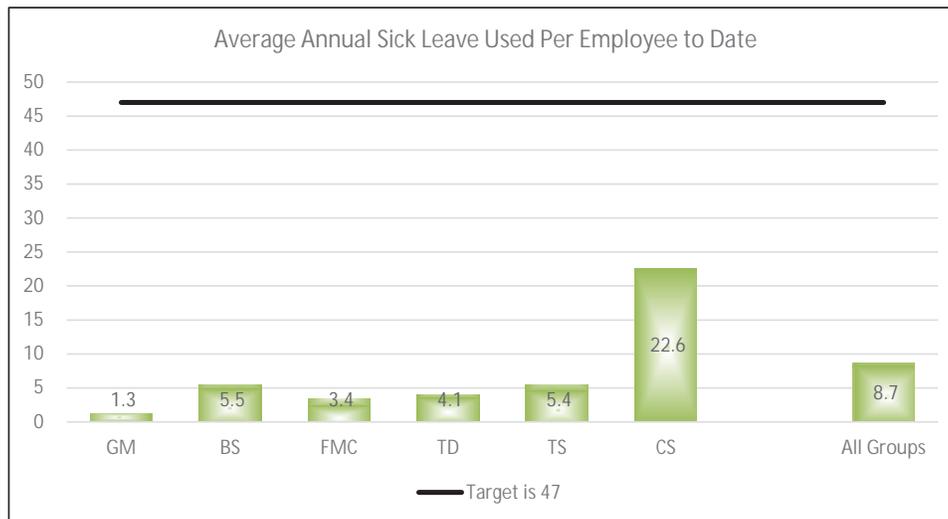
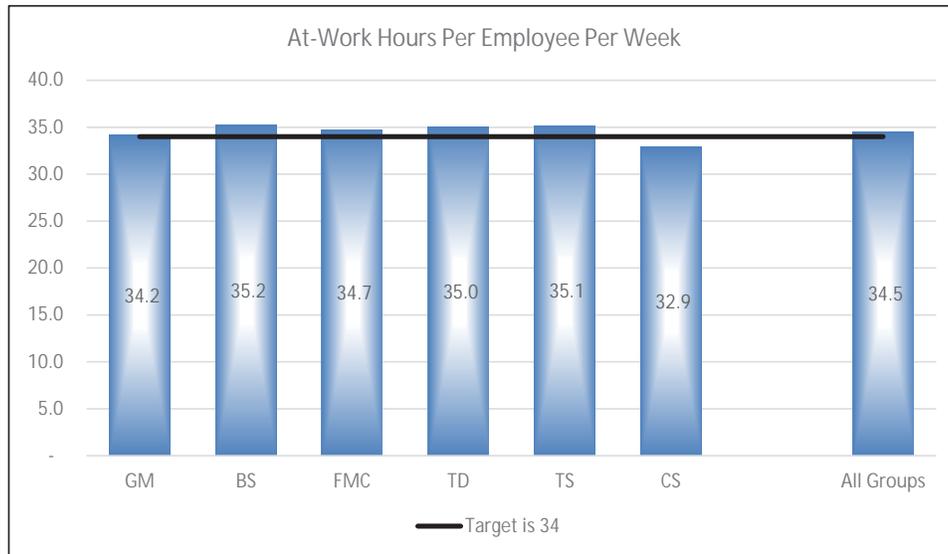
**Location of Odor Reports
September 2015 to August 2016**



HOURS WORKED AND LEAVE TIME BY WORK GROUP

June 30, 2016 through August 24, 2016

Weeks to Date: 8 out of 52 (15.4%)



NOTES

- (1) Regular hours does not include hours worked by part-time or temporary employees.
- (2) Overtime hours includes call outs.
- (3) Discretionary Leave includes Vacation, HEC, Holiday, MAL, FLEX, Funeral, Jury Duty, Military, OT Banked Use, Paid Admin., SLIP, VRIP, Holiday Banked Use leaves.
- (4) Sick Leave includes sick and catastrophic sick leaves as well as protected time off, of which the District has no discretion.

An employee using 15 vacation, 11 holiday, 2 HEC, and 5 sick days will work an average of **34.9** hours per week over the course of a year; with 20 vacation days, **34.2** hours per week.

HOURS WORKED AND LEAVE TIME BY WORK GROUP

June 30, 2016 through August 24, 2016

Weeks to Date: 8 out of 52 (15.4%)

Group	Average Number of Employees	AT-WORK HOURS		At-Work Hours Per Employee Per Week	LEAVE HOURS				Average Annual Sick Leave Used Per Employee To Date	FY16		
		Regular (1)	Overtime (2)		Discretionary (3)	Short Term Disability	Workers Comp	Sick (4)		Average Number of Employees	At-Work Hours Per Week Per Employee	Annual Sick Leave Used
GM	2	521.50	16.25	34.2	116.00	-	-	2.50	1.3	2	36.1	40.6
BS	22	6,085.75	-	35.2	820.50	13.03	-	120.72	5.5	22	35.1	21.4
FMC	23	6,151.33	118.83	34.7	1,060.67	-	68.00	79.00	3.4	22	35.3	52.4
TD	26	6,972.50	177.92	35.0	1,102.00	-	-	105.50	4.1	25	35.4	49.9
TS	33	9,086.73	12.24	35.1	1,050.77	2.68	-	179.82	5.4	32	34.6	40.8
CS	31	7,600.75	410.00	32.9	1,474.94	143.59	-	701.22	22.6	31	35.1	55.0
All Groups	137	36,418.56	735.24	34.5	5,624.88	159.30	68.00	1,188.76	8.7	134	35.1	44.5

SICK LEAVE INCENTIVE PROGRAM TARGETS

≥34

≤47

The Sick Leave Incentive Program target goals are 47 or less hours of sick leave per employee annually, and 34 or more hours of at-work time per week per employee.

NOTES

(1) Regular hours does not include hours worked by part-time or temporary employees.

(2) Overtime hours includes call outs.

(3) Discretionary Leave includes Vacation, HEC, Holiday, MAL, FLEX, Funeral, Jury Duty, Military, OT Banked Use, Paid Admin., SLIP, VRIP, Holiday Banked Use leaves.

(4) Sick Leave includes sick and catastrophic sick leaves, as well as protected time off, of which the District has no discretion.

An employee using 15 vacation, 11 holiday, 2 HEC, and 5 sick days will work an average of 34.9 hours per week over the course of a year;

with 20 vacation days, 34.2 hours per week.

BUDGET AND FINANCE REPORT

FY 2017

Year-to-date as of 8/31/16

17% of year elapsed

Revenues

	Budget	Actual	% of Budget Rec'd	Unaudited Last Year Actuals 6/30/16
Capacity Fees	\$8,935,000	\$1,242,612	14%	\$7,233,337
Sewer Service Charges	50,404,690	13,568	0%	50,110,962
Operating	1,355,000	119,348	9%	1,233,675
Interest	475,500	111,761	24%	502,975
Misc. (incl. LAVWMA pymnt, solar, Cogen rebates)	505,000	68,529	14%	408,913
Subtotal Revenues	\$61,675,190	\$1,555,819	3%	\$59,489,862
SRF Loan Proceeds (Thickener)	2,800,000	794,088	28%	3,385,590
Total Revenues + SRF Proceeds	\$64,475,190	\$2,349,907	4%	\$62,875,452

Expenses

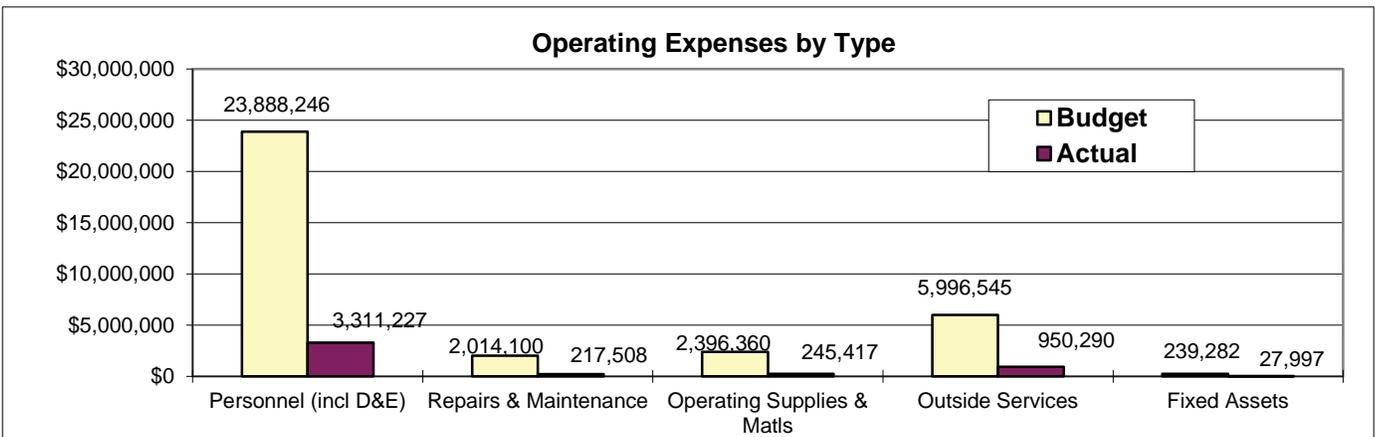
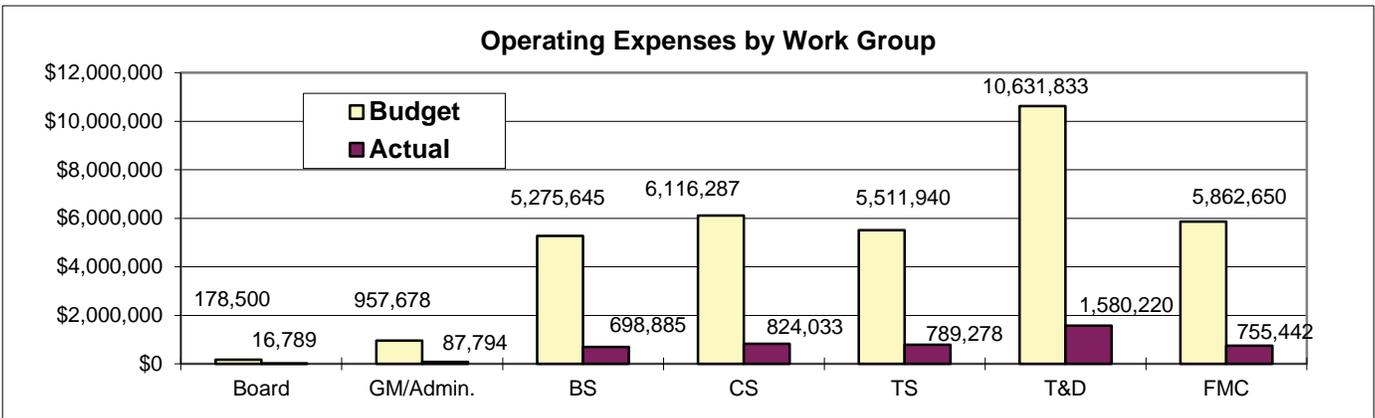
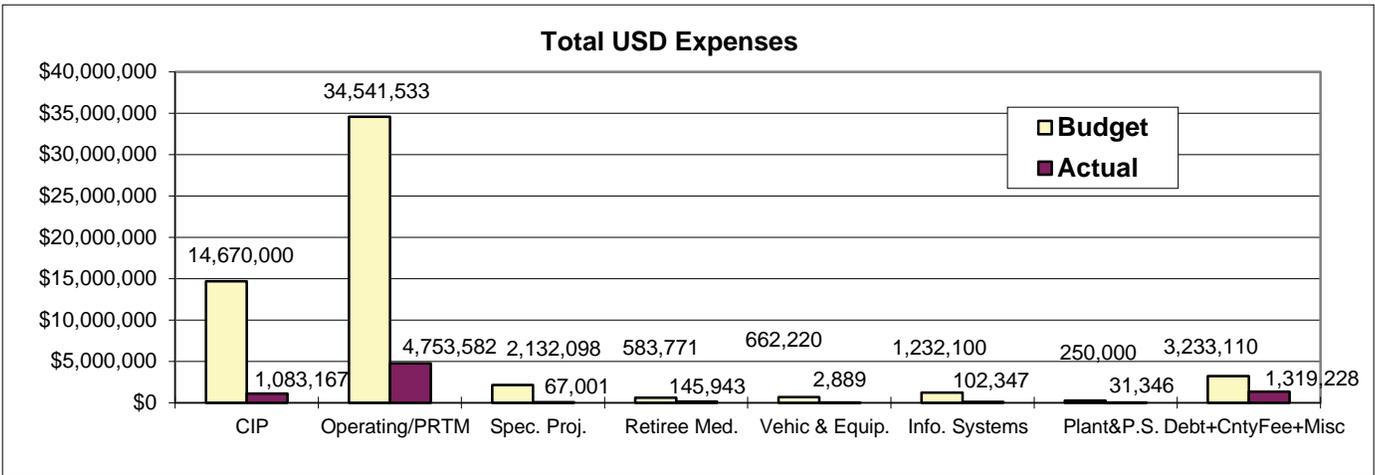
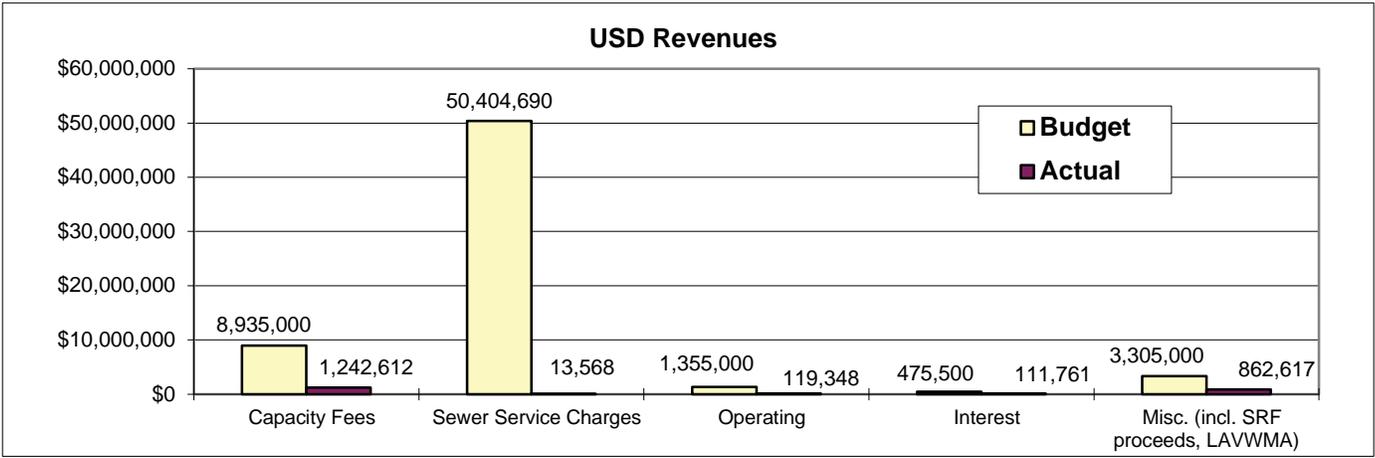
	Budget	Actual	% of Budget Used	Last Year Actuals
Capital Improvement Prog.				
Capacity Projects	\$4,342,500	\$76,216	2%	\$3,009,426
Renewal & Repl. Projects	10,327,500	1,006,951	10%	8,494,486
Operating	34,534,533	4,752,440	14%	31,895,499
Special Projects	2,132,098	67,001	3%	707,526
Retiree Medical (Annual Required Contribution)	583,771	145,943	25%	561,205
Vehicle & Equipment	662,220	2,889	0%	341,967
Information Systems	1,232,100	102,347	8%	854,511
Plant & Pump Station R&R	250,000	31,346	13%	272,479
Emergency Fund (Sinkhole)	0	0	0%	2,208,595
Pretreatment Fund	7,000	1,142	16%	29,249
County Fee for Sewer Service Charge Admin.	106,000	0	0%	105,866
Debt Servicing:				
SRF Loans (Irv., Wilw., LHH, Cdr, NPS, Sub1, Boyc, Prim Cl)	3,127,110	1,319,228	42%	3,127,110
Total Expenses	\$57,304,832	\$7,505,503	13%	\$51,607,919
Total Revenue & Proceeds less Expenses	\$7,170,358	(\$5,155,596)		\$11,267,533

Gross Operating Expenses by Work Group

	Budget	Actual	% of Budget Used	Last Year Actuals
Board of Directors	\$178,500	\$16,789	9%	\$133,294
General Manager/Admin.	957,678	87,794	9%	884,051
Business Services	5,275,645	698,885	13%	4,772,324
Collection Services	6,116,287	824,033	13%	5,873,909
Technical Services	5,511,940	789,278	14%	5,156,725
Treatment & Disposal Services	10,631,833	1,580,220	15%	9,506,339
Fabrication, Maint. & Construction	5,862,650	755,442	13%	5,568,856
Total	\$34,534,533	\$4,752,440	14%	\$31,895,499

Operating Expenses by Type

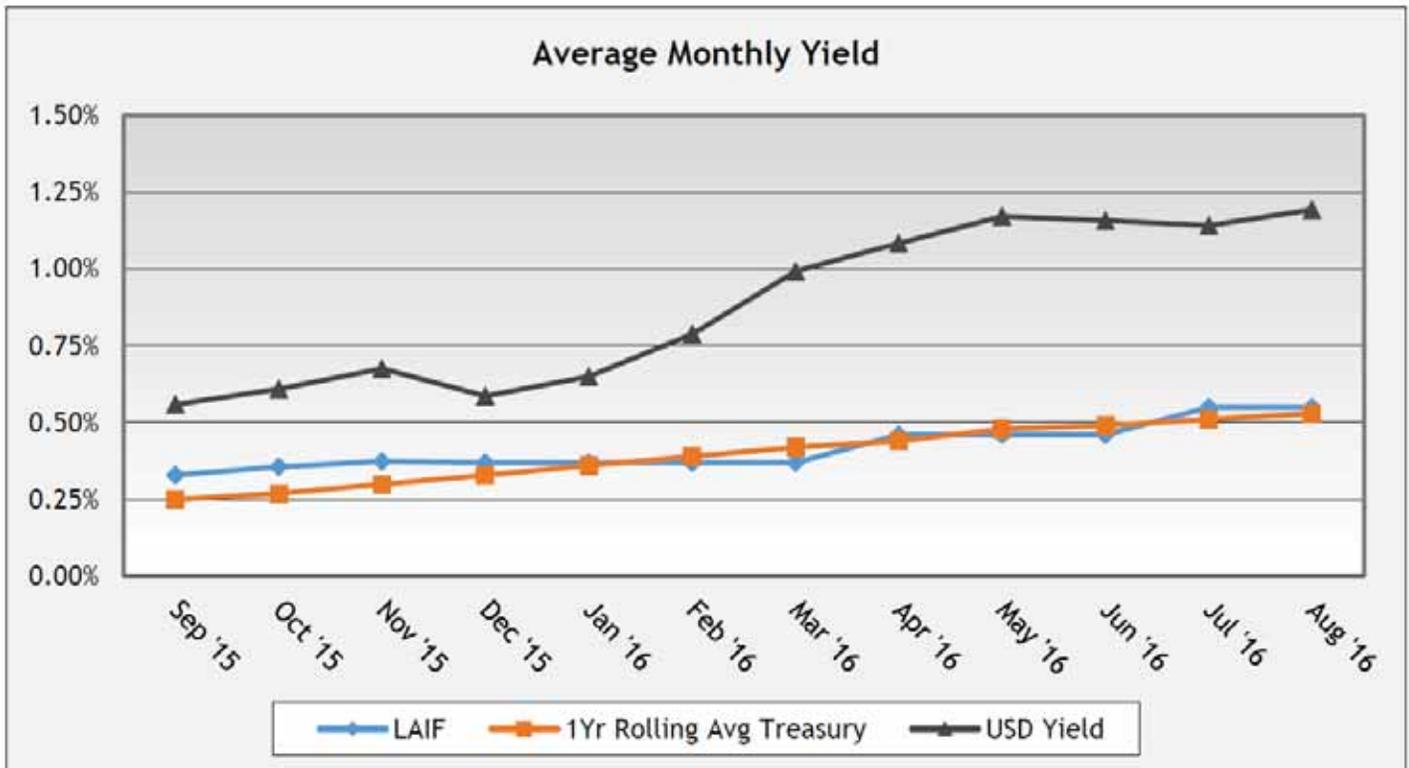
	Budget	Actual	% of Budget Used	Last Year Actuals
Personnel (incl D&E)	\$23,888,246	\$3,311,227	14%	\$22,107,543
Repairs & Maintenance	2,014,100	217,508	11%	1,965,202
Supplies & Matls (chemicals, small tools)	2,396,360	245,417	10%	2,273,252
Outside Services (utilities, biosolids, legal)	5,996,545	950,290	16%	5,342,319
Fixed Assets	239,282	27,997	12%	207,183
Total	\$34,534,533	\$4,752,440	14%	\$31,895,499



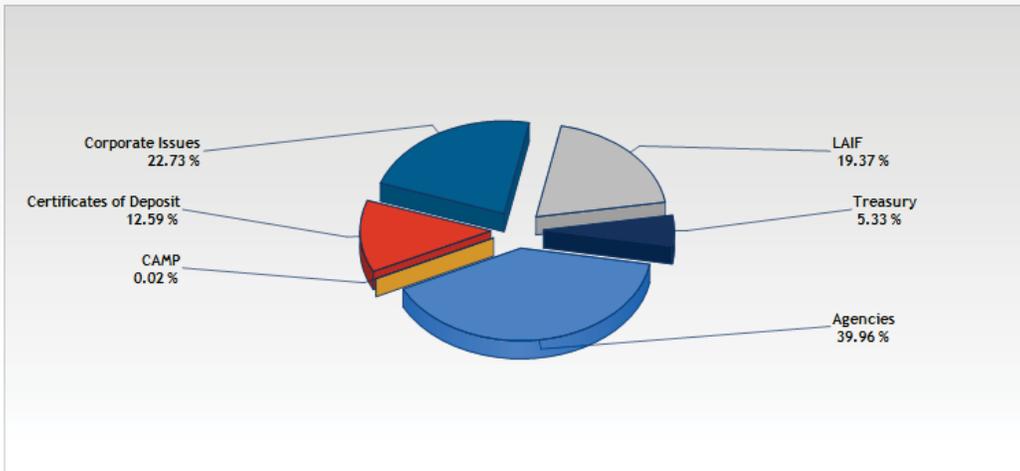
**Business Services Group
Activities Report
August 2016**

- The recruitment for PO III was completed; Bruce Gallego, Jr. was hired on 7/25/2016.
- The recruitment for PO III Trainee was completed; Kevin Landsborough was hired on 8/29/16 and Alexander Peterson was hired on 8/30/16.
- The recruitment for Collection System Worker I was completed; Joel Saldana was hired on 8/29/16.
- USD received the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting for the fiscal year ending June 30, 2015
- The Organizational Performance Program Manager (OPPM) delivered TC Orientations for make up sessions.
- The OPPM attended CSDA seminar on financial controls.
- The OPPM initiated FIST/MMT team merge activities; planned and facilitated 2 workshops.
- The OPPM, Steering Committee member, attended the WEF Water Leadership Institute 2016 planning meetings.
- The OPPM delivered Leadership School session on leadership and social styles.
- The OPPM facilitated Alt Comp Ceremony for the District.
- The OPPM facilitated Collection Services Call Out Process discussion.
- The OPPM prepared and presented Annual Performance Report for Board of Directors.
- The OPPM planned and facilitated Co-digestion pilot for multiple groups.
- The OPPM facilitated final Vector replacement discussion and achieved consensus for Collection Services .
- The OPPM served as CWEA AC17 Education Program Team member.

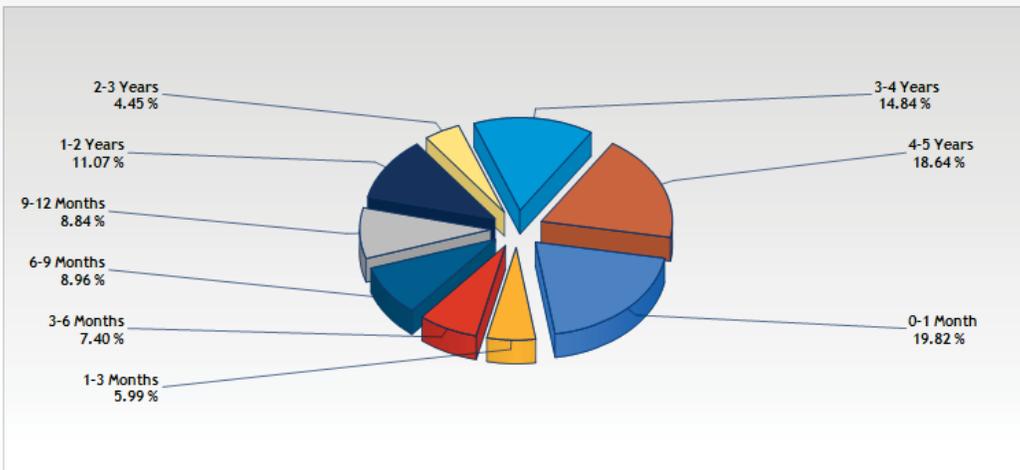
Performance Measures for the USD Investment Portfolio



Portfolio Holdings Distribution by Asset Class



Portfolio Holdings Distribution by Maturity Range



Maturity Range	Face Amount/Shares	YTM @ Cost	Cost Value	Days To Maturity	% of Portfolio	Market Value	Book Value	Duration To Maturity
0-1 Month	11,159,334.15	0.553	11,159,150.40	1	19.82	11,159,342.09	11,159,324.02	0.00
1-3 Months	3,355,000.00	0.800	3,374,304.00	72	5.99	3,357,699.87	3,357,348.55	0.20
3-6 Months	4,061,000.00	0.848	4,164,264.35	155	7.40	4,081,974.32	4,086,146.78	0.42
6-9 Months	5,038,000.00	0.888	5,044,882.77	220	8.96	5,045,522.02	5,044,688.19	0.60
9-12 Months	4,966,000.00	0.951	4,979,399.00	337	8.84	4,967,579.43	4,973,616.85	0.92
1-2 Years	6,226,000.00	1.021	6,232,130.00	504	11.07	6,232,253.88	6,229,998.12	1.37
2-3 Years	2,498,000.00	1.343	2,503,370.00	1001	4.45	2,513,978.69	2,502,598.21	2.69
3-4 Years	8,160,000.00	1.851	8,356,901.85	1307	14.84	8,369,223.20	8,342,995.87	3.46
4-5 Years	10,500,000.00	1.945	10,494,500.00	1684	18.64	10,497,115.00	10,494,739.26	4.46
Total / Average	55,963,334.15	1.194	56,308,902.37	674	100	56,224,688.50	56,191,455.85	1.79

Union Sanitary District
Board Report - Holdings
 Report Format: By Transaction
 Group By: Asset Class
Portfolio/Report Group: All Portfolios
As of 8/31/2016

Description	CUSIP/Ticker	Credit Rating 1	Settlement Date	Face Amount/Shares	Cost Value	Coupon Rate	Market Value	YTM @ Cost	Next Call Date	Maturity Date	% of Portfolio
Agencies											
FFCB 1.17 5/16/2019-17	3133EF7L5	Moody's-Aaa	5/16/2016	1,000,000.00	1,000,000.00	1.170	999,560.00	1.170	5/16/2017	5/16/2019	1.78
FFCB 1.3 11/25/2019-16	3133EGBK0	Moody's-Aaa	5/25/2016	1,000,000.00	997,950.00	1.300	998,680.00	1.360	11/25/2016	11/25/2019	1.77
FFCB 1.58 10/13/2020-16	3133EF2A4	Moody's-Aaa	4/13/2016	1,000,000.00	1,000,000.00	1.580	1,000,120.00	1.580	10/13/2016	10/13/2020	1.78
FFCB 1.59 3/23/2020-17	3133EFR25	Moody's-Aaa	3/23/2016	1,000,000.00	1,000,000.00	1.590	1,002,530.00	1.590	3/23/2017	3/23/2020	1.78
FFCB 1.7 5/3/2021-17	3133EF5T0	Moody's-Aaa	5/3/2016	1,000,000.00	1,000,000.00	1.700	1,001,320.00	1.700	5/3/2017	5/3/2021	1.78
FHLB 0.625 11/23/2016	3130A3J70	Moody's-Aaa	12/16/2015	1,000,000.00	999,000.00	0.625	1,000,570.00	0.732		11/23/2016	1.77
FHLB 0.8 5/17/2017	3130A4Q54	Moody's-Aaa	3/27/2015	1,000,000.00	1,001,690.00	0.800	1,001,080.00	0.720		5/17/2017	1.78
FHLB 0.9 9/28/2017	3130A5KH1	Moody's-Aaa	7/22/2015	1,000,000.00	1,001,140.00	0.900	1,001,100.00	0.847		9/28/2017	1.78
FHLB Step 3/15/2021-16	3130A7EG6	Moody's-Aaa	3/15/2016	1,000,000.00	1,000,000.00	1.000	1,000,030.00	2.216	9/15/2016	3/15/2021	1.78
FHLB Step 4/28/2021-16	3130A7PRO	Moody's-Aaa	4/28/2016	1,000,000.00	1,000,000.00	1.000	999,430.00	2.114	10/28/2016	4/28/2021	1.78
FHLB Step 4/28/2021-16	3130A7QX6	Moody's-Aaa	4/28/2016	1,000,000.00	1,000,000.00	1.250	1,000,060.00	2.021	10/28/2016	4/28/2021	1.78
FHLMC 0.8 8/25/2017-16	3134G8L49	Moody's-Aaa	2/25/2016	1,000,000.00	1,000,000.00	0.800	1,000,510.00	0.800	11/25/2016	8/25/2017	1.78
FHLMC 1 7/25/2017	3134G3ZH6	Moody's-Aaa	6/24/2015	1,000,000.00	1,004,540.00	1.000	1,002,590.00	0.780		7/25/2017	1.78
FHLMC 1.25 10/28/2019-17	3134G8XQ7	Moody's-Aaa	4/28/2016	1,000,000.00	1,000,000.00	1.250	1,000,420.00	1.250	4/28/2017	10/28/2019	1.78

Description	CUSIP/Ticker	Credit Rating 1	Settlement Date	Face Amount/Shares	Cost Value	Coupon Rate	Market Value	YTM @ Cost	Next Call Date	Maturity Date	% of Portfolio
FHLMC Step 3/30/2020-17	3134G8ST7	Moody's-Aaa	3/30/2016	1,000,000.00	1,000,000.00	1.000	1,001,670.00	1.744	3/30/2017	3/30/2020	1.78
FHLMC Step 4/28/2021-16	3134G8VZ9	Moody's-Aaa	4/28/2016	2,500,000.00	2,500,000.00	1.250	2,497,875.00	2.116	10/28/2016	4/28/2021	4.44
FHLMC Step 4/28/2021-16	3134G8Z28	Moody's-Aaa	5/10/2016	1,000,000.00	999,500.00	1.125	1,000,060.00	2.044	10/28/2016	4/28/2021	1.78
FHLMC Step 7/28/2020-16	3134G8X20	Moody's-Aaa	4/28/2016	1,000,000.00	1,000,000.00	1.300	1,000,020.00	1.709	10/28/2016	7/28/2020	1.78
FNMA 1.25 1/30/2017	3135G0GY3	Moody's-Aaa	12/16/2015	1,000,000.00	1,004,790.00	1.250	1,003,140.00	0.820		1/30/2017	1.78
FNMA 1.5 6/16/2021-16	3136G3QX6	Moody's-Aaa	6/16/2016	1,000,000.00	995,000.00	1.500	997,970.00	1.604	12/16/2016	6/16/2021	1.77
FNMA Step 5/12/2021-17	3136G3MD4	Moody's-Aaa	5/12/2016	1,000,000.00	1,000,000.00	0.900	1,000,250.00	1.851	5/12/2017	5/12/2021	1.78
Sub Total / Average				22,500,000.00	22,503,610.00	1.163	22,508,985.00	1.508			39.96

CAMP

CAMP LGIP	LGIP4000	None	5/31/2011	9,834.73	9,834.73	0.640	9,834.73	0.640	N/A	N/A	0.02
Sub Total / Average				9,834.73	9,834.73	0.640	9,834.73	0.640			0.02

Certificates of Deposit

1st Source Bank 0.6 9/15/2016	33646CGK4	None	12/18/2015	245,000.00	244,816.25	0.600	245,007.94	0.701		9/15/2016	0.43
Ally Bank 1 10/24/2016	02006LKM4	None	10/23/2014	240,000.00	240,000.00	1.000	240,172.00	1.000		10/24/2016	0.43
American Express Bank 1.1 10/24/2016	02587CBZ2	None	10/23/2014	240,000.00	240,000.00	1.100	240,207.90	1.100		10/24/2016	0.43
American Express Centurian 1.05 6/5/2017	02587DYJ1	None	6/5/2015	240,000.00	240,000.00	1.050	239,519.76	1.050		6/5/2017	0.43
Bank Hapoalim 0.85 2/17/2017	06251AL65	None	2/18/2016	248,000.00	248,000.00	0.850	247,714.52	0.850		2/17/2017	0.44

Description	CUSIP/Ticker	Credit Rating 1	Settlement Date	Face Amount/Shares	Cost Value	Coupon Rate	Market Value	YTM @ Cost	Next Call Date	Maturity Date	% of Portfolio
Bank of Baroda Ny 0.65 10/27/2016	06062QCS1	None	10/27/2015	245,000.00	245,000.00	0.650	245,049.26	0.650		10/27/2016	0.44
Bank of India NY 0.65 10/26/2016	06279HBX0	None	10/30/2015	245,000.00	245,000.00	0.650	245,048.41	0.650		10/26/2016	0.44
BankUnited NA 0.9 5/24/2017	066519BE8	None	11/24/2015	240,000.00	240,000.00	0.900	239,352.15	0.900		5/24/2017	0.43
Bar Harbor Bank 0.7 1/30/2017	066851TT3	None	6/30/2015	240,000.00	240,000.00	0.700	239,737.17	0.700		1/30/2017	0.43
Capital One Bank 1 10/24/2016	140420QG8	None	10/22/2014	240,000.00	240,000.00	1.000	240,172.00	1.000		10/24/2016	0.43
Capital One National Asso Bank 1.25 8/28/2017	14042E6B1	None	8/26/2015	245,000.00	245,000.00	1.250	244,449.17	1.250		8/28/2017	0.44
Community Bank of the Chesapeake 0.75 8/8/2017	20350ABN0	None	6/8/2016	248,000.00	248,000.00	0.750	246,306.61	0.750		8/8/2017	0.44
Compass Bank 0.95 6/5/2017	20451PLE4	None	6/5/2015	240,000.00	240,000.00	0.950	239,336.07	0.950		6/5/2017	0.43
Discover Bank 0.75 1/3/2017	254672QZ4	None	7/1/2015	240,000.00	240,000.00	0.750	239,824.60	0.750		1/3/2017	0.43
First Bank of Richmond 0.7 8/2/2017	319267FK1	None	6/2/2016	248,000.00	248,000.00	0.700	246,221.36	0.700		8/2/2017	0.44
First Niagara Bank 1.1 10/30/2017	33583CSV2	None	10/30/2015	245,000.00	245,000.00	1.100	243,809.25	1.100		10/30/2017	0.44
Franklin Synergy Bank 0.85 12/11/2017	35471TCH3	None	6/10/2016	248,000.00	248,000.00	0.850	246,155.49	0.850		12/11/2017	0.44
Goldman Sachs Bank 1 10/16/2017	38148JQX2	None	4/27/2015	240,000.00	239,520.00	1.000	238,601.43	1.069		10/16/2017	0.43
	48125Y5L4	None	7/15/2016	249,000.00	249,000.00	1.100	249,099.28	1.100		7/15/2019	0.44

Description	CUSIP/Ticker	Credit Rating 1	Settlement Date	Face Amount/Shares	Cost Value	Coupon Rate	Market Value	YTM @ Cost	Next Call Date	Maturity Date	% of Portfolio
JP Morgan Chase Bank 1.1 7/15/2019											
Marlin Business Bank 0.85 8/24/2017	57116ALG1	None	2/24/2016	248,000.00	248,000.00	0.850	246,472.68	0.850		8/24/2017	0.44
Medallion Bank 1.15 10/30/2017	58403B2L9	None	10/28/2015	245,000.00	245,000.00	1.150	243,951.47	1.150		10/30/2017	0.44
Merrick Bank 0.9 5/19/2017	59013JLK3	None	11/19/2015	240,000.00	240,000.00	0.900	239,364.62	0.900		5/19/2017	0.43
Pacific Premier Bank 0.9 12/5/2017	69478QDG2	None	6/3/2016	248,000.00	248,000.00	0.900	246,336.24	0.900		12/5/2017	0.44
Peoples State Bank of Newton 0.7 6/15/2017	712490AC5	None	6/15/2016	249,000.00	249,000.00	0.700	247,791.83	0.700		6/15/2017	0.44
Safra National Bank 0.7 11/29/2016	78658QSF1	None	11/30/2015	245,000.00	245,000.00	0.700	245,022.30	0.700		11/29/2016	0.44
Santander Bank 0.8 2/17/2017	80280JLS8	None	2/17/2016	248,000.00	248,000.00	0.800	247,656.58	0.800		2/17/2017	0.44
TCF National Bank 0.85 8/17/2017	872278SH0	None	2/17/2016	248,000.00	248,000.00	0.850	246,501.95	0.850		8/17/2017	0.44
Wells Fargo Bank 1.15 7/22/2019	9497486R3	None	7/20/2016	249,000.00	249,000.00	1.150	249,459.41	1.150		7/22/2019	0.44
Wex Bank 0.85 5/19/2017	92937CDE5	None	11/20/2015	245,000.00	245,000.00	0.850	244,262.94	0.850		5/19/2017	0.44
Sub Total / Average				7,091,000.00	7,090,336.25	0.889	7,072,604.39	0.895			12.59

Corporate Issues

American Express Credit 2.375 3/24/2017	0258MODD8	Moody's-A2	5/25/2016	1,000,000.00	1,012,171.77	2.375	1,007,630.00	0.900		3/24/2017	1.80
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Description	CUSIP/Ticker	Credit Rating 1	Settlement Date	Face Amount/Shares	Cost Value	Coupon Rate	Market Value	YTM @ Cost	Next Call Date	Maturity Date	% of Portfolio
Caterpillar Financial 1 3/3/2017	14912L5Z0	Moodys-A2	12/23/2014	1,313,000.00	1,307,603.57	1.000	1,314,142.31	1.190		3/3/2017	2.32
Chevron Corp 2.193 11/15/2019	166764AN0	Moodys-Aa2	2/26/2016	1,160,000.00	1,167,806.57	2.193	1,186,123.20	2.004		11/15/2019	2.07
General Electric Capital Corp 5.4 2/15/2017	36962G2G8	Moodys-A1	3/2/2015	1,085,000.00	1,179,514.35	5.400	1,102,761.45	0.890		2/15/2017	2.09
HSBC 4.875 8/24/2020	4042Q1AE7	Moodys-A1	5/17/2016	2,000,000.00	2,191,145.28	4.875	2,179,780.00	2.500		8/24/2020	3.89
IBM Corp 1.8 5/17/2019	459200JE2	Moodys-Aa3	3/18/2016	1,000,000.00	1,005,370.00	1.800	1,015,860.00	1.624		5/17/2019	1.79
JP Morgan Chase & Co 2 8/15/2017	48126EAA5	Moodys-A3	2/16/2016	1,000,000.00	1,008,859.00	2.000	1,007,880.00	1.400		8/15/2017	1.79
Royal Bank of Canada 1.2 1/23/2017	78010UNX1	Moodys-Aa3	10/2/2015	1,000,000.00	1,003,960.00	1.200	1,001,140.00	0.895		1/23/2017	1.78
Toyota Motor Credit 1.55 7/13/2018	89236TCP8	Moodys-Aa3	3/16/2016	1,000,000.00	1,002,490.00	1.550	1,006,870.00	1.440		7/13/2018	1.78
Toyota Motor Credit Corp 1.2 4/6/2018	89236TCX1	Moodys-Aa3	5/24/2016	1,000,000.00	1,000,360.00	1.200	1,001,830.00	1.180		4/6/2018	1.78
US Bankcorp 2.2 11/15/2016	91159HHB9	Moodys-A1	3/31/2015	900,000.00	920,304.00	2.200	901,458.00	0.797		11/15/2016	1.63
Sub Total / Average				12,458,000.00	12,799,584.54	2.589	12,725,474.96	1.456			22.73
LAIF											
LAIF LGIP	LGIP1002	None	4/30/2011	10,904,499.42	10,904,499.42	0.550	10,904,499.42	0.550	N/A	N/A	19.37
Sub Total / Average				10,904,499.42	10,904,499.42	0.550	10,904,499.42	0.550			19.37
Treasury											
	912828J92		3/9/2016	1,000,000.00	998,417.43	0.500	999,690.00	0.650		3/31/2017	1.77

Description	CUSIP/Ticker	Credit Rating 1	Settlement Date	Face Amount/Shares	Cost Value	Coupon Rate	Market Value	YTM @ Cost	Next Call Date	Maturity Date	% of Portfolio
T-Bond 0.5 3/31/2017		Moodys-Aaa									
T-Note 0.875 1/15/2018	912828H37	Moodys-Aaa	6/1/2015	1,000,000.00	1,001,560.00	0.875	1,001,760.00	0.815		1/15/2018	1.78
T-Note 0.875 11/15/2017	912828G20	Moodys-Aaa	6/24/2015	1,000,000.00	1,001,060.00	0.875	1,001,840.00	0.830		11/15/2017	1.78
Sub Total / Average				3,000,000.00	3,001,037.43	0.750	3,003,290.00	0.765			5.33
Total / Average				55,963,334.15	56,308,902.37	1.312	56,224,688.50	1.194			100

All investment actions executed since the last report have been made in full compliance with the District's Investment Policy.

The District will meet its expenditure obligations for the next six months.

Market value sources are the LAIF, CAMP, and BNY Mellon monthly statements.

Broker/Dealers: BOSC, Inc.; Cantella & Co.; First Empire Securities; Ladenburg, Thalman & Co., Inc.; UBS Financial Services; Wells Fargo Securities.

Union Sanitary District
Board Report - Activity
Portfolio/Report Group: All Portfolios
From 7/31/2016 To 8/31/2016

Description	CUSIP/Ticker	Face Amount/Shares	Principal	Interest/Dividends	Coupon Rate	YTM @ Cost	Settlement Date	Total
DEPOSIT								
CAMP LGIP	LGIP4000	5.32	5.32	0.00		0.000	8/31/2016	5.32
Sub Total / Average		5.32	5.32	0.00				5.32
INTEREST								
Bar Harbor Bank 0.7 1/30/2017	066851TT3	0.00	0.00	138.08	0.700	0.000	8/1/2016	138.08
Bar Harbor Bank 0.7 1/30/2017	066851TT3	0.00	0.00	142.68	0.700	0.000	8/30/2016	142.68
CAMP LGIP	LGIP4000	0.00	0.00	5.32		0.000	8/31/2016	5.32
Capital One National Asso Bank 1.25 8/28/2017	14042E6B1	0.00	0.00	1,527.05	1.250	0.000	8/28/2016	1,527.05
FHLMC 0.8 8/25/2017-16	3134G8L49	0.00	0.00	4,000.00	0.800	0.000	8/25/2016	4,000.00
FNMA 0.625 8/26/2016	3135G0YE7	0.00	0.00	3,125.00	0.625	0.000	8/26/2016	3,125.00
FNMA 1.25 1/30/2017	3135G0GY3	0.00	0.00	6,250.00	1.250	0.000	8/1/2016	6,250.00
Franklin Synergy Bank 0.85 12/11/2017	35471TCH3	0.00	0.00	179.04	0.850	0.000	8/11/2016	179.04
General Electric Capital Corp 5.4 2/15/2017	36962G2G8	0.00	0.00	29,295.00	5.400	0.000	8/15/2016	29,295.00
HSBC 4.875 8/24/2020	4042Q1AE7	0.00	0.00	48,750.00	4.875	0.000	8/24/2016	48,750.00
JP Morgan Chase & Co 2 8/15/2017	48126EAA5	0.00	0.00	10,000.00	2.000	0.000	8/15/2016	10,000.00
Marlin Business Bank 0.85 8/24/2017	57116ALG1	0.00	0.00	1,051.11	0.850	0.000	8/24/2016	1,051.11
Medallion Bank 1.15 10/30/2017	58403B2L9	0.00	0.00	239.29	1.150	0.000	8/31/2016	239.29
Merrick Bank 0.9 5/19/2017	59013JLK3	0.00	0.00	183.45	0.900	0.000	8/19/2016	183.45
Pacific Premier Bank 0.9 12/5/2017	69478QDG2	0.00	0.00	189.57	0.900	0.000	8/5/2016	189.57
Peoples State Bank of Newton 0.7 6/15/2017	712490AC5	0.00	0.00	148.04	0.700	0.000	8/15/2016	148.04
TCF National Bank 0.85 8/17/2017	872278SH0	0.00	0.00	1,051.11	0.850	0.000	8/17/2016	1,051.11

Description	CUSIP/Ticker	Face Amount/Shares	Principal	Interest/Dividends	Coupon Rate	YTM @ Cost	Settlement Date	Total
Wells Fargo Bank 1.15 7/22/2019	9497486R3	0.00	0.00	243.20	1.150	0.000	8/20/2016	243.20
Sub Total / Average		0.00	0.00	106,517.94				106,517.94
MATURED								
FNMA 0.625 8/26/2016	3135G0YE7	1,000,000.00	1,000,000.00	0.00	0.625	0.000	8/26/2016	1,000,000.00
Sub Total / Average		1,000,000.00	1,000,000.00	0.00				1,000,000.00
WITHDRAW								
LAIF LGIP	LGIP1002	3,000,000.00	3,000,000.00	0.00		0.000	8/5/2016	3,000,000.00
LAIF LGIP	LGIP1002	200,000.00	200,000.00	0.00		0.000	8/19/2016	200,000.00
LAIF LGIP	LGIP1002	1,000,000.00	1,000,000.00	0.00		0.000	8/23/2016	1,000,000.00
Sub Total / Average		4,200,000.00	4,200,000.00	0.00				4,200,000.00

**Union Sanitary District's Internal Retiree Medical Fund
Quarterly Report**

For Period Ended 6/30/16

Fund Balance 3/31/16:		\$132,500.93
Revenues:		
		0.00
Expenses:		
	Quarterly Net Medical Reimbursements	(5,296.81)
Transfers Out:		
	6/22/16 CalPERS OPEB Trust Annual Required Contrib. (ARC) (payment #4 of 4)	(140,301.25)
Ending Fund Balance 6/30/16:		(\$13,097.13)



Market Value Summary:

	QTD Current Period	Fiscal Year to Date
Beginning Balance	\$4,575,075.48	\$4,311,934.25
Contribution	140,301.25	561,205.00
Distribution	(92,064.31)	(327,284.09)
Transfer In	0.00	0.00
Transfer Out	0.00	0.00
Investment Earnings	131,907.19	144,622.56
Admin Expense	(559.71)	(2,159.30)
Investment Expense	(409.21)	(1,578.70)
Other	0.00	0.00
Ending Balance	\$4,754,250.69	\$4,686,739.72
YTD Accrual	(97,361.12)	(29,850.15)
Grand Total	\$4,656,889.57	\$4,656,889.57

Unit Value Summary:

	QTD Current Period	Fiscal Year to Date
Beginning Units	333,067.579	318,863.990
Unit Purchases from Contributions	10,079.192	41,828.617
Unit Sales for Withdrawals	(6,661.894)	(24,207.730)
Unit Transfer In	0.000	0.000
Unit Transfer Out	0.000	0.000
Ending Units	336,484.877	336,484.877
Period Beginning Unit Value	13.736178	13.734525
Period Ending Unit Value	14.129166	14.129166

Please note that the Grand Total is your actual fund account balance at the end of the period, including all accrued Contributions and Distributions. Please review your statement promptly. All information contained in your statement will be considered true and accurate unless you contact us within 30 days of receipt of this statement. If you have questions about the validity of this information, please contact CERBT4U@calpers.ca.gov.

Statement of Transaction Detail for the Quarter Ending 06/30/2016

Union Sanitary District

Entity #: SKB7-6011550262



Date	Description	Amount	Unit Value	Units	Check/Wire	Notes
05/06/2016	Distribution	(\$92,064.31)	\$13.819539	(6,661.894)		
06/16/2016	Contribution	\$140,301.25	\$13.919890	10,079.192	WIRE 2016061600103 812	
06/30/2016	YE Accrual Distribution	(\$97,361.12)				

Client Contact:
CERBT4U@CalPERS.ca.gov

MONTHLY OPERATIONS REPORT FOR THE MONTH OF AUGUST 2016
TECHNICAL SUPPORT WORK GROUP SUMMARY

Capital Improvement Program

Thickener Control Building Improvements Project – Contractor placed concrete on the new metal decking of the new Thickener Control Structure and continued with underground site work and process piping installation.

Fremont and Paseo Padre Lift Stations Improvements Project – Both lift pumps at Fremont Lift Station have been installed and aligned to the satisfaction of the pump manufacturer. Trenching for ductbank installation at Paseo Padre Lift Station has begun.

MCC and PLC Replacement Project, Phase 3 – Contractor installed conduits and wirings for the new VFDs, breakers and PLC in the West Blower Room.

Plant Facilities Improvements Project - Contractor dewatered the 60" primary effluent pipe, installed plugs and blind flange at critical location for safety containment to prepare the pipe for the lining repair.

Chemical Tanks and Piping Replacement Project – Notice to Proceed was issued to the contractor. Held pre-construction meeting.

Aeration Blower Project – Contractor substantially completed the project on August 12, 2016, and began to work on the punch list items.

Alvarado-Niles Road Sanitary Sewer Rehabilitation Project – All CIPP lining is complete with the exception of sectional lining. Main bypass system removal and site restoration is in progress. Manhole step replacement is also ongoing.

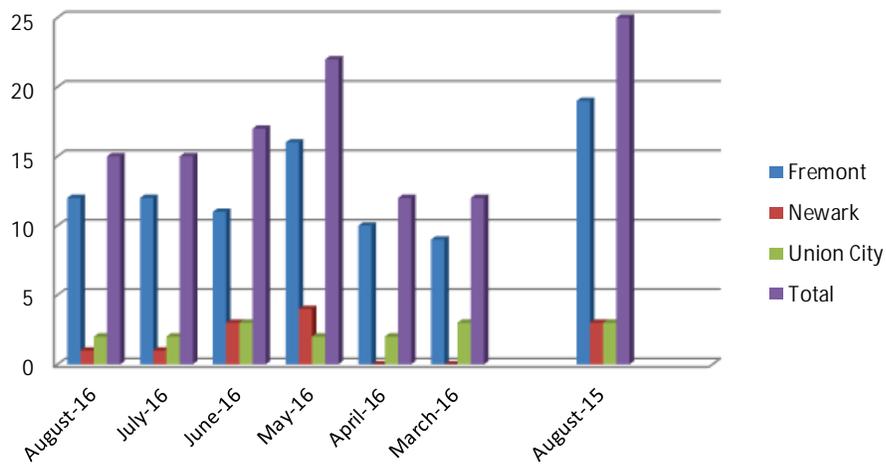
Pine St. Easement Improvements Project – The Contractor mobilized to the site. Excavation and rough grading on site are mostly complete. The new abutment pier is drilled, rebar installed, and concrete placed. Carrier pipe discovered to be ABS truss rather than VCP; crack has been repaired.

Newark Backyard Sanitary Sewer Relocation Project, Phase 3 – The Contractor completed installation of all the sewer mains and HDD laterals. Lateral connections to switch properties to the new sewer laterals and site restoration are in progress.

Customer Service

Trouble Calls dispatched from the Front Desk during business hours:

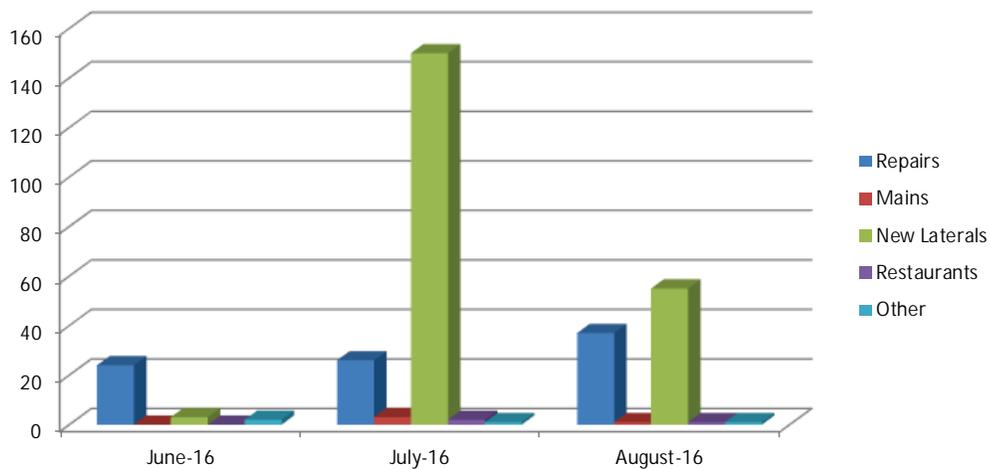
Month	Fremont	Newark	Union City	Total
August-16	12	1	2	15
July-16	12	1	2	15
June-16	11	3	3	17
May-16	16	4	2	22
April-16	10	0	2	12
March-16	9	0	3	12
August-15	19	3	3	25
6-Month Total				93



Sewer Permits Issued

Month	Repairs	Mains	New Laterals	Restaurants	Other
August-16	37	1	55	1	1
July-16	26	3	150	2	1
June-16	24	0	3	0	2

New Laterals - New residential lateral connections
 Other - Non-residential construction (except restaurants)



Communication

- Attended CASA Conference - delivered presentation about USD’s Open House for CASA Communications Committee and additional conference attendees
- Developed and distributed press release regarding CASA Organizational Excellence Award to media; posted on District website and social media
- Developed Legislative Update on Regional, State and National Issues of Interest to the Board for August 22, 2016 Board Meeting
- Continued updates to Union City staff and USD website regarding Alvarado Niles Road project activities
- Monitored California Consumer Product Safety Commission Listserve for medicine take-back information
- Continued activities for development of new District website; preparation for “Go Live”
- Continuing development of District virtual tour video
- Posted updates to current website
- Continued research regarding social media management practices and tools
- Met with Comcast representative to discuss broadcast campaign options
- Planning activities with CASA communications workgroup for regional CASA/CWEA seminars – will co-present at media relations/crisis communications sessions in October 2016

Environmental Compliance

Pollution Prevention Program

USD’s Environmental Compliance team conducts pollution prevention inspections to restaurants, car wash businesses, and other commercial facilities. EC also conducts inspections and enforcement for the City of Fremont’s Environmental Services group. We conduct over 600 Stormwater compliance inspections every year to ensure that commercial facilities, including restaurants and auto shops, comply with City Ordinance requirements, and do not discharge pollutants to the creeks and bay.

For the past month, the EC team conducted 83 Stormwater (Urban Runoff), and 67 FOG (restaurant) inspections. During this reporting period, Inspectors identified 20 Stormwater and 7 FOG enforcement actions. Nine (9) of the Stormwater enforcements resulted in administrative fines ranging from \$100 to \$500. One (1) of the administrative fines were for illicit discharges, and a total of 8 were for repeated violations.

Urban Runoff Inspections and Enforcements

August 2016	No. of UR Inspections	VW	WL	NOV	AF	LA	Total Enforcements	No. of Illicit Discharge/s	1
	83	3	0	8	9	0	20	% enforcement	24%

FOG Inspections and Enforcements

August 2016	No. of FOG Inspections	VW	WL	NOV	AF	NOD	Total Enforcements	% enforcement	10%
	67	1	5	0	0	1			

Enforcements:

VW – Verbal Warning

AF – Administrative Fine

AO – Administrative Order

WL – Warning Letter

LA – Legal Action

C&D – Cease & Desist Order

NOV – Notices of Violation

NOD – Notice of Deficiency

SNC – Significant Non Compliance

Dental Inspections, School Outreach, and Plant Tours

# of Dental Inspections	# of School Outreach Events including Sewer Science	# of Plant Tours
14	0	4

Industrial Pretreatment

The Industrial Pretreatment program has a number of pending permits as shown in the table below. USD inspectors are working with each of these companies to establish permitted industrial discharges.

Pending Permits

New Industrial/Groundwater Permits	Groundwater/Temporary
Industrial- TE Connectivity	
Industrial- Mission Linen	
Industrial- Lam Research CA3E	
Industrial- Seagate FRC (Fremont Research Center)	
Industrial- Littlefuse	

Permits Issued

Company Name	Date Permit Issued
None	

Industrial Closures

Company Name	Date of Closure
Seagate Bldg 1 and 3 (Pending)	12/2016

Reports (Annual & Semi-Annual Pretreatment Report, Union City Report, etc.)

Report Name	Date Report Completed and Submitted
Pollution Prevention Annual Report	August 23, 2016

Enforcement Action

IU Name & Nature of Business	Comments	City	Parameters Violated	Discharge concentration (mg/L)	USD/Fed Limit Violated (mg/L)	Enforcement (1)
Ceramic Tech.	None	Fremont	Copper	2.2 mg/L	USD Local Limit of 2.0 mg/L	NOV
Silevo Inc. (Solar City)	Show Cause Hearing	Fremont	pH & permit conditions	pH > 12.5, 4.8-5.0	USD Local Limit of pH 6.0	AO Pending

(1) WL – Warning Letter

C&D – Cease and Desist Order

NOV – Notices of Violation

SNC – Significant Non Compliance

AO – Administrative Order

EM – Enforcement Meeting

Other - Training, Special Meetings, Conferences, IAC (topics)

Activity	Date of Event	Attendees
Bay Area Pollution Prevention Group (BAPPG)	8/3/16	Doug Dattawalker
Bay Area Clean Water Agencies (BACWA) Executive Committee Meeting	8/19/16	Doug Dattawalker
BACWA Pretreatment Committee Meeting	8/30/16	Michael Dunning, Alex Paredes

Engineering/Construction

No. of projects under construction: 9

	Construction Projects	Capital (\$1000)	Scheduled Completion	Completed Scope	Completed Time	Comments for August 2016 Activities
1.	Thickener Control Building Improvements Project – Curtis	\$9,990	12/16	81%	89%	Placed concrete on the roof deck of the new Thickener Control Structure. Continued with piping and site work.
2.	Fremont and Paseo Padre LSs Improvement - Derek	\$2,801	10/16	45%	89%	Lift pumps at Fremont LS are installed and aligned. Work at Paseo Padre LS has begun with trenching for ductbank installation.
3.	MCC and PLC Replacement Project, Phase 3 – Thomas	\$869	12/16	73%	71%	Contractor installed conduits and wiring for the new VFDs, breakers and PLC in the West Blower Room.
4.	Plant Facilities Improvements Project – Thomas	\$1,570	1/17	58%	64%	Contractor dewatered the 60" primary effluent pipe, installed plugs and blind flange to isolate the pipe for the lining repair.
5.	Chemical Tanks and Piping Replacement Project – Thomas	\$2,102	10/17	0%	0%	Notice to Proceed was issued to the contractor. Held pre-construction meeting with the contractor and District staff.

	Construction Projects	Capital (\$1000)	Scheduled Completion	Completed Scope	Completed Time	Comments for August 2016 Activities
6.	Aeration Blower Project – Curtis	\$1,065	8/16	99%	100%	Project was substantially completed on August 12, 2016. Contractor began to work on punch list items.
7.	Alvarado-Niles Road SS Rehabilitation Project – Chris E.	\$3,283	10/16	83%	67%	CIPP Lining complete. Bypass system removal and site restoration in progress.
8.	Pine St. Easement Improvements – Chris E.	\$187	10/16	29%	64%	Contractor has mobilized. New Pier drilled and concrete placed. Carrier pipe crack repaired.
9.	Newark Backyard SS Relocation Project Phase 3 –Andrew/Rollie	\$2,107	09/16	85%	90%	Completed sewer main and HDD lateral installations; lateral connections to the new sewer lateral ongoing.

Design/Study

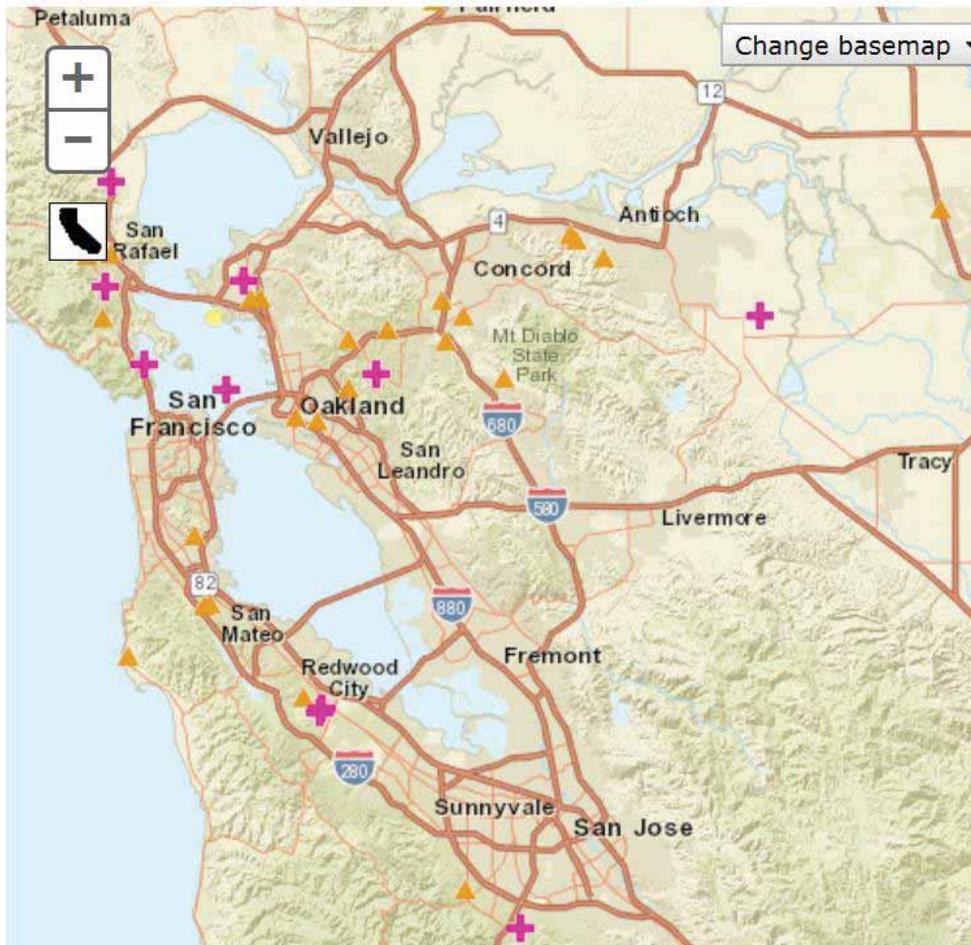
No. of projects in design/study phase: 5

	Design/Study Projects	Capital (\$1000)	Scheduled Completion	Completed Scope	Completed Time	Comments for August 2016 Activities
1.	Alvarado Basin Master Plan Flow Monitoring and Condition Assessment - Rollie	\$90	6/16	99%	133%	Received condition assessment study.
2.	Plant Solids System / Capacity Assessment – Curtis	\$238	6/16	85%	100%	Staff reviewed the draft Chapter 3 – Process Optimization and Class A Options and returned comments to consultant.
3.	Recycled Water Feasibility Study Update – Chris E.	\$130	10/16	92%	92%	Final report draft received and under staff review.
4.	Sludge Degritter System Project – Kevin	\$198	08/16	100%	100%	Bids opened 8/18. Award of construction contract in progress.
5.	Cogeneration Building HVAC Improvements Project - Derek	\$27	09/16	90%	87%	100% submittal is under review. Staff will re-advertise in October 2016.

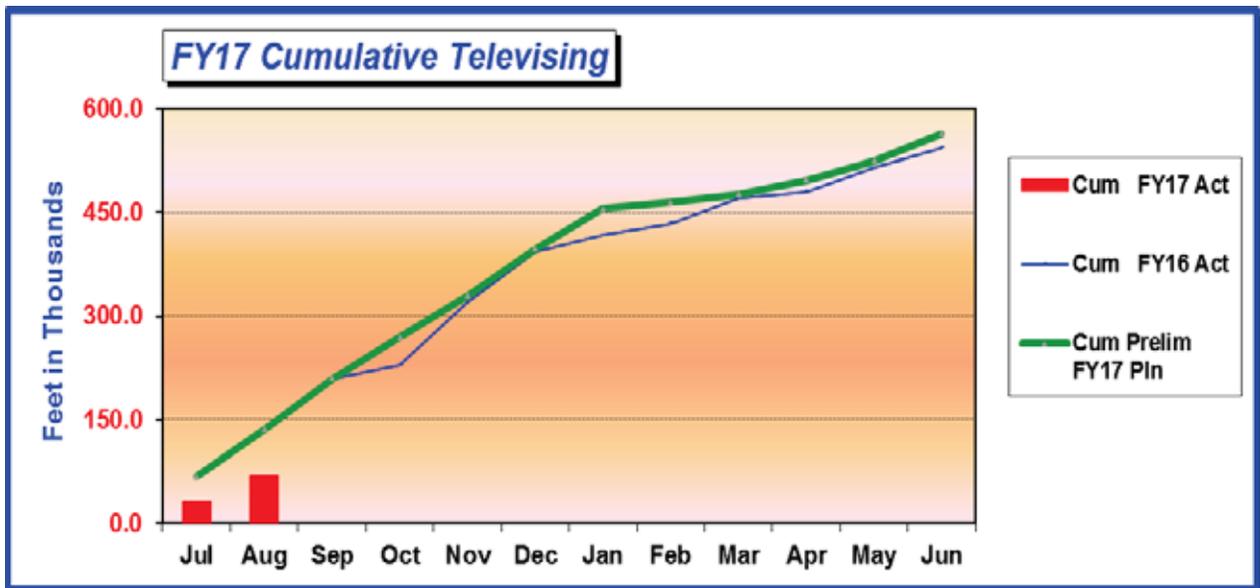
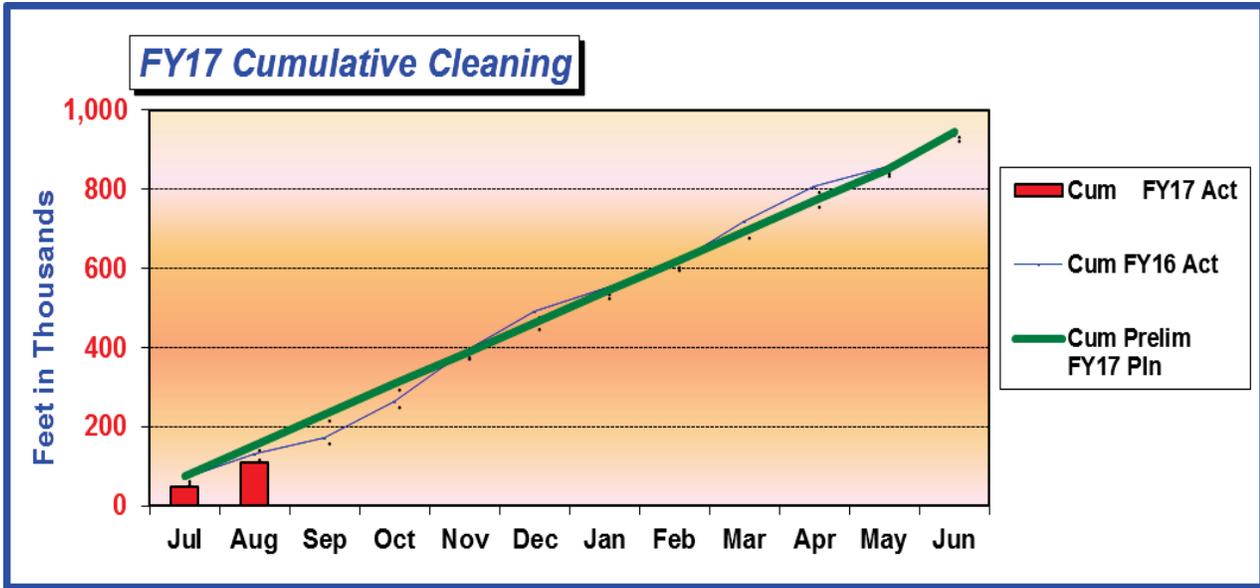
Progress/Accomplishments

- No spills (as of 8/31/16 it has been 44 days since last spill)
- Completed 11.8 miles of cleaning of sewer lines in August
- Completed 6.2 miles of televising of sewer lines in August
- Responded to 20 service request calls in August
- Completed a total of 38 main repairs in August
- Trainings
 - Traffic Control Refresher
 - Industrial Ergonomics Refresher
- New CSW I, Joel Saldana began work at the District.

Bay Area Spills for Same Time Period

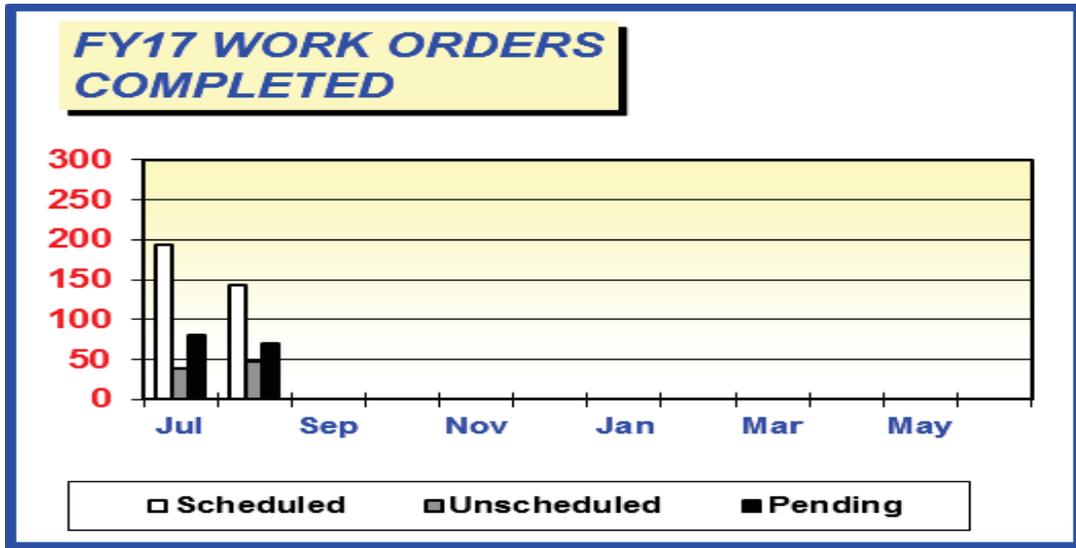


Performance Measures

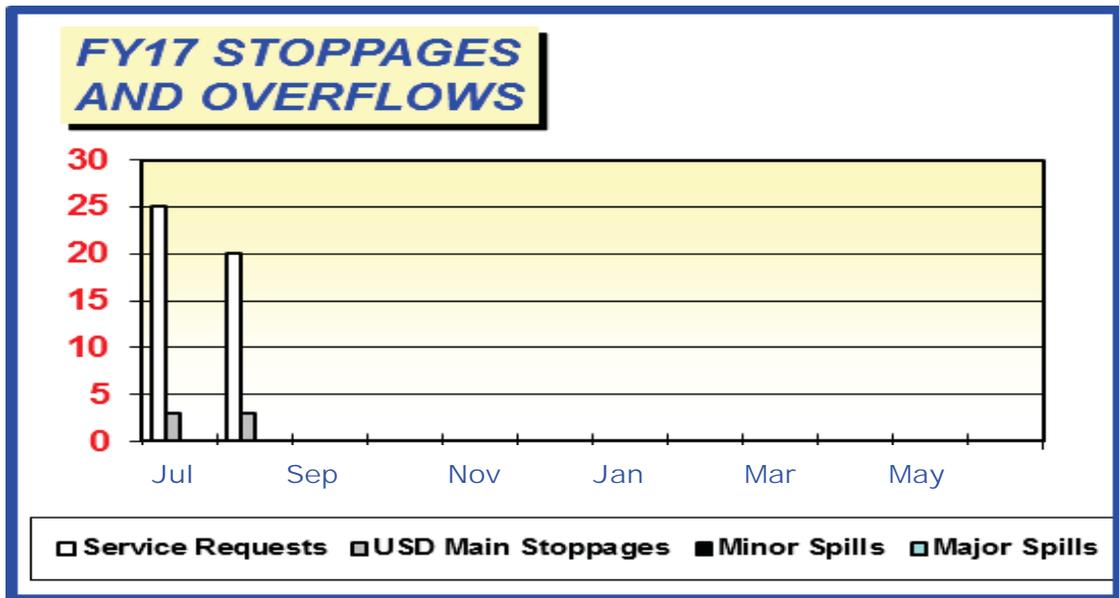


Other Collection Services Status Data:

Support Team Work Order Status:



C/S Maintenance Status:



**FMC
Activities Report
August 2016**

Progress/Accomplishments

- Completed 89% of preventive maintenance activities for the month of August
- Completed 78 corrective maintenance work orders for the month of August
- Replacement of TPS Pumps No. 1 & No. 3
- Centrifuge No. 1 hagar bearing replacement
- Assisted IT with set-up and installation of the disaster recovery cabinet universal power supply
- Installed new polymer lines from GBT building to Sludge Pump Room 4

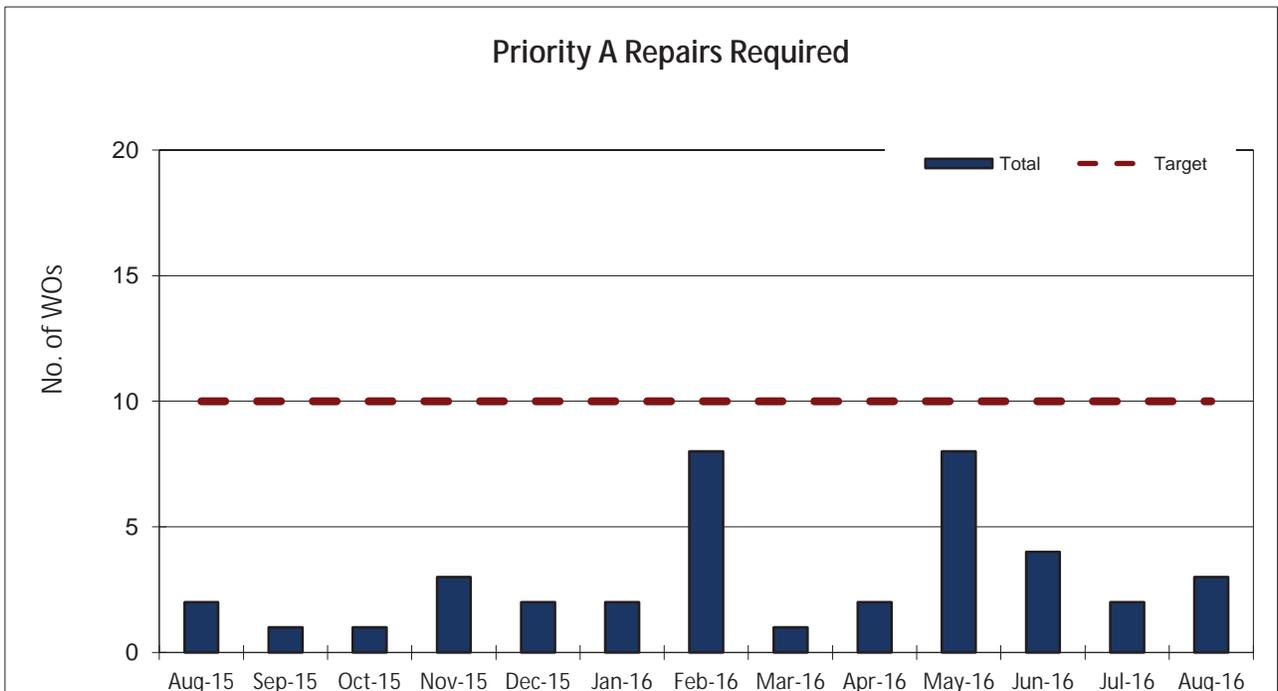
Future Planning

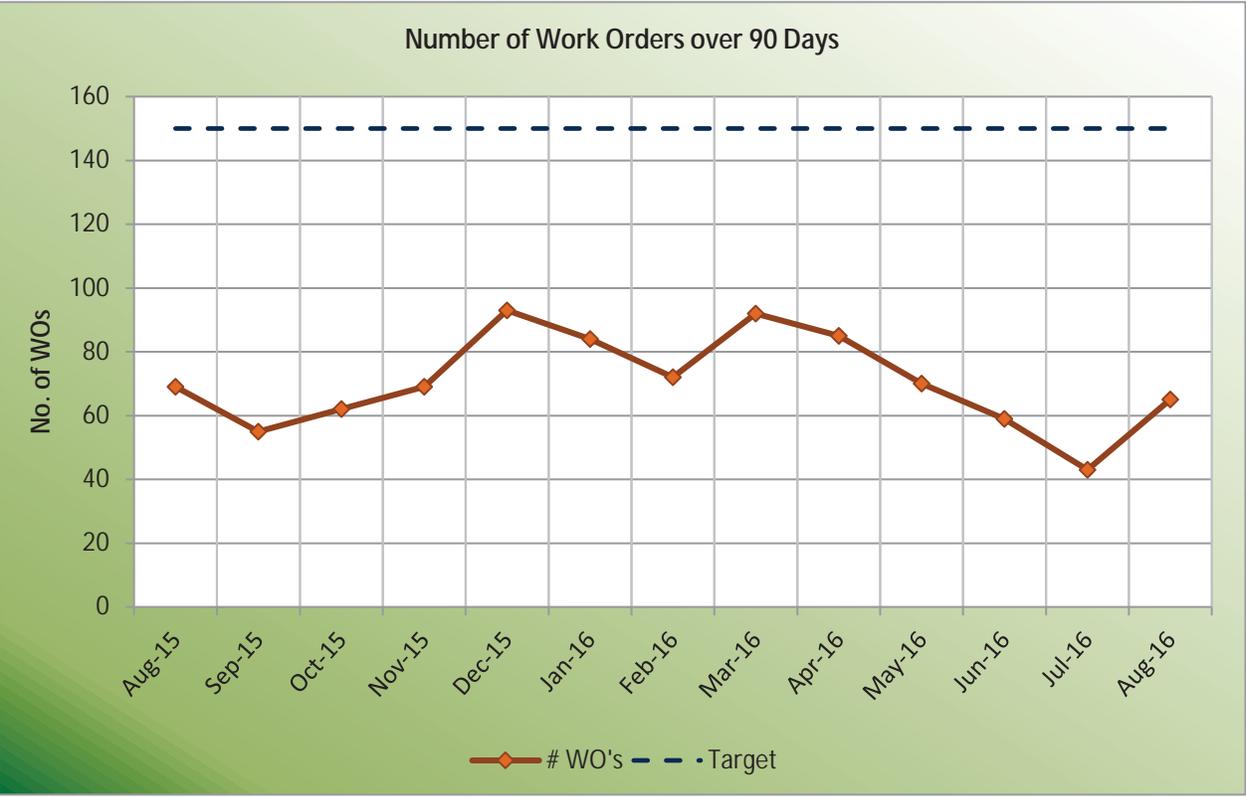
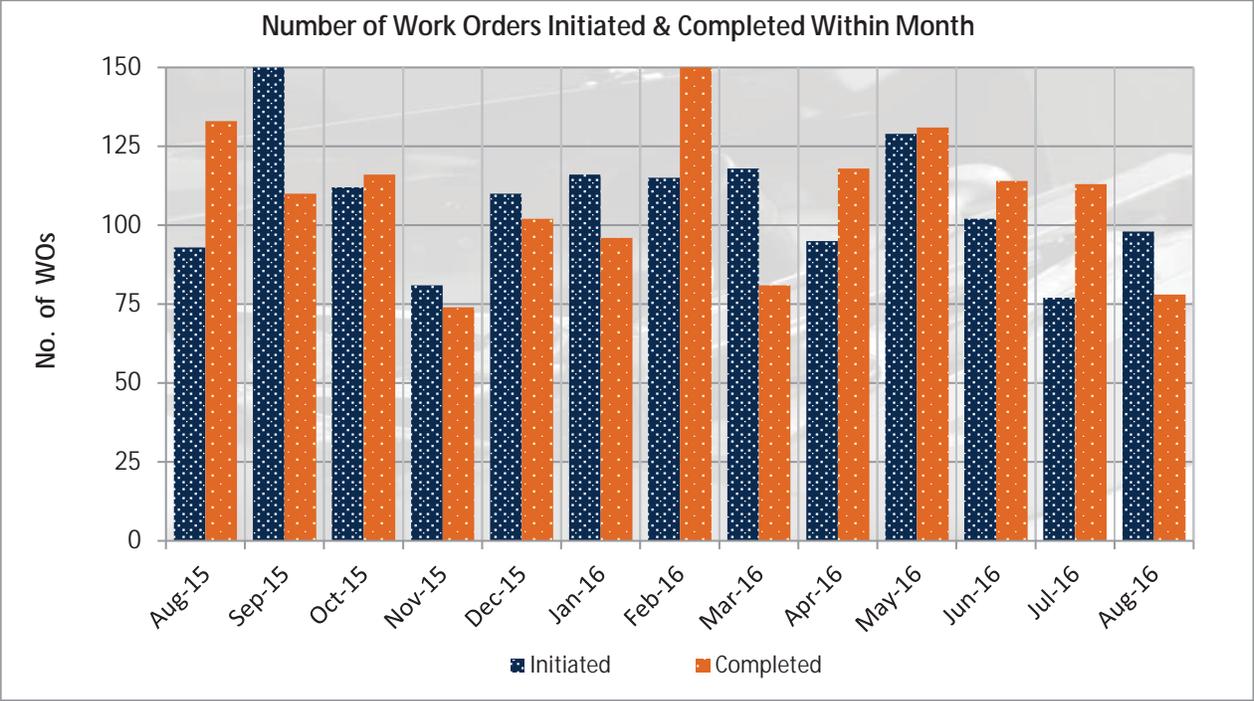
- Co-gen No. 1 commisioning
- EBDA south drive base fabrication and installation
- IPS head gate No. 1 hydraulic cylinder replacement
- APS pump No. 4 overhaul and installation
- Fremont Lift Station start-up

Other

- All employees attended Backsafe Ergonomics Training

Performance Measurements





**Treatment & Disposal
Activities Report
August 2016**

Progress/Accomplishments

- Maintained 100% compliance with NPDES permits.
- Completed 90% preventive maintenance activities for the month of August.
- Coordinated efforts between TPO, FMC, and R&S teams to bypass headworks to replace the headworks recycle gate.
- Supported EBDA's efforts in inspecting the outfall line through two plant shutdowns.
- Performed plant shutdown to repair two CB2 gates in order to accommodate CIP's 60" PE Line repairs.
- Began training of two new Plant Operator 3 Trainees and one new Plant Operator 3.
- Reviewed the draft application for the EBDA NPDES permit renewal. Met with EBDA representatives and their consultant to discuss issues for the permit renewal.
- Worked with EBDA agencies to address a high enterococcus at the marina dechlorination station. Hypochlorinated the southern part of the EBDA system to reduce regrowth in the pipeline. Began dechlorinating final effluent in order to batch feed the Hayward Marsh wastewater with low chlorine residual.
- Worked with IT to develop a tool to use plant power data to calculate the true value of EBDA pump station power.
- Supported the CIP solids capacity study. Staff met, discussed, reviewed and provided comments on chapters describing Class A alternatives presented by the consultant.
- Staff reviewed and provided comments on the draft report for the Recycled Water Feasibility Study update.
- Commissioning testing for the laboratory ICP is ongoing. Commissioning is expected to be completed in September 2016.
- Worked with York engineering to evaluate alternatives to allow the new Cogeneration system to more easily maintain compliance with air permit requirements.
- Met with staff to solicit feedback on the recent codigestion pilot study. Began drafting a report on for codigestion pilot study effort.

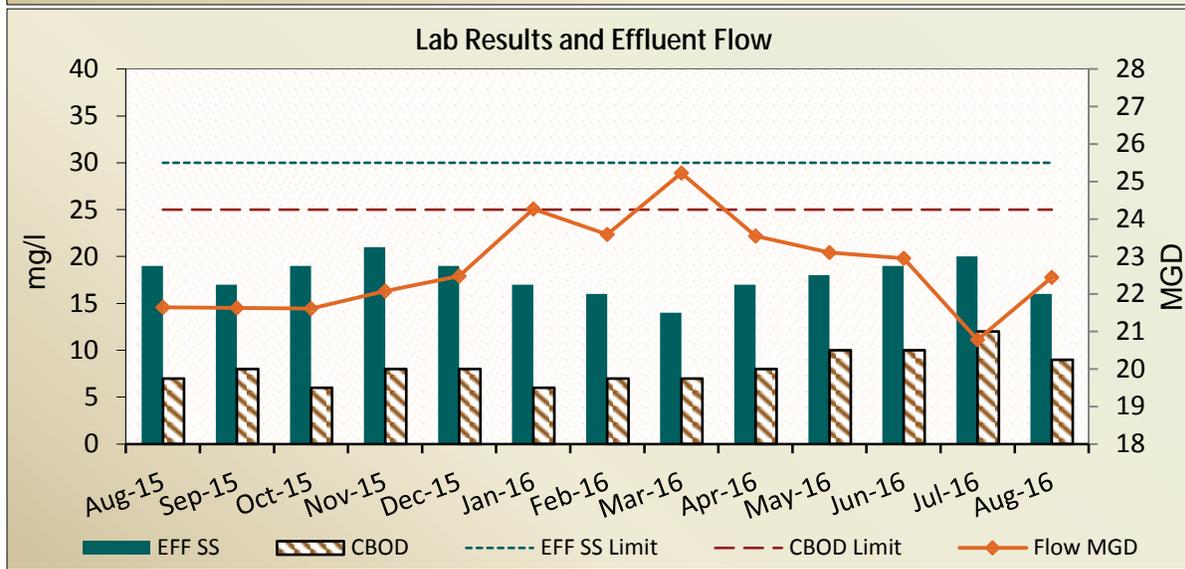
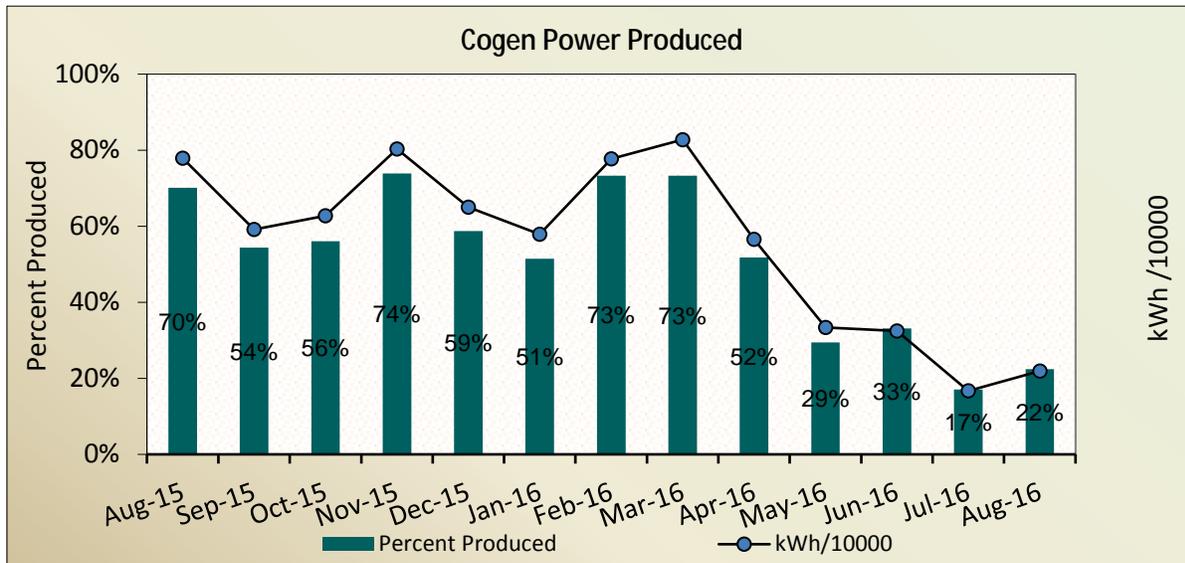
Future Planning

- Evaluate electrical and gas usage to determine whether there are more advantageous alternatives.
- Meet with EBDA to agree a method to bill EBDA for power costs.
- Complete work with York on determining cogeneration system air permitting alternatives.
- Finalize codigestion pilot study report.

Other

- Cogen system produced 22% of power consumed for the month of August.

Performance Measurements



USD's Final Effluent Monthly Monitoring Results				
Parameter	EBDA Limit	Jun-16	Jul-16	Aug-16
Copper, µg/l	78	6.6	4.0	5.0
Mercury, µg/l	0.066	0.00393	0.00282	0.00271
Cyanide, µg/l	42	< 2	< 3	< 3
Ammonia- N, mg/L (Range)	130	34 - 43	37 - 42	36 - 44
Dioxin-Toxicity Equivalent (TEQ), µg/l	2.8 x 10 ⁻⁸	not tested	not tested	not tested
Fecal Coliform, MPN/100ml (Range)				
• 5-Sample Geometric Mean	500	14 - 25	21 - 72	10 - 50
• 11-Sample 90th Percentile	1100	33 - 77	33 - 127	36 - 127
Enterococci *				
• 5-Sample Geometric Mean	242	20 - 62	< 10 - 63	< 10 - 30

E = Estimated value, concentration outside calibration range. For SIP, E = DNQ, estimated concentration.

* Enterococci values are the weekly concentration range not the 5-Sample Geometric Mean range.



Directors
Manny Fernandez
Tom Handley
Pat Kite
Anjali Lathi
Jennifer Toy

Officers
Paul R. Eldredge
*General Manager/
District Engineer*

Karen W. Murphy
Attorney

DATE: September 19, 2016

MEMO TO: Board of Directors - Union Sanitary District

FROM: Paul Eldredge, General Manager
Pamela Arends-King, Business Services Manager/CFO

SUBJECT: Agenda Item No. 8 - Meeting of September 26, 2016
Issuance of Union Sanitary District Wastewater Revenue Refunding Bonds, Series 2016 (the "Bonds")

Recommendation

It is recommended that the Board of Directors adopt a Resolution authorizing the issuance of Union Sanitary District Wastewater Revenue Refunding Bonds, series 2016, approving the forms authorizing the execution and delivery of an Indenture, a Bond Purchase Agreement, and an Official Statement in connection therewith, and authorizing certain other actions related thereto.

This recommendation is to authorize the issuance and sale of the Bonds in an estimated not to exceed aggregate principal amount of \$43.5 million to refinance prior State Revolving Fund Loans (SRF) with the California State Water Resources Control Board to take advantage of lower interest rates and reduce the annual debt service payments.

Background

The District and its consultants have determined that, due to prevailing financial market conditions, a unique set of circumstances has provided the District the opportunity to refinance existing SRF debt that was used to pay for District projects. Historically, SRF debt has been very affordable and attractive to Districts and agencies throughout the United States as the interest rates are far below the market. Although the interest rates on the District's existing debt is low (averaging approximately 2.5%), current market conditions have made refinancing this debt a viable option to pursue. The existing SRF debt for the following projects is as follows:

Irvington Equalization Storage Facilities	\$5,788,299.14
Willow / Central Avenue Sanitary Sewer Rehabilitation	\$1,118,546.77
Lower Hetch Hetchy Sewer Rehabilitation	\$1,513,896.29
Newark Pump Station	\$7,903,117.32
Cedar Boulevard Sanitary Sewer Rehabilitation	\$1,488,826.70
Alvarado Wastewater Treatment Primary Clarifiers	\$7,956,091.33
Replacement of Substation 1	\$2,038,013.70
Replacement of Boyce Road Lift Station	\$5,590,616.43
Thickener Control Building Improvements	\$9,642,775.00
TOTAL =	\$43,040,182.68

It is estimated that by refinancing the District's existing SRF loans annual debt service payments can be reduced up to \$100,000 per year, totaling over \$1.2 million in net present value savings over the remaining term of the SRF loans. Additionally, as the SRF loans would be repaid as a result of the refinancing, the District will be able to free up approximately \$3 million held in a reserve fund that is a standard requirement for SRF loans.

The proposed new Bonds will pay off the existing debt that was scheduled to mature in 2036, and the new Bonds will mature in 2034.

The resolution being presented for approval authorizes the issuance of the Bonds, and approves the form and authorizes execution of related financing documents including a draft Preliminary Official Statement describing the terms of the Bonds. These documents will be finalized when the exact terms of the Bonds are determined at the time the Bonds are sold to investors, currently anticipated to occur mid-October with an anticipated Bond closing in late October. Of course, this schedule is subject to market conditions and the Bonds will only be sold if the District will still achieve the anticipated cost savings in the market at the time of sale. The forms of the documents for consideration are:

- **Indenture** – The Indenture is a contract between the District and US Bank acting as Trustee. The Indenture specifies the Trustee, dated date, maturity date or dates, interest rate or rates, interest payment dates, denominations, forms, registration privileges, manner of execution, place or places of payment, terms of redemption and other terms of the Bonds.
- **Bond Purchase Agreement** – The Bond Purchase Agreement is a contract between the District and RBC, the District's Underwriter, whereby the District agrees to sell the Bonds to RBC and RBC agrees to buy the Bonds from the District and resell them to the public. The Bond Purchase Agreement contains parameters which state that the true interest cost of the Bonds cannot exceed 2.5% and the Underwriter's Discount with respect to the Bonds shall not exceed 0.50% of the principal amount of the Bonds.
- **Preliminary Official Statement** – The Preliminary Official Statement (POS) or offering statement is used by the Underwriter to inform the marketplace of the terms of the Bonds and contains all relevant information for the investor to make a decision as to whether or not to purchase the

Bonds. The POS will be updated with the final bond sale numbers and debt service schedule. A final Official Statement will be issued after the close of the sale of bonds.

Attachments: Resolution
Indenture
Bond Purchase Agreement
Preliminary Official Statement

RESOLUTION NO. _____

**A RESOLUTION OF THE BOARD OF DIRECTORS OF UNION SANITARY DISTRICT
AUTHORIZING THE ISSUANCE OF THE UNION SANITARY DISTRICT
WASTEWATER REVENUE REFUNDING BONDS, SERIES 2016, AND APPROVING
THE FORMS OF AND AUTHORIZING THE EXECUTION AND DELIVERY OF AN
INDENTURE, A BOND PURCHASE AGREEMENT, AND AN OFFICIAL STATEMENT
IN CONNECTION THEREWITH AND AUTHORIZING CERTAIN OTHER ACTIONS
RELATED THERETO**

WHEREAS, the Union Sanitary District, a sanitary district duly organized and existing under and by virtue of the laws of the State of California (the "District"), has entered into certain prior agreements (collectively, the "Prior Agreements") with the California State Water Resources Control Board, as more particularly described in the Indenture hereinafter referred to, under which the District has agreed to make payments for the purpose of paying for the design, engineering, permitting and construction of certain additions, betterments, extensions and improvements to the District's wastewater system; and

WHEREAS, the District is authorized by law to issue refunding revenue bonds to refinance any obligations theretofore incurred by it; and

WHEREAS, the District has determined that it is in the best interests of the District and its customers and is necessary and proper for District purposes that the District issue its Union Sanitary District Wastewater Revenue Refunding Bonds, Series 2016 (the "Bonds"), to refund its payment obligations under the Prior Agreements, pay costs of issuing the Bonds and pay costs of refunding its payment obligations under the Prior Agreements; and

WHEREAS, the District proposes to enter into an Indenture (the "Indenture") with a corporate trustee to be named therein, as trustee (the "Trustee"), pursuant to which the District will issue the Bonds to refund its payment obligations under the Prior Agreements, pay costs of issuing the Bonds and pay costs of refunding its payment obligations under the Prior Agreements; and

WHEREAS, the District proposes to enter into a Bond Purchase Agreement (the "Bond Purchase Agreement") with RBC Capital Markets, LLC (the "Underwriter"), pursuant to which the Bonds will be sold to the Underwriter; and

WHEREAS, there have been made available to the Board of Directors of the District (the "Board of Directors"), the following documents and agreements:

- (1) A proposed form of the Indenture;
- (2) A proposed form of the Bond Purchase Agreement; and

(3) A proposed form of preliminary official statement (the “Preliminary Official Statement”) to be used by the Underwriter in connection with the offering and sale of the Bonds; and

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

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE UNION SANITARY DISTRICT, AS FOLLOWS:

Section 1. The Board of Directors hereby specifically finds and declares that the actions authorized hereby constitute and are with respect to public affairs of the District and that the statements, findings and determinations set forth above and in the preambles of the documents approved herein are true and correct.

Section 2. The District is hereby authorized to issue its revenue refunding bonds designated as the “Union Sanitary District Wastewater Revenue Refunding Bonds, Series 2016” in an aggregate principal amount not to exceed forty-three million five hundred thousand dollars (\$43,500,000). The Bonds shall be issued and secured in accordance with the terms of, and shall be in the form set forth in, the Indenture. The Bonds shall be executed on behalf of the District by the manual or facsimile signature of the General Manager/District Engineer of the District or the designee thereof (the “General Manager”) or, if the General Manager’s signature cannot be obtained for any reason, the manual or facsimile signature of the President or Vice President of the Board of Directors.

Section 3. The proposed form of Indenture, as made available to the Board of Directors, is hereby approved. The General Manager and the Business Services Manager/Chief Financial Officer of the District or the designee thereof (each an “Authorized Officer”), each acting alone, are hereby authorized and directed, for and on behalf of the District, to execute and deliver the Indenture in substantially said form, with such changes thereto and insertions therein as such Authorized Officer may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof. The Trustee, dated date, maturity date or dates, interest rate or rates, interest payment dates, denominations, forms, registration privileges, manner of execution, place or places of payment, terms of redemption and other terms of the Bonds shall be as provided in the Indenture, as finally executed; provided, that the Bonds shall mature not later than the year 2035.

Section 4. The proposed form of Bond Purchase Agreement, as made available to the Board of Directors, is hereby approved. Any Authorized Officer is hereby authorized and directed, for and on behalf of the District, to execute and deliver

the Bond Purchase Agreement in substantially said form, with such changes thereto and insertions therein as such Authorized Officer may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof; provided, that the true interest cost with respect to the Bonds shall not exceed 2.5% and the Underwriter's discount (excluding any original issue discount) with respect to the Bonds shall not exceed 0.50% of the principal amount of the Bonds.

Section 5. The proposed form of Preliminary Official Statement, as made available to the Board of Directors, is hereby approved. Any Authorized Officer is hereby authorized and directed to approve the distribution of the Preliminary Official Statement to potential purchasers of the Bonds and to certify on behalf of the District that the Preliminary Official Statement is "deemed final" as of its date by the District pursuant to Rule 15c2-12 of the Securities and Exchange Commission. Any Authorized Officer is hereby authorized and directed, for and on behalf of the District, to execute and deliver a final Official Statement (the "Official Statement"), in substantially the form of the Preliminary Official Statement, with such changes thereto as such officer may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof. The Underwriter is hereby authorized to distribute copies of the Preliminary Official Statement and Official Statement to persons who may be interested in the purchase of the Bonds and is directed to deliver copies of the Official Statement to all purchasers of the Bonds.

Section 6. The Bonds, when executed as provided in Section 2, shall be delivered to the Trustee for authentication by the Trustee. The Trustee is hereby requested and directed to authenticate the Bonds by executing the Trustee's Certificate of Authentication appearing thereon, and to deliver the Bonds, when duly executed and authenticated, to the Underwriter in accordance with written instructions executed on behalf of the District by any Authorized Officer, which any Authorized Officer is authorized and directed, for and on behalf of the District, to execute and deliver to the Trustee. Such instructions shall provide for the delivery of the Bonds to the Underwriter, upon payment of the purchase price thereof.

Section 7. The firm of Fieldman, Rolapp & Associates is hereby appointed as financial advisor in connection with the issuance of the Bonds.

Section 8. The firm of RBC Capital Markets, LLC is hereby appointed underwriter of the Bonds.

Section 9. The firm of Quint & Thimmig LLP is hereby appointed as disclosure counsel in connection with the issuance of the Bonds.

Section 10. The firm of Orrick, Herrington & Sutcliffe LLP is hereby appointed as bond counsel in connection with the issuance of the Bonds.

Section 11. The members of the Board of Directors, the Authorized Officers and other appropriate officers and agents of the District, each acting alone, are hereby authorized and directed to do any and all things and to execute and deliver any and all

documents (including, but not limited to, a continuing disclosure certificate relating to the Bonds and a tax certificate relating to the Bonds) which they may deem necessary or desirable in order to effectuate the actions which the Board of Directors has approved in this resolution and to consummate by the District the transactions contemplated by the documents approved hereby; and all such actions heretofore taken by such officers and agents are hereby ratified, confirmed and approved.

Section 12. This resolution shall take effect immediately upon its passage.

On motion duly made and seconded, this resolution was adopted by the following vote on September 26, 2016:

AYES:

NOES:

ABSENT:

ABSTAIN:

TOM HANDLEY
President, Board of Directors
UNION SANITARY DISTRICT

Attest:

ANJALI LATHI
Secretary, Board of Directors
UNION SANITARY DISTRICT

INDENTURE

Dated as of October 1, 2016

by and between the

UNION SANITARY DISTRICT

and

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

Relating to the

UNION SANITARY DISTRICT
WASTEWATER REVENUE REFUNDING BONDS, SERIES 2016

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INDENTURE

This Indenture, dated as of October 1, 2016 (this “Indenture”), by and between the Union Sanitary District, a sanitary district organized and existing under and by virtue of the laws of the State of California (the “District”), and U.S. Bank National Association, a national banking association duly organized and existing under and by virtue of the laws of the United States of America and authorized to accept and execute trusts of the character herein set forth, as Trustee (the “Trustee”);

WITNESSETH:

WHEREAS, the District has entered into the Prior Agreements (as defined herein) under which it has agreed to make payments for the purpose of paying for the design, engineering, permitting and construction of certain additions, betterments, extensions and improvements to the District’s Wastewater System; and

WHEREAS, the District is authorized by law to issue refunding revenue bonds to refinance any obligations theretofore incurred by it; and

WHEREAS, the District has determined that it is in the best interests of the District and its customers and is necessary and proper for District purposes that the District issue its Union Sanitary District Wastewater Revenue Refunding Bonds, Series 2016 (the “Bonds”), to refund its payment obligations under the Prior Agreements in the manner described herein; and

WHEREAS, the District has determined that all things necessary to cause the Bonds, when duly executed by the District and authenticated and delivered by the Trustee as provided herein, to be legal and valid limited obligations of the District enforceable in accordance with their terms, and to constitute the Indenture a valid agreement for the purposes and uses herein set forth in accordance with its terms, have been done and taken, and the execution and delivery hereof and the execution, authentication and delivery of the Bonds, subject to the terms hereof, have in all respects been duly authorized;

NOW THEREFORE, THE INDENTURE WITNESSETH, that in order to declare the conditions and terms upon and subject to which the Bonds are to be issued, and to secure the payment of the interest on and principal of all Bonds at any time executed, authenticated and delivered hereunder according to their tenor, and to secure the observance and performance of all the agreements, conditions, covenants and terms contained herein and therein, and in consideration of the premises and of the mutual agreements and covenants contained herein and of the purchase and acceptance of the Bonds by the respective registered Holders thereof from time to time, and for other valuable consideration, the receipt whereof is hereby acknowledged, the District does hereby agree and covenant with the Trustee, for the benefit of the respective registered Holders from time to time of the Bonds, as follows:

ARTICLE I
DEFINITIONS; EQUAL SECURITY

SECTION 1.01. Definitions. Unless the context otherwise requires, the terms defined in this section shall for all purposes hereof and of the Bonds and of any certificate, opinion,

report, request or other document herein or therein mentioned have the meanings herein specified, the following definitions to be equally applicable to both the singular and plural forms of any of the terms defined herein:

Accreted Value

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

Accountant’s Report

“Accountant’s Report” means a report signed by an Independent Certified Public Accountant.

Adjusted Net Revenues

“Adjusted Net Revenues” means, for any period, Net Revenues for such period less, to the extent included in the calculation of Net Revenues for such period, all Subsidy Payments received or expected to be received in such period.

Annual Debt Service

“Annual Debt Service” means, with respect to any Parity Obligations and for any Fiscal Year, the aggregate amount of Debt Service on such Parity Obligations becoming due and payable during such Fiscal Year.

Average Annual Debt Service

“Average Annual Debt Service” means with respect to any Parity Obligations and as of any date of calculation, the quotient obtained by dividing (1) the sum of the Annual Debt Service on such Parity Obligations for all Fiscal Years during the period commencing with the Fiscal Year in which such calculation is made (or, if appropriate, the first full Fiscal Year following the issuance, incurrence or creation of such Parity Obligations) and terminating in the last Fiscal Year in which any Debt Service on such Parity Obligations is due by (2) the number of such Fiscal Years.

Balloon Indebtedness

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

Beneficial Owner

“Beneficial Owner” means any Person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any of the Bonds (including any Person holding Bonds through nominees, depositories or other intermediaries).

Board of Directors

“Board of Directors” means the Board of Directors of the District.

Bonds

“Bonds” means the Union Sanitary District Wastewater Revenue Refunding Bonds, Series 2016, authorized, executed, issued and delivered by the District under and pursuant to the Law and under and pursuant hereto and that are secured hereby.

Business Day

“Business Day” means any day (other than a Saturday or a Sunday) on which banks in New York, New York, are open for business and on which the Trustee is open for business at its Principal Corporate Trust Office.

Capital Appreciation Obligation

“Capital Appreciation Obligation” means any Parity Obligation designated as such in the Parity Obligation Contract providing for the creation of such Parity Obligation and on which interest is compounded and paid at maturity or on prior redemption.

Certificate of the District

“Certificate of the District” means an instrument in writing signed by General Manager, or by any other officer of the District duly authorized by the Board of Directors for that purpose.

Code

“Code” means the Internal Revenue Code of 1986, as amended, and all then applicable regulations of the United States Department of the Treasury issued thereunder, and in this regard reference to any particular section of the Code shall include reference to all successors to such section of the Code.

Consultant

“Consultant” means the consultant, consulting firm, engineer, architect, engineering firm, architectural firm, accountant or accounting firm retained by the District to perform acts or carry out the duties provided for such consultant hereunder.

Continuing Disclosure Certificate

“Continuing Disclosure Certificate” means that certain Continuing Disclosure Certificate, dated the date of delivery of the Bonds, executed by the District, as originally executed and as it may be amended in accordance with its terms.

Costs of Issuance

“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the District and related to the authorization, execution and delivery of this Indenture and the related sale of the Bonds, including, but not limited to, costs of preparation and reproduction of documents, filing fees, initial fees and charges of the Trustee, legal fees and charges, fees and expenses of consultants and professionals, fees and expenses of the financial advisor, fees and charges for preparation, execution and safekeeping of the Bonds and any other charge, cost or fee in connection with the original issuance, sale and delivery of the Bonds.

Costs of Issuance Fund

“Costs of Issuance Fund” means the fund by that name established pursuant to Section 2.11(b).

Coverage Requirement

“Coverage Requirement” means, with respect to any specified period, an amount of Adjusted Net Revenues for the specified period equal, in each case, to at least (1) 120% of the Debt Service for all Outstanding Bonds and Parity Obligations for the specified period and (2) 100% of all obligations of the District payable from Net Revenues in the specified period.

Debt Service

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

(a) unless a different subsection of this definition applies for purposes of determining maturities or amortization, in determining the amount due in any period, payment shall be assumed to be made in accordance with any amortization schedule established for the Bonds or Parity Obligations, including any mandatory sinking fund payments or any scheduled redemption or payment of Parity Obligations on the basis of Accreted Value, and for such purpose, the redemption payment or payment of Accreted Value shall be deemed a principal payment and interest that is compounded and paid as Accreted Value shall be deemed due on the scheduled

redemption or payment date and any contingencies that may result in a request for earlier payment shall be disregarded;

(b) Balloon Indebtedness may, at the option of the District, be treated as if it were to be amortized with substantially level debt service over a term of up to 40 years (which period shall be designated by the District), from the date of calculation, and the interest rate used for such computation shall be assumed by the District to be equal to (i) the interest rate in effect for such Balloon Indebtedness on the date of calculation, if the interest rate determination method in effect for such Balloon Indebtedness on the date of calculation provides for interest rates that are fixed for at least 12 months from the date such interest rates are determined or (ii) if the interest rate determination method in effect for such Balloon Indebtedness on the date of calculation provides for interest rates that are not fixed for at least 12 months from the date such interest rates are determined, the average of (x) the SIFMA Swap Index if the interest on such Balloon Indebtedness is excluded or expected to be excluded from gross income for federal income tax purposes or (y) the One Month USD LIBOR Rate if the interest on such Balloon Indebtedness is included or expected to be included in gross income for federal income tax purposes, in each case over the 12 months preceding the date of calculation (provided, however, that if any such index is no longer published, the interest rate to be used by the District for such computation shall be calculated based upon such similar index as is determined by the District);

(c) if any Parity Obligations bear, or if any Parity Obligations proposed to be issued, incurred or created will bear, interest at a variable interest rate for which a Hedge Agreement is not in place and the interest on which is excluded or expected to be excluded from gross income for federal income tax purposes, the interest rate on such Parity Obligations for periods when the actual interest rate cannot yet be determined shall be assumed to be equal to the average of the SIFMA Swap Index for the 12 months preceding such date of calculation (provided, however, that if such index is no longer published, the interest rate on such Parity Obligations shall be calculated based upon such similar index as is determined by the District);

(d) if any Parity Obligations bear, or if any Parity Obligations proposed to be issued, created or incurred will bear, interest at a variable interest rate for which a Hedge Agreement is not in place and the interest on which is included or expected to be included in gross income for federal income tax purposes, the interest rate on such Parity Obligations for periods when the actual interest rate cannot yet be determined shall be assumed to be equal to 100% of the average One Month USD LIBOR Rate during the 12 months preceding such date of calculation (provided, however, that if such index is no longer published, the interest rate on such Obligations shall be calculated based upon such similar index as is determined by the District);

(e) with respect to any Parity Obligations bearing interest, or expected to bear interest, at a variable interest rate for which a Hedge Agreement is in place providing for a synthetic fixed interest rate to maturity or for a specific term with respect to such Parity Obligations, the interest rate on such Parity Obligations shall be assumed to be the synthetic fixed interest rate specified in such Hedge Agreement for such term;

(f) with respect to any Bonds or Parity Obligations bearing interest, or expected to bear interest, at a fixed interest rate for which a Hedge Agreement is in place providing for a net variable interest rate with respect to such Bonds or Parity Obligations for a specific term, the

interest rate on such Bonds or Parity Obligations shall be assumed to be equal for such term to the sum of (i) the fixed interest rate or rates to be paid on such Bonds or Parity Obligations, minus (ii) the fixed interest rate or rates receivable by the District under such Hedge Agreement, plus (iii) the variable interest rate to be paid by the District under the Hedge Agreement, calculated, for periods in which the actual variable rate under the Hedge Agreement cannot be determined, at the average interest rate of the index on which the Hedge Agreement is based, or, if not based on an identifiable index, then the average of (x) the SIFMA Swap Index if the interest on the related Bonds or Parity Obligations is excluded or expected to be excluded from gross income for federal income tax purposes or (y) the One Month USD LIBOR Rate if the interest on the related Bonds or Parity Obligations is included or expected to be included in gross income for federal income tax purposes, in each case over the 12 months preceding the date of calculation (provided, however, that if any such index is no longer published, the variable interest rate to be paid by the District under the Hedge Agreement shall be calculated based upon such similar index as is determined by the District);

(g) if any Parity Obligations feature an option, on the part of the owners or a requirement under the terms of such Parity Obligations, to tender all or a portion of such Parity Obligations to the City, or other fiduciary or agent, and to purchase such Parity Obligations or portion thereof if properly presented, then for purposes of determining the amounts due in any period with respect to such Parity Obligations, the options or obligations of the owners of such Parity Obligations to tender the same for purchase or payment shall be ignored;

(h) payments on the Bonds and Parity Obligations shall be excluded to the extent such payments are to be paid from amounts on deposit with a trustee or other fiduciary in escrow specifically therefor, and interest payments shall be excluded to the extent that such interest payments are (1) to be paid from the proceeds of the Bonds or Parity Obligations, including any investment earnings thereon, held by a trustee or other fiduciary as capitalized interest specifically to pay such interest or (2) paid or expected to be paid from Subsidy Payments;

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

(j) with respect to Parity Obligations for which a reserve fund is in place, the amount on deposit in such reserve fund on any date of calculation of Debt Service shall be deducted from the amount due on the final maturity or due date of such Parity Obligations if such amount on deposit in such reserve fund would be released at such maturity or due date and, to the extent the amount on deposit in such reserve fund is in excess of the amount due on the final maturity or due date of such Parity Obligations, such excess shall be applied to the full amount due on each preceding payment date for such Parity Obligations, in inverse order, until such amount on deposit in such reserve fund is exhausted;

(k) Reimbursement Obligations or potential Reimbursement Obligations shall be ignored; and

(l) payments or potential payments under Hedge Agreements may, at the option of the District, be ignored except as provided in clauses (e) and (f) of this definition.

Debt Service Fund

“Debt Service Fund” means the fund by that name established pursuant to Section 4.03.

District

“District” means the Union Sanitary District, or its successors and assigns.

Event of Default

“Event of Default” means an event described as such in Section 8.01.

Fiscal Year

“Fiscal Year” means the period beginning on July 1 of each year and ending on the last day of June of the succeeding calendar year, or any other twelve-month period selected and designated as the official fiscal year of the District.

General Manager

“General Manager” means the General Manager/District Engineer of the District, or any other person designated by the General Manager/District Engineer of the District to act on behalf of the General Manager.

Hedge Agreement

“Hedge Agreement” means an interest rate swap, cap, collar, option, floor, forward, derivative, or other hedging agreement, arrangement, or security, however denominated, entered into between the District and a counterparty, in connection with or incidental to the issuance, incurrence, or carrying of the Bonds or Parity Obligations, including an interest rate swap, cap, collar, option, floor, forward, derivative, or other hedging agreement, arrangement, or security entered into in advance of the issuance, incurrence or carrying of any Parity Obligations.

Holder

“Holder,” whenever used herein with respect to a Bond means the Person in whose name such Bond is registered.

Indenture

“Indenture” means this Indenture and all Supplemental Indentures.

Independent Certified Public Accountant

“Independent Certified Public Accountant” means any firm of certified public accountants appointed and paid by the District, and each of whom --

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

Interest Payment Date

“Interest Payment Date” means February 1 and August 1 of each year, commencing February 1, 2017.

Law

“Law” means Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State.

Net Proceeds

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

Net Revenues

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

One Month USD LIBOR Rate

“One Month USD LIBOR Rate” means the rate for deposits in U.S. dollars for a one-month maturity that appears on Reuters Screen LIBOR01 Page (or such other page as may replace that page on that service, or such other service as may be nominated by the British Bankers Association, for the purpose of displaying London interbank offered rates for U.S. dollar deposits) as of 11:00 a.m., London time on the date of determination of such rate.

Operation and Maintenance Costs

“Operation and Maintenance Costs” means costs spent or incurred by the District for maintaining and operating the Wastewater System, calculated in accordance with generally accepted accounting principles consistently applied, including the expenses of maintenance, repair,

billing and collection, and other expenses incurred to maintain and preserve the Wastewater System in good repair and working order, and including administrative costs of the District, salaries and wages of employees, payments to employee retirement systems, overhead, taxes (if any), fees, compensation and expenses of auditors, accountants, attorneys, engineers, trustees, paying agents, credit enhancement providers, liquidity providers, hedge providers, remarketing agents, or other consultants or similar entities, and insurance premiums, in each case as attributable to the Wastewater System, but excluding in all cases (1) depreciation, replacement and obsolescence charges or reserves therefor, (2) amortization of intangibles or other bookkeeping entries of a similar nature, (3) costs of capital additions, replacements, betterments, extensions or improvements to the Wastewater System that under generally accepted accounting principles are chargeable to a capital account or to a reserve for depreciation, and (4) interest charges and charges for the payment of indebtedness.

Opinion of Counsel

“Opinion of Counsel” means a written opinion of counsel of recognized national standing in the field of law relating to municipal bonds, appointed and paid by the District.

Outstanding

“Outstanding,” when used as of any particular time with reference to Bonds, means (subject to the provisions of Section 7.02) all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under this Indenture except --

(1) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation;

(2) Bonds with respect to which all liability of the District shall have been discharged in accordance with Section 9.02; and

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

“Outstanding” when used as of any particular time with reference to Parity Obligations, means (subject to the terms of the related Parity Obligation Contract) all Parity Obligations theretofore issued, incurred or created by the District, except --

(1) Parity Obligations theretofore cancelled or terminated or surrendered for cancellation or termination;

(2) Parity Obligations paid or deemed to be paid within the meaning of the Parity Obligation Contract providing for the issuance, incurrence or creation of such Parity Obligations;

(3) Parity Obligations owned or held by or for the District; and

(4) Parity Obligations in lieu of or in substitution for which other Parity Obligations have been issued, incurred or created pursuant to the terms of the Parity Obligation Contract providing for the issuance, incurrence or creation of such Parity Obligations.

Parity Obligation Contract

“Parity Obligation Contract” means any indenture, trust agreement, installment purchase agreement, lease, contract or other instrument or agreement (including any Hedge Agreement), which is designated as such by the District and pursuant to which Parity Obligations are created.

Parity Obligation

“Parity Obligation” means any bond, note, warrant or other evidence of indebtedness, installment payment, lease payment or other payment obligation of the District payable from Net Revenues on a parity with the Bonds and any other Parity Obligations, which are issued, incurred or created in accordance with Sections 4.01(a), (b) or (c) hereof.

Permitted Investments

“Permitted Investments” means any of the following which at the time are legal investments under the laws of the State for moneys held hereunder and then proposed to be invested therein (the Trustee is entitled to rely upon any investment direction from the District as a certification that such investment constitutes a Permitted Investment):

(A) for all purposes, including defeasance investments in refunding escrow accounts:

(1) cash, or

(2) 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) for all purposes other than defeasance investments in refunding escrow accounts:

(1) obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including the Export-Import Bank; Farm Credit System Financial Assistance Corporation; Farmers Home Administration; General Services Administration; United States Maritime Administration; Small Business Administration; Government National Mortgage Association (GNMA); United States Department of Housing & Urban Development (PHA’s); and Federal Housing Administration;

(2) senior debt obligations rated “AAA” by Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business; (“S&P”) and “Aaa” by Moody’s Investors Service, Inc. (“Moody’s”) issued by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation;

(3) U.S. dollar denominated deposit accounts, federal funds and banker's acceptances with domestic commercial banks (including the Trustee or any of its affiliates) which have a rating on their short-term certificates of deposit on the date of purchase of "A-1" or "A-1+" or "P-1+" by S&P and "P-1" by Moody's and maturing no more than 360 days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank);

(4) commercial paper which is rated at the time of purchase in the single highest classification, "A-1+" by S&P and "P-1" by Moody's and which matures not more than 270 days after the date of purchase;

(5) investments in a money market fund rated "AAAm" or "AAAm-G" or better by S&P, including such funds for which the Trustee, its affiliates or subsidiaries provide investment advisory or other management services or for which the Trustee or an affiliate of the Trustee serves as investment administrator, shareholder servicing agent, and/or custodian or subcustodian, notwithstanding that (i) the Trustee or an affiliate of the Trustee receives fees from funds for services rendered, (ii) the Trustee collects fees for services rendered pursuant to this Indenture, which fees are separate from the fees received from such funds, and (iii) services performed for such funds and pursuant to this Indenture may at times duplicate those provided to such funds by the Trustee or an affiliate of the Trustee;

(6) pre-refunded Municipal Obligations defined as follows: any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of, the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and (a) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of S&P and Moody's or any successors thereto; or (b) (i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in paragraph (A)(2) 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 (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate;

(7) The State of California Local Agency Investment Fund, a pooled investment fund managed by the State of California Treasurer's office meeting all legal guidelines and requirements for the investment of California public agency funds, provided, as to any investment made by the Trustee, the Trustee shall be entitled to make investments and withdrawals directly in its own name as Trustee; and

(8) any investment agreement by a provider, supported by appropriate opinions of counsel, provided that, without limiting the foregoing, any such Investment Agreement shall (i) be from a provider rated by S&P or Moody's at AA or Aa2 or above, and (ii) expressly permit the withdrawal, without penalty, of any amounts necessary at any time to fund any deficiencies on

account of debt service requirements with respect to the Bonds, together with such amendments as may be approved by the District and the Trustee from time to time.

Person

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

Principal Corporate Trust Office

“Principal Corporate Trust Office” means the corporate trust office of the Trustee in San Francisco, California, at which at any particular time its corporate trust business is being administered, except that with respect to presentation of Bonds for registration, payment, redemption, transfer or exchange, such term shall mean the corporate trust operations office of the Trustee in St. Paul, Minnesota, or such other office designated by the Trustee from time to time.

Prior Agreements

“Prior Agreements” means, collectively, the Installment Sales Agreement relating to Project No. C-06-4771-110 between the State Water Board and the District, as amended; the Installment Sales Agreement relating to Project No. C-06-5085-110 between the State Water Board and the District, as amended; the Installment Sales Agreement relating to Project No. C-06-5045-110 between the State Water Board and the District, as amended; the Installment Sales Agreement relating to Project No. C-06-5053-110 between the State Water Board and the District, as amended; the Project Finance Agreement relating to Project No. C-06-5220-110 between the State Water Board and the District, as amended; the Project Finance Agreement relating to Project No. C-06-5222-110 between the State Water Board and the District; the Project Finance Agreement relating to Project No. C-06-5219-110 between the State Water Board and the District; the Project Finance Agreement relating to Project No. C-06-5221-110 between the State Water Board and the District; the Installment Sale Agreement relating to Project No. C-06-5223-110 between the State Water Board and the District.

Rate Stabilization Fund

“Rate Stabilization Fund” means the fund by that name established pursuant to Section 4.04.

Rebate Fund

“Rebate Fund” means the fund by that name established pursuant to Section 5.04.

Record Date

“Record Date” means the fifteenth day (whether or not a Business Day) preceding each Interest Payment Date.

Refunding Fund

“Refunding Fund” means the fund by that name established pursuant to Section 2.11(a).

Reimbursement Obligations

“Reimbursement Obligations” means any obligation of the District to repay, from Net Revenues, amounts provided by a credit enhancement provider or a liquidity facility provider as credit or liquidity support relating to any Parity Obligations.

Revenue Fund

“Revenue Fund” means the Wastewater Enterprise Fund of the District, and such other funds as the Board of Directors shall establish and designate as a part of the Revenue Fund which shall constitute the Revenue Fund established pursuant to Section 4.02.

Revenues

“Revenues” means all income, rents, rates, fees, charges and other moneys derived from the ownership or operation of the Wastewater System determined in accordance with generally accepted accounting principles, consistently applied, including, without limiting the generality of the foregoing, (1) all income, rents, rates, fees, charges, business interruption insurance proceeds, connection fees and charges or other moneys derived by the District from the Wastewater Service or other services, facilities, and commodities sold, furnished or supplied through the facilities of or in the conduct or operation of the business of the Wastewater System; (2) the earnings on and income derived from the investment of amounts described in clause (1) above and from District reserves held for the Wastewater System; and (3) the proceeds derived by the District directly or indirectly from the sale, lease or other disposition of a part of the Wastewater System; but excluding (a) the proceeds of taxes; (b) customers’ deposits or any other deposits or advances subject to refund until such deposits or advances have become the property of the District; and (c) advances or contributions in aid of construction. Notwithstanding the foregoing, there shall be deducted from current Revenues any amounts transferred into the Rate Stabilization Fund from current Revenues as provided in Section 4.04 hereof and there shall be added to current Revenues any amounts transferred out of the Rate Stabilization Fund as provided in Section 4.04 hereof.

Securities Depository

“Securities Depository” means The Depository Trust Company and its successors and assigns, or any other securities depository selected as set forth in Section 2.12.

SIFMA Swap Index

“SIFMA Swap Index” means, on any date, a rate determined on the basis of the seven-day high grade market index of tax-exempt variable rate demand obligations, as produced by Municipal Market Data and published or made available by the Securities Industry & Financial

Markets Association (formerly the Bond Market Association) (“SIFMA”) or by any person acting in cooperation with or under the sponsorship of SIFMA and effective from such date.

State

“State” means the State of California.

State Water Board

“State Water Board” means the California State Water Resources Control Board.

Subsidy Payments

“Subsidy Payments” means payments with respect to Parity Obligations made by the United States Treasury to the District or a trustee or fiduciary pursuant to Section 54AA of the Code, Section 6431 of the Code, or Section 1400U-2 of the Code or any successor to or extension or replacement of any of such provisions of the Code, or any provisions of the Code that create similar direct-pay subsidy programs.

Supplemental Indenture

“Supplemental Indenture” means any indenture then in full force and effect which has been executed by the District and the Trustee, amendatory hereof or supplemental hereto; but only if and to the extent that such Supplemental Indenture is specifically authorized hereunder.

Tax Certificate

“Tax Certificate” means the Tax Certificate delivered by the District at the time of the issuance and delivery of the Bonds, as the same may be amended or supplemented in accordance with its terms.

Trustee

“Trustee” means U.S. Bank National Association, a national banking association duly organized and existing under and by virtue of the laws of the United States of America and authorized to accept and execute trusts of the character herein set forth, at its Principal Corporate Trust Office, acting in its capacity as trustee under and pursuant hereto, and its successors or assigns, or any other bank or trust company or national banking association at its Principal Corporate Trust Office which may at any time be substituted in its place as provided in Section 6.01.

Wastewater Service

“Wastewater Service” means the wastewater collection, conveyance, treatment and disposal services made available or provided by the Wastewater System.

Wastewater System

“Wastewater System” means the whole and each and every part of the wastewater collection, conveyance, treatment and disposal system of the District, including all real property and buildings, including the portion thereof existing on the date hereof, and including all additions, betterments, extensions and improvements to such Wastewater System or any part thereof hereafter acquired or constructed.

Written Request of the District

“Written Request of the District” means an instrument in writing signed by the General Manager or by any other officer of the District duly authorized by the Board of Directors for that purpose.

SECTION 1.02. Interpretation.

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

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

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

SECTION 1.03. Equal Security. In consideration of the acceptance of the Bonds by the Holders thereof, this Indenture shall be deemed to be and shall constitute a contract between the District and the Trustee for the benefit of the Holders from time to time of all of the Bonds executed, authenticated and delivered hereunder and then Outstanding to secure the full and final payment of the interest on and the principal of and the redemption premiums, if any, on all such Bonds, subject to the agreements, conditions, covenants and terms contained herein; and all agreements, conditions, covenants and terms contained herein required to be observed or performed on behalf of the District shall be for the equal and proportionate benefit, security and protection of the Holders from time to time of all Bonds without preference, priority or distinction as to security or otherwise of any Bonds over any other Bonds.

ARTICLE II AUTHORIZATION AND ISSUANCE OF BONDS

SECTION 2.01. Authorization and Purpose of Bonds.

(a) The District has reviewed all proceedings heretofore taken relative to the authorization of the Bonds and has found, as a result of such review, and hereby finds and

determines that all acts, conditions and things required by the Law to exist, happen and be performed precedent to the issuance of the Bonds do exist, have happened and have been performed in due time, form and manner as required by the Law, and that the District is now authorized, pursuant to each and every requirement of the Law and hereof, to issue the Bonds under the Law in the aggregate principal amount of [principal amount in words] dollars (\$[principal amount]) in the form and manner provided herein. The Bonds shall be entitled to the benefit, protection and security of the provisions hereof, shall be designated the “Union Sanitary District Wastewater Revenue Refunding Bonds, Series 2016” and shall be issued by the District under and pursuant to the Law and under and pursuant hereto. The Bonds may contain or have endorsed thereon such descriptive provisions, specifications and words not inconsistent with the provisions hereof as may be desirable or necessary to comply with custom or the rules of any securities exchange or commission or brokerage board or otherwise as may be determined by the District prior to the delivery thereof.

(b) The purpose for which the Bonds are to be issued is to provide funds to the District which, together with other available funds of the District, will be sufficient to provide for the refunding of the District’s obligations under the Prior Agreements and to pay Costs of Issuance.

(c) From and after the issuance of the Bonds the findings and determinations of the Board of Directors respecting the Bonds shall be conclusive evidence of the existence of the facts so found and determined in any action or proceeding in any court in which the validity of such Bonds is at issue, and no bona fide purchaser of any of the Bonds shall be required to see to the existence of any fact or to the performance of any condition or to the taking of any proceeding required prior to such issuance or to the application of the purchase price paid for the Bonds. The validity of the issuance of the Bonds shall not be dependent on or affected in any way by any proceedings taken by the District for the payment and refunding of any of the District’s obligations under the Prior Agreements, and the recital contained in the Bonds that the Bonds are issued under and pursuant to the Law and under and pursuant hereto shall be conclusive evidence of their validity and of the regularity of their issuance, and all Bonds shall be incontestable from and after their issuance. The Bonds shall be deemed to be issued, within the meaning hereof, whenever the definitive Bonds (or any temporary Bonds exchangeable therefor) have been delivered to the purchaser thereof and the purchase price thereof received.

SECTION 2.02. Registration and Denominations of Bonds. The Bonds shall be issued as fully registered bonds in denominations of \$5,000 or any integral multiple thereof. The Bonds shall be initially registered in the name of Cede & Co., as nominee of the Securities Depository and shall be evidenced by one Bond for each maturity of the Bonds in the principal amount of the respective maturities of the Bonds. The Bonds shall be numbered in consecutive numerical order from R-1 upwards. Registered ownership of the Bonds, or any portion thereof, may not thereafter be transferred except as set forth in this Article II.

SECTION 2.03. Date and Maturity Dates of and Interest Rates on Bonds. The Bonds shall be dated the date of the initial delivery thereof. The Bonds shall mature on the following dates in the following amounts (subject to the right of prior redemption set forth in Article III) and shall bear interest at the following rates per annum:

<u>Maturity Date</u> <u>(August 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>
	\$	%

SECTION 2.04. Interest Payment Dates of Bonds. The interest on the Bonds shall be computed on the basis of a 360-day year of twelve (12) 30-day calendar months and shall be payable on each Interest Payment Date. The Bonds shall bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless they are authenticated on a day during the period from the day after a Record Date for an Interest Payment Date to such Interest Payment Date, both dates inclusive, in which event they shall bear interest from such Interest Payment Date, or unless they are authenticated on a day on or before the Record Date for the first Interest Payment Date, in which event they shall bear interest from their date; provided, that if at the time of authentication of any Bond interest is then in default on the Outstanding Bonds, such Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment on the Outstanding Bonds.

SECTION 2.05. Form of Bonds. The Bonds and the authentication endorsement and assignment to appear thereon shall be substantially in the form set forth in Exhibit A hereto attached and by this reference herein incorporated.

SECTION 2.06. Payment of Bonds. The interest on and principal of the Bonds shall be payable in lawful money of the United States of America at the Principal Corporate Trust Office of the Trustee, and the District and the Trustee may deem and treat the Holder of any Bond as the absolute owner of such Bond for all purposes hereof, whether such Bond shall be overdue or not, and neither the District nor the Trustee shall be affected by any notice or knowledge to the contrary. Payment of interest on the Bonds due on or before the maturity or prior redemption thereof shall be made only to the Person whose name appears in the registration books required to be kept by the Trustee pursuant to Section 2.08 as the Holder thereof at the close of business as of the Record Date next preceding each Interest Payment Date, such interest to be paid by check mailed by first class mail on each Interest Payment Date to such registered Holder at such Holder's address as it appears on such books, except that payment shall be made at a Holder's option by wire transfer on each Interest Payment Date of immediately available funds to an account in a bank or trust company or savings bank that is a member of the Federal Reserve System and that is located in the United States of America according to written instructions given by such Holder to the Trustee by the applicable Record Date. Payment of the principal of the Bonds shall be made only to the Person whose name appears in the registration books required to be kept by the Trustee pursuant to Section 2.08 as the Holder thereof, such principal to be paid upon surrender of the Bonds at the Principal Corporate Trust Office of the Trustee at maturity or upon prior redemption. All such payments of interest on and principal of the Bonds shall be valid and effectual to satisfy and discharge the liability on such Bonds to the extent of the sum or sums so paid.

SECTION 2.07. Execution of Bonds. The Bonds shall be signed on behalf of the District by the manual or facsimile signature of the General Manager or, if the General Manager's signature cannot be obtained for any reason, the manual or facsimile signature of the President or Vice President of the Board of Directors, whereupon they shall be delivered to the Trustee for authentication and delivery by the Trustee to the purchaser thereof upon receipt of a Written Request of the District; provided, that in case any officer of the District who shall have signed any of the Bonds shall cease to be such officer before the Bonds so signed shall have been delivered to the purchaser or purchasers thereof by the Trustee, such Bonds may nevertheless be delivered by the Trustee, and upon such delivery shall be as binding upon the District as though such officer who signed the same had continued to be such officer until such delivery; and provided further, that any Bond may be signed on behalf of the District by any person who on the actual date of the execution of such Bond shall be the proper officer of the District, although on the nominal date of such Bond such person shall not have been such officer of the District. Only those Bonds that bear thereon a certificate of authentication manually executed by the Trustee shall be entitled to any benefit, protection or security hereunder or be valid or obligatory for any purpose, and such certificate of authentication of the Trustee shall be conclusive evidence that the Bonds so authenticated have been duly authorized, sold, executed and delivered hereunder and are entitled to the benefits hereof.

SECTION 2.08. Transfer and Exchange of Bonds. The Trustee shall keep at its Principal Corporate Trust Office sufficient books for the registration of the transfer and exchange of the Bonds, which books shall at all times during normal business hours and upon reasonable prior notice be open to inspection by the District. Subject to Section 2.12. any Bond may, in accordance with its terms, be transferred or exchanged on such books by the Person in whose name it is registered, in person or by such Person's duly authorized attorney, upon payment by the Person requesting such transfer or exchange of any tax or other governmental charge required to be paid with respect to such transfer or exchange and upon surrender of such Bond for cancellation accompanied by delivery of a duly executed written instrument of transfer or exchange in the form attached to the Bonds or in such other form reasonably acceptable to the Trustee. Whenever any Bond or Bonds shall be surrendered for transfer or exchange, the District shall execute and the Trustee shall authenticate and deliver a new Bond or Bonds in authorized denominations in the same aggregate principal amount.

SECTION 2.09. Mutilated, Destroyed, Stolen or Lost Bonds. In case any Bond shall become mutilated or shall be believed by the District to have been destroyed, stolen or lost, upon proof of ownership satisfactory to the District and the Trustee and upon the surrender of such mutilated Bond at the Principal Corporate Trust Office of the Trustee, or upon the receipt of evidence reasonably satisfactory to the Trustee of such destruction, theft or loss and upon receipt of indemnity reasonably satisfactory to the Trustee, and also upon payment of all expenses incurred by the District and the Trustee in the premises, the District shall execute and the Trustee shall authenticate and deliver at such office a new Bond or Bonds for the same aggregate principal amount in authorized denominations of like tenor and date and bearing such numbers and notations as the Trustee shall determine in exchange and substitution for and upon cancellation of the mutilated Bond or in lieu of and in substitution for the Bond so destroyed, stolen or lost; provided, that if any such destroyed, stolen or lost Bond shall have matured, payment of the amount due thereon may be made by the Trustee upon receipt of like proof, indemnity and payment of expenses.

Any replacement Bonds issued pursuant to this section shall be entitled to equal and proportionate benefits with all other Bonds issued hereunder, and the District and the Trustee shall not be required to treat both the original Bond and any replacement Bond as being Outstanding for the purpose of determining the principal amount of Bonds which may be issued hereunder or for the purpose of determining any percentage of Bonds Outstanding hereunder, but both the original and the replacement Bond shall be treated as one and the same.

SECTION 2.10. Temporary Bonds. The Bonds may be initially issued in temporary form exchangeable for definitive Bonds when ready for delivery, which temporary Bonds shall be printed, lithographed or typewritten, shall be of such denominations as may be determined by the District, shall be issued in fully registered form and shall contain such reference to any of the provisions hereof as may be appropriate, and each temporary Bond shall be executed by the District upon the same conditions and in substantially the same manner as the definitive Bonds. If the District issues temporary Bonds, it will execute and furnish definitive Bonds without delay, and thereupon the temporary Bonds may be surrendered 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 in authorized denominations of the same maturity date or dates, and until so exchanged, the temporary Bonds shall be entitled to the same benefits as definitive Bonds issued hereunder.

SECTION 2.11. Issuance of Bonds; Application of Proceeds of Sale of Bonds. At any time after the execution of this Indenture, the District may execute and the Trustee shall authenticate and, upon Written Request of the District, deliver the Bonds in the aggregate principal amount of [principal amount in words] dollars (\$[principal amount]). Upon the receipt of the proceeds of the sale of the Bonds in the amount of \$[_____] (consisting of the aggregate principal amount of the Bonds of \$[principal amount], [plus/less] [net] original issue [premium/discount] of \$[_____] and less the underwriter's discount of \$[_____]), the Trustee shall (upon receipt of a Written Request of the District) set aside and deposit such proceeds in the following funds, in the following order:

(a) The Trustee shall deposit in the "Refunding Fund" (which fund the Trustee shall establish and maintain) an amount of such proceeds equal to \$[_____]; and on the date of such deposit, the Trustee shall transfer \$[_____] in the Refunding Fund to the State Water Board for the prepayment of the District's obligations under the Prior Agreements (and thereupon the Trustee shall close the Refunding Fund);

(b) The Trustee shall deposit in the "Costs of Issuance Fund" (which fund the Trustee shall establish and maintain) the remainder of such proceeds, being the amount of \$[_____]. All money in the Costs of Issuance Fund shall be used and withdrawn by the Trustee to pay the Costs of Issuance upon receipt of a Written Request of the District filed with the Trustee, each of which shall be sequentially numbered and shall state the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred and that such payment is a proper charge against such fund; provided, that on [_____], or upon a prior determination by the District that all Costs of Issuance have been paid (as set forth in a Certificate of the District so determining filed with the Trustee), any balance of money remaining in the Costs of Issuance Fund shall be withdrawn from the Costs of Issuance Fund by the Trustee and deposited in the Debt Service Fund and the Costs of Issuance Fund shall be closed. Each such Written

Request of the District shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts.

(c) The Trustee may, in its discretion, establish a temporary fund or account in its books and records to facilitate any such transfers.

SECTION 2.12. Use of Securities Depository.

(a) The Bonds shall initially be issued as provided in Section 2.02. Registered ownership of the Bonds, or any portion thereof, may not thereafter be transferred except:

(i) To any successor to the Securities Depository or its nominee, or to any substitute Securities Depository designated pursuant to clause (ii) of this subsection (a) (“substitute Securities Depository”); provided that the successor to the Securities Depository or substitute Securities Depository shall be qualified under any applicable laws to provide the service proposed to be provided by it;

(ii) To any substitute Securities Depository designated by the District and not objected to by the Trustee, upon (1) the resignation of the Securities Depository or its successor (or any substitute Securities Depository or its successor); or (2) a determination by the District that the Securities Depository or its successor (or any substitute Securities Depository or its successor) is no longer able to carry out its functions as Securities Depository; provided, that any such substitute Securities Depository shall be qualified under any applicable laws to provide the services proposed to be provided by it; or

(iii) To any Person as provided below, upon (1) the resignation of the Securities Depository (or substitute Securities Depository or its successor) from its functions as Securities Depository; provided, that no substitute Securities Depository which is not objected to by the Trustee can be obtained or (2) a determination by the District that it is in the best interests of the District to remove the Securities Depository (or any substitute Securities Depository or its successor) from its functions as Securities Depository.

(b) In the case of any transfer pursuant to clause (i) or clause (ii) of subsection (a) of this Section 2.12, upon receipt of the Outstanding Bonds by the Trustee, together with a Certificate of the District to the Trustee, a single new Bond for each maturity shall be executed and delivered in the aggregate principal amount of the Bonds of such maturity then Outstanding, registered in the name of the Securities Depository or such substitute Securities Depository, or their nominees, as the case may be, all as specified in such Certificate of the District. In the case of any transfer pursuant to clause (iii) of subsection (a) of this Section 2.12, upon receipt of the Outstanding Bonds by the Trustee, new Bonds shall be executed and delivered in such denominations numbered in consecutive order from R-1 up and registered in the names of such Persons as are requested in such a Certificate of the District, subject to the limitations of Section 2.02, provided the Trustee shall not be required to deliver such new Bonds within a period less than sixty (60) days from the date of receipt of such Certificate of the District.

(c) If the Bonds are registered in the name of a Securities Depository as provided herein, in the case of partial redemption or an advance refunding of the Bonds evidencing

all or a portion of the principal amount then Outstanding, the Securities Depository shall make an appropriate notation on the Bonds indicating the date and amounts of such reduction in principal, in form acceptable to the Trustee.

(d) The District and the Trustee shall be entitled to treat the Person in whose name any Bond is registered as the Holder thereof for all purposes of this Indenture and any applicable laws, notwithstanding any notice to the contrary received by an officer of the District or the Trustee; and the District and the Trustee shall have no responsibility for transmitting payments to, communication with, notifying, or otherwise dealing with any Beneficial Owners of the Bonds. Neither the District nor the Trustee shall have any responsibility or obligation, legal or otherwise, to the Beneficial Owners or to any other party including the Securities Depository or its successor (or substitute Securities Depository or its successor), except to the Holder of any Bond.

(e) Notwithstanding any other provision of this Indenture to the contrary, so long as all Bonds are registered in the name of any nominee of the Securities Depository, any requirement for transfer or delivery of the Bonds, with respect to redemption or otherwise, may be effectuated by providing appropriate transfer instructions to the Securities Depository.

ARTICLE III REDEMPTION OF BONDS

SECTION 3.01. Redemption of Bonds.

(a) The Bonds maturing on and after August 1, 20[___] shall be subject to redemption prior to their respective stated maturity dates at the option of the District, from any source of available funds, as a whole or in part (in such amounts and maturities as may be specified by the District, or if the District fails to specify such maturities, in inverse order of maturity) on any date on or after August 1, 20[___], at a redemption price equal to the principal amount of the Bonds called for redemption, together with accrued interest thereon to the date fixed for redemption, without premium. The District shall give the Trustee (unless waived by the Trustee) written notice at least twenty-five (25) days (or such lesser time period acceptable to the Trustee) before any date fixed for the redemption of any Bonds pursuant to this subsection designating the amounts and maturities called for redemption and the date of such redemption.

(b) The Bonds shall be subject to extraordinary redemption prior to their respective stated maturity dates at the option of the District, from Net Proceeds, as a whole or in part (in such amounts and maturities as may be specified by the District, or if the District fails to specify such maturities, in inverse order of maturity) on any date, at a redemption price equal to the principal amount of the Bonds called for redemption, together with accrued interest thereon to the date fixed for redemption, without premium. The District shall give the Trustee (unless waived by the Trustee) written notice at least twenty-five (25) days (or such lesser time period acceptable to the Trustee) before any date fixed for the redemption of any Bonds pursuant to this subsection designating the amounts and maturities called for redemption and the date of such redemption.

(c) The Bonds maturing on August 1, 20[___] are subject to mandatory redemption in part (by lot) or payment at maturity, as the case may be, on each August 1 on and

after August 1, 20[___], from mandatory sinking fund payments which are here established therefore as set forth in the following schedule, at a redemption price equal to the principal amount of the Bonds called for redemption, together with accrued interest thereon to the date fixed for redemption, without premium.

Mandatory Sinking Fund Payment Date (August 1)	Mandatory Sinking Fund Payment
	\$

(Maturity)

(d) In the event of any redemption of the Bonds maturing on August 1, 20[___] pursuant to subsections (a) or (b) of this Section, the schedule of mandatory sinking fund payments in subsection (c) of this Section shall be adjusted in a manner determined by the District to reflect such redemption, as set forth in a Written Request of the District delivered to the Trustee.

SECTION 3.02. Partial Redemption of Bonds. If less than all Bonds of any maturity or any given portion thereof are to be redeemed at any one time, the Trustee shall select the Bonds of such maturity or any given portion thereof to be redeemed, by lot, in any manner that the Trustee in its sole discretion deems appropriate and fair. For purposes of such selection, Bonds or portions thereof shall be in integral multiples of \$5,000 and, in selecting Bonds for redemption, each Bond shall be treated as representing that number of Bonds as is obtained by dividing the principal amount of such Bond by \$5,000 any such \$5,000 multiple may be separately redeemed.

SECTION 3.03. Notice of Redemption. Notice of redemption shall be mailed by first-class mail by the Trustee, not less than twenty (20) nor more than sixty (60) days prior to the redemption date to the respective Holders of the Bonds designated for redemption at their

addresses appearing on the registration books of the Trustee. Each notice of redemption shall state the date of such notice, the redemption price, the place of redemption (including the name and appropriate address of the Trustee), and, if less than all of the Bonds are to be redeemed, the 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 said date there will become due and payable on each of said Bonds the redemption price thereof and in the case of a Bond to be redeemed in part only, the specified portion of the principal amount thereof to be redeemed, together with interest accrued thereon to the redemption date, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such Bonds be then surrendered at the address of the Trustee specified in the redemption notice. Neither failure to receive any such notice nor any defect therein shall affect the validity of the proceedings for redemption of such Bonds or the cessation of the accrual of interest on the redemption date.

In the case of redemption described in Section 3.01(a) or (b), the notice may state (i) that it is conditioned upon the deposit of money, in an amount equal to the amount necessary to effect the redemption, with the Trustee no later than the redemption date or (ii) that the District retains the right to rescind such notice on or prior to the scheduled redemption date (in either case, a “Conditional Redemption”), and such notice and optional redemption shall be of no effect if such money is not so deposited or if the notice is rescinded.

Any Conditional Redemption may be rescinded in whole or in part at any time prior to the redemption date if the District delivers a Certificate of the District to the Trustee instructing the Trustee to rescind the redemption notice. The Trustee shall give prompt notice of such rescission to the affected Holders. Any Bonds subject to Conditional Redemption where redemption has been rescinded shall remain Outstanding, and the rescission shall not constitute an Event of Default. Further, in the case of a Conditional Redemption, the failure of the District to make funds available in part or in whole on or before the redemption date shall not constitute an Event of Default, and the Trustee shall give prompt notice to the affected Holders that the redemption did not occur and that the Bonds called for redemption and not so paid remain Outstanding.

SECTION 3.04. Effect of Redemption. If notice of redemption has been duly given as aforesaid and money for the payment of the redemption price of the Bonds called for redemption is held by the Trustee, then on the redemption date designated in such notice the Bonds so called for redemption shall become due and payable, and from and after the date so designated interest on such Bonds shall cease to accrue, and the Holders of such Bonds shall have no rights in respect thereof.

All Bonds redeemed pursuant to the provisions of this section shall be cancelled by the Trustee and shall be destroyed with a certificate of destruction furnished to the District, if it so requests, and shall not be reissued.

ARTICLE IV
PLEDGE OF NET REVENUES AND OTHER AMOUNTS; ALLOCATION OF REVENUES;
FUNDS AND ACCOUNTS; PAYMENT OF BONDS;
ADDITIONAL PARITY OBLIGATIONS

SECTION 4.01. Pledge of Net Revenues and Other Amounts. The District hereby irrevocably pledges the Net Revenues to the payment of the Bonds and the Parity Obligations without priority or distinction of one over the other and the Net Revenues shall not be used for any other purpose while any of the Bonds remain Outstanding; provided that out of the Net Revenues there may be apportioned such sums for such purposes as are expressly permitted herein. This pledge shall constitute a first and exclusive lien on Net Revenues. In addition, the District hereby irrevocably pledges all amounts (including proceeds of the sale of the Bonds) held by the Trustee in any fund or account established hereunder (other than amounts on deposit in the Rebate Fund) to the payment of the interest on and principal of the Bonds as provided herein and such amounts shall not be used for any other purpose while any of the Bonds remain Outstanding; provided, however, that out of such amounts there may be applied such sums for such purposes as are permitted hereunder.

SECTION 4.02. Allocation of Revenues. In order to carry out and effectuate the pledge of and lien on Net Revenues contained in Section 4.01, the District agrees and covenants that all Revenues shall be received by the District in trust and shall be deposited when and as received in a special fund designated as the "Revenue Fund", which fund the District agrees and covenants to maintain and to hold separate and apart from other funds so long as any Bonds remain Outstanding. Moneys in the Revenue Fund shall be used and applied by the District only in the following order as provided herein:

(a) The District shall pay all Operation and Maintenance Costs (including amounts reasonably required to be set aside in contingency reserves for Operation and Maintenance Costs, the payment of which is not then immediately required) as they become due and payable and shall make such deposits to the Rate Stabilization Fund as it may determine from time to time in accordance with Section 4.04; and

(b) The District shall pay the principal of and interest on the Bonds and pay all Parity Obligations and make any deposits or transfers required to be made by the District pursuant to this Indenture and all Parity Obligation Contracts, in each case at the times and in the amounts required by this Indenture and each Parity Obligation Contract.

As long as all payments required to be paid by the District pursuant to this Section 4.02 have been paid and all deposits or transfers required to be made by the District pursuant to this Section 4.02 have been made at the times and in the amounts required by this Section 4.02, Revenues on deposit in the Revenue Fund may be applied and used by the District for any lawful purpose.

SECTION 4.03. Debt Service Fund. On or before each Interest Payment Date, the District, from amounts in the Revenue Fund, shall transfer to the Trustee pursuant to Section 4.02(b) for deposit in the "Debt Service Fund", which fund the Trustee shall establish, maintain and hold in trust so long as any Bonds remain Outstanding, a sum equal to the amount of

interest on and principal of and mandatory sinking fund payments for the Bonds becoming due on such Interest Payment Date; provided, no such transfer need be made if the amount on deposit in the Debt Service Fund is at least equal to the amount of interest on and principal of and mandatory sinking fund payments for the Bonds becoming due on such Interest Payment Date.

All money on deposit in the Debt Service Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on and principal of and mandatory sinking fund payments for the Bonds as such interest, principal and mandatory sinking fund payments become due and payable.

SECTION 4.04. Rate Stabilization Fund. The District may establish a fund designated as the “Rate Stabilization Fund” to be held by the District. From time to time the District may deposit into the Rate Stabilization Fund, from current Revenues, such amounts as the District shall determine and the amount of available current Revenues shall be reduced by the amount so transferred. The District may also deposit amounts in the Rate Stabilization Fund from any lawfully available source other than current Revenues and the amount of available current Revenues shall not be reduced by the amounts so transferred. Amounts may be transferred from the Rate Stabilization Fund and deposited in the Revenue Fund, and any amounts so transferred shall be deemed Revenues when so transferred. Deposits to and transfers from the Rate Stabilization Fund for each Fiscal Year shall be made within 270 days after the end of such Fiscal Year. All interest or other earnings upon amounts in the Rate Stabilization Fund may be withdrawn therefrom and accounted for as Revenues.

SECTION 4.05. Additional Parity Obligations.

(a) After the issuance of the Bonds, the District may at any time and from time to time issue, incur or create any Parity Obligations; provided:

(i) there shall not have occurred and be continuing an Event of Default under the terms of this Indenture (or the issuance, incurrence or creation of such Parity Obligations will cure any such Event of Default); and

(ii) the District obtains or provides a certificate or certificates prepared by the District or at the District’s option by a Consultant showing that either:

(1) the Adjusted Net Revenues for either the most recent Fiscal Year for which audited financial statements are available or any 12 consecutive calendar month period (selected by the District) during the 18 consecutive calendar month period ending immediately prior to the issuance, incurrence or creation of such additional Parity Obligations were at least equal to the Coverage Requirement for the most recently completed Fiscal Year, including in the calculation of the Coverage Requirement for this purpose the Average Annual Debt Service for the additional Parity Obligations to be issued, incurred or created; and for the purpose of providing such certificate or certificates, the District or the District’s Consultant, as applicable, may adjust the Adjusted Net Revenues for such Fiscal Year or 12 calendar month period, as the case may be, to reflect:

(A) an allowance for Net Revenues that would have been derived from each new connection to the Wastewater System that was made prior to the issuance, incurrence or creation of such additional Parity Obligations but which was not in existence during all or any part of such Fiscal Year or 12 calendar month period under consideration, in an amount equal to the estimated additional Net Revenues that would have been derived from each such connection if it had been made prior to the beginning of such Fiscal Year or 12 calendar month period; provided that such certificate or certificates shall show that the amount of Adjusted Net Revenues for the Fiscal Year or 12 calendar month period under consideration was equal to at least 100% of the Debt Service for all Outstanding Bonds and Parity Obligations for such Fiscal Year or 12 calendar month period before making any allowance for new connections to the Wastewater System pursuant to this subparagraph (A), and

(B) an allowance for Net Revenues that would have been derived from any increase in the rates, fees and charges fixed and prescribed for Wastewater Service which became effective prior to the issuance, incurrence or creation of such additional Parity Obligations but which was not in effect during all or any part of such Fiscal Year or 12 calendar month period, in an amount equal to the estimated additional Net Revenues that would have been derived from such increase in rates, fees and charges if it had been in effect prior to the beginning of such Fiscal Year or 12 calendar month period; or

(2) the estimated Adjusted Net Revenues for each of the five full Fiscal Years next following the earlier of (x) the end of the period during which interest on such additional Parity Obligations is to be capitalized or, if no interest is capitalized, the Fiscal Year in which such additional Parity Obligations are issued, incurred or created, or (y) the date on which substantially all projects financed with the proceeds of such additional Parity Obligations plus all projects financed with all existing Parity Obligations are expected to commence operations, will be at least equal to the Coverage Requirement for each such Fiscal Year; and for the purpose of providing such certificate or certificates, the District or the District's Consultant, as applicable, may adjust the foregoing estimated Adjusted Net Revenues to reflect:

(A) an allowance for Net Revenues that are estimated to be derived from any increase in the rates, fees and charges for Wastewater Service which have been adopted and which will be in effect during all or any portion of the period for which such estimates are provided; and

(B) an allowance for Net Revenues that are estimated to be derived from new connections to the Wastewater System reasonably expected during all or any portion of the period for which such estimates are provided in an amount equal to the additional Net System Revenues that are estimated to be derived from such connections; provided that such

certificate or certificates shall show that the estimated Adjusted Net Revenues for each of the five Fiscal Years for which such estimates are provided will be equal to at least 100% of the Debt Service for all Outstanding Bonds and Parity Obligations for each such Fiscal Year before making any allowance for new connections to the Wastewater System pursuant to this subparagraph (B).

For purposes of clause (2) above, with respect to Operation and Maintenance Costs, the District or the District's Consultant, as applicable, shall use such assumptions (which shall be set forth in such certificate or certificates) as such believes to be reasonable, taking into account: (i) historical Operation and Maintenance Costs, (ii) Operation and Maintenance Costs associated with any additions, improvements or betterments to or extensions or replacements of the Wastewater System to be financed with the proceeds of such additional Parity Obligations and any other new additions, improvements or betterments to or extensions or replacements of the Wastewater System during the period for which such estimates are provided and (iii) such other factors, including inflation and changing operations or policies, as the District or the District's Consultant, as applicable, believes to be appropriate.

(b) Without regard to Section 4.05(a), the District may at any time issue, incur or create Parity Obligations that are Reimbursement Obligations or issue, incur or create Parity Obligations under a Hedge Agreement provided that such Reimbursement Obligations or Hedge Agreement relate to Parity Obligations or anticipated Parity Obligations.

(c) Without regard to Section 4.05(a), the District may at any time issue, incur or create Parity Obligations for the purpose of refunding, refinancing or prepaying any obligation payable from Net Revenues (including the payment of any costs incurred in connection with such refunding, refinancing or prepayment and the creation of such Parity Obligations and the creation of reserve funds, if any, for such Parity Obligations).

(d) Nothing contained in this Indenture shall limit the ability of the District to issue, incur or create obligations payable from the Net Revenues on a basis that is subordinate in both payment and lien priority to the Bonds and any other Parity Obligations.

SECTION 4.06. Deposit and Investments of Money in Accounts and Funds. Subject to Section 5.04, all money held by the Trustee in any of the accounts or funds established pursuant hereto shall be invested in Permitted Investments at the Written Request of the District. Such investments shall mature on or before the dates on which such money is anticipated to be needed for disbursement hereunder. Subject to Section 5.04, all interest or profits received from the investment of the money held by the Trustee in any of the accounts or funds hereunder shall be deposited in the Debt Service Fund.

The Trustee may commingle the funds and accounts established hereunder for investment purposes, but shall account for each separately. 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. In the absence of written investment instructions from the District, the Trustee shall (i) notify the District in writing that it does not have investment instructions, and

(ii) until such instructions are received, such funds shall be held uninvested. The Trustee shall not be liable for any loss for any investment made in accordance with this Section 4.06.

The District acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the District the right to receive brokerage confirmations of security transactions as they occur, the District specifically waives receipt of such confirmations to the extent permitted by law. The Trustee will furnish the District periodic cash transaction statements which shall include detail for all investment transactions made by the Trustee hereunder.

SECTION 4.07. Accounting Records and Statements. The Trustee shall keep proper books of record and account in accordance with corporate trust industry standards in which complete and correct entries shall be made of all transactions made by the Trustee relating to the receipt, investment, disbursement, allocation and application of the amounts held by the Trustee hereunder. Such records shall be open to inspection by the District and by any Holder at any reasonable time during regular business hours on reasonable notice. Not later than the fifteenth (15th) day of each month, commencing on [November 15, 2016], and continuing so long as any Bonds are Outstanding, the Trustee will furnish to the District a complete statement (which may be in the form of its regular account statements) covering the receipts, deposits and disbursements of the funds held by the Trustee hereunder for the preceding month.

ARTICLE V COVENANTS OF THE DISTRICT

SECTION 5.01. Punctual Payment. The District will punctually pay the interest on and principal of the Bonds in strict conformity with the terms hereof and of the Bonds, and will faithfully observe and perform all the agreements, conditions, covenants and terms contained herein and in the Bonds required to be observed and performed by it.

SECTION 5.02. Extension of Payment of Bonds. The District shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase or funding of such Bonds or claims for interest or by any other arrangement and in case the maturity of any of the Bonds or the time of payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default hereunder, to the benefits of this Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest thereon that shall not have been so extended. Nothing in this Section shall be deemed to limit the right of the District to issue, incur or create Parity Obligations for the purpose of refunding any Outstanding Bonds, and such issuance, incurrence or creation shall not be deemed to constitute an extension of maturity of Bonds.

SECTION 5.03. Accounting Records and Reports.

(a) The District will keep or cause to be kept proper books of record and accounts in which complete and correct entries shall be made of all transactions relating to the receipts, disbursements, allocation and application of the Revenues, and such books shall be available for inspection by the Trustee, at reasonable hours and under reasonable conditions. The

District shall also keep or cause to be kept such other information as required under the Tax Certificate.

(b) The District will prepare (commencing with the Fiscal Year ending June 30, 2017), within 270 days after the end of each Fiscal Year, financial statements of the District (which shall include the Revenue Fund) for the preceding Fiscal Year and prepared in accordance with generally accepted accounting principles, together with an Accountant's Report thereon.

SECTION 5.04. Tax Covenants and Matters; Rebate Fund.

(a) The District shall at all times do and perform all acts and things permitted by law and this Indenture that are necessary or desirable in order to assure that interest paid on the Bonds will be excluded from gross income for purposes of federal income taxes and shall take no action that would result in such interest not being excluded from gross income for federal income taxes. Without limiting the generality of the foregoing, the District agrees to comply with the provisions of the Tax Certificate.

(b) In addition to the funds established pursuant to Article IV, the District hereby agrees and covenants to establish and maintain with the Trustee a fund separate from any other fund established and maintained hereunder to be known as the "Rebate Fund." Upon receipt of a Written Request of the District, there shall be deposited in the Rebate Fund such amounts furnished by the District as are required to be deposited therein pursuant to the Tax Certificate, and all money at any time deposited in the Rebate Fund shall be held by the Trustee in trust, to the extent required to satisfy the Rebate Requirement (as that term is defined in the Tax Certificate), for payment to the United States of America. All amounts required to be deposited into or on deposit in the Rebate Fund shall be governed exclusively by this section and by the Tax Certificate (which is incorporated herein by reference) and by all Written Requests of the District related thereto filed with the Trustee, and the Trustee shall follow all such Written Requests of the District, and shall have no liability or responsibility to enforce compliance by the District with the terms of the Tax Certificate; provided, that notwithstanding any provisions of this section, if the District shall provide to the Trustee an Opinion of Counsel that any specified action required under this section is no longer required or that some further or different action is required to maintain the exclusion from federal income tax of interest with respect to the Bonds, the District and the Trustee may conclusively rely on such opinion in complying with the requirements of this section, and, notwithstanding anything to the contrary contained herein, the agreements and covenants hereunder shall be deemed to be modified to that extent.

(c) The covenants contained in this Section shall survive payment in full or defeasance of the Bonds.

SECTION 5.05. Protection of Security and Rights of Holders. The District will preserve and protect the security of the Bonds and the rights of the Holders hereunder, and will warrant and defend such rights against all claims and demands of all persons.

SECTION 5.06. Against Encumbrances. The District will not make any pledge of or place any lien on the Net Revenues (or any portion thereof) having priority over or having parity with the pledge and lien created pursuant to this Indenture except as provided herein;

provided, that nothing contained herein shall limit the ability of the District to create obligations that are secured by a pledge, lien or other encumbrance on Net Revenues that is subordinate to the pledge and lien on Net Revenues created pursuant hereto.

SECTION 5.07. Against Sale of Other Disposition of Property. The District will not enter into any agreement or lease which impairs the operation of the Wastewater System or any part thereof necessary to secure adequate Net Revenues for the payment of the principal of and interest on the Bonds, or which would otherwise impair the rights of the Holders hereunder or the operation of the Wastewater System. Any real or personal property which has become non-operative or which is not needed for the efficient and proper operation of the Wastewater System, or any material or equipment which has become worn out, may be sold if such sale will not impair the ability of the District to pay the principal and interest on the Bonds. Nothing herein shall restrict the ability of the District to sell any portion of the Wastewater System if such portion is immediately repurchased by the District and if such arrangement cannot by its terms result in the purchaser of such portion of the Wastewater System exercising any remedy which would deprive the District of or otherwise interfere with its right to own and operate such portion of the Wastewater System or interfere with its right to collect the Revenues therefrom.

SECTION 5.08. Against Competitive Facilities. The District will not, to the extent permitted by law, acquire, construct, maintain or operate and will not, to the extent permitted by law and within the scope of its powers, permit any other public or private agency, corporation, city or political subdivision or any person whomsoever to acquire, construct, maintain or operate within the District any Wastewater System competitive with the Wastewater System.

SECTION 5.09. Operation and Maintenance of the Wastewater System. The District will maintain and preserve the Wastewater System in good repair and working order at all times and will operate the Wastewater System in an efficient and economical manner and will pay all Operation and Maintenance Costs as they become due and payable.

SECTION 5.10. Payment of Claims. The District will pay and discharge any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien on the Revenues or the funds or accounts created hereunder or on any funds in the hands of the District pledged to pay principal and interest on the Bonds or to the Holders or which might impair the security of the Bonds.

SECTION 5.11. Compliance with Contracts. The District will comply with, keep, observe and perform all agreements, conditions, covenants and terms, express or implied, required to be performed by it contained in all contracts for the use of the Wastewater System and all other contracts affecting or involving the Wastewater System, to the extent that the District is a party thereto.

SECTION 5.12. Insurance. The District will procure and maintain or cause to be procured and maintained insurance on the Wastewater System in such amounts and against such risks (including accident to or destruction of the Wastewater System) as are usually covered in connection with wastewater systems similar to the Wastewater System; provided that the District shall not be required to procure or maintain or cause to be procured or maintained any such insurance unless such insurance is commercially available at reasonable cost. Any insurance

required to be maintained pursuant to this paragraph may be maintained under a self-insurance program so long as such self-insurance is maintained in the amounts and manner usually maintained in connection with wastewater systems similar to the Wastewater System.

SECTION 5.13. Payment of Taxes and Compliance with Governmental Regulations. The District will pay and discharge all taxes, assessments and other governmental charges which may hereafter be lawfully imposed upon the Wastewater System, or any part thereof or upon the Revenues when the same shall become due. The District will duly observe and conform with all valid regulations and requirements of any governmental authority relative to the operation of the Wastewater System, or any part thereof, but the District shall not be required to comply with any regulations or requirements so long as the validity or application thereof shall be contested in good faith.

SECTION 5.14. Amount of Rates and Charges. The District shall, to the extent permitted by law (including, without limitation, Section 6 of Article XIID of the California Constitution), fix, prescribe and collect rates and charges for the Wastewater Service in each Fiscal Year that are reasonably estimated to yield during each Fiscal Year Adjusted Net Revenues for such Fiscal Year equal to the Coverage Requirement for such Fiscal Year. The District may make adjustments from time to time in such rates and charges and may make such classification thereof as it deems necessary, but shall not reduce the rates and charges then in effect unless the Adjusted Net Revenues from such reduced rates and charges will at all times be sufficient to meet the requirements of this Section. So long as the District has complied with its obligations set forth this Section, the failure of the Adjusted Net Revenues for any Fiscal Year to be equal to at least the Coverage Requirement for such Fiscal Year shall not constitute an Event of Default under this Indenture.

SECTION 5.15. Collection of Rates and Charges. The District will have in effect at all times bylaws, rules and regulations requiring each customer to pay the rates and charges applicable to the Wastewater Service to such customer and providing for the billing thereof and for a due date and a delinquency date for each bill. In each case where such bill remains unpaid in whole or in part after it becomes delinquent, the District may discontinue such service from the Wastewater System, and such service shall not thereafter be recommenced except in accordance with District rules and regulations governing such situations of delinquency.

SECTION 5.16. Eminent Domain and Insurance Proceeds. If all or any part of the Wastewater System shall be taken by eminent domain proceedings, or if the District receives any insurance proceeds (excluding any rental interruption insurance) resulting from a casualty loss to the Wastewater System, the Net Proceeds of any eminent domain award or insurance proceeds (excluding any rental interruption insurance) shall, at the option of the District, be applied either to (A) in the following order of priority, the prepayment of (1) Outstanding Bonds and Parity Obligations, ratably, in accordance with their respective terms and (2) any other obligation payable from Net Revenues or (B) to acquire and construct additions, betterments or improvements to the Wastewater System.

SECTION 5.17. Continuing Disclosure. The District 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 District to comply

with the provisions of the Continuing Disclosure Certificate shall not be considered an Event of Default; however, the Trustee shall, at the written request of any Participating Underwriter (as defined in the Continuing Disclosure Certificate) or of the Holders of at least 25% in aggregate principal amount of the Bonds then Outstanding (but only to the extent funds in an amount satisfactory to the Trustee have been provided to it or it has been otherwise indemnified to its satisfaction from any cost, liability, expense, or additional charges and fees of the Trustee whatsoever, including reasonable fees and expenses of its attorneys), or any Holder or Beneficial Owner may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Section 5.17.

SECTION 5.18. Waiver of Laws. The District shall not at any time insist upon or plead in any manner whatsoever, or claim or take the benefit or advantage of, any stay or extension law now or at any time hereafter in force that may affect the covenants and agreements contained in this Indenture or in the Bonds, and all benefit or advantage of any such law or laws is hereby expressly waived by the District to the extent permitted by law.

SECTION 5.19. Further Assurances. The District will adopt, deliver, execute and make any and all further assurances, instruments and resolutions as may be reasonably necessary or proper to carry out the intention or to facilitate the performance hereof and for the better assuring and confirming unto the Holders of the rights and benefits provided herein.

ARTICLE VI THE TRUSTEE

SECTION 6.01. The Trustee. U.S. Bank National Association, shall serve as the Trustee for the Bonds for the purpose of receiving all money which the District is required to deposit with the Trustee hereunder and for the purpose of allocating, applying and using such money as provided herein and for the purpose of paying the interest on and principal of the Bonds presented for payment, with the rights and obligations provided herein at the Principal Corporate Trust Office of the Trustee. The District agrees that it will at all times maintain a Trustee having a principal corporate trust office in the United States of America.

The District may at any time, unless there exists any Event of Default as defined in Section 8.01, remove the Trustee initially appointed and any successor thereto and may appoint a successor or successors thereto by an instrument in writing; provided that any such successor shall be a bank, national banking association or trust company doing business and having a principal corporate trust office in the United States of America, having a combined capital (exclusive of borrowed capital) and surplus of at least fifty million dollars (\$50,000,000) and subject to supervision or examination by federal or state agency. If such bank, national banking association or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining agency above referred to, then for the purpose of this section the combined capital and surplus of such bank, national banking association 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 may at any time resign by giving written notice of such resignation to the District and by mailing to the Holders notice of such resignation. Upon receiving such notice of resignation, the District shall promptly appoint a successor Trustee by an

instrument in writing. Any removal or resignation of a Trustee and appointment of a successor Trustee shall become effective only upon the acceptance of appointment by the successor Trustee. If, within thirty (30) days after notice of the removal or resignation of the Trustee no successor Trustee shall have been appointed and shall have accepted such appointment, the removed or resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee, which court may thereupon, after such notice, if any, as it may deem proper and prescribe and as may be required by law, appoint a successor Trustee having the qualifications required hereby.

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 for which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such company shall be eligible under this Section 6.01, shall be the successor to such Trustee, without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.

The Trustee is hereby authorized to pay or redeem the Bonds when duly presented for payment at maturity or on redemption prior to maturity. The Trustee shall cancel all Bonds upon payment thereof or upon the surrender thereof by the District and shall destroy such Bonds and a certificate of destruction shall be delivered to the District. The Trustee shall keep accurate records of all Bonds paid and discharged and cancelled by it.

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

SECTION 6.02. Compensation of the Trustee. The District shall from time to time, subject to any agreement in effect with the Trustee, pay to the Trustee reasonable compensation for its services and shall reimburse the Trustee for all its advances and expenditures, including but not limited to advances to and fees and expenses of independent appraisers, accountants, consultants, counsel, agents and attorneys-at-law or other experts employed by it in the exercise and performance of its powers and duties hereunder. Such compensation and reimbursement shall be paid by the District. The obligations of the District under this Section shall survive resignation or removal of the Trustee and payment of the Bonds and discharge of this Indenture.

SECTION 6.03. Protection of the Trustee. The Trustee shall be protected and shall incur no liability in acting or refraining from acting or proceeding in good faith upon any resolution, notice, telegram, request, order, consent, waiver, certificate, statement, facsimile transmission, electronic mail, affidavit, voucher, bond, requisition or other paper or document which it shall in good faith believe to be genuine and to have been adopted, executed or delivered by the proper party or pursuant to any of the provisions of this Indenture, and the Trustee shall be under no duty to make any investigation or inquiry as to any statements contained or matters

referred to in any such instrument, but may accept and rely upon the same as conclusive evidence of the truth and accuracy of such statements. The Trustee shall not be bound to recognize any person as a Holder of any Bonds or to take any action at the request of any such person unless such Bond shall be deposited with the Trustee or satisfactory evidence of the ownership of such Bonds shall be furnished to the Trustee.

Whenever in the administration of its duties under this Indenture, the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) shall be deemed to be conclusively proved and established by a certificate of the District and such certificate shall be full warranty to the Trustee for any action taken or suffered under the provision of this Indenture upon the faith thereof, but in its discretion the Trustee may (but shall have no duty), in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

The Trustee may buy, sell, own, hold and deal in any of the Bonds provided pursuant to this Indenture, and may join in any action which any Holder may be entitled to take with like effect as if the Trustee were not a party to this Indenture. The Trustee, either as principal or agent, may also engage in or be interested in any financial or other transaction with the District, and may act as depositary, trustee, or agent for any committee or body of Holders of Bonds or of obligations of the District as freely as if it were not Trustee hereunder.

The Trustee may, to the extent reasonably necessary, execute any of the trusts or powers hereof and perform the duties required of it hereunder by or through attorneys, agents, or receivers, and shall be entitled to advice of counsel concerning all matters of trust and its duties hereunder, and the Trustee shall not be answerable for the default or misconduct of any such attorney, agent or receiver selected by it with reasonable care. The Trustee shall not be answerable for the exercise of any discretion or power under this Indenture or in the performance of its duties hereunder or for anything whatever in connection with the funds and accounts established hereunder, except only for its own willful misconduct or negligence.

The recitals, statements and representations by the District contained in this Indenture or in the Bonds shall be taken and construed as made by and on the part of the District and not by the Trustee does not assume, and shall not have, any responsibility or obligations for the correctness of any thereof.

The Trustee undertakes to perform such duties, and only such duties as are specifically set forth in this Indenture and no implied duties or obligations shall be read into this Indenture against the Trustee.

No provision in this Indenture shall require the Trustee to risk or expend its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder.

In accepting the trust hereby created, the Trustee acts solely as Trustee for the Holders and not in its individual capacity and all persons, including without limitation the Holders and the District having any claim against the Trustee arising from this Agreement shall look only to the funds and accounts held by the Trustee hereunder for payment except for the Trustee's gross

negligence or willful misconduct or as otherwise provided herein. Under no circumstances shall the Trustee be liable in its individual capacity for the payment of principal of or interest on Bonds.

The Trustee shall not be deemed to have knowledge of any Event of Default hereunder unless and until it shall have actual knowledge thereof or have received notice thereof at its corporate trust office at the address set forth in Section 10.09 hereof. The Trustee shall, during the existence of any Event of Default (which has not been cured) use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

The Trustee shall not be accountable for the use or application by the District or any other party of any funds which the Trustee has released in accordance with the terms of this Indenture. The Trustee shall have no responsibility with respect to any information, statement, or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Bonds, except for information with respect to the Trustee and supplied to the District by or on behalf of the Trustee.

The Trustee shall not be liable for any action taken or not taken by it in accordance with the direction of the Holders of a majority (or other percentage provided for herein) in aggregate principal amount of Bonds Outstanding relating to the exercise of any right, power or remedy available to the Trustee.

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

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

of the Trustee acting on unauthorized instructions, and the risk of interception and misuse by third parties.

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 misconduct.

The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request, order or direction of any of the Holders pursuant to the provisions of this Indenture unless such Holders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which may be incurred therein or thereby.

The Trustee may consult with counsel, who may be counsel of the District with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith.

SECTION 6.04. Indemnification of Trustee. To the extent permitted by law, the District shall indemnify the Trustee and hold it harmless against any loss, liability, expenses or advances, including but not limited to fees and expenses of counsel and other experts, incurred or made without negligence or willful misconduct on the part of the Trustee, (i) in the exercise and performance of any of the powers and duties hereunder by the Trustee, or (ii) arising out of or relating to any untrue statement or alleged untrue statement of any material fact or omission or alleged omission to state a material fact necessary to make the statements made, in light of the circumstances under which they were made, not misleading in any official statement or other offering circular utilized in connection with the sale of the Bonds, including the costs and expenses of defending itself against any claim of liability arising under this Indenture. Such indemnity shall survive payment of the Bonds and discharge of this Indenture or resignation or removal of the Trustee.

ARTICLE VII AMENDMENT OF THE INDENTURE

SECTION 7.01. Amendment of the Indenture. This Indenture and the rights and obligations of the District, the Trustee and of the Holders may be modified or amended from time to time and at any time by a Supplemental Indenture which shall become binding when the written consents of the Holders of a majority in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in Section 7.02, are filed with the Trustee. No such modification or amendment shall (1) extend the maturity of or reduce the interest rate on or amount of interest on or principal of or mandatory sinking fund payment for any Bond without the express written consent of the Holder of such Bond, (2) reduce the aforesaid percentage of Bonds the consent of the Holders of which is required to effect any such modification or amendment, or permit the creation of any lien on the Net Revenues and other assets pledged under this Indenture prior to or on a parity with the lien created by this Indenture (except as expressly provided in this Indenture), or deprive the Holders of the Bonds of the lien created by this Indenture on such Net Revenues and other assets, without the consent of the Holders of all Bonds then

Outstanding, or (3) modify any rights or obligations of the Trustee or the District without their prior written assent thereto, respectively. It shall not be necessary for the consent of the Holders to approve the particular form of any Supplemental Indenture, but it shall be sufficient if such consent shall approve the substance thereof.

This Indenture and the rights and obligations of the District and of the Holders may also be modified or amended from time to time and at any time by a Supplemental Indenture which shall become binding upon execution and delivery without the consent of any Holders, but only to the extent permitted by law and only for any one or more of the following purposes --

(a) to add to the agreements and covenants required herein to be performed by the District other agreements and covenants thereafter to be performed by the District, to pledge or assign additional security for the Bonds (or any portion thereof) or to surrender any right or power reserved herein to or conferred herein on the District, provided, that no such covenant, agreement, pledge, assignment or surrender shall materially adversely affect the interests of the Holders of the Bonds;

(b) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained herein or in regard to questions arising hereunder which the District may deem desirable or necessary or desirable and not inconsistent herewith, and which shall not materially adversely affect the interests of the Holders of the Bonds;

(c) to modify, amend or supplement this Indenture in such manner as to permit the qualification hereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute, and which shall not materially adversely affect the interests of the Holders of the Bonds;

(d) to maintain the exclusion from gross income for federal income tax purposes of the interest on the Bonds, including the amendment of the Tax Certificate; or

(e) to make any other changes which will not materially adversely affect the interests of the Holders of the Bonds.

SECTION 7.02. Disqualified Bonds. Bonds owned or held by or for the account of the District shall not be deemed Outstanding for the purpose of any consent or other action or any calculation of Outstanding Bonds provided in this Article, and shall not be entitled to consent to or take any other action provided in this Article.

SECTION 7.03. Effect of Supplemental Bond Indenture. Upon the execution of any Supplemental Indenture pursuant to this Article, this Indenture shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under this Indenture of the District, the Trustee and all Holders of Bonds Outstanding shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modification and amendment, and all the terms and conditions of any such Supplemental Indenture shall be deemed to be part of the terms and conditions of this Indenture for any and all purposes.

SECTION 7.04. Endorsement or Replacement of Bonds After Amendment.

Bonds delivered after the execution of any Supplemental Indenture pursuant to this Article may, and if the District so determines shall, bear a notation by endorsement or otherwise in form approved by the District and the Trustee as to any modification or amendment provided for in such Supplemental Indenture, and, in that case, upon demand of the Holder of any Bond Outstanding at the time of such execution and presentation of such Holder's Bond for the purpose at the Principal Corporate Trust Office of the Trustee or at such additional offices as the Trustee may select and designate for that purpose, a suitable notation shall be made on such Bond. If the Supplemental Indenture shall so provide, new Bonds so modified as to conform, in the opinion of the District, to any modification or amendment contained in such Supplemental Indenture, shall be prepared by the Trustee at the expense of the District, executed by the District and authenticated by the Trustee, and upon demand of the Holders of any Bonds then Outstanding shall be exchanged at the Principal Corporate Trust Office of the Trustee, without cost to any Holder, for Bonds then Outstanding, upon surrender for cancellation of such Bonds, in equal aggregate principal amounts of the same maturity.

SECTION 7.05. Amendment by Mutual Consent. The provisions of this

Article shall not prevent any Holder from accepting any amendment as to the particular Bonds held by such Holder, provided that due notation thereof is made on such Bonds.

ARTICLE VIII
EVENTS OF DEFAULT AND REMEDIES

SECTION 8.01. Events of Default. Each of the following events shall

constitute an Event of Default hereunder:

(1) the District shall default in the due and punctual payment of the interest on or principal of any Bonds when and as the same shall become due and payable (whether at maturity, by proceedings for redemption, by acceleration or otherwise);

(2) the District shall default in any material respect in the performance of any of the agreements or covenants contained herein required to be performed by it, and such default shall have continued for a period of sixty (60) days after the District shall have been given notice in writing of such default by the Trustee; or

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

In each and every such case during the continuance of an Event of Default, the Trustee may and by notice in writing to the District declare the entire principal amount of the Bonds and the accrued interest thereon to be due and payable immediately, and upon any such declaration the

same shall become immediately due and payable, anything contained herein to the contrary notwithstanding. This section, however, is subject to the condition that if at any time after the principal amount of the Bonds and the accrued interest thereon 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 District shall deposit with the Trustee a sum sufficient to pay the unpaid principal amount of the Bonds due prior to such declaration and the accrued interest thereon, with interest on such overdue installments, at the rate or rates applicable to the principal balance of the Bonds if paid in accordance with their terms, and the reasonable expenses of the Trustee, and any and all other defaults known to the Trustee (other than in the payment of the entire principal amount of the unpaid Bonds and the accrued interest thereon due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then and in every such case the Trustee, by written notice to the District may rescind and annul such declaration and its consequences; but 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. Upon the date of the declaration of acceleration as provided in Section 8.01, all Revenues thereafter received by the District shall be applied in the following order --

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

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

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

SECTION 8.03. Trustee to Represent Holders. The Trustee is hereby irrevocably appointed (and the successive respective Holders of the Bonds, by taking and holding the same, shall be conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney-in-fact of the Holders of the Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Holders under the provisions of the Bonds, this Indenture, the Law and applicable provisions of any other law. Upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the Trustee to represent the Holders, the Trustee in its discretion may, and upon the written request of the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding, and upon being indemnified to its satisfaction therefor, shall, proceed to protect or enforce its rights or the rights of such Holders by such appropriate action, suit, mandamus or other

proceedings as it shall deem most effectual to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained herein, or in aid of the execution of any power herein granted, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Trustee, in such Holders under this Indenture, the Law or any other law; and upon instituting such proceeding, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver of the Net Revenues and other assets pledged under this Indenture, pending such proceedings. All rights of action under this Indenture or the Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in the name of the Trustee for the benefit and protection of all the Holders of such Bonds, subject to the provisions of this Indenture.

SECTION 8.04. Holders' Direction of Proceedings. Anything in this Indenture to the contrary notwithstanding, the Holders of a majority in aggregate principal amount of the Bonds then Outstanding, shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, to direct the method of conducting all remedial proceedings taken by the Trustee hereunder, provided that such direction shall not be otherwise than in accordance with law and the provisions of this Indenture, and that the Trustee shall have the right to decline to follow any such direction that in the opinion of the Trustee would be unjustly prejudicial to Holders not parties to such direction.

SECTION 8.05. Limitation on Holders' Right to Sue. No Holder of any Bond shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under this Indenture, the Law or any other applicable law with respect to such Bond, unless (1) such Holder shall have given to the Trustee written notice of the occurrence of an Event of Default; (2) the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such suit, action or proceeding in its own name; (3) such Holder or said Holders shall have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; and (4) the Trustee shall have refused or omitted to comply with such request for a period of thirty (30) 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 Holder of Bonds of any remedy hereunder or under law; it being understood and intended that no one or more Holders of Bonds shall have any right in any manner whatever by such Holder's or Holders' action to affect, disturb or prejudice the security of this Indenture or the rights of any other Holders of Bonds, or to enforce any right under this Indenture, the Law or other applicable law with respect to the Bonds, except in the manner herein provided, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner herein provided and for the benefit and protection of all Holders of the Outstanding Bonds, subject to the provisions of this Bond Indenture.

SECTION 8.06. Absolute Obligation of District. Nothing contained in Section 8.05 or in any other provision of this Indenture or in the Bonds shall affect or impair the

obligation of the District, which is absolute and unconditional, to pay the principal of and interest on the Bonds to the respective Holders of the Bonds at their respective dates of maturity, or upon call for redemption, as herein provided, but only out of the Net Revenues and other assets herein pledged therefor, or affect or impair the right of such Holders, which is also absolute and unconditional, to enforce such payment by virtue of the contract embodied in the Bonds.

SECTION 8.07. Termination of Proceedings. In case any proceedings taken by the Trustee or any one or more Holders on account of any Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or the Holders, then in every such case the District, the Trustee and the Holders, subject to any determination in such proceedings, shall be restored to their former positions and rights hereunder, severally and respectively, and all rights, remedies, powers and duties of the District, the Trustee and the Holders shall continue as though no such proceedings had been taken.

SECTION 8.08. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Trustee or the Holders is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, shall be cumulative and in addition to every other remedy given hereunder or now or hereafter existing, at law or in equity or otherwise.

SECTION 8.09. No Waiver of Default. No delay or omission of the Trustee or of any Holder of the Bonds to exercise any right or power arising upon the occurrence of 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 given by this Indenture to the Trustee or the Holders of the Bonds may be exercised from time to time and as often as may be deemed expedient.

ARTICLE IX DEFEASANCE

SECTION 9.01. Discharge of Indenture. The Bonds may be paid by the District or the Trustee on behalf of the District in any of the following ways:

- (a) by paying or causing to be paid the principal or redemption price of and interest on all Bonds Outstanding, as and when the same become due and payable;
- (b) by depositing with the Trustee, in trust, at or before maturity, moneys or securities in the necessary amount (as provided in Section 9.03) to pay when due or redeem all Bonds then Outstanding; or
- (c) by delivering to the Trustee, for cancellation by it, all Bonds then Outstanding.

If the Authority shall pay all Bonds Outstanding and shall also pay or cause to be paid all other sums payable hereunder by the District, then and in that case at the election of the District (evidenced by a Certificate of the District filed with the Trustee signifying the intention of the District to discharge all such indebtedness and this Indenture), and notwithstanding that any Bonds shall not have been surrendered for payment, this Indenture and the pledge of Net Revenues and

other assets made under this Indenture and all covenants, agreements and other obligations of the District under this Indenture (except as otherwise specifically provided herein) shall cease, terminate, become void and be completely discharged and satisfied. In such event, upon the request of the District, the Trustee shall cause an accounting for such period or periods as may be requested by the District to be prepared and filed with the District and shall execute and deliver to the District all such instruments as may be necessary to evidence such discharge and satisfaction, and the Trustee shall pay over, transfer, assign or deliver to the District all moneys or securities or other property held by it pursuant to this Indenture that are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption; provided that in all events moneys in the Rebate Fund shall be subject to the provisions of Section 5.04.

SECTION 9.02. Discharge of Liability on Bonds. Upon the deposit with the Trustee, in trust, at or before maturity, of money or securities in the necessary amount (as provided in Section 9.03) to pay or redeem any Outstanding Bond (whether upon or prior to its maturity or the redemption date of such Bond), provided that, if such Bond is to be redeemed prior to maturity, notice of such redemption shall have been given as in Article III provided or provision satisfactory to the Trustee shall have been made for the giving of such notice, then all liability of the District in respect of such Bond shall cease, terminate become void and be completely discharged and satisfied, except only that thereafter the Holder thereof shall be entitled to payment of the principal of and interest on such Bond by the District, and the District shall remain liable for such payments, but only out of such money or securities deposited with the Trustee as aforesaid for their payment, subject, however, to the provisions of Section 9.04.

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

SECTION 9.03. Deposit of Money or Securities with Bond Trustee. Whenever in this Indenture it is provided or permitted that there be deposited with or held in trust by the Trustee money or securities in the necessary amount to pay or redeem any Bonds, the money or securities so to be deposited or held may include money or securities held by the Trustee in the funds and accounts established pursuant to this Indenture (other than the Rebate Fund) and shall be:

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

(b) Permitted Investments described in clause (A) of the definition thereof (not callable by the issuer thereof prior to maturity), the principal of and interest on which when due (without any income from the reinvestment thereof) will provide money sufficient to pay the principal or redemption price of and all unpaid interest to maturity, or to the redemption date, as the case may be, on the Bonds to be paid or redeemed, as such principal or redemption price and

interest become due; provided that, in the case of Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as in Article III provided or provision satisfactory to the Trustee shall have been made for the giving of such notice;

provided, in each case, that the Trustee shall have been irrevocably instructed to apply such money to the payment of such principal or redemption price and interest with respect to such Bonds.

SECTION 9.04. Unclaimed Money. Anything contained herein to the contrary notwithstanding, any money held by the Trustee in trust for the payment and discharge of the interest on or the principal of any of the Bonds which remains unclaimed for two (2) years after the date when such payments have become due and payable, if such money was held by the Trustee at such date, or for two (2) years after the date of deposit of such money if deposited with the Trustee after the date when such payments became due and payable, shall be repaid by the Trustee to the District as its absolute property and free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Holders shall look only to the District for the making of such payments; provided, that before being required to make any such payment to the District, the Trustee shall mail by first class mail to the Holders of such Bonds (at the expense of the District) at their addresses as they appear in the registration books maintained by the Trustee pursuant to Section 2.08 a notice that such money remains unclaimed and that, after a date named in such notice, which date shall not be less than thirty (30) days after the date of the mailing of such notice, the balance of such money then unclaimed will be returned to the District.

ARTICLE X MISCELLANEOUS

SECTION 10.01. Liability of District Limited to Net Revenues and Certain Other Funds. Notwithstanding anything contained herein, the District shall not be required to advance any money derived from any source of income other than the Net Revenues and the other funds provided herein for the payment of the interest on or the principal or redemption price of the Bonds or for the observance or performance of any agreements, conditions, covenants or terms contained herein; provided, that the District may advance funds for any such payment as long as such funds are derived from a source legally available for such purpose.

The Bonds are limited obligations of the District and are payable, as to the interest thereon and the principal and redemption price thereof, solely from the Net Revenues and such other funds, and the District is not obligated to pay them except from the Net Revenues and such other funds. The Bonds are not a debt of the State or any of its political subdivisions (other than the District), and neither the State nor any of its political subdivisions (other than the District) is liable therefor, nor in any event shall the Bonds or any interest thereon payable out of any funds or properties other than those of the District. The Bonds do not constitute an indebtedness of the District within the meaning of any constitutional or statutory limitation or restriction, and no persons executing the Bonds shall be liable personally on the Bonds by reason of their issuance.

SECTION 10.02. Benefits of the Indenture Limited to Parties. Nothing herein, expressed or implied, is intended to give to any person other than the District, the Trustee and the Holders any right or remedy under or by reason hereof, and any agreements, conditions, covenants

or terms hereof required to be observed or performed by and on behalf of the District or any officer or employee thereof shall be for the sole and exclusive benefit of the Trustee and the Holders.

SECTION 10.03. Successor Is Deemed Included in All References to Predecessor. Whenever herein either the District or any officer or employee thereof is named or referred to, such reference shall be deemed to include the successor to the powers, duties and functions, with respect to the management, administration and control of the Wastewater System, that are presently vested in the District or such officer or employee, and all the agreements, conditions, covenants and terms contained herein required to be observed or performed by or on behalf of the District or any officer or employee thereof shall bind and inure to the benefit of the respective successors thereof whether so expressed or not.

SECTION 10.04. Execution of Documents by Holders. Any consent, declaration, request or other instrument which this Indenture may require or permit to be executed by Holders may be in one or more instruments of similar tenor and shall be executed by Holders in person or by their attorneys appointed in writing.

Except as otherwise herein expressly provided, the fact and date of the execution by any Holder or his attorney of such consent, declaration, request or other instrument, or of such writing appointing such attorney, may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state, territory or commonwealth in which he purports to act that the person signing such consent, declaration, request or other instrument or writing acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer.

Any consent, declaration, request or other instrument or writing of the Holder of any Bond shall bind all future Holders of such Bond in respect of anything done or suffered to be done by the District in good faith and in accordance therewith.

SECTION 10.05. Waiver of Personal Liability. No member of the Board of Directors or officer or employee of the District shall be individually or personally liable for the payment of the interest on or the principal or redemption price of the Bonds; but nothing contained herein shall relieve any member of the Board of Directors or officer or employee of the District from the performance of any official duty provided by law or provided herein.

SECTION 10.06. Acquisition of Bonds by District. All Bonds acquired by the District, whether by purchase or gift or otherwise, shall be surrendered to the Trustee for cancellation and destruction.

SECTION 10.07. Content of Certificates. Every Certificate of the District with respect to compliance with any agreement, condition, covenant or provision provided herein shall include (a) a statement that the person or persons making or giving such certificate have read such agreement, condition, covenant or provision 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 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 agreement, condition, covenant or provision

has been complied with; and (d) a statement as to whether, in the opinion of the signers, such agreement, condition, covenant or provision has been complied with.

Any Certificate of the District may be based, insofar as it relates to legal matters, upon an Opinion of Counsel unless the person making or giving such certificate knows that the Opinion of Counsel with respect to the matters upon which his certificate may be based, as aforesaid, is erroneous, or in the exercise of reasonable care should have known that the same was erroneous. Any Opinion of Counsel may be based, insofar as it relates to factual matters information with respect to which is in the possession of the District, upon a representation by an officer or officers of the District unless the counsel executing such Opinion of Counsel knows that the representation with respect to the matters upon which his opinion may be based, as aforesaid, is erroneous, or in the exercise of reasonable care should have known that the same was erroneous.

SECTION 10.08. Accounts and Funds; Business Days. Any account or fund required herein to be established and maintained by the Trustee may be established and maintained in the accounting records of the Trustee either as an account or a fund, and may, for the purposes of such accounting records, any audits thereof and any reports or statements with respect thereto, be treated either as an account or a fund; but all such records with respect to all such accounts and funds shall at all times be maintained in accordance with sound corporate trust accounting practice and with due regard for the protection of the security of the Bonds and the rights of the Holders. If any date specified herein shall not be a Business Day, any action required on such date may be made on the next succeeding Business Day with the same effect as if made on such date.

SECTION 10.09. Notices. All written notices to be given hereunder shall be delivered personally, by facsimile or by mail to the party entitled thereto at its address set forth below, or at such other address as such party may provide to the other party in writing from time to time, namely:

If to the Trustee:

U.S. Bank National Association
1 California Street, Suite 1000
San Francisco, California 94111
Attention: Corporate Trust Department

If to the District:

Union Sanitary District

5072 Benson Road
P.O. Box 5050 94587-8550
Union City, California 94587-2508
Attention: General Manager/District Engineer

SECTION 10.10. Governing Law. This Indenture shall be governed and construed in accordance with the Law and the laws of the State.

SECTION 10.11. Partial Invalidity. If any one or more of the agreements, conditions, covenants or terms or portions thereof provided herein to be observed or performed on the part of the District or of the Trustee should be contrary to law, then such agreement or agreements, such condition or conditions, such covenant or covenants, such term or terms or such portions thereof shall be null and void and shall be deemed separable from the remaining agreements, conditions, covenants and terms or portions thereof and shall in no way affect the validity hereof or of the Bonds, and the Holders shall retain all the rights and benefits accorded to them under the Law or any other applicable provisions of law. The District hereby declares that it would have executed 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 10.12. Execution in Several Counterparts. This Indenture may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts, or as many of them as the District and the Trustee shall preserve undestroyed, shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the Union Sanitary District has caused this Indenture to be executed in its name and on its behalf by its General Manager/District Engineer and U.S. Bank National Association, as Trustee, in token of its acceptance of the trusts created hereunder, has caused this Indenture to be executed in its corporate name by its duly authorized officer, all as of the date and year first above written.

UNION SANITARY DISTRICT

By _____
General Manager/District Engineer

U.S. BANK NATIONAL ASSOCIATION, as
Trustee

By _____
Authorized Officer

EXHIBIT A

FORM OF BOND

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION (“DTC”), TO THE UNION SANITARY DISTRICT 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.

No. R-__ \$ _____

UNION SANITARY DISTRICT
WASTEWATER REVENUE REFUNDING BOND, SERIES 2016

<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>BOND DATE</u>	<u>CUSIP NUMBER</u>
___%	August 1, 20__	October __, 2016	

REGISTERED HOLDER: CEDE & CO.

PRINCIPAL AMOUNT: _____ DOLLARS

The Union Sanitary District, a sanitary district duly organized and existing under and pursuant to the laws of the State of California (the “District”), for value received hereby promises to pay (but only from the Net Revenues and the other funds hereinafter referred to) to the registered Holder set forth above on the maturity date set forth above the principal amount set forth above (subject to any right of prior redemption hereinafter provided for), together with interest thereon computed on the basis of a 360-day year of twelve (12) 30-day calendar months from the interest payment date next preceding the date of authentication of this Bond (unless this Bond is authenticated on a day during the period from the day after a Record Date (as that term is hereinafter defined) for an interest payment date to such interest payment date, both dates inclusive, in which event it shall bear interest from such interest payment date, or unless it is authenticated on a day on or before the Record Date for the first interest payment date, in which event it shall bear interest from its date) until the principal hereof shall have been paid, at the interest rate per annum set forth above, payable on February 1, 2017, and semiannually thereafter on February 1 and August 1 in each year. The interest on this Bond due on or before the maturity or prior redemption hereof shall be payable only to the person whose name appears in the registration books required to be kept by U.S. Bank National Association (the “Trustee”) at its Principal Corporate Trust Office (as that term is defined in the Indenture hereinafter referred to, and herein the “Principal Corporate Trust Office”) as the registered Holder hereof at the close of business as of the fifteenth day (whether or not a Business Day) preceding each interest payment date (each, a “Record Date”), with such interest to be paid by check mailed by first class mail on each interest payment date to such registered Holder at his address as it appears on such books,

except that payment shall be made at a registered Holder's option by wire transfer on each interest payment date of immediately available funds to an account in a bank or trust company or savings bank that is a member of the Federal Reserve System and that is located in the United States of America according to written instructions given by such registered Holder to the Trustee by the applicable Record Date. The principal of this Bond shall be payable only to the person whose name appears in such registration books as the registered Holder hereof, such principal to be paid upon surrender of this Bond to the Trustee at its Principal Corporate Trust Office at maturity or upon prior redemption. The interest on and principal of this Bond are payable in lawful money of the United States of America.

This Bond is one of a duly authorized issue of Bonds of the District in the aggregate principal amount of [principal amount in words] dollars (\$[principal amount]) designated the "Union Sanitary District Wastewater Revenue Refunding Bonds, Series 2016" (the "Bonds") issued by the District to provide funds to the District which, together with other available funds of the District, will be sufficient to provide for the refunding certain obligations of the District, which Bonds are issued under and pursuant to Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California (the "Law"), and under and pursuant to the provisions of an Indenture, dated as of October 1, 2016 (the "Indenture"), by and between the District and the Trustee, all of like tenor and date (except for such variations, if any, as may be required to designate varying numbers, denominations, maturities, interest rates or redemption provisions). All the Bonds are equally and ratably secured in accordance with the terms and conditions of the Indenture (copies of which are on file at the Principal Corporate Trust Office of the Trustee), and reference is hereby made to the Law and to the Indenture and any and all amendments thereof and supplements thereto for a description of the terms on which the Bonds are issued and for the rights of the registered Holders of the Bonds; and all the terms of the Law and the Indenture are hereby incorporated herein and constitute a contract between the District and the registered Holder from time to time of this Bond, to all the provisions of which the registered Holder of this Bond, by its acceptance hereof, agrees and consents; and each registered Holder hereof shall have recourse to all the provisions of the Law and the Indenture and shall be bound by all the terms and conditions thereof.

The Bonds are subject to redemption prior to maturity as provided in the Indenture.

The Bonds are limited obligations of the District and are payable, as to the interest thereon and the principal thereof, solely from the Net Revenues (as that term is defined in the Indenture) and certain other funds provided in the Indenture, and the District is not obligated to pay them except from the Net Revenues and such other funds. All the Bonds are equally secured by a pledge of, and charge and lien upon, the Net Revenues and such other funds, and the Net Revenues and such other funds constitute a trust fund for the security and payment of the interest on and the principal of the Bonds as provided in the Indenture. The Bonds are not a debt of the State of California or any of its political subdivisions (other than the District), and neither the State of California nor any of its political subdivisions (other than the District) is liable hereon, nor in any event shall the Bonds or any interest thereon be payable out of any funds or properties other than those of the District. The Bonds do not constitute an indebtedness of the District within the meaning of any constitutional or statutory limitation or restriction, and no persons executing the Bonds are liable on the Bonds personally by reason of their issuance.

The Bonds are issuable in the form of fully registered Bonds in denominations of \$5,000 or any integral multiple thereof. The registered Holder of any Bond or Bonds may surrender the same (together with a written instrument of exchange satisfactory to the Trustee duly executed by the registered Holder or his duly authorized attorney) in exchange for an equal aggregate principal amount of Bonds of authorized denominations in the same aggregate principal amount, subject to the conditions and upon payment of the charges provided in the Indenture.

The registration of this Bond is transferable on the registration books kept by the Trustee by the registered Holder hereof or by his duly authorized attorney upon surrender of this Bond, together with a written instrument of transfer in the form attached hereto or in such other form reasonably satisfactory to the Trustee duly executed by the registered Holder or his duly authorized attorney, and thereupon a new Bond or Bonds of the same maturity date of authorized denominations in the same aggregate principal amount will be issued to the transferee in exchange therefor in the manner, subject to the conditions and terms and upon payment of the charges provided in the Indenture. The District and the Trustee may deem and treat the person in whose name this Bond is registered as the absolute Holder hereof for the purpose of receiving payment of, or on account of, the interest hereon and principal hereof and for all other purposes.

The rights and obligations of the District and of the registered Holders of the Bonds may be amended or supplemented at any time in the manner, to the extent and upon the terms provided in the Indenture, and in certain circumstances without the consent of certain registered owners, but no such amendment or supplement shall (1) extend the maturity of or reduce the interest rate on or amount of interest on or principal of or mandatory sinking fund payment for any Bond without the express written consent of the Holder of such Bond, (2) reduce the percentage of Bonds the consent of the Holders of which is required to effect any such modification or amendment, or permit the creation of any lien on the Net Revenues and other assets pledged under the Indenture prior to or on a parity with the lien created by the Indenture (except as expressly provided in the Indenture), or deprive the Holders of the Bonds of the lien created by the Indenture on such Net Revenues and other assets, without the consent of the Holders of all Bonds then Outstanding, or (3) modify any rights or obligations of the Trustee or the District without their prior written assent thereto, respectively; all as more fully set forth in the Indenture.

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

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

IN WITNESS WHEREOF, the Union Sanitary District has caused this Bond to be executed in its name and on its behalf by the manual or facsimile signature of the General Manager/District Engineer of the District and has caused this Bond to be dated the date set forth above.

UNION SANITARY DISTRICT

By _____
General Manager/District Engineer

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

This is one of the Bonds described in the within-mentioned Indenture which has
been authenticated on _____.

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By _____
Authorized Signatory

[FORM OF ASSIGNMENT TO APPEAR ON BONDS]

For value received the undersigned do(es) hereby sell, assign and transfer unto _____ the within Bond and do(es) hereby irrevocably constitute and appoint _____ attorney to transfer the same on the bond register of the Trustee, with full power of substitution in the premises.

Dated: _____

SIGNATURE GUARANTEED BY:

NOTE: The signature(s) to 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, and the signature(s) must be guaranteed by an eligible guarantor institution.

Social Security Number, Taxpayer Identification Number or other identifying number of Assignee: _____

\$ _____
UNION SANITARY DISTRICT
(Alameda County, California)
Wastewater Revenue Refunding Bonds, Series 2016

BOND PURCHASE AGREEMENT

October 13, 2016

Union Sanitary District
5072 Benson Road
Union City, California 94587-2508

Ladies and Gentlemen:

The undersigned, RBC Capital Markets, LLC (the "Underwriter"), hereby offers to enter into this Bond Purchase Agreement (this "Bond Purchase Agreement") with the Union Sanitary District (the "District"), which upon acceptance of this offer by the District, will be binding upon the District and the Underwriter. This offer is made subject to its acceptance by the District by execution and delivery of this Bond Purchase Agreement to the Underwriter by 11:59 p.m., Pacific Time, on the date hereof, and, if not so accepted, will be subject to withdrawal by the Underwriter upon written notice to the District at any time prior to acceptance hereof by the District.

Section 1. Purchase and Sale of Bonds.

(a) Subject to the conditions, and upon the basis of the representations, warranties and covenants hereinafter set forth, the Underwriter hereby agrees to purchase from the District, and the District hereby agrees to sell to the Underwriter, all (but not less than all) of the \$_____ aggregate principal amount of Union Sanitary District Wastewater Revenue Refunding Bonds, Series 2016 (the "Bonds"), at a price of \$_____ (which price is equal to the aggregate principal amount of the Bonds, plus a net original issue premium of \$_____ and less an Underwriter's discount of \$_____).

The District hereby acknowledges and agrees that (a) the purchase and sale of the Bonds pursuant to this Bond Purchase Agreement is an arm's-length commercial transaction between the District and the Underwriter, (b) in connection therewith and with the discussions, undertaking and procedures leading up to the consummation of such transaction, the Underwriter is and has been acting solely as a principal and is not acting as the agent or fiduciary of the District, (c) the Underwriter has not assumed an advisory or fiduciary responsibility in favor of the District with respect to the offering and sale of the Bonds contemplated hereby or the discussions, undertaking and procedures leading thereto (irrespective of whether the Underwriter has provided other services or is currently providing other services to the District on other matters) and the Underwriter has no contractual obligation to the District with respect to the offering and sale of the Bonds contemplated hereby except the contractual obligations expressly set forth in this Bond Purchase Agreement, and (d)

the District has consulted its own legal, financial and other advisors to the extent it has deemed appropriate, in connection with the Bonds and the matters contemplated by this Bond Purchase Agreement.

The District hereby acknowledges receipt from the Underwriter of disclosures required by the Municipal Securities Rulemaking Board (“MSRB”) Rule G-17 (as set forth in MSRB Notice 2012-25 (May 7, 2012), relating to disclosures concerning the Underwriter’s role in the transaction, disclosures concerning the Underwriter’s compensation, conflict disclosures, if any, and disclosures concerning complex municipal securities financing, if any.

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 District on September 26, 2016 (the “Bond Resolution”), and an Indenture ~~of Trust~~ (the “Indenture”), dated as of November 1, 2016, by and between the District and _____ (the “Trustee”). The Bonds are being issued to provide funds to (i) refund the District’s obligations under various prior agreements with the California State Water Resources Control Board, the proceeds of which were used to finance improvements to the District’s wastewater enterprise (the “Wastewater System”), and (ii) pay the costs of issuing the Bonds. The Bonds will be issued on a parity, as to payment and security, with any parity obligations issued or incurred by the District in the future.

Issuance of the Bonds and execution of this Bond Purchase Agreement, the Indenture and the Continuing Disclosure Certificate described below was approved by the Bond Resolution.

(b) The Bonds shall be as described in the Preliminary Official Statement relating to the Bonds, dated October 3, 2016 (the “Preliminary Official Statement”). The Bonds shall be dated as their date of delivery, shall mature on the dates and bear interest at the rates per annum and shall be subject to redemption, all set forth in Schedule A hereto. As provided in the Indenture, the Bonds shall be special obligations of the District payable solely from Net Revenues (as defined in the Indenture) derived from the Wastewater System and amounts on deposit in certain funds and accounts held under the Indenture, as provided therein.

A final official statement, dated the date hereof and in the form of the Preliminary Official Statement, with such additions and changes as shall be accepted by the Underwriter and the District (the “Official Statement”), signed on behalf of the District by its authorized signatory, shall be delivered by the District to the Underwriter on the Closing Date (defined below). The Preliminary Official Statement and the Official Statement shall each be deemed to include their respective cover pages, and all summary statements, appendices, other materials included with or attached to each of them and any amendments or supplements thereto.

The Indenture, the Continuing Disclosure Certificate and this Bond Purchase Agreement are referred to herein collectively as the “Financing Agreements.” All capitalized terms used and not defined herein shall have the meanings assigned to such terms in the Indenture.

(c) The Underwriter agrees to make an initial bona fide public offering of the Bonds at a price or prices (or yield or yields) not in excess of the public offering price or prices (or yield or yields) set forth in the Official Statement, and may subsequently change such offering price or prices (or yield or yields). The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into investment trusts) at a price or prices lower (or yield or yields higher) or at a price or prices higher (or yield or yields lower) than the public offering price or prices (or yield or yields) set forth in the Official Statement. The Underwriter also reserves the right to (i) over-allot 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 without prior notice.

(d) The District hereby authorizes the Underwriter to use copies of the Preliminary Official Statement and the Official Statement and copies of the forms of the Indenture and the Continuing Disclosure Certificate in connection with the public offering and sale of the Bonds. The District further agrees not to supplement or amend, cause to be supplemented or amended or agree to any supplement or amendment of the Preliminary Official Statement (except as contemplated by the Official Statement) or the Official Statement at any time prior to the Closing without the prior written consent of the Underwriter. The District ratifies and consents to the distribution and use of the Preliminary Official Statement by the Underwriter prior to the date hereof, and hereby represents that ~~pursuant to the executed certificate attached hereto as Exhibit B,~~ the Preliminary Official Statement was “deemed final” by the District as of the date thereof within the meaning of paragraph Rule 15c2-12 of the Securities and Exchange Act of 1934, as amended (“Rule 15c2-12”), except for the omission of such information as may be permitted by Rule 15c2-12.

(e) The District agrees that there shall be delivered to the Underwriter, within seven (7) business days of the date hereof, sufficient copies of the Official Statement, as requested by the Underwriter to comply with the requirements of Rule 15c2-12, and with the requirements of Rule G-32 of the Municipal Securities Rulemaking Board.

(f) If, at any time prior to the date twenty-five (25) days following the later of the Closing Date or the date the Underwriter no longer retains, directly or as a member of an underwriting syndicate, an unsold balance of the Bonds for sale to the public, which date shall be provided to the District by written notice of the Underwriter (the “End of the Underwriting Period”), any event of which the District has knowledge shall occur which might or would cause the Official Statement to contain an untrue statement of a material fact or to omit to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the District will promptly notify the Underwriter in writing of the circumstances and details of such event. If, as a result of such event or any other event, it is necessary, in the opinion of the Underwriter, the District or their respective counsel, to amend or supplement the Official Statement in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, the District will forthwith cooperate with the Underwriter in the prompt preparation and furnishing to the Underwriter of a reasonable number of copies of an amendment of or a supplement to the Official Statement, in form and substance reasonably satisfactory to the Underwriter, which will so amend or supplement the Official Statement so that, as amended or supplemented, it will not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(g) The District will undertake to provide certain annual financial information and notices of the occurrence of certain events, if material, pursuant to a continuing disclosure certificate, dated the date of issuance of the Bonds (the “Continuing Disclosure Certificate”). A description of this undertaking is set forth in the Preliminary Official Statement and will also be set forth in the Official Statement.

Section 2. Closing. At 8:00 a.m., California time, November 1, 2016, or at such other time on such earlier or later date as shall have been mutually agreed upon by the District and the Underwriter, the District will deliver or cause to be delivered to the Underwriter the Bonds duly authenticated by the Trustee, together with the other documents hereinafter mentioned, and the Underwriter will accept such delivery and pay the purchase price of such Bonds as set forth in Section 1 hereof by federal funds wire. The consummation of the purchase and delivery

of such Bonds as aforesaid shall be made at the offices of Orrick Herrington & Sutcliffe LLP ("Bond Counsel") in San Francisco, California, or at such other place as shall be agreed upon by the District and the Underwriter; provided, the Bonds will be delivered through the facilities of The Depository Trust Company. Such purchase and delivery is herein called the "Closing" and the date and time of the Closing is herein called the "Closing Date."

The Bonds shall be executed, authenticated and delivered under and in accordance with the provisions of this Bond Purchase Agreement and the Indenture. The Bonds shall be in definitive form, shall bear CUSIP numbers, and shall be fully-registered bonds, registered in the name of Cede & Co., as nominee for The Depository Trust Company, with one bond for each maturity of the Bonds in the principal amount of such maturity.

Section 3. Representations and Warranties.

(a) The Underwriter hereby represents that it has full power and authority to enter into this Bond Purchase Agreement, that the execution, delivery and performance of this Bond Purchase Agreement and the purchase of the Bonds contemplated herein have been duly authorized by the Underwriter, and that this Bond Purchase Agreement, upon due authorization, execution and delivery by the District, will be a valid and binding obligation of the Underwriter.

(b) The District, by its acceptance hereof, represents, warrants, covenants and agrees with the Underwriter as follows:

(i) The District is an independent special district organized and existing under the constitution and laws of the State of California and the Board of Directors of the District, by adoption of the Bond Resolution, has duly approved the execution and delivery of the Financing Agreements and the Official Statement and the issuance of the Bonds, and the District has full right, power and authority to execute, deliver and perform its obligations under the Financing Agreements, to issue the Bonds and to carry out and consummate the transactions contemplated by the Financing Agreements.

(ii) The District has, on or before the date hereof, duly adopted the Bond Resolution and taken all action necessary to be taken by it prior to such date for (A) the issuance, sale and delivery of the Bonds upon the terms and conditions and for the purposes described herein, in the Indenture and in the Official Statement, (B) the execution and delivery of the Financing Agreements and performance of its obligations thereunder, (C) the authorization of the distribution of the Preliminary Official Statement and the approval, execution, delivery and distribution of the Official Statement, and (D) the carrying out of, giving effect to, consummating and performing the transactions and obligations contemplated to be performed by it by the Financing Agreements and by the Official Statement, provided that no representation is made with respect to compliance with the securities or "Blue Sky" laws of the various states of the United States, and such Bond Resolution has not been amended, modified or repealed and is in full force and effect on the date hereof.

(iii) The District has the full right, power and authority (A) to enter into the Financing Agreements, (B) to issue, sell and deliver the Bonds to the Underwriter as provided herein, and (C) to carry out and consummate all other transactions on its part contemplated by each of the aforesaid documents, and the District has complied with all provisions of applicable law in all matters relating to such transactions.

(iv) The delivery of the Preliminary Official Statement, the issuance of the Bonds and the execution and delivery by the District of the Financing Agreements and the

Official Statement, the compliance by it with the terms, conditions or provisions hereof and thereof, and the consummation on its part of the transactions herein and therein contemplated do not and will not, in any respect material for the performance by the District of its obligations under the Financing Agreements, conflict with or constitute a breach of or a default under nor contravene any law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the District is a party or is otherwise subject, nor does any such execution, issuance, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the properties or assets of the District under any such law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, deed of trust, resolution, agreement or other instrument in any respect material to the performance by the District of its obligations under the Financing Agreements, except as provided in the Financing Agreements and the Official Statement.

(v) Except as may be required under Blue Sky or other securities laws of any state, there is no consent, approval, authorization or other order of, or filing with, or certification by, any regulatory authority having jurisdiction over the District required for the execution, delivery and sale of the Bonds or the consummation by the District of the transactions contemplated by the Financing Agreements or the Official Statement, which has not been duly obtained or made on or prior to the date hereof.

(vi) Except as described in the Official Statement, there is no action, suit, proceeding, inquiry or investigation before or by any court, public board or body pending against or, to the best knowledge of the District, threatened against or affecting the District wherein an unfavorable decision, ruling or finding would adversely affect (A) the validity or enforceability of, or the authority or ability of the District to perform its obligations under, the Bonds or the Financing Agreements or (B) the transactions contemplated to be performed by it under the Financing Agreements or by the Official Statement.

(vii) The District is not in default as to the payment of principal or interest with respect to an obligation issued or incurred by the District and involving expenditure by the District in excess of \$100,000.

(viii) The District will cooperate with the Underwriter in the qualification of the Bonds for offering and sale and the determination of the eligibility of the Bonds for investment under the laws of such jurisdictions as the Underwriter shall designate, and will use its best efforts to continue such qualification in effect so long as required for the distribution of the Bonds by the Underwriter, provided that the District shall not be required to take any action which would subject it to service of process or to register as a foreign corporation in any jurisdiction where it is not now so subject (and it is understood that the District is not responsible for compliance with or the consequences of failure to comply with applicable "Blue Sky" laws).

(ix) The information contained in the Preliminary Official Statement and Official Statement (excluding therefrom for any information relating to DTC and its book-entry system included therein), as of their respective dates and the date hereof, did not, does not and will not, as of the Closing Date, contain any untrue statement of a material fact and did not, does not and will not, as of the Closing Date, omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

(x) After the Closing Date and prior to the End of the Underwriting Period, the District will not participate in the issuance of any amendment of or supplement to the Official Statement which, after being furnished with a copy, the Underwriter shall object in writing or which shall be reasonably disapproved of by counsel for the Underwriter.

(xi) The proceeds from the sale to the Underwriter of the Bonds will be applied in the manner and for the purposes specified in the Financing Agreements.

(xii) The District covenants that it will not take any action which would cause interest payable with respect to the Bonds to become includable in gross income for federal income tax purposes or subject to State of California personal income taxes.

(xiii) Any certificate of the District delivered to the Underwriter in connection with the transactions contemplated by the Official Statement and this Bond Purchase Agreement shall be deemed a representation by the District to the Underwriter as to the statements made therein.

Section 4. Conditions to the Obligations of the Underwriter. The obligations of the Underwriter under this Bond Purchase Agreement have been undertaken in reliance on, and shall be subject to, the due performance by the parties hereto of their respective obligations and agreements to be performed hereunder, and on and as of the date of delivery of this Bond Purchase Agreement and on and as of the Closing Date. The obligations of the Underwriter hereunder to accept delivery of and pay for the Bonds at the Closing are also subject, in the discretion of the Underwriter, to the following further conditions:

(a) At the time of the Closing, (i) the Bond Resolution and the Financing Agreements shall be in full force and effect and shall not have been rescinded, amended, modified or supplemented, except as may have been agreed to by the Underwriter, and the District shall have adopted or executed and delivered, as the case may be, and there shall be in full force and effect such additional resolutions, agreements, opinions and certificates (including such certificates as may be required by regulations of the Internal Revenue Service in order to establish the tax-exempt character of interest ~~evidenced by~~on the Bonds), which resolutions, agreements, opinions and certificates shall be reasonably satisfactory in form and substance to the Underwriter, and there shall have been taken in connection therewith and in connection with the issuance of the Bonds all such action as shall, in the opinion of the Underwriter, be necessary in connection with the transactions contemplated hereby, (ii) the Bonds shall have been duly issued, authenticated and delivered, (iii) the Preliminary Official Statement and Official Statement shall not have been amended, modified or supplemented, except as may have been agreed to in writing by the Underwriter, and (iv) the District shall perform or have performed all of its obligations under or specified in the Financing Agreements to be performed by the District at or prior to the Closing.

(b) On the Closing Date, there shall be delivered to the Underwriter in form satisfactory to the Underwriter:

(i) Executed counterparts of the Financing Agreements, certified copies of the Bond Resolution and such other documents and certificates as the Underwriter or its counsel may reasonably require in order to evidence the accuracy or satisfaction of any of the representations, warranties or conditions herein contained.

(ii) An approving opinion of Bond Counsel, substantially in the form attached as Appendix __ to the Official Statement, and a letter from Bond Counsel addressed to the Underwriter expressly permitting the Underwriter to rely on such final approving opinion as if the Underwriter was an addressee thereof.

(iii) A supplemental opinion of Bond Counsel dated the Closing Date, addressed to the Underwriter, substantially in the form attached hereto as Exhibit A.

~~(A) The District has full right and lawful authority to enter into and perform its duties under the Indenture, the Continuing Disclosure Certificate and this Bond Purchase Agreement, the Indenture and the Continuing Disclosure Certificate have been duly authorized, executed and delivered by the District and constitute legally valid and binding obligations of the District, enforceable in accordance with their terms, subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium or similar laws relating to or affecting creditors rights or to the application of equitable principles or to the exercise of judicial discretion in appropriate cases or to the limitations on legal remedies against public entities in the State of California.~~

~~(B) The Bonds are exempt from registration under the Securities Act of 1933, as amended (the "Securities Act"), and the Indenture is exempt from qualification under the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act").~~

~~(C) The statements contained in the Official Statement under the captions "INTRODUCTION," "THE BONDS" (other than under the caption "Book Entry System"), "THE REFUNDING PLAN," "SECURITY FOR THE BONDS," "TAX MATTERS" and "CERTAIN LEGAL MATTERS," and in APPENDIX ___ SUMMARY OF THE INDENTURE, APPENDIX ___ FORM OF THE CONTINUING DISCLOSURE CERTIFICATE and in APPENDIX ___ FORM OF OPINION OF BOND COUNSEL, insofar as such statements purport to summarize certain provisions of the Bonds, the Indenture, the Continuing Disclosure Certificate and the opinion of Bond Counsel concerning the exclusion of the interest on the Bonds from gross income for federal income tax purposes and the tax exemption of such interest for State of California personal income tax purposes, are accurate in all material respects.~~

(iv) An opinion of Quint & Thimmig LLP, as Disclosure Counsel, addressed to the District and the Underwriter and dated the Closing Date, to the effect that no information came to the attention of the attorneys in such firm rendering legal services which caused such firm to believe that the Official Statement as of its date (except for any financial or statistical or engineering data or forecasts, numbers, charts, estimates, projections, assumptions or expressions of opinion or any information about book-entry or The Depository Trust Company included therein, as to which no opinion or view need be expressed) contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(v) A certificate, dated the Closing Date, signed by an authorized official of the District, and in form and substance satisfactory to the Underwriter, to the effect that:

(A) Except as described in the Official Statement, there is no action, suit, proceeding, inquiry or investigation before or by any court, public board or body pending or, to the best knowledge of the District, threatened against or affecting the District wherein an unfavorable decision, ruling or finding would adversely affect the validity or enforceability of, or the authority or ability of the District to perform its obligations under, any of the Financing Agreements or the transactions contemplated to be performed by it as described in the Official

Statement, or which would restrain or enjoin the sale, execution or delivery of the Bonds or in any way contest or affect the validity of the Bonds, the proceedings of the District taken with respect to the issuance, delivery or sale thereof, the pledge or application of any moneys or securities provided for the payment of the Bonds and the existence or powers of the District or the title of any officers of the District to their respective positions.

(B) The representations and warranties of the District contained in this Bond Purchase Agreement are true and correct in all material respects on and as of the Closing Date.

(C) The District has complied, or is presently in compliance, with all agreements and has satisfied all conditions on its part to be observed or satisfied under the Financing Agreements at or prior to the Closing Date.

(D) The information and statements in the Official Statement (excluding therefrom for any information relating to DTC and its book-entry system included therein) do not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(vi) An opinion of the Burke, Williams & Sorensen, LLP, counsel to the District, dated the Closing Date, to the effect that:

(A) The District is an independent special district, duly organized and existing pursuant to the laws of the State of California, and has the full legal right, power and authority to issue the Bonds, enter into the Financing Agreements and to perform and observe the agreements and covenants on its part contained therein, and by proper action has duly authorized the issuance of the Bonds and the execution and delivery of the Financing Agreements.

(B) The Bond Resolution was duly adopted at a meeting of the governing board of the District duly 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 Bond Resolution is in full force and effect and has not been modified, amended or rescinded.

(C) the Financing Agreements have been duly authorized, executed and delivered by the District and, assuming due authorization, execution and delivery by the other parties thereof, constitute the valid, legal and binding agreements of the District enforceable in accordance with their terms.

(D) Except as described in the Official Statement, there is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body pending with respect to which the District has been served with process or, to the best of such counsel's knowledge, threatened against or affecting the District in which an unfavorable decision, ruling or finding would adversely affect the District's participation in or consummation of the transactions contemplated by the Indenture, this Bond Purchase Agreement, the Continuing Disclosure Certificate, the Official Statement, or the Bonds, or in any way contesting the existence of the District, or the powers of the District with respect thereto, or the ability of the District to collect or receive the revenues that are the source of the payment of the Bonds or to apply such revenues to the payment of the Bonds.

(E) The issuance of the Bonds and the execution and delivery of the Financing Agreements by the District do not, and the fulfillment of the terms thereof by the District will not, result in a material breach of any of the terms or provisions of, or constitute a material violation of or default under, any resolution, indenture, mortgage, deed of trust or other agreement or instrument to which the District is now a party or by which it or any of its properties are now bound.

(vii) An opinion of counsel to the Trustee, dated the Closing Date, to the effect that:

(A) The Trustee is a national banking association duly organized and existing under the laws of the United States of America and has duly authorized, executed and delivered the Indenture and by all proper action has authorized acceptance of the trusts created thereunder.

(B) The Indenture constitutes a legally valid and binding obligation of the Trustee, enforceable against the Trustee in accordance with its terms, except as such enforcement may be limited by bankruptcy, insolvency, moratorium, reorganization or other similar laws or equitable principles relating to or limiting creditors' rights generally.

(C) The Bonds have been validly authenticated by the Trustee.

(D) The Trustee has duly authorized, executed and delivered the Indenture and by all proper action has authorized acceptance of the trusts created thereunder.

(vii) An executed copy of a ~~non-arbitrage tax~~ certificate of the District in form and substance satisfactory to Bond Counsel, together with a copy of the completed ~~and executed~~ IRS Form 8038-G.

(viii) A certificate dated the Closing Date and signed by the Trustee or its designee, in form and substance satisfactory to the Underwriter, to the effect that:

(A) The Trustee has all necessary power and authority to enter into, and perform its duties and accepts the trusts created under, the Indenture.

(B) The Trustee is duly authorized to enter into the Indenture and to authenticate the Bonds pursuant to the terms of the Indenture.

(C) The Bonds have been duly authenticated and delivered by the Trustee to the Underwriter pursuant to the direction from the District.

(D) The Trustee is not in breach of or default under any law or administrative rule or regulation of the State of California or the United States of America, or of any department, division, agency or instrumentality thereof, or any applicable court or administrative decree or order, or any other instrument to which the Trustee is a party or is otherwise subject or bound and which would materially impair the ability of the Trustee to perform its obligations under the Indenture.

(E) To the best of the Trustee's knowledge, the execution and delivery of the Indenture and the authentication of the Bonds will not conflict with or constitute a breach of or default under the Trustee's duties under any law, administrative regulation, court decree, resolution, charter or bylaws to which the Trustee is subject or by which it is bound.

(ix) Written evidence satisfactory to the Underwriter that the Bonds have been assigned the rating of "____" from S&P Global Ratings and such rating shall be in effect on and as of the Closing Date.

(x) The opinion of _____, as counsel to the Underwriter ("Underwriter's Counsel"), satisfactory to the Underwriter.

(xi) Copies of all closing documents required by, and delivered pursuant to, the Indenture, and such additional legal opinions, certificates, proceedings, instruments and other documents as the Underwriter, Disclosure Counsel, Underwriter's Counsel, the counsel to the District or Bond Counsel may reasonably request.

If the conditions to the obligations of the Underwriter contained in this Bond Purchase Agreement shall not be satisfied, unless otherwise waived by the Underwriter, this Bond Purchase Agreement shall terminate with the effect stated in paragraph (c) of Section 5 hereof.

Section 5. Termination of Agreement.

(a) The Underwriter may terminate this Bond Purchase Agreement, with the effect stated in paragraph (c) of this Section, at any time subsequent to the date of this Bond Purchase Agreement and at or prior to the Closing by notifying the District in writing or by telegram of its election so to do, if:

(i) A tentative decision with respect to legislation shall be reached by a committee of the House of Representatives or the Senate of the Congress of the United States or legislation shall be favorably reported by such a committee or be introduced, after the date of this Bond Purchase Agreement and prior to the Closing, by amendment or otherwise, in, or be enacted by, the House of Representatives or the Senate, or be recommended to the Congress of the United States for passage by the President of the United States, or a decision by a court established under Article III of the Constitution of the United States, or the Tax Court of the United States, shall be rendered or a ruling, regulation or order of the Treasury Department of the United States or the Internal Revenue Service shall be made or proposed having the purpose or effect of imposing federal income taxation, or any other event shall have occurred which results in the imposition of federal income taxation, upon revenues or other income of the general character to be derived by the District (or by any similar body) or upon interest received on obligations of the general character of the Bonds.

(ii) Legislation shall be introduced, by amendment or otherwise, in, or be enacted by, the House of Representatives or the Senate of 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 United States Securities and Exchange Commission or other governmental agency having jurisdiction of the subject matter shall be made or proposed, to the effect that the issuance, offering or sale of obligations of the general character of the Bonds, as contemplated hereby, is or would be in violation of any provision of the Securities Act, the Securities Exchange Act of 1934 (the "Securities Exchange Act") or the Trust Indenture Act, as any of the foregoing Acts are amended, or with the purpose or effect of otherwise prohibiting the issuance,

offering or sale of obligations of the general character of the Bonds, or the Bonds, as contemplated hereby.

(b) In addition, the Underwriter may terminate this Bond Purchase Agreement with the effect stated in paragraph (c) of this Section at any time subsequent to the date of this Bond Purchase Agreement and at or prior to the Closing by notifying the District in writing or by telegram of its election to do so, if:

(i) Any event shall have occurred, or information shall have become known, which, in the Underwriter's reasonable opinion, makes untrue, incorrect or misleading in any material respect any statement or information contained in the Preliminary Official Statement or Official Statement or has the effect that the Preliminary Official Statement or Official Statement contains an untrue, incorrect or misleading statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

(ii) Any legislation, resolution, ordinance, rule or regulation shall be introduced in, or be enacted by, any governmental body, department or agency of the United States, of the State of New York or of the State of California, or a decision by any court of competent jurisdiction within the United States, of the State of New York or of the State of California shall be rendered which, in the Underwriter's reasonable opinion, materially adversely affects the marketability of the Bonds or the sale, at the contemplated offering prices, by the Underwriter.

(iii) Additional restrictions not in force as of the date hereof having a material adverse effect on the transactions contemplated hereby shall have been imposed upon trading in securities generally by any governmental authority or by any national securities exchange.

(iv) A general banking moratorium shall have been established by federal, New York or California authorities or trading in securities shall generally have been suspended on the New York Stock Exchange.

(v) Any rating on the Bonds shall have been downgraded or withdrawn by a national rating service, which, in the Underwriter's reasonable opinion, materially adversely affects the marketability of the Bonds or the sale, at the contemplated offering prices, by the Underwriter of the Bonds.

(vi) A war involving the United States shall have been declared, or any existing conflict involving the armed forces of the United States shall have escalated, or any other national emergency relating to the financial community shall have occurred, which, in the Underwriter's reasonable opinion, materially adversely affects the marketability of the Bonds or the sale, at the contemplated offering prices, by the Underwriter.

(c) If this Bond Purchase Agreement is terminated as herein provided, the parties hereto shall have no obligations one to the other except as provided in Sections 6 hereof.

Section 6. Expenses.

(a) Except as specifically provided in paragraph (b) of this Section 6, the Underwriter shall be under no obligation to pay and the District shall pay any expenses incident to, or in connection with, the offering, issuance and sale of the Bonds, including, but not limited to, (i) the cost of the preparation, printing or other reproduction (for distribution prior to, on or after

the date of acceptance of this Bond Purchase Agreement) of the Financing Agreements, the Preliminary Official Statement and the final Official Statement in reasonable quantities for distribution, (ii) charges made by rating agencies for the rating of the Bonds, (iii) the cost of printing the Bonds, (iv) all regulatory agency fees, (v) the fees and expenses of the personnel and staff of the District designated to facilitate the execution and delivery of the Bonds, (vi) the fees and expenses of the Trustee, (vii) the fees and expenses of the financial advisors, accountants, verification agent and other consultants, legal counsel, including Bond Counsel and Disclosure Counsel, and (viii) all other expenses relating to the sale and delivery of the Bonds, except those expressly provided for in subsection (b) of this Section 6. The aforesaid costs and expenses shall be paid out of the proceeds of the sale of Bonds or by the District.

(b) The Underwriter shall pay (i) the cost of qualifying the Bonds for sale in various states chosen by the Underwriter, (ii) the fees and expenses of Underwriter's Counsel, (iii) the fees of the California Debt and Investment Advisory Commission, and (iv) all other expenses incurred by it in connection with its offering and distribution of the Bonds, including travel and advertising expenses.

(c) In the event that either the District or the Underwriter shall have paid obligations of the other as set forth in this Section, adjustment shall be made at the Closing or as soon thereafter as practicable.

Section 7. Miscellaneous.

(a) Except as otherwise specifically provided in this Bond Purchase Agreement, all notices, demands and formal actions under this Bond Purchase Agreement shall be in writing and mailed, telegraphed or personally delivered to:

The Underwriter: RBC Capital Markets, LLC
Two Embarcadero Center, Suite 1200
San Francisco, CA 94111
Attention: Mr. Robert Williams, Managing Director

The District: Union Sanitary District
5072 Benson Road
Union City, CA 94587-2508
Attention: Mr. Paul Eldredge, General Manager

(b) This Bond Purchase Agreement will inure to the benefit of and be binding upon the District and the Underwriter and their respective successors and assigns, and will not confer any rights upon any other person, partnership, association or corporation other than the District and persons, if any, controlling the Underwriter within the meaning of the Securities Act or the Securities Exchange Act. The terms "successors" and "assigns" shall not include any purchaser or holder of any of the Bonds.

(c) All of the representations, warranties and covenants of the District in this Bond Purchase Agreement shall remain operative and in full force and effect regardless of (i) any investigation made by or on behalf of the Underwriter, (ii) delivery of and any payment for the Bonds hereunder or (iii) termination of the Underwriter's obligation to accept delivery of the Bonds pursuant to this Bond Purchase Agreement.

(d) Section headings have been inserted in this Bond Purchase Agreement as a matter of convenience or for reference only, and it is agreed that such section headings are not a part of this Bond Purchase Agreement and will not be used in the interpretation of any provisions of this Bond Purchase Agreement.

(e) If any provision of this Bond Purchase Agreement shall be held or deemed to be or shall, in fact, be invalid, inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions, or in all jurisdictions because it conflicts with any provisions of any constitution, statute, rule of public policy, or for any other reason, such circumstances shall not have the effect of rendering the provision in question invalid, inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions of this Bond Purchase Agreement invalid, inoperative or unenforceable to any extent whatever.

(f) This Bond Purchase Agreement may be executed in several counterparts, each of which shall be regarded as an original and all of which shall constitute one and the same document.

(g) This Bond Purchase Agreement shall be governed by and construed in accordance with the laws of the State of California.

RBC CAPITAL MARKETS, LLC, as
Underwriter

By _____
Robert Williams
Managing Director

This Bond Purchase Agreement is accepted
and agreed to as of the date first above
written:

UNION SANITARY DISTRICT

By _____
Paul Eldredge
General Manager

SCHEDULE A
MATURITY SCHEDULE

<u>Maturity August 1</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP</u>
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REDEMPTION PROVISIONS

Optional Redemption. The Bonds maturing on or before August 1, ____, are not subject to optional redemption prior to maturity. The Bonds maturing on August 1, ____, are subject to redemption, at the option of the District on any date on or after August 1, ____, as a whole or in part, by such maturities as shall be determined by the District (and, in lieu of such determination, *pro rata* among maturities), and by lot within a maturity, from any available source of funds, at a redemption price equal to the principal amount thereof, together with accrued interest to the date fixed for redemption, without premium.

Sinking Fund Redemption. The Bonds maturing on August 1, ____, are also subject to mandatory sinking fund redemption in part by lot on August 1, ____, and on each August 1 thereafter, to and including August 1, ____, from Mandatory Sinking Account Payments made by the District at a redemption price equal to the principal amount thereof, without premium, in the aggregate respective amounts and on the respective dates as set forth in the following table.

Sinking Account Redemption Date (August 1)	Principal Amount to be Redeemed
--	------------------------------------

†Maturity

EXHIBIT A
FORM OF SUPPLEMENTAL OPINION OF BOND COUNSEL

[TO COME]

PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER 3, 2016

NEW ISSUE—FULL BOOK-ENTRY

RATING:
S&P: “_____”
 See “**RATING**” herein

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. See “**TAX MATTERS**” herein.



\$ _____ *
UNION SANITARY DISTRICT
 (Alameda County, California)
Wastewater Revenue Refunding Bonds, Series 2016

Dated: As of Date of Delivery

Due: As shown below

The \$ _____ * Union Sanitary District Wastewater Revenue Refunding Bonds, Series 2016 (the “Bonds”) are being issued by the Union Sanitary District, Alameda County California (the “District”), in fully registered form without coupons and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”). Payments of the principal of and interest on the Bonds will be made by _____, as trustee for the Bonds (the “Trustee”), to DTC, which is obligated in turn to remit such principal and interest to DTC participants for subsequent disbursement to the beneficial owners of the Bonds. The Bonds are being issued pursuant to an Indenture, dated as of October 1, 2016 (the “Indenture”), by and between the District and the Trustee. Interest on the Bonds will be payable semi-annually on each February 1 and August 1, commencing on February 1, 2017.

The Bonds are being issued to provide funds to (i) refund the District’s obligations under various prior agreements with the California State Water Resources Control Board, the proceeds of which were used to finance improvements to the District’s wastewater system (the “Wastewater System”), and (ii) pay the costs of issuing the Bonds. See “**THE FINANCING PLAN**” herein.

The Bonds are payable from the net revenues (the “Net Revenues”) of the Wastewater System, derived primarily from charges and revenues received by the District from the operation of the Wastewater System, less the costs of the operation and maintenance of the Wastewater System. The Net Revenues are pledged, as a first and prior lien thereon, to pay the principal of and interest on the Bonds on a parity, as to payment and security, with any parity obligations issued or incurred by the District in accordance with the Indenture, as described herein (the “Parity Obligations”). The District has covenanted to set rates and charges for the services provided by the Wastewater System that are reasonably estimated to be sufficient to provide Net Revenues in each fiscal year equal to at least 1.20 times the aggregate Debt Service (as defined herein) on the Bonds and all Parity Obligations in that fiscal year.

The Bonds are subject to redemption prior to maturity as described herein. See “**THE BONDS—Redemption**” herein.

THE BONDS ARE LIMITED OBLIGATIONS OF THE DISTRICT, PAYABLE SOLELY FROM THE NET REVENUES AND THE OTHER FUNDS PROVIDED IN THE INDENTURE FOR THEIR PAYMENT. NEITHER THE BONDS NOR THE OBLIGATION TO PAY PRINCIPAL OF OR INTEREST THEREON CONSTITUTES A DEBT OR A LIABILITY OF THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS (OTHER THAN THE DISTRICT) AND NEITHER THE STATE OF CALIFORNIA NOR ANY OF IT’S POLITICAL SUBDIVISIONS (OTHER THAN THE DISTRICT) IS LIABLE THEREFOR. THE DISTRICT HAS NO TAXING POWER.

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND PRICES OR YIELDS*

CUSIP+ Prefix: _____

<u>Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP+ Suffix</u>	<u>Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP+ Suffix</u>
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THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR GENERAL 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 validity by Orrick Herrington & Sutcliffe LLP, Bond Counsel to the District. Certain legal matters will also be passed upon for the District by Quint & Thimmig LLP, Larkspur, California, as Disclosure Counsel, and by Burke, Williams & Sorensen, LLP, Oakland, California, counsel to the District. Certain legal matters will be passed upon for the Underwriter by Jones Hall, A Professional Law Corporation, San Francisco, California. It is anticipated that the Bonds will be delivered in definitive form through the facilities of DTC on or about October 27, 2016.



RBC Capital Markets

Dated: October __, 2016

*Preliminary, subject to change.

† Copyright 2016, American Bankers Association. CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, operated by Standard & Poor’s. 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 have been assigned by an independent company not affiliated with the District and are included solely for the convenience of the registered owners of the Bonds. Neither the District nor the Underwriter is responsible for the selection or uses of these CUSIP numbers and no representation is made as to their correctness on the Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the delivery of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission, as amended (“Rule 15c2-12”), this Preliminary Official Statement constitutes an “official statement” of the District with respect to the Bonds that has been deemed “final” by the District as of its date except for the omission of no more than the information permitted by Rule 15c2-12.

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

Estimates and Forecasts. When used in this Official Statement and in any continuing disclosure by the District, in any press release and in any oral statement made with the approval of an authorized officer of the District, the words or phrases “will likely result,” “are expected to,” “will continue,” “is anticipated,” “estimate,” “project,” “forecast,” “expect,” “intend” and similar expressions identify “forward looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, give rise to any implication that there has been no change in the affairs of the District since the date hereof.

Limit of Offering. No dealer, broker, salesperson or other person has been authorized by the District or the Underwriter to give any information or to make any representations other than those contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. This Official Statement 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 a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

Limited Scope of Information. The District has obtained certain information set forth herein from sources which are believed to be reliable, but such information is neither guaranteed as to accuracy or completeness, nor to be construed as a representation of such by the District. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof. All summaries of or references to the documents referred to in this Official Statement are made subject to the provisions of such documents and do not purport to be complete statements of any or all of such provisions. All capitalized terms used herein, unless noted otherwise, shall have the meanings prescribed in the Indenture.

Underwriter. 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 responsibility 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.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT SUCH LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANYTIME.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXCEPTION FROM THE REGISTRATION REQUIREMENTS CONTAINED IN SUCH ACT. THE BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

Website. The District maintains a website. Unless specifically indicated otherwise, the information presented on such website is not incorporated by reference as part of this Official Statement and should not be relied upon in making investment decisions with respect to the Bonds.

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DISTRICT SERVICE AREA MAP



UNION SANITARY DISTRICT

5072 Benson Road
Union City, CA 94587-2508
Phone: (510) 477-7500
<http://www.unionsanitary.com>*

Board of Directors

Tom Handley, *President*
Pat Kite, *Vice President*
Anjali Lathi, *Secretary*
Manny Fernandez, *Member*
Jennifer Toy, *Member*

District Staff and Officials

Paul Eldredge, *General Manager*
Pamela Arends-King, *Business Services Manager/Chief Financial Officer*

Special Services

Burke, Williams & Sorensen, LLP
Oakland, California
District Counsel

Fieldman, Rolapp & Associates
Irvine, California
Financial Advisor

Orrick Herrington & Sutcliffe LLP
Bond Counsel

Quint & Thimmig LLP
Larkspur, California
Disclosure Counsel

U.S. Bank National Association
San Francisco, California
Trustee

*Information therein is not incorporated by reference into this Official Statement.

OFFICIAL STATEMENT

\$ _____ *

UNION SANITARY DISTRICT
(Alameda County, California)
Wastewater Revenue Refunding Bonds, Series 2016

INTRODUCTION

General

This Official Statement, which includes the cover page and appendices hereto, provides information in connection with the sale of the Wastewater Revenue Refunding Bonds, Series 2016 (the “Bonds”), being issued by the Union Sanitary District (the “District”), in the aggregate principal amount of \$ _____*.

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.

Capitalized terms used, but not otherwise defined herein, shall have the meanings assigned thereto as set forth in APPENDIX A—SUMMARY OF THE INDENTURE—Certain Definitions.

The District

The District was formed in 1918 to serve Newark and the Centerville area of what is now the city of Fremont. Between 1949 and 1962, the Niles, Decoto, Irvington and Alvarado Sanitary Districts joined the District. The District provides wastewater collection, treatment and disposal services to the residents and businesses of the cities of Fremont, Newark and Union City, commonly referred to as the Tri-City Area, with a combined population of approximately 345,000. The Tri-City Area is located along Interstates 680 and 880, between Oakland and San Jose in southern Alameda County. See “THE DISTRICT.”

The Wastewater System

The District’s wastewater system (the “Wastewater System”) provides wastewater collection, treatment and disposal services to its users. See “THE WASTEWATER SYSTEM.”

Purpose of the Bonds

The Bonds are being issued to provide funds to (a) refund the District’s obligations under various prior agreements with the California State Water Resources Control Board (the “State Water Board”), the

* Preliminary, subject to change.

proceeds of which were used to finance improvements to the Wastewater System (collectively, the “Prior Agreements”), and (ii) pay the costs of issuing the Bonds. See “THE FINANCING PLAN.”

Authority for Issuance

The Bonds are authorized pursuant to the provisions of Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 (commencing with section 53570) of the California Government Code (the “Law”), a resolution adopted by the Board of Directors of the District on September 26, 2016 (the “Resolution”), and an Indenture (the “Indenture”), dated as of October 1, 2016, by and between the District and U.S. Bank National Association, as trustee (the “Trustee”).

Pledge of Net Revenues

The Bonds are payable from the net revenues (the “Net Revenues”) of the Wastewater System, derived primarily from charges and revenues received by the District from the operation of the Wastewater System, less the costs of the operation and maintenance of the Wastewater System. The Net Revenues are pledged, as a first and prior lien thereon, to pay the principal of and interest on the Bonds on a parity, as to payment and security, with any parity obligations issued or incurred by the District in accordance with the Indenture, as described herein (the “Parity Obligations”). See “SECURITY FOR THE BONDS—Pledge of Net Revenues and Other Amounts.”

Rate Covenant

The District has covenanted to set rates and charges for the services provided by the Wastewater System that are reasonably estimated to be sufficient to provide Net Revenues in each fiscal year equal to at least 1.20 times the aggregate Debt Service of the Bonds and all Parity Obligations in that fiscal year. See “SECURITY FOR THE BONDS—Rate Covenant.”

Additional Obligations

Additional obligations secured by and payable from the Net Revenues on a parity with or subordinate to the Bonds may be issued or incurred provided that certain conditions set forth in the Indenture are met. See “SECURITY FOR THE BONDS—Limitations on Future Obligations Secured by Net Revenues.”

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 corporate trust 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.” Initially, principal of and interest on the Bonds will be payable when due by wire of the Trustee to The Depository Trust Company (“DTC”), which will in turn remit such interest and principal to DTC Participants (as defined herein), which will in turn remit such interest and principal to Beneficial Owners (as defined herein) of the Bonds. See “THE BONDS—Book-Entry Only System.”

Redemption

The Bonds are subject to redemption prior to their stated maturity dates, as described herein. See “THE BONDS—Redemption.”

Form of Bonds

The Bonds will be dated as of 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. Any Bond may, in accordance with its terms, be transferred or exchanged, pursuant to the provisions of the Indenture. See “THE BONDS—General Provisions.”

Book-Entry System

The Bonds will be registered in the name of Cede & Co., as nominee of DTC. DTC will act as securities depository for the Bonds. Ownership interests in the Bonds may be purchased in denominations of \$5,000 or any integral multiple thereof, in book-entry form only. Upon receipt of payments of principal of and interest on the Bonds, DTC will in turn remit such principal and interest to the participants in DTC for subsequent disbursement to the beneficial owners of the Bonds. See “THE BONDS—Book-Entry Only System” below and APPENDIX F—BOOK-ENTRY ONLY SYSTEM.

Risks of Investment

The Bonds are repayable only from certain money available to the District from the Wastewater System. For a discussion of some of the risks associated with the purchase of the Bonds, see “RISK FACTORS RELATING TO THE BONDS.”

THE BONDS ARE LIMITED OBLIGATIONS OF THE DISTRICT, PAYABLE SOLELY FROM THE NET REVENUES AND THE OTHER FUNDS PROVIDED IN THE INDENTURE FOR THEIR PAYMENT. NEITHER THE BONDS NOR THE OBLIGATION TO PAY PRINCIPAL OF OR INTEREST THEREON CONSTITUTES A DEBT OF THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS AND NEITHER THE STATE OF CALIFORNIA NOR ANY OF IT’S POLITICAL SUBDIVISIONS (OTHER THAN THE DISTRICT) IS LIABLE THEREFOR. THE DISTRICT HAS NO TAXING POWER.

Continuing Disclosure

The District has covenanted, for the benefit of the owners and beneficial owners of the Bonds, to provide certain financial information and operating data relating to the Wastewater System by not later than nine months following the end of each Fiscal Year (currently June 30), and to provide notices of the occurrence of certain enumerated events. See “CONTINUING DISCLOSURE” and APPENDIX C—PROPOSED FORM OF CONTINUING DISCLOSURE CERTIFICATE.

Forward-Looking Statements

This Official Statement, and particularly the information contained under the headings entitled “THE FINANCING PLAN,” “ESTIMATED SOURCES AND USES OF FUNDS,” “SECURITY FOR THE BONDS,” “THE WASTEWATER SYSTEM” AND APPENDIX D—TRI-CITY AREA

AND ALAMEDA COUNTY SUPPLEMENTAL INFORMATION, contains statements relating to future results that are “forward-looking statements” as defined in the Private Securities Litigation Reform Act of 2000. When used in this Official Statement, the words “estimate,” “forecast,” “intend,” “expect” and similar expressions identify forward-looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material. The District is not obligated to issue any updates or revisions to the forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based occur. See “RISK FACTORS RELATING TO THE BONDS.”

Other Matters

There follows in this Official Statement brief descriptions of the Bonds, the security for the Bonds, the Indenture, the District, the Wastewater System, and certain other information relevant to the issuance of the Bonds. The descriptions and summaries of documents herein do not purport to be comprehensive or definitive, and reference is made to each such document for the complete details of all its respective terms and conditions. All statements herein with respect to such documents are qualified in their entirety by reference to each such document for the complete details of all of their respective terms and conditions. All statements herein with respect to certain rights and remedies are qualified by reference to laws and principles of equity relating to or affecting creditors’ rights generally. Copies of the Indenture are available for inspection during business hours at the corporate trust office of the Trustee.

The information and expressions of opinion herein speak only as of the date of this Official Statement and are subject to change without notice. Neither delivery of this Official Statement nor any sale made hereunder nor any future use of this Official Statement shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof.

All financial and other information presented in this Official Statement has been provided by the District from its records, except for information expressly attributed to other sources. The presentation of information, including the table of receipts from taxes and other revenues, is intended to show recent historic information and is not intended to indicate future or continuing trends in the financial or other affairs of the District. No representation is made that past experience, as it might be shown by such financial and other information, will necessarily continue or be repeated in the future.

Other Information

This Official Statement speaks only as of its date and the information contained herein is subject to change without notice. Copies of the Indenture are available from the District upon written request to the District, 5072 Benson Road, Union City, California, 94587, Attention: Business Services Manager/Chief Financial Officer. The District may impose a charge for copying, mailing and handling expenses related to any request for documents.

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds are as follows:

<u>Sources:</u>	
Principal Amount of Bonds	
Plus: Net Original Issue Premium	
TOTAL SOURCES	_____
 <u>Uses:</u>	
Deposit to Refunding Fund (1)	
Costs of Issuance (2)	
TOTAL USES	_____

- (1) Amount required to prepay the Prior Obligations. See “THE FINANCING PLAN.”
 (2) Costs of Issuance include the Underwriter’s discount, legal fees, printing costs, rating agency fees and other miscellaneous expenses.

THE FINANCING PLAN

A portion of the proceeds of the Bonds will be applied, on the date of delivery of the Bonds, to the prepayment of the Prior Agreements. The Prior Agreements are described as follows:

Prior Agreement	Project Financed	Maturity Date	Interest Rate	Outstanding Amount
2003 State Revolving Fund Loan	Irvington Equalization Storage Facilities	8/30/23	2.4%	\$ 5,788,299.13
2008 State Revolving Fund Loan	Willow/Central Avenue Sanitary Sewer Rehabilitation	11/16/27	2.4%	1,118,546.77
2008 State Revolving Fund Loan	Newark Pump Station	1/26/30	2.7%	7,903,117.32
2008 State Revolving Fund Loan	Lower Hetch Hetchy Sewer Rehabilitation	11/17/28	2.7%	1,513,896.27
2009 State Revolving Fund Loan	Cedar Boulevard Sanitary Sewer Rehabilitation	2/26/30	2.5%	1,488,826.70
2011 State Revolving Fund Loan	Alvarado Wastewater Treatment Plant Primary Clarifiers	1/15/33	2.7%	7,956,091.33
2011 State Revolving Fund Loan	Replacement of Substation 1	2/28/32	2.6%	2,038,013.70
2011 State Revolving Fund Loan	Replacement of Boyce Road Lift Station	3/31/33	2.6%	5,590,616.43
2014 State Revolving Fund Loan	Thickener Control Building Improvements	3/31/36	2.1%	9,642,775.00
Total				\$43,040,182.68

In addition, a portion of the proceeds of the Bonds will be applied to pay the costs of issuance of the Bonds.

DEBT SERVICE REQUIREMENTS

Annual debt service on the Bonds (assuming no redemptions of the Bonds) is presented below.

Maturity	Principal	Interest	Total
2/1/2017			
8/1/2017			
8/1/2018			
8/1/2019			
8/1/2020			
8/1/2021			
8/1/2022			
8/1/2023			
8/1/2024			
8/1/2025			
8/1/2026			
8/1/2027			
8/1/2028			
8/1/2029			
8/1/2030			
8/1/2031			
8/1/2032			
8/1/2017			
8/1/2033			
TOTALS			

THE BONDS

Authority for Issuance

The Bonds are authorized pursuant to the provisions of the Law, the Resolution and the Indenture.

General Provisions

The Bonds will be dated as of their date of delivery and issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple thereof. The Bonds will mature in the amounts and on the dates, and bear interest at the rates per annum, set forth on the cover page of this Official Statement.

Repayment of the Bonds. Interest on the Bonds will be payable on February 1 and August 1 in each year, beginning February 1, 2017 (each an “Interest Payment Date”), to the person whose name appears in the registration books required to be kept by the Trustee as the Holder thereof at the close of business as of the Record Date next preceding each Interest Payment Date, such interest to be paid by check mailed by first class mail on each Interest Payment Date to the Holder at such Holder’s address as it appears on such registration books or, at the option of any Holder, by wire transfer on each Interest Payment Date of immediately available funds to an account in a bank or trust company or savings bank that is a member of the Federal Reserve System and is located in the United States of America according to written instructions given by such Holder to the Trustee by the applicable Record Date.. Principal of any Bond will be paid upon

presentation and surrender thereof at the Principal Corporate Trust Office of the Trustee in St. Paul, Minnesota. Both the principal of and interest on the Bonds will be payable in lawful money of the United States of America.

The Bonds will bear interest based on a 360-day year comprised of twelve 30-day calendar months from the Interest Payment Date next preceding the date of authentication thereof, unless they are authenticated on a day during the period from the day after a Record Date for an Interest Payment Date to such Interest Payment Date, both dates inclusive, in which event they shall bear interest from such Interest Payment Date, and unless they are authenticated on a day on or before the Record Date for the first Interest Payment Date, in which event they shall bear interest from their date; 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 Interest Payment Date to which interest has previously been paid or made available for payment thereon.

DTC as Registered Owner. The Bonds will initially be issued in book-entry only form, registered in the name of Cede & Co., as nominee of DTC. Purchasers of the Bonds will not receive certificates representing their interests therein, which will be held at DTC. See “THE BONDS—Book-Entry Only System.”

Redemption

Optional Redemption. The Bonds maturing on and after August 1, 20__, are subject to redemption prior to their respective stated maturity dates at the option of the District, from any source of available funds, as a whole or in part (in such amounts and maturities as may be specified by the District, or if the District fails to specify such maturities, in inverse order of maturity) on any date on or after August 1, 20__, at a redemption price equal to the principal amount of the Bonds called for redemption, together with accrued interest thereon to the date fixed for redemption, without premium. The District is required to give the Trustee (unless waived by the Trustee) written notice at least twenty-five (25) days (or such lesser time period acceptable to the Trustee) before any date fixed for the optional redemption of any Bonds, designating the amounts and maturities called for redemption and the date of such redemption.

Extraordinary Redemption. The Bonds are subject to extraordinary redemption prior to their respective stated maturity dates at the option of the District, from Net Proceeds, as a whole or in part (in such amounts and maturities as may be specified by the District, or if the District fails to specify such maturities, in inverse order of maturity) on any date, at a redemption price equal to the principal amount of the Bonds called for redemption, together with accrued interest thereon to the date fixed for redemption, without premium. The District is required to give the Trustee (unless waived by the Trustee) written notice at least twenty-five (25) days (or such lesser time period acceptable to the Trustee) before any date fixed for the extraordinary redemption of any Bonds, designating the amounts and maturities called for redemption and the date of such redemption

Partial Redemption of Bonds. If less than all Bonds of any maturity or any given portion thereof are to be redeemed at any one time, the Trustee will select the Bonds of such maturity or any given portion thereof to be redeemed, by lot, in any manner that the Trustee in its sole discretion deems appropriate and fair. For purposes of such selection, Bonds or portions thereof must be in integral multiples of \$5,000 and, in selecting Bonds for redemption, each Bond will be treated as representing that number of Bonds as is obtained by dividing the principal amount of such Bond by \$5,000 any such \$5,000 multiple may be separately redeemed.

Notice of Redemption. Notice of redemption will be mailed by first-class mail by the Trustee, not less than twenty (20) nor more than sixty (60) days prior to the redemption date to the respective Holders of the Bonds designated for redemption at their addresses appearing on the registration books of the Trustee. Each notice of redemption will state the date of such notice, the redemption price, the place of redemption (including the name and appropriate address of the Trustee), and, if less than all of the Bonds are to be redeemed, the 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 will also state that on said date there will become due and payable on each of said Bonds the redemption price thereof and in the case of a Bond to be redeemed in part only, the specified portion of the principal amount thereof to be redeemed, together with interest accrued thereon to the redemption date, and that from and after such redemption date interest thereon will cease to accrue, and will require that such Bonds be then surrendered at the address of the Trustee specified in the redemption notice. Neither failure to receive any such notice nor any defect therein will affect the validity of the proceedings for redemption of such Bonds or the cessation of the accrual of interest on the redemption date.

In the case of optional or extraordinary redemption, the notice may state (i) that it is conditioned upon the deposit of money, in an amount equal to the amount necessary to effect the redemption, with the Trustee no later than the redemption date or (ii) that the District retains the right to rescind such notice on or prior to the scheduled redemption date (in either case, a “Conditional Redemption”), and such notice and optional redemption will be of no effect if such money is not so deposited or if the notice is rescinded.

Any Conditional Redemption may be rescinded in whole or in part at any time prior to the redemption date if the District delivers a Certificate of the District to the Trustee instructing the Trustee to rescind the redemption notice. The Trustee will give prompt notice of such rescission to the affected Holders. Any Bonds subject to Conditional Redemption where redemption has been rescinded will remain Outstanding, and the rescission will not constitute an Event of Default. Further, in the case of a Conditional Redemption, the failure of the District to make funds available in part or in whole on or before the redemption date will not constitute an Event of Default, and the Trustee will give prompt notice to the affected Holders that the redemption did not occur and that the Bonds called for redemption and not so paid remain Outstanding.

Effect of Redemption. If notice of redemption has been properly given and money for the payment of the redemption price of the Bonds called for redemption is held by the Trustee, then on the redemption date designated in the notice, the Bonds so called for redemption will become due and payable, and from and after the date so designated interest on such Bonds will cease to accrue, and the Holders of such Bonds will have no rights in respect thereof.

All Bonds redeemed will be cancelled by the Trustee and will be destroyed with a certificate of destruction furnished to the District, if it so requests, and will not be reissued.

Book-Entry Only System

The Bonds will be registered in the name of Cede & Co., as registered owner and nominee of DTC. DTC will act as securities depository for the Bonds so purchased. Individual purchases will be made in book-entry form. One fully registered Bond certificate will be issued for each maturity of the Bonds having the same interest rate, in the aggregate principal amount of such maturity and will be deposited with DTC. Purchasers will not receive a certificate representing their beneficial ownership interest in Bonds. So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the Holders

or registered owners shall mean Cede & Co. as aforesaid, and shall not mean the “Beneficial Owners” of the Bonds. In this Official Statement, the term “Beneficial Owner” shall mean the person for whom a DTC Participant acquires an interest in the Bonds. See APPENDIX F—BOOK-ENTRY ONLY SYSTEM.

So long as Cede & Co. is the registered owner of the Bonds, principal of and interest on the Bonds are payable by wire transfer of same day funds by the Trustee to Cede & Co., as nominee for DTC. DTC is obligated, in turn, to remit such amounts to the DTC Participants for subsequent disbursement to the Beneficial Owners. See APPENDIX F—BOOK-ENTRY ONLY SYSTEM.

SECURITY FOR THE BONDS

Pledge of Net Revenues and Other Amounts

The District irrevocably pledges the Net Revenues to the payment of the Bonds and the Parity Obligations without priority or distinction of one over the other and the Net Revenues will not be used for any other purpose while any of the Bonds remain Outstanding; provided that out of the Net Revenues there may be apportioned such sums for such purposes as are expressly permitted in the Indenture. This pledge constitutes a first and exclusive lien on Net Revenues. In addition, the District irrevocably pledges all amounts (including proceeds of the sale of the Bonds) held by the Trustee in any fund or account established under the Indenture (other than amounts on deposit in the Rebate Fund) to the payment of the interest on and principal of the Bonds as provided therein and such amounts may not be used for any other purpose while any of the Bonds remain Outstanding; provided, however, that out of such amounts there may be applied such sums for such purposes as are permitted under the Indenture.

The Indenture defines “Net Revenues” as, for any period, the Revenues for such period less the Operation and Maintenance Costs for such period.

The Indenture defines “Revenues” as all income, rents, rates, fees, charges and other moneys derived from the ownership or operation of the Wastewater System determined in accordance with generally accepted accounting principles, consistently applied, including, without limiting the generality of the foregoing, (1) all income, rents, rates, fees, charges, business interruption insurance proceeds, connection fees and charges or other moneys derived by the District from the Wastewater Service or other services, facilities, and commodities sold, furnished or supplied through the facilities of or in the conduct or operation of the business of the Wastewater System; (2) the earnings on and income derived from the investment of amounts described in clause (1) above and from District reserves held for the Wastewater System; and (3) the proceeds derived by the District directly or indirectly from the sale, lease or other disposition of a part of the Wastewater System; but excluding (a) the proceeds of taxes; (b) customers’ deposits or any other deposits or advances subject to refund until such deposits or advances have become the property of the District; and (c) advances or contributions in aid of construction. Notwithstanding the foregoing, there shall be deducted from current Revenues any amounts transferred into the Rate Stabilization Fund from current Revenues and there shall be added to current Revenues any amounts transferred out of the Rate Stabilization Fund.

The Indenture defines “Operation and Maintenance Costs” as costs spent or incurred by the District for maintaining and operating the Wastewater System, calculated in accordance with generally accepted accounting principles consistently applied, including the expenses of maintenance, repair, billing and collection, and other expenses incurred to maintain and preserve the Wastewater System in good repair

and working order, and including administrative costs of the District, salaries and wages of employees, payments to employee retirement systems, overhead, taxes (if any), fees, compensation and expenses of auditors, accountants, attorneys, engineers, trustees, paying agents, credit enhancement providers, liquidity providers, hedge providers, remarketing agents, or other consultants or similar entities, and insurance premiums, in each case as attributable to the Wastewater System, but excluding in all cases (1) depreciation, replacement and obsolescence charges or reserves therefor, (2) amortization of intangibles or other bookkeeping entries of a similar nature, (3) costs of capital additions, replacements, betterments, extensions or improvements to the Wastewater System that under generally accepted accounting principles are chargeable to a capital account or to a reserve for depreciation, and (4) interest charges and charges for the payment of indebtedness.

The Indenture defines “Wastewater System” as the whole and each and every part of the wastewater collection, conveyance, treatment and disposal system of the District, including all real property and buildings, including the portion thereof existing on the date of the Indenture, and including all additions, betterments, extensions and improvements to such Wastewater System or any part thereof thereafter acquired or constructed.

Allocation of Net Revenues

In order to carry out and effectuate the pledge of and lien on Net Revenues, the District agrees and covenants that all Revenues shall be received by the District in trust and shall be deposited when and as received in a special fund designated as the “Revenue Fund”, which fund the District agrees and covenants to maintain and to hold separate and apart from other funds so long as any Bonds remain Outstanding. Moneys in the Revenue Fund shall be used and applied by the District only in the following order as provided in the Indenture:

- (a) The District shall pay all Operation and Maintenance Costs (including amounts reasonably required to be set aside in contingency reserves for Operation and Maintenance Costs, the payment of which is not then immediately required) as they become due and payable and shall make such deposits to the Rate Stabilization Fund as it may determine from time to time; and
- (b) The District shall pay the principal of and interest on the Bonds and pay all Parity Obligations and make any deposits or transfers required to be made by the District pursuant to the Indenture and all Parity Obligation Contracts, in each case at the times and in the amounts required by the Indenture and each Parity Obligation Contract.

As long as all such payments required to be paid by the District have been paid and all deposits or transfers required to be made by the District have been made at the times and in the amounts required by the Indenture, Revenues on deposit in the Revenue Fund may be applied and used by the District for any lawful purpose.

Debt Service Fund

On or before each Interest Payment Date, the District, from amounts in the Revenue Fund, shall transfer to the Trustee, for deposit in the Debt Service Fund, a sum equal to the amount of interest on and principal of and mandatory sinking fund payments for the Bonds becoming due on such Interest Payment Date; provided, no such transfer need be made if the amount on deposit in the Debt Service Fund is at least

equal to the amount of interest on and principal of and mandatory sinking fund payments for the Bonds becoming due on such Interest Payment Date.

All money on deposit in the Debt Service Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on and principal of and mandatory sinking fund payments for the Bonds as such interest, principal and mandatory sinking fund payments become due and payable.

Rate Stabilization Fund

From time to time the District may deposit into the Rate Stabilization Fund, from current Revenues, such amounts as the District shall determine and the amount of available current Revenues shall be reduced by the amount so transferred. The District may also deposit amounts in the Rate Stabilization Fund from any lawfully available source other than current Revenues and the amount of available current Revenues shall not be reduced by the amounts so transferred. Amounts may be transferred from the Rate Stabilization Fund and deposited in the Revenue Fund, and any amounts so transferred shall be deemed Revenues when so transferred. Deposits to and transfers from the Rate Stabilization Fund for each Fiscal Year shall be made within 270 days after the end of such Fiscal Year. All interest or other earnings upon amounts in the Rate Stabilization Fund may be withdrawn therefrom and accounted for as Revenues.

Rate Covenant

Amount of Rates and Charges. The District shall, to the extent permitted by law (including, without limitation, Section 6 of Article XIID of the California Constitution), fix, prescribe and collect rates and charges for the Wastewater Service in each Fiscal Year that are reasonably estimated to yield during each Fiscal Year Adjusted Net Revenues for such Fiscal Year equal to the Coverage Requirement for such Fiscal Year.

“Coverage Requirement” means, with respect to any specified period, an amount of Adjusted Net Revenues for the specified period equal, in each case, to at least (1) 120% of the Debt Service for all Outstanding Bonds and Parity Obligations for the specified period and (2) 100% of all obligations of the District payable from Net Revenues in the specified period.

The District may make adjustments from time to time in such rates and charges and may make such classification thereof as it deems necessary, but shall not reduce the rates and charges then in effect unless the Adjusted Net Revenues from such reduced rates and charges will at all times be sufficient to meet the rate covenant described above. So long as the District has complied with the rate covenant described above, the failure of the Adjusted Net Revenues for any Fiscal Year to be equal to at least the Coverage Requirement for such Fiscal Year shall not constitute an Event of Default under the Indenture.

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

Limitations on Future Obligations Secured by Net Revenues

Parity Obligations. After the issuance of the Bonds, the District may at any time and from time to time issue, incur or create any Parity Obligations; provided:

(i) there shall not have occurred and be continuing an Event of Default under the terms of the Indenture (or the issuance, incurrence or creation of such Parity Obligations will cure any such Event of Default); and

(ii) the District obtains or provides a certificate or certificates prepared by the District or at the District's option by a Consultant showing that either:

(1) the Adjusted Net Revenues for either the most recent Fiscal Year for which audited financial statements are available or any 12 consecutive calendar month period (selected by the District) during the 18 consecutive calendar month period ending immediately prior to the issuance, incurrence or creation of such additional Parity Obligations were at least equal to the Coverage Requirement for the most recently completed Fiscal Year, including in the calculation of the Coverage Requirement for this purpose the Average Annual Debt Service for the additional Parity Obligations to be issued, incurred or created; and for the purpose of providing such certificate or certificates, the District or the District's Consultant, as applicable, may adjust the Adjusted Net Revenues for such Fiscal Year or 12 calendar month period, as the case may be, to reflect:

(A) an allowance for Net Revenues that would have been derived from each new connection to the Wastewater System that was made prior to the issuance, incurrence or creation of such additional Parity Obligations but which was not in existence during all or any part of such Fiscal Year or 12 calendar month period under consideration, in an amount equal to the estimated additional Net Revenues that would have been derived from each such connection if it had been made prior to the beginning of such Fiscal Year or 12 calendar month period; provided that such certificate or certificates shall show that the amount of Adjusted Net Revenues for the Fiscal Year or 12 calendar month period under consideration was equal to at least 100% of the Debt Service for all outstanding Bonds and Parity Obligations for such Fiscal Year or 12 calendar month period before making any allowance for new connections to the Wastewater System pursuant to this subparagraph (A), and

(B) an allowance for Net Revenues that would have been derived from any increase in the rates, fees and charges fixed and prescribed for Wastewater Service which became effective prior to the issuance, incurrence or creation of such additional Parity Obligations but which was not in effect during all or any part of such Fiscal Year or 12 calendar month period, in an amount equal to the estimated additional Net Revenues that would have been derived from such increase in rates, fees and charges if it had been in effect prior to the beginning of such Fiscal Year or 12 calendar month period; or

(2) the estimated Adjusted Net Revenues for each of the five full Fiscal Years next following the earlier of (x) the end of the period during which interest on such additional Parity Obligations is to be capitalized or, if no interest is capitalized, the Fiscal Year in which such additional Parity Obligations are issued, incurred or created, or (y) the date on which substantially all projects financed with the proceeds of such additional Parity Obligations plus all projects

financed with all existing Parity Obligations are expected to commence operations, will be at least equal to the Coverage Requirement for each such Fiscal Year; and for the purpose of providing such certificate or certificates, the District or the District's Consultant, as applicable, may adjust the foregoing estimated Adjusted Net Revenues to reflect:

(A) an allowance for Net Revenues that are estimated to be derived from any increase in the rates, fees and charges for Wastewater Service which have been adopted and which will be in effect during all or any portion of the period for which such estimates are provided; and

(B) an allowance for Net Revenues that are estimated to be derived from new connections to the Wastewater System reasonably expected during all or any portion of the period for which such estimates are provided in an amount equal to the additional Net System Revenues that are estimated to be derived from such connections; provided that such certificate or certificates shall show that the estimated Adjusted Net Revenues for each of the five Fiscal Years for which such estimates are provided will be equal to at least 100% of the Debt Service for all outstanding Bonds and Parity Obligations for each such Fiscal Year before making any allowance for new connections to the Wastewater System pursuant to this subparagraph (B).

For purposes of clause (2) above, with respect to Operation and Maintenance Costs, the District or the District's Consultant, as applicable, shall use such assumptions (which shall be set forth in such certificate or certificates) as such believes to be reasonable, taking into account: (i) historical Operation and Maintenance Costs, (ii) Operation and Maintenance Costs associated with any additions, improvements or betterments to or extensions or replacements of the Wastewater System to be financed with the proceeds of such additional Parity Obligations and any other new additions, improvements or betterments to or extensions or replacements of the Wastewater System during the period for which such estimates are provided and (iii) such other factors, including inflation and changing operations or policies, as the District or the District's Consultant, as applicable, believes to be appropriate.

Notwithstanding the foregoing, the District may at any time issue, incur or create Parity Obligations that are Reimbursement Obligations or issue, incur or create Parity Obligations under a Hedge Agreement provided that such Reimbursement Obligations or Hedge Agreement relate to Parity Obligations or anticipated Parity Obligations.

Notwithstanding the foregoing, the District may at any time issue, incur or create Parity Obligations for the purpose of refunding, refinancing or prepaying any obligation payable from Net Revenues (including the payment of any costs incurred in connection with such refunding, refinancing or prepayment and the creation of such Parity Obligations and the creation of reserve funds, if any, for such Parity Obligations).

Nothing contained in the Indenture limits the ability of the District to issue, incur or create obligations payable from the Net Revenues on a basis that is subordinate in both payment and lien priority to the Bonds and any other Parity Obligations.

THE DISTRICT

General Background

The District was formed in 1918 to serve Newark and the Centerville area of what is now Fremont. Between 1949 and 1962, the Niles, Decoto, Irvington, and Alvarado Sanitary Districts joined the District. The District is an independent special district which provides wastewater collection treatment and disposal services to the residents and businesses of the cities of Fremont, Newark and Union City, commonly referred to as the Tri-City Area, with a combined population of approximately 347,000. The Tri-City Area is located along Interstates 680 and 880, between Oakland and San Jose in southern Alameda County (the “County”). Independent special districts are voted into existence by the citizens they serve and are sanctioned under California law to perform specific local government functions within certain boundaries. The District was organized under sections 6400-6830 of the California Health & Safety Code, the Sanitary District Act of 1923.

The District is governed by an elected Board of Directors which is accountable to the public. The Directors are members of the community they represent.

Service Area and Land Use

The District includes approximately 60.2 square miles in the Tri-City Area of the County, within most of the cities of Fremont, Newark and Union City. The developable portion of the District includes a largely residential community with approximately two percent (2%) of parcels in the District devoted to commercial uses and one percent (1%) of parcels in the District devoted to industrial uses. The District maintains 811 miles of sewers in the Tri-City Area.

Additional demographic and economic information relating to the Tri-City Area and the County is set forth in APPENDIX D—TRI-CITY AREA AND ALAMEDA COUNTY SUPPLEMENTAL INFORMATION.

Governance and Management

The District is governed by a five-member Board of Directors, which is independently and directly elected by voters to staggered four-year terms. The Board appoints the General Manager to manage and oversee the day-to-day operations. The members of the Board, their occupations, and the expiration date of their terms are as follows:

<u>Board Member</u>	<u>Position</u>	<u>Term Expires (December)</u>
Tom Handley	President	2018
Pat Kite	Vice President	2020
Anjali Lathi	Secretary	2020
Manny Fernandez	Member	2020
Jennifer Toy	Member	2018

Management and Employees

The District employs approximately 138 staff and operates in a team based environment and uses the Balanced Scorecard as a model for its strategic plan and performance measurement tool. Departments

are referred to as Workgroups. There are five Workgroups managed by directors and within the Workgroups there are teams managed by Coaches (mid-managers). The five Workgroups are Business Services (BS); Collection Services (CS); Fabrication Maintenance and Construction (FMC); Technical Support and Customer Service (TSCS); and Treatment and Disposal Services (TDS).

BS supports the District's organization, employees and customers through its Finance, Purchasing, Materials Management, Organizational Support, Human Resources and Information Technology activities. CS maintains the District's sewer mains through construction, maintenance, and television-inspection of its lines. The group also provides planning and scheduling services, fleet and equipment maintenance, building and grounds maintenance and data administration support.

FMC provides professional equipment installation, operation, service, and repair that supports the District's plant, pump stations, and administrative offices. TSCS provides engineering and capital improvement project management services, enforcement of the District's ordinances and specifications for sewer construction and repairs, calculation of sewer service charges, and implementation of environmental protection and compliance programs. TDS is responsible for safe, reliable, and effective operation of the District's wastewater treatment plant and its associated equipment. The group provides plant operations, laboratory, and support services.

Budget Process and Financial Statements

The District holds a mid-year workshop with the Board of Directors in January or February. The purpose of this workshop is to provide current year-to-date budget vs. actual information, projections for the end of the year, and a first look at budget issues for the upcoming fiscal year. In April there is a subsequent workshop, providing the upcoming fiscal year's projected budget, including revenue estimates, operating costs, capital projects, rates, and special projects. The budget workshops give the Board of Directors the opportunity to comment, ask questions, make recommendations for changes, and provide direction to staff. At the first Board meeting in June, the preliminary (draft) budget is brought to the Board of Directors as an information item, noting any changes since the workshop. The final budget is typically reviewed and approved at the second Board meeting in June.

Budgetary controls are maintained by the District to ensure compliance with the annual budget adopted by the Board of Directors. All financial activities for the fiscal year are included in the annual budget, along with the ten years of the 20 year capital improvement budget. Budgetary control is maintained at the Work Group level for administrative and operating budgets, and at the project level for capital improvements. Monthly budget reports are provided to the Executive Team and Board of Directors. The Executive Team conducts a detailed quarterly review, as well.

Attached is APPENDIX B—COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2015, which contains the financial results of the District. Rates for user charges and bond issuance authorizations are approved by the District's governing board.

The audited combined financial statements of the District for prior years are available upon request. Such request should be directed to the District, 5072 Benson Road, Union City, California, 94587, Attention: Business Services Manager/Chief Financial Officer.

WASTEWATER SYSTEM

The District owns and manages the Wastewater System. Its service area is 60.2 square miles with over 347,000 residents and over 3,000 commercial or industrial customers. The number of sewer connections for residential, commercial and industrial is 110,038. The District maintains 811 miles of gravity flow pipeline, 19.5 miles of pressurized force main pipeline, 7 remote pump stations and one waste water treatment plant. The Wastewater Treatment Plant (the “WWTP”) has a permitted capacity of 33 million gallons per day (mgd) and it treats an average of 21.85 million gallons of wastewater each day. Currently the WWTP discharges an average of 22 million gallons a day to San Francisco Bay. In recent years, this flow rate has decreased as a result of water conservation measures, but solids loadings have continued to increase as development in the service area progresses. The WWTP currently meets the National Pollutant Discharge Elimination System (NPDES) permit requirements for secondary treatment by using activated sludge as its biological liquid treatment process. The District’s treatment also includes primary and secondary clarification, and chlorination. The solids are handled on site through sludge thickening, digestion, and dewatering. The WWTP has a cogeneration facility located next to the primary anaerobic digesters, which uses the digesters’ biogas to produce electricity and heat.

Wastewater Treatment Plant

The WWTP is owned and managed by the District. WWTP Staff are responsible for the treatment of wastewater in an environmentally safe manner to ensure its discharge meets the NPDES water quality requirements. The WWTP treats approximately eight billion gallons of sewage and beneficially reuses or disposes of 20,000 wet tons of biosolids each year. WWTP staff conduct thousands of laboratory tests each year to monitor the performance of the plant. The Environmental Compliance team administers the Industrial Pre-Treatment Program; and monitors Industrial User Compliance through daily observation and weekly analysis of discharge. WWTP operations are funded by user fees charged to customers for Sanitary Sewer Service.

Regulatory Requirements

The District is an agency member of the East Bay Dischargers Authority (EBDA), a Joint Powers Agency that consists of five local agencies. EBDA was formed in 1974 to collectively manage the wastewater treatment and disposal of the agencies. EBDA also provides services to the cities of Pleasanton, Dublin and Livermore through an agreement with the Livermore-Amador Valley Water Management Agency (LAVWMA). The combined final effluent from the EBDA and LAVWMA agencies is dechlorinated and discharged from the EBDA Common Outfall to Lower San Francisco Bay. Because the District discharges treated wastewater to waters of the state through the East Bay Dischargers Authority (“EBDA”) and the Hayward marsh, the District’s wastewater operations are subject to many regulatory requirements. These requirements are contained in the Federal Water Pollution Control Act, as amended, (the “Clean Water Act”), and in the State of California Porter Cologne Water Quality Control Act of 1969, as amended. Both federal and State regulations are administered through the California State Water Resources Control Board (“SWRCB”), and generally deal with the quality of effluent discharged from the sewer treatment facilities, the disposal of sludge from the wastewater treatment plant, the discharge of pollutants into the groundwater and the nature of waste material (particularly industrial waste) discharged into the collection system. There were grant related requirements regarding planning methodologies, design criteria, construction activities, and the operation, maintenance and financing of facilities. The Environmental Protection Agency works with the SWRCB to enforce applicable water quality objectives by allowing the SWRCB to issue discharge permits called NPDES permits. The District has three NPDES permits, EBDA Permit (NPDES No. CA0037869), Old Alameda Creek (Emergency Wet Weather. NPDES No. CA0038733) and the Hayward

Marsh (NPDES No. CA0038636). The District believes it is in compliance with all applicable regulatory requirements related to the Wastewater System.

Capital Improvement Program

The Capital Improvement Program, or CIP, is a 20-year plan that identifies capital projects, budget amounts and sources, as well as planning schedule and priority. Funding sources for the CIP program are usually through low interest loans from the California State Water Resources Board or pay-as-you-go from the Sewer Service Charges and Capacity Fees (connection fees) collected. For FY17, the CIP budget represents about 23% of the overall District budget. Capital projects are identified from studies and master plans, as well as customer needs and regulatory requirements.

The proposed improvements and the sources for payment are described in the following table:

**TABLE 1
UNION SANITARY DISTRICT
FIVE YEAR CAPITAL IMPROVEMENT PLAN**

	<u>FY 2016-17</u>	<u>FY 2017-18</u>	<u>FY 2018-19</u>	<u>FY 2019-20</u>	<u>FY 2020-21</u>
PROJECT CATEGORY					
Administrative Facilities	—	\$ 200,000	\$ 600,000	\$ 600,000	\$ 4,250,000
Collection Systems	\$ 4,300,000	2,000,000	500,000	1,950,000	4,500,000
Transport Systems	4,450,000	2,070,000	4,210,000	6,600,000	5,100,000
Treatment Systems	<u>7,550,000</u>	<u>10,425,000</u>	<u>25,075,000</u>	<u>28,500,000</u>	<u>20,150,000</u>
TOTAL	<u>\$16,300,000</u>	<u>\$14,695,000</u>	<u>\$30,385,000</u>	<u>\$37,650,000</u>	<u>\$34,000,000</u>
FUNDING SOURCE					
Sewer Service Charges	\$11,475,000	\$11,445,000	\$16,299,000	\$19,000,000	\$19,000,000
State Revolving Fund Loans			3,038,500	5,800,000	8,880,000
Capacity Fees	<u>4,825,000</u>	<u>3,250,000</u>	<u>11,047,500</u>	<u>12,850,000</u>	<u>6,120,000</u>
TOTAL	<u>\$16,300,000</u>	<u>\$14,695,000</u>	<u>\$30,385,000</u>	<u>\$37,650,000</u>	<u>\$34,000,000</u>

Source: Union Sanitary District.

Sources of Revenues

The District receives its revenue from four primary sources: sewer service charges, capacity fees, other minor operating revenues such as permits, inspections and outside work that the District performs in cooperation with other municipalities, and interest earnings on reserve funds.

Customer Base

The Wastewater System currently serves an area of approximately 60.2 square miles, which includes the majority of the Tri-City Area, with an estimated population of 345,000.

The District charges sewer connection fees to customers in four primary categories: residential, commercial and institutional, and industrial. The charges for commercial, industrial, and institutional use

are based on factors such as square footage, flow, COD, and suspended solids. Revenues from capacity fees are used to fund capital projects and upgrades that preserve or increase the system's capacity.

The tables below show the current number of connections of the Wastewater System by user category and service charge revenues.

**TABLE 2
UNION SANITARY DISTRICT
NUMBER OF CONNECTIONS BY USER CATEGORY**

User Category	Fiscal Year									
	2011-12		2012-13		2013-14		2014-15		2015-16	
	No. of Users	% of Total								
Residential	106,255	97.2%	106,562	97.2%	106,841	97.3%	107,299	97.3%	106,916	97.3%
Commercial	1,151	1.1	1,154	1.1	1,287	1.1	1,287	1.1	1,288	1.1
Industrial	1,337	1.2	1,345	1.2	1,346	1.2	1,348	1.2	1,346	1.2
Institutional	359	0.3	358	0.3	232	0.2	233	0.2	232	0.2
Other (Multiple Use)	255	0.2	253	0.2	253	0.2	257	0.2	256	0.2
Total All Users	109,357	100.0%	109,672	100.0%	109,959	100.0%	115,977	100.0%	110,038	100.0%

Source: Union Sanitary District.
Residential = Living Unit, Non-Residential = Parcels

**TABLE 3
UNION SANITARY DISTRICT
REVENUES BY USER CATEGORY**

User Category	Fiscal Year				
	2011-12	2012-13	2013-14	2014-15	2015-16
Residential	\$30,741,855.62	\$32,373,075.35	\$34,310,868.49	\$36,407,135.41	\$38,232,125.00
Commercial	2,550,010.96	2,756,643.57	3,348,187.04	3,697,782.35	3,604,284.87
Industrial	4,097,682.67	3,929,503.62	4,091,834.29	4,484,564.50	4,658,484.84
Institutional	1,094,477.17	1,152,746.87	979,237.72	1,044,492.95	1,035,324.15
Other	2,054,437.79	2,255,251.74	2,443,475.80	2,751,673.77	2,637,267.76
Total All Users	\$40,538,494.21	\$42,467,221.15	\$45,171,603.34	\$48,385,648.98	\$50,167,486.62

Source: Union Sanitary District.

The ten largest customers of the Wastewater System, as measured by Wastewater service charge billings for Fiscal Year 2015-16, are responsible for approximately 3.36% of Wastewater System revenues in

Fiscal Year 2015-16. The following table shows Wastewater service charge billings for the ten largest customers of the Wastewater System in Fiscal Year 2015-16.

TABLE 4
UNION SANITARY DISTRICT
REVENUE PROVIDED BY TEN LARGEST CUSTOMERS
Fiscal Year 2015-16

User	Type of Business	Revenue	% of Total Revenue
Tesla	Auto Manufacturer	\$ 469,466	0.94%
Western Digital	Electronics	218,616	0.44%
Seagate Technology #3	Solar Systems	152,100	0.30%
Washington Hospital	Medical	147,910	0.30%
US Pipe	Manufacturing	123,218	0.25%
Marriott Hotel	Hotel	119,716	0.24%
Kaiser Hospital	Medical	118,369	0.24%
Ranch 99/Warm Springs Shopping Center	Real Estate	115,458	0.23%
Pacific Commons (Area 4-Asian Pearl/Kinders etc)	Real Estate	112,498	0.22%
Pacific Commons (Kohls/Old Navy Area)	Real Estate	108,357	0.22%
Total of Top Ten		<u>\$1,685,708</u>	<u>3.36%</u>

Source: Union Sanitary District.

Total Fiscal Year 2015-16 Wastewater System revenues were \$50,112,566.

Rate Setting Process

The wastewater service charges are established by resolution adopted by a majority vote of the District Board and become effective immediately. Prior to rate increases being implemented they must be presented to the rate payers through a Proposition 218 protest hearing process. This process has been completed for the rate increases associated with this financing. See “CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND FEES.”

The District conducted a Cost of Services Analysis (the “COSA”) during FY 2015/16. The COSA was completed to establish a five-year rate structure. Prior to the COSA, the District raised rates on an annual basis. To establish a more efficient means to meet future obligations, the decision was made to do a five-year rate structure. The COSA developed estimates of operating costs, capital projects needs and maintaining reserves. Customers were notified of the new rate structure and a Proposition 218 protest hearing was held. The new five-year rate structure was approved by the Board of Directors and became effective July 1, 2016. During the annual budget process staff will revisit the approved rate structure and determine if the rate structure still meets the needs of the District. Every five years the District will conduct a COSA and a new rate structure will be developed if needed.

Current Rate Structure

Rate changes are enacted by the District Board based upon the recommendations of District staff. The most recent rate increase is the first year of a five-year rate increase and was imposed on July 1, 2016,

by Ordinance No. 31.39. The five-year wastewater rate increases will be reviewed on an annual basis and another rate study will be conducted in fiscal year 2020.

The sewer service rates are divided into four primary categories of customers: residential, commercial and institutional, and industrial. The calculation of the sewer service charge for the various categories of customers is based upon their average flow, as well as contribution of their projected suspended solids (SS) and chemical oxygen demand (COD).

The following tables show the five-year history of the Wastewater System rates:

**TABLE 5
UNION SANITARY DISTRICT
HISTORICAL ANNUAL WASTEWATER RATES - SERVICE CHARGE**

User Category	Calendar Year				
	2012	2013	2014	2015	2016
Residential (SFD)	\$ 304.33	\$ 319.55	\$ 337.76	\$ 357.02	\$ 377.00
Residential (MFD)	268.73	282.17	298.25	315.25	326.00
Commercial*	2,215.48	2,388.77	2,601.54	2,873.18	2,798.36
Industrial*	3,064.34	2,921.56	3,039.99	3,326.83	3,460.99
Institutional*	3,048.68	3,219.96	4,220.85	4,502.13	4,462.60
Other*	8,056.62	8,914.04	9,658.02	10,706.90	10,301.83

Source: Union Sanitary District.

*Varies based on strength and loadings. Average charges are shown,

**TABLE 6
UNION SANITARY DISTRICT
HISTORICAL CAPACITY FEE - CAPACITY FEE**

User Category	Calendar Year				
	2012	2013	2014	2015	2016
Residential (SFD)	\$4,404.30	\$4,844.73	\$5,329.20	\$5,595.26	\$5,595.26
Commercial*					
Industrial*					
Institutional*					
Other*					

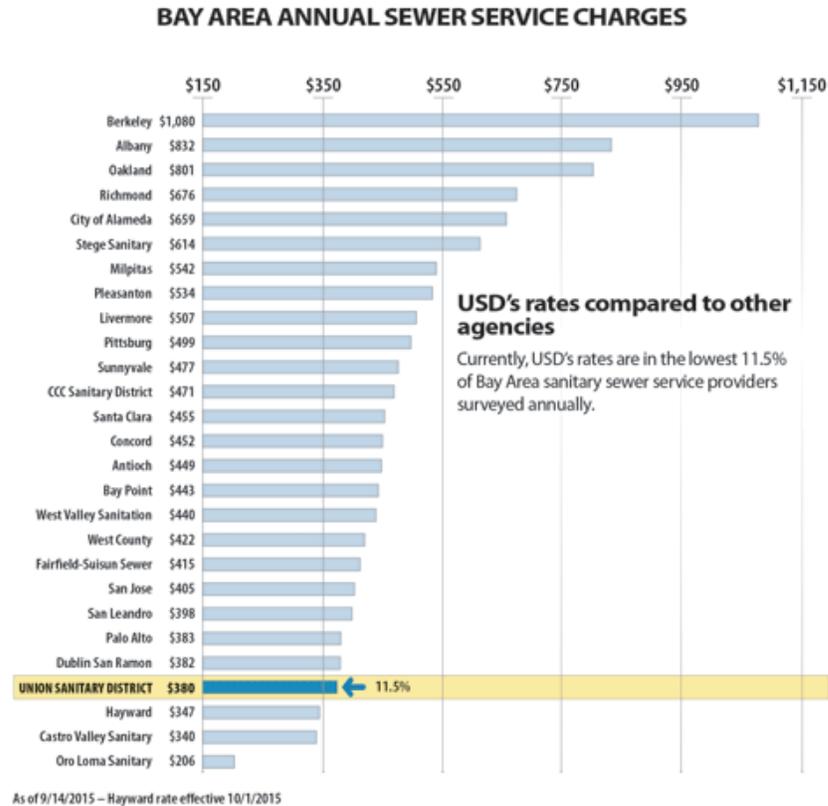
Source: Union Sanitary District.

*Varies. Average charges are shown,

Comparative Rates

The following table presents a comparison of the District's current average annual residential sewer charge and connection fee with other nearby communities.

TABLE 7
UNION SANITARY DISTRICT
COMPARISON OF ANNUAL WASTEWATER RATES - RESIDENTIAL
(As of September 14, 2015)



Source: Union Sanitary District.

Billing Practices and Collection

Billing Procedures. Each year the District transmits its sewer service charges to the County Treasurer-Tax Collector for collection on the County property tax roll. The property tax billings are due in two equal installments on December 10 and April 10. The District generally receives the first and second installments from the County in December and April, respectively, with final reconciliation payments in June and July.

Delinquent Charges. The Board of Supervisors of the County has adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"), as provided for in section 4701 et seq. of the California Revenue and Taxation Code. Under the Teeter Plan, each taxing entity receives 100% of the taxes and assessments levied, without regard to delinquencies.

The District's wastewater rates and charges are currently covered under the County's Teeter Plan. *However, there can be no assurance that the County will not choose to discontinue the Teeter Plan in the future, or modify its Teeter Plan to exclude or limit the coverage for sanitary districts, or choose to remove the District from its Teeter Plan coverage. At the date of this Official Statement, no such discontinuation or removal is under consideration.*

No Information Regarding Delinquencies. No information is available from the County regarding actual delinquency rates. All enforcement and collection is handled by the County. The District has no independent procedure for enforcing the collection of its rates and charges.

Wastewater System Financial Statements

The District's audited financial statements for the fiscal year ended June 30, 2015 are attached hereto as APPENDIX B—COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE DISTRICT FOR FISCAL YEAR ENDED JUNE 30, 2015.

Wastewater System Financial Information

The following table presents a five-year summary of the revenues, expenses and net income of the District.

TABLE 8
UNION SANITARY DISTRICT
SUMMARY OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	Fiscal Year				
	2012-13	2013-14	2014-15	2015-16 Unaudited**	2016-17
	Audited	Audited	Audited	Actuals	Budget
OPERATING REVENUES					
Sewer service charges	42,339,311	45,139,420	48,379,254	50,112,566	48,430,260
Other operating revenues	1,163,802	1,370,017	1,581,031	1,791,783	1,235,000
Total operating revenues	<u>43,503,113</u>	<u>46,509,437</u>	<u>49,960,285</u>	<u>51,904,349</u>	<u>49,665,260</u>
OPERATING EXPENSES					
Sewage treatment	16,088,929	15,410,523	14,956,369	15,540,023	16,901,536
Sewage collection and engineering	11,954,345	10,869,755	10,763,530	11,386,980	12,312,015
General and administration	6,111,468	6,634,688	6,910,857	6,897,695	8,482,127
Depreciation	16,782,481	17,219,109	17,899,765	17,379,112	—*
Total operating expenses	<u>50,931,049</u>	<u>50,134,075</u>	<u>50,530,521</u>	<u>51,203,810</u>	<u>37,695,678</u>
Operating income/(loss)	<u>(7,427,936)</u>	<u>(3,624,638)</u>	<u>(570,236)</u>	<u>700,539</u>	<u>11,969,582</u>
NON-OPERATING REVENUES/(EXPENSES)					
Net investment income and net realized gain/loss	178,690	180,041	160,790	496,439	345,000
Interest Expense	(1,138,677)	(1,106,609)	(971,695)	(916,967)	(916,967)
Loss on retirement of capital assets	(1,473,080)	(796,735)	(1,165,160)	(30,472)	—*
Loss on equity investment in East Bay Dischargers Authority	(89,170)	(92,180)	(86,652)	(160,540)	—*
Total non-operating revenue/(expense)	<u>(2,522,237)</u>	<u>(1,815,483)</u>	<u>(2,062,717)</u>	<u>(611,540)</u>	<u>(571,967)</u>
Income/(loss) before capital contributions and transfers	(9,956,347)	(5,440,121)	(2,632,953)	89,000	11,397,615
Connection fees and capital contributions	7,072,821	4,201,932	9,595,219	9,096,372	4,372,000
Transfers in/(out)	-	-	-	-	-
CHANGES IN NET POSITION	<u>(2,883,526)</u>	<u>(1,238,189)</u>	<u>6,962,266</u>	<u>9,185,372</u>	<u>15,769,615</u>
NET POSITION, beginning of year	<u>353,867,248</u>	<u>350,983,722</u>	<u>318,083,098⁽¹⁾</u>	<u>325,045,364</u>	<u>325,045,364</u>
NET POSITION, end of year	<u>350,983,722</u>	<u>349,745,533</u>	<u>325,045,364</u>	<u>334,230,732</u>	<u>340,814,979</u>

Source: Union Sanitary District and Union Sanitary District CAFRs for Fiscal Years 2012-13 through 2014-15.

- (1) Restated in FY2014-15 from \$349,745,533 to \$318,083,098 to record beginning net pension liability and deferred outflows of resources as a result of implementing GASB 68 and 71.
- (2) *The District does not formally budget for these items.
- (3) **Pending final audit entries.

The following table presents a five-year summary of the statements of net position of the District.

**TABLE 9
UNION SANITARY DISTRICT
STATEMENTS OF NET POSITION**

	Fiscal Year				
	2011-12	2012-13	2013-14	2014-15	2015-16
	Audited	Audited	Audited	Audited	Unaudited Actuals
ASSETS					
<u>Current assets:</u>					
Cash, cash equivalents	1,508,810	643,752	994,203	2,100,320	3,256,503
Investments	50,335,929	50,804,062	44,648,195	49,924,414	62,438,844
Accounts receivable, net	2,961,626	2,771,607	3,260,774	3,404,733	3,179,897
Interest receivable	192,858	99,811	79,360	106,021	216,019
Inventory	522,515	596,396	657,399	712,956	761,415
Other	19,609	21,659	21,257	20,967	27,901
Total Current assets	55,541,347	54,937,287	49,661,188	56,269,411	69,880,579
<u>Noncurrent assets:</u>					
Non-depreciable capital assets					
Land and improvements	5,395,903	5,593,929	5,593,929	5,395,903	5,395,903
Construction in progress	25,094,235	31,800,155	16,012,340	23,033,750	32,974,397
Capacity permits and easements	6,043,632	6,043,632	6,217,872	6,415,898	6,415,898
Depreciable capital assets, net					
Utility plant in service	604,087,703	609,293,880	643,759,521	650,926,132	657,171,954
Less: Accumulated depreciation	(304,052,027)	(317,689,873)	(332,826,021)	(346,477,805)	(363,531,980)
Other assets					
Restricted cash and cash equivalents	113,296	-	-	221,827	404,968
Restricted investments	20,000	10,000	10,000	15,000	10,000
Net OPEB asset	1,425,564	1,435,718	1,443,759	1,449,455	1,452,553
Investment in EBDA	6,561,617	6,472,447	6,380,267	6,293,616	6,133,075
Total Noncurrent assets	344,689,923	342,959,888	346,591,667	347,303,776	346,426,768
Total Assets	400,231,270	397,897,175	396,252,855	403,573,187	416,307,347
DEFERRED OUTFLOWS/INFLOWS OF RESOURCES					
Deferred inflows related to pensions	-	-	-	2,973,280	TBD
Deferred outflows related to pensions	-	-	-	(6,052,085)	TBD
LIABILITIES					
<u>Current liabilities:</u>					
Accounts payable and accrued expenses	4,566,395	3,738,900	4,097,356	3,030,544	5,460,344
Customer deposits	263,021	381,542	588,996	520,628	842,855
Accrued payroll and related expenses	660,306	671,896	861,253	961,515	506,116
Interest payable	405,430	557,503	573,706	546,052	512,067
Current portion of compensated absences	838,581	915,281	897,896	903,086	979,801
Current portion of long-term debt	3,301,150	3,742,291	2,127,760	2,176,157	2,176,157
Total Current liabilities	10,034,883	10,007,413	9,146,967	8,137,982	
<u>Noncurrent liabilities:</u>					
Long-term debt, net of current portion	36,329,139	36,906,040	37,360,355	39,685,317	40,894,752
Net pension liability	-	-	-	27,625,719	32,077,101
Total Noncurrent liabilities	36,329,139	36,906,040	37,360,355	67,311,036	72,971,853
Total Liabilities	46,364,022	46,913,453	46,507,322	75,449,018	
NET POSITION					
Net investment in capital assets	296,939,157	294,393,392	299,269,526	297,462,404	295,355,264
Restricted for capital projects	15,123,448	16,093,405	14,165,399	16,351,121	20,060,205
Restricted for SRF loan contingency reserve	4,222,930	4,204,415	3,457,379	3,457,379	3,457,380
Unrestricted	37,581,713	36,292,510	32,853,229	7,774,460	15,357,883
Total Net position	353,867,248	350,983,722	349,745,533	325,045,364	334,230,732

Source: Union Sanitary District and Union Sanitary District CAFRs for Fiscal Years 2011-12 through 2014-15.

Outstanding Debt

The only outstanding debt of the District are the Prior Agreements to be prepaid from the proceeds of the Bonds.

Historical Revenues, Expenditures and Debt Service Coverage

The following table presents Wastewater System revenues and expenditures for each of the five fiscal years ended June, 30, 2012, through 2016, including debt coverage for the District's obligations payable from Net Revenues:

TABLE 10
UNION SANITARY DISTRICT
HISTORICAL REVENUES, EXPENDITURES AND DEBT SERVICE COVERAGE

	Fiscal Year				
	2011-12	2012-13	2013-14	2014-15	2015-16
Operating Revenue:					
Sewer Service Charges	40,630,578	42,339,311	45,139,420	48,379,254	50,112,566
Other revenue	1,027,357	1,163,802	1,370,017	1,581,031	1,791,783
Total Operating Revenue	41,657,935	43,503,113	46,509,437	49,960,285	51,904,349
Less Operating expenses	29,919,729	34,154,742	32,914,966	32,630,756	33,824,698
Net Operating Revenue	11,738,206	9,348,371	13,594,471	17,329,529	18,079,651
Non-operating Revenue					
Investment earnings	248,337	178,690	180,041	160,790	496,439
Capital improvement fees	2,848,488	2,864,810	3,315,007	4,820,637	7,233,338
Other					
Total Non-operating Revenues	3,096,825	3,043,500	3,495,048	4,981,427	4,729,777
Net Revenues Available for Debt Service	14,835,031	12,391,871	17,089,519	22,310,956	22,809,428
Prior Agreements Combined Debt Service					

Debt Service Coverage

Source: Union Sanitary District.

Projection of Revenues, Expenditures and Debt Service Coverage

The following table presents a summary of the projected operating results of the Wastewater System, debt service and debt service coverage for the five fiscal years ending June 30, 2017, through June 30, 2021.

The projections are based on the following assumptions.

Revenues: The projected revenues assumes the overall increase in sewer accounts is less than 1% and an average annual increase in sewer service charges of 3.4%

Expenses: The projections assume annual Operation and Maintenance Costs of the Wastewater System will increase 4% annually, primarily as a result of inflation, increased pension costs and increased costs for operations and maintenance.

Interest earnings: The projections assume annual interest earnings on Wastewater Funds will continue to be the same as fiscal year 2016.

The following table represents the District’s estimate of projected financial results based upon its judgment of the most probable occurrence of certain important future events. Actual operating results achieved during the projection period may vary from those presented in the forecast and such variations may be material. The obligation of the District to pay debt service with respect to the Bonds is limited to Net Revenues and the District is not obligated to apply any other revenues to pay debt service with respect to the Bonds.

**TABLE 11
UNION SANITARY DISTRICT
PROJECTION OF REVENUES, EXPENDITURES AND DEBT SERVICE COVERAGE**

	Fiscal Year				
	2016-17	2017-18	2018-19	2019-20	2020-21
Operating Revenue:					
Charges for services	50,404,690	54,485,532	56,672,805	58,947,892	61,314,320
Other revenues	1,860,000	907,300	907,300	907,300	907,300
Total Operating Revenue	52,264,690	55,392,832	57,580,105	59,855,192	62,221,620
Non-operating Revenues					
Developer connection fees	8,935,000	2,800,000	2,800,000	2,800,000	2,800,000
Interest Earnings	475,500	303,631	261,756	233,010	277,273
Total Non-operating Revenue	9,410,500	3,103,631	3,061,756	3,033,010	3,077,273
Total Revenue	61,675,190	58,496,463	60,641,861	62,888,202	65,298,893
Less: Operating Expenses:					
Personnel services	23,888,246	26,426,035	27,813,733	29,283,745	30,841,517
Services and Supplies	15,619,476	12,287,981	12,637,476	12,998,332	13,370,924
Total Operating Expenses	39,507,722	38,714,016	40,451,209	42,282,077	44,212,441
Net Revenues Available for Debt Service	22,167,468	19,782,447	20,190,652	20,606,125	21,086,452
2016 Bonds (1)					
Total Debt Service (1)					
Debt Service Coverage (1)					

Source: Union Sanitary District
(1) Estimated.

Environmental Hazards

See "RISK FACTORS RELATING TO THE BONDS" regarding the environmental hazards described below.

Earthquakes. Like other areas within the State, the District is located in a seismically active area. The San Andreas, Hayward and Rodgers Creek Faults, which are known active faults, are located in the County.

Tsunamis. A tsunami is a large ocean wave generated by an earthquake in or near the ocean. Parts of the District lying along the San Francisco Bay or its inlets are located in a tsunami inundation area.

Flooding. Large parts of the District are located within the 100-year flood zone, meaning that there is a probability of their being flooded once every 100 years (or a one percent chance of being flooded in any one year).

Wildfire. Portions of the District are also at moderate to high risk of wildfires.

Risk Management

The District is a member of the California Sanitation Risk Management Authority (“CSRMA”). CSRMA covers general liability and workers’ compensation claims. In addition, commercial insurance is purchased for excess liability, property, and employee dishonesty coverage. The District has a \$500,000 deductible for general liability coverage, and no deductible for workers’ compensation coverage.

Claims and judgments, including a provision for claims incurred but not reported, are recorded when a loss is deemed probable of assertion and the amount of the loss is reasonably determinable. As discussed above, the District has coverage for such claims, but it has retained the risk for the deductible or uninsured portion of these claims. The District’s liability for uninsured claims is limited to general liability claims, as discussed above. Settled claims have not exceeded coverage in any of the past three years.

Joint Ventures

Alameda County Water District Financing Authority. The Alameda County Water District Financing Authority, a Joint Powers Authority, was established through Joint Exercise of Powers Agreement between the Alameda County Water District (“ACWD”) and the District on November 14, 2011 for the purpose of assisting in the financing and refinancing of capital improvement projects of the ACWD and to finance working capital for the ACWD. The assets, debts, liabilities, and obligations of the Authority do not constitute assets, debts, liabilities, and obligations of the District. The Authority is administered by the Board, which consists of one member from the District and five members from the Alameda County Water District.

Investment in East Bay Dischargers Authority. The District has an 18.7 percent interest in East Bay Discharges Authority (“EBDA”), a Joint Powers Authority established under the Joint Exercise of Powers Act of the State of California. As a separate legal entity, EBDA exercises full power and authority within the scope of the related Joint Powers Agreement, including the preparation of annual budgets, accountability for all funds, the power to make and execute contracts and the right to sue and be sued. Obligations and liabilities of EBDA are not those of the District and the other participating entities.

EBDA constructed and operates an export pumping facility through which all treated wastewater in the area is discharged. The other participants (and their ownership percentages) are the City of Hayward

(33 percent), the City of San Leandro (18.6 percent), and the Oro Loma and Castro Valley Sanitary Districts (collectively, 29.7 percent). The District has rights to 18.7 percent of EBDA's capacity.

EBDA is governed by a board of directors consisting of representatives from each member agency. The board controls the operations of EBDA, including selection of management and approval of operating budgets, independent of any influence by member agencies beyond their representation on the Board.

Because the District has the ability to exercise influence over operating and financial policies of the EBDA, the District's proportionate share of EBDA's net position, excluding sole use of facilities, and the District's share of its undivided ownership (18.7 percent) in EBDA's total net equity, has been recorded as an investment in EBDA accounted for under the equity method.

During fiscal year ended June 30, 2015 and 2014, the District was charged \$1,152,054 and \$1,052,368, respectively, by EBDA primarily for operating costs. Such costs are included in the wastewater treatment expenses by the District for financial reporting purposes.

The financial statement for EBDA may be obtained from the EBDA, 2651 Grant Avenue, San Lorenzo, CA 94580-1841.

Pension Plan

Plan Description. All qualified permanent employees are eligible to participate in the District's separate Miscellaneous Plan, agent multiple employer defined benefit pension plan administered by the California Public Employees Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website at:

<http://www.calpers.ca.gov/index.jsp?bc=/about/forms-pubs/calpers-reports/actuarial-reports/home.xml>

Benefits Provided. CalPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

Employees Covered. At June 30, 2015, the following employees were covered by the benefit terms for the Plan:

Inactive employees or beneficiaries currently receiving benefits	143
Inactive employees entitled to but not yet receiving benefits	69
Active employees	132
Total	<u>344</u>

Source: Union Sanitary District 2014-15 CAFR.

Contributions. Section 20814(c) of the California Public Employees' Retirement law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in rate. Funding contributions for both Plans are determined annual on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rates of employees.

For the year ended June 30, 2015 the average employee contribution rate was 8.0 of annual payroll, and the District's average rate was 17.410 of annual payroll. The total contributions to the plan were \$2,973,280 for the year ended June 30, 2015.

Net Pension Liability. The District's net pension liability for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of each of the Plan is measured as of June 30, 2014, using an annual actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014.

The changes in the Net Pension Liability for the Plan are as follows:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2013	110,669,156	76,577,853	34,091,303
Service cost	2,338,837	-	2,338,837
Interest on total pension liability	8,205,194	-	8,205,194
Contribution - employer	-	2,428,874	(2,428,874)
Contribution - employee	-	1,356,767	(1,356,767)
Net investment income	-	13,223,974	(13,223,974)
Benefit payments, including refunds of employee contributions	(4,871,998)	(4,871,998)	-
Net Changes	5,672,033	12,137,617	(6,465,584)
Balance at June 30, 2014	116,341,189	88,715,470	27,625,719

Source: Union Sanitary District 2014-15 CAFR.

Pension Expense and Deferred Outflows/Inflows of Resources Related to Pension. For the year ended June 30, 2015, the District's recognized pension expense of \$2,015,375. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	2,973,280	-
Differences between actual and projected earnings on plan investments	-	6,052,085
	2,973,280	6,052,085

Source: Union Sanitary District 2014-15 CAFR.

Payable to the Pension Plan. At June 30, 2015, the District reported a payable of \$132 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2015.

For additional information concerning the District's Pension Plan including actuarial assumptions and a discussion of discount rates, please See Note 6: PENSION PLAN in APPENDIX B—COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE DISTRICT FOR FISCAL YEAR ENDED JUNE 30, 2015.

Recent Actions by CalPERS. On February 14, 2012, the CalPERS Board of Administration voted to reduce its discount rate, which is attributable to its expected price inflation and investment rate of return (net of administrative expenses), from 7.75% to 7.5%. As a result of such discount rate decrease, among other things, (i) the amounts of CalPERS member state and employer contributions will increase by 1.2 to 1.6% for Miscellaneous plans and 2.2 to 2.4% for Safety plans beginning fiscal year 2012-13 and (ii) the amounts of CalPERS member public agency contributions will increase by 1 to 2% for Miscellaneous plans and 2 to 3% for Safety plans beginning fiscal year 2013-14.

The CalPERS Board adjustment has been undertaken in order to address underfunding of the CalPERS funds, which arose from significant losses incurred as a result of the economic crisis arising in 2008 and persists due to a slower than anticipated, subsequent economic recovery. The District is unable to predict what the amount of CalPERS liabilities will be in the future, or the amount of the CalPERS contributions which the District may be required to make.

At its April 17, 2013 meeting, the CalPERS Board of Administration approved a recommendation to change the CalPERS amortization and smoothing policies. Prior to this change, CalPERS employed an amortization and smoothing policy which spread investment returns over a 15-year period with experience gains and losses paid for over a rolling 30-year period. After this change, CalPERS will employ an amortization and smoothing policy that will pay for all gains and losses over a fixed 30-year period with the increases or decreases in the rate spread directly over a 5-year period.

The new amortization and smoothing policy were used for the first time in the June 30, 2013 actuarial valuations. These valuations were performed in the fall of 2014 and set employer contribution rates for the fiscal year 2015-16.

On February 20, 2014, the CalPERS Board of Administration adopted new mortality and retirement assumptions as part of a regular review of demographic experience. Key assumption changes included longer post-retirement life expectancy and earlier retirement ages. The impact of the assumption changes will be phased in over five years, with a twenty-year amortization, beginning in the 2016-17 Fiscal Year.

According to CalPERS, the current amortization and smoothing policy was designed to reduce volatility in employer contribution rates, and, although the policy accomplished this goal fairly well since its adoption, a number of concerns have developed:

- The use of an actuarial value of assets corridor can lead to significant single year increases to rates in years when there are large investment losses.
- The use of long asset smoothing periods and long rolling amortization periods result in slow progress toward full funding.
- The use of an actuarial value of assets requires the disclosure of two different funded statuses and unfunded liability numbers in actuarial valuation reports. This adds confusion and inhibits transparency.

- The use of rolling amortization and long asset smoothing periods makes it difficult for employers to predict when contribution rates will peak and how high that peak will be.
- The use of rolling amortization and asset smoothing periods may result in additional calculations for the new accounting standards. These calculations would be avoided with a quicker funded status recovery.

According to CalPERS, the adoption of the new smoothing and amortization policies will change future employer contribution rates, as follows:

- Funding levels will improve, which will reduce the funding level risk.
- Local agencies' plans will experience more rate volatility in normal years, but a much reduced chance of very large rate increases in years when there are large investment losses.
- Contribution rates in the near term will increase.
- Long-term contribution rates will be lower.
- There will be greater transparency about the timing and impact of future employer contribution rate changes.
- The new policy eliminates the need for an actuarial value of assets. As a result, there will be only one funded status and unfunded liability in actuarial reports.
- There will be less confusion when the new accounting standards are implemented since there will be no need for extra liability calculations.

GASB Statement Nos. 67 and 68. On June 25, 2012, the Governmental Accounting Standards Board ("GASB") approved two new standards ("Statements") with respect to pension accounting and financial reporting standards for state and local governments and pension plans. The new Statements, No. 67 and No. 68, will replace GASB Statement No. 27 and most of Statements No. 25 and No. 50. The changes will impact the accounting treatment of pension plans in which state and local governments participate. Major changes include: 1) the inclusion of unfunded pension liabilities on the government's balance sheet (currently, such unfunded liabilities are typically included as notes to the government's financial statements); 2) more components of full pension costs being shown as expenses regardless of actual contribution levels; 3) lower actuarial discount rates being required to be used for underfunded plans in certain cases for purposes of the financial statements; 4) closed amortization periods for unfunded liabilities being required to be used for certain purposes of the financial statements; and 5) the difference between expected and actual investment returns being recognized over a closed five-year smoothing period. In addition, according to GASB, Statement No. 68 means that, for pensions within the scope of the Statement, a cost-sharing employer that does not have a special funding situation is required to recognize a net pension liability, deferred outflows of resources, deferred inflows of resources related to pensions and pension expense based on its proportionate share of the net pension liability for benefits provided through the pension plan. Because the accounting standards do not require changes in funding policies, the full extent of the effect of the new standards on the District is not known at this time.

The reporting requirements under GASB No. 68 for pension plans took effect for the fiscal year beginning July 1, 2013 and the reporting requirements for government employers, including the District, took effect for the fiscal year beginning July 1, 2014. The District's net pension liability at June 30, 2015 calculated pursuant to GASB No. 68 was estimated to be \$ _____. In order to record the District's proportionate share of net pension liability in accordance with GASB No. 68, there was a restatement to the

beginning net position of Governmental Activities. See Note 6: PENSION PLAN in APPENDIX B—COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE DISTRICT FOR FISCAL YEAR ENDED JUNE 30, 2015.

California Public Employees' Pension Reform Act of 2013. On September 12, 2012, the Governor signed into law the California Public Employees' Pension Reform Act of 2013 ("PEPRA"), which impacted various aspects of public retirement systems in the State, CalPERS program. In general, PEPRA (i) increased the retirement age for public employees depending on job function, (ii) capped the annual pension benefit payouts for public employees hired after January 1, 2013, (iii) required public employees hired after January 1, 2013 to pay at least 50% of the costs of their pension benefits (as described in more detail below), (iv) required final compensation for public employees hired after January 1, 2013 to be determined based on the highest average annual pensionable compensation earned over a period of at least 36 consecutive months, and (v) attempted to address other perceived abuses in the public retirement systems in the State. PEPRA applies to all public employee retirement systems in the State, except the retirement systems of the University of California, and charter cities and charter counties whose pension plans are not governed by State law. PEPRA's provisions went into effect on January 1, 2013 with respect to new State, school, and city and local agency employees hired on or after that date; existing employees who are members of employee associations, including employee associations of the District, have a five-year window to negotiate compliance with PEPRA through collective bargaining.

CalPERS has predicted that the impact of PEPRA on employees and employers, including the District and other employers in the CalPERS system, will vary, based on each employer's current level of benefits. As a result of the implementation of PEPRA, new members must pay at least 50% of the normal costs of the plan, which can fluctuate from year to year. To the extent that the new formulas lower retirement benefits, employer contribution rates could decrease over time as current employees retire and employees subject to the new formulas make up a larger percentage of the workforce. This change would, in some circumstances, result in a lower retirement benefit for employees than they currently earn.

The District is unable to predict the amount of future contributions it will have to make to CalPERS as a result of the implementation of PEPRA, and as a result of negotiations with its employee associations, or, notwithstanding the adoption of PEPRA, resulting from any legislative changes regarding the CalPERS employer contributions that may be adopted in the future.

Post-Employment Health Care Benefits (OPEB)

Plan Description. The District's defined benefit postemployment healthcare plan provides medical benefits to employees who satisfy the requirements for retirement under CalPERS (attained age 50 with five years of service or satisfaction of the requirements for a disability retirement.) The amount of the retiree's medical benefit is dependent upon both years of service with the District and the year the employee retires.

The District contracts with CalPERS to administer its retiree health benefit plan (an agent multiple-employer plan) and to provide an investment vehicle, the California Employers' Retiree Benefit Trust Fund, to prefund future OPEB costs. A menu of benefit provisions as well as other requirements is established by State statute within the Public Employees' Retirement Law. The District chooses among the menu of benefit provisions and adopts certain benefit provisions by Board resolution. CalPERS issues a separate Comprehensive Annual Financial Report. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office at 400 P Street, Sacramento, CA, 95814.

Funding Policy. The District's annual required contribution of the employer (ARC) is an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal annual costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years on a closed basis. The current ARC rate is 4% of the annual covered payroll, based on the most recent actuarial report dated July 1, 2013. The plan members receiving benefits currently do not make contributions. For the year end June 30, 2015 the District contributed \$543,540 to the plan.

The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation.

Annual Required Contribution (ARC)	543,540
Interest on net OPEB Obligations	(454)
Adjustments to Annual Required Contributions	91,758
Annual OPEB Cost	<u>537,844</u>
Contributions Made	<u>543,540</u>
Increase/(Decrease) in Net OPEB Obligation	(5,696)
Net OPEB Obligation (Asset), Beginning of the Year	<u>(1,443,759)</u>
Net OPEB Obligation (Asset), Beginning of the Year	<u><u>(1,449,455)</u></u>

Source: Union Sanitary District 2014-15 CAFR.

Trend Information. The District's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation (asset) is as follows:

Fiscal Year Ended	Annual OPEB Cost	Annual Employer Contribution	Percentage Contributed	Net OPEB Obligation
6/30/2015	537,844	543,540	101%	(1,449,445)
6/30/2014	454,811	462,852	102	(1,443,759)
6/30/2013	438,130	448,284	102	(1,435,718)

Source: Union Sanitary District 2014-15 CAFR.

Funded Status and Funding Progress. The schedule of funded status of the plan as of July 1, 2013 was as follows:

Actuarial Accrued Liability (AAL)	8,010,025
Actuarial Value of Plan Assets	3,735,506
Unfunded Actuarial Accrued Liability (UAAL)	4,274,519
Funded Ratio (Actuarial Value of Plan Assets/AAL)	46.6%
Covered Payroll (Active Plan Members)	13,743,213
UAAL as Percentage of Covered Payroll	31.1%

Source: Union Sanitary District 2014-15 CAFR.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual

revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

See Note 15: EMPLOYEE RETIREMENT PLANS in APPENDIX B—COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE DISTRICT FOR FISCAL YEAR ENDED JUNE 30, 2015.

RISK FACTORS RELATING TO THE BONDS

Payment of principal of and interest on the Bonds depends primarily upon the revenues derived from operation of the Wastewater System. Some of the events which could affect the revenues received by the Wastewater System are set forth below. The following discussion of risks is not meant to be an exhaustive list of the risks associated with the purchase of the Bonds and the order in which the risks are discussed does not necessarily reflect the relative importance of the various risks.

Limited Obligations

The Bonds are limited obligations of the District and are not secured by a legal or equitable pledge or charge or lien upon any property of the District or any of its income or receipts, except the Net Revenues. The obligation of the District to pay debt service on the Bonds from Net Revenues does not constitute an obligation of the District to levy or pledge any form of taxation or for which the District has levied or pledged any form of taxation.

The District is obligated under the Indenture to make debt service payments solely from Net Revenues. There is no assurance that the District can succeed in operating the Wastewater System such that the Net Revenues in the future will be sufficient for that purpose. See “LIMITATIONS ON RATE SETTING UNDER THE CALIFORNIA CONSTITUTION.”

Net Revenues; Rate Covenant

Net Revenues are dependent upon the demand for wastewater services, which can be affected by population factors, more stringent wastewater standards, wastewater regulations, water conservation, water shortages, problems with the District's wastewater collection and other factors, and increases in operation and maintenance expenses. There can be no assurance that wastewater service demand will be consistent with the levels contemplated in this Official Statement. A decrease in demand could require an increase in rates or charges in order to pay debt service and comply with the rate covenant contained in the Indenture.

The District's ability to meet its rate covenant and pay debt service on the Bonds may be dependent upon its ability to increase rates in the future to levels sufficient to meet debt service on the Bonds and other

Parity Obligations. See “LIMITATIONS ON RATE SETTING UNDER THE CALIFORNIA CONSTITUTION.” There can be no assurance that the District will be able to raise rates in the future in amounts sufficient to pay debt service or to meet the rate covenant. See “LIMITATIONS ON RATE SETTING UNDER THE CALIFORNIA CONSTITUTION.” While the District has covenanted to comply with the rate covenant, the rate covenant is not a guarantee that there will be sufficient Net Revenues to pay debt service.

Risks Related to Facilities and Operations

The operation of the Wastewater System and physical condition of the Wastewater System facilities are subject to a number of risk factors that could adversely affect the reliability of sewer service or increase the operating expenses of the Wastewater System. Prolonged damage to the Wastewater System could interrupt the ability of the District to realize Net Revenues sufficient to pay principal of and interest on the Bonds, require substantial increases in rates or charges in order to pay debt service and comply with the rate covenant in the Indenture (which could drive down demand for wastewater and related services), or require the District to increase expenditures for repairs significantly enough to adversely impact the District's ability to pay the principal of or interest on the Bonds.

These factors could include, among others, the following:

Aging Facilities. The Wastewater System's facilities are aging and in need of repair or replacement. Long-lived facilities result in decreased reliability due to unplanned outages and place a greater maintenance burden on District operations.

Private Sewer Laterals. Private sewer laterals are not owned or operated by the District; however, faulty private sewer laterals can increase inflow and infiltration into the District's facilities. Excessive inflow and infiltration into the facilities due to faulty sewer laterals may cause damage to the District's facilities.

Operation and Maintenance Expenses. There can be no assurance that operation and maintenance expenses of the District related to the Wastewater System will be consistent with the levels contemplated in this Official Statement.

Seismic Hazards and Natural Disasters. The Wastewater System is located in a seismically active region. From time to time, the service area of the District may be subject to other natural disasters, including without limitation wildfires, flooding and landslides, tsunamis, or manmade disasters that could interrupt operation of the Wastewater System or its wastewater treatment and disposal service provider, CMSA, or adversely affect economic activity in the District's service area. See "THE WASTEWATER SYSTEM – Environmental Hazards."

There can be no assurance that the occurrence of any natural calamity would not cause substantial damage to the Wastewater System, including exacerbated infiltration and/or inflow of ground and other waters into the Wastewater System, or that the District would have insurance or other resources available to make repairs in order to generate sufficient Net Revenues to pay debt service on the Bonds when due. The casualty and liability insurance maintained by the District may not cover damages and losses to the Wastewater System due to earthquake, fire or flood.

Statutory and Regulatory Compliance. The operation of the Wastewater System is subject to a variety of federal and State statutory and regulatory requirements. Any failure by the District to comply with applicable laws and regulations could result in significant fines and penalties. See “– Risk of Additional Fines and Litigation.” Further, compliance with these laws and regulations may result in significant increases in the capital and operating costs of the District.

Casualty Losses. The Indenture obligates the District to obtain and keep in force various forms of insurance or self-insurance, subject to deductibles, for repair or replacement of a portion of the Wastewater System in the event of damage or destruction to such portion of the Wastewater System. No assurance can be given as to the adequacy of any such self-insurance or any additional insurance to fund necessary repair or replacement of any other portion of the Wastewater System.

Limitations on Rate Setting Under the California Constitution

On November 5, 2005, the voters of the State approved Proposition 218, a constitutional initiative, entitled the “Right to Vote on Taxes Act” (“Proposition 218”). Proposition 218 added Articles XIIIIC and XIID to the California Constitution and contained a number of interrelated provisions affecting the ability of local governments, including the District, to levy and collect both existing and future taxes, assessments, fees and charges.

Section 3 of Article XIIIIC expressly extends the initiative power to give voters the power to reduce or repeal local taxes, assessments, fees and charges, regardless of the date such taxes, assessments, fees or charges were imposed. Section 3 expands the initiative power to include reducing or repealing assessments, fees and charges, which had previously been considered administrative rather than legislative matters and therefore beyond the initiative power. This extension of the initiative power is not limited by the terms of Article XIIIIC to fees imposed after November 6, 2005, the effective date of Proposition 218, and absent other legal authority could result in the reduction in any existing taxes, assessments or fees and charges imposed prior to November 6, 2005.

“Fees” and “charges” are not expressly defined in Article XIIIIC or in SB 919, the Proposition 218 Omnibus Implementation Act enacted in 1997 to prescribe specific procedures and parameters for local jurisdictions in complying with Article XIIIIC and Article XIID (“SB 919”). However, on July 24, 2006, the California Supreme Court ruled in *Bighorn-Desert View Water Agency v. Virjil (Kelley)* (the “*Bighorn Decision*”) that charges for ongoing water delivery are property-related fees and charges within the meaning of Article XIID and are also fees or charges within the meaning of Section 3 of Article XIIIIC. The California Supreme Court held that such water service charges may, therefore, be reduced or repealed through a local voter initiative pursuant to Section 3 of Article XIIIIC.

In the *Bighorn Decision*, the Supreme Court did state that nothing in Section 3 of Article XIIIIC authorizes initiative measures that impose voter-approval requirements for future increases in fees or charges for water delivery. The Supreme Court stated that water providers may determine rates and charges upon proper action of the governing body and that the governing body may increase a charge which was not affected by a prior initiative or impose an entirely new charge.

The Supreme Court further stated in the *Bighorn Decision* that it was not holding that the initiative power is free of all limitations and was not determining whether the initiative power is subject to the statutory provision requiring that water service charges be set at a level that will pay debt service on bonded debt and operating expenses. Such initiative power could be subject to the limitations imposed on the

impairment of contracts under the contract clause of the United States Constitution. Additionally, SB 919 provides that the initiative power provided for in Proposition 218 “shall not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after [the effective date of Proposition 218] assumes the risk of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights” protected by the United States Constitution. No assurance can be given that the voters of the District will not, in the future, approve initiatives which repeal, reduce or prohibit the future imposition or increase of assessments, fees or charges, including the District’s sewer service fees and charges, which are the source of Net Revenues pledged to the payment of debt service on the Bonds or any additional Parity Obligations.

Notwithstanding the fact that sewer service charges may be subject to reduction or repeal by voter initiative undertaken pursuant to Section 3 of Article XIII C, the District has covenanted to levy and charge rates which meet the requirements of the Indenture in accordance with applicable law.

Article XIII D defines a “fee” or “charge” as any levy other than an *ad valorem* tax, special tax, or assessment imposed upon a parcel or upon a person as an incident of property ownership, including a user fee or charge for a property-related service. A “property-related service” is defined as “a public service having a direct relationship to a property ownership.” In the *Bighorn Decision*, the California Supreme Court held that a public water agency’s charges for ongoing water delivery are fees and charges within the meaning of Article XIII D. Article XIII D requires that any agency imposing or increasing any property-related fee or charge must provide written notice thereof to the record owner of each identified parcel upon which such fee or charge is to be imposed and must conduct a public hearing with respect thereto. The proposed fee or charge may not be imposed or increased if a majority of owners of the identified parcels file written protests against it. As a result, the local government’s ability to increase such fee or charge may be limited by a majority protest.

The District’s sewer charge is a commodity charge based on the volume of sewer consumed. The District has ratified prior sewer rate measures and otherwise complied with the applicable notice and protest procedures of Article XIII D for its current sewer rates and charges. There has not been nor is there any pending challenge to any of the District’s sewer fees and charges approved since the effective date of Proposition 218. While the District’s counsel is of the opinion, based upon the judicial precedent in place during the period of these rate increases, that a reviewing court could reasonably uphold the validity of those increases, neither the District nor the District’s counsel can predict with certainty the outcome of a challenge to the increases in the District’s sewer rates and charges that were not approved in accordance with the notice and hearing requirements of Article XIII D if one were brought.

In addition, Article XIII D also includes a number of limitations applicable to fees and charges including provisions to the effect that (i) revenues derived from the fee or charge shall not exceed the funds required to provide the property-related service; (ii) such revenues shall not be used for any purpose other than that for which the fee or charge was imposed; (iii) the amount of a fee or charge imposed upon any parcel or person as an incident of property ownership shall not exceed the proportional cost of the service attributable to the parcel; and (iv) no such fee or charge may be imposed for a service unless that service is actually used by, or immediately available to, the owner of the property in question. Property-related fees or charges based on potential or future use of a service are not permitted.

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article XIII C of the State Constitution to expand the definition of “tax” to include “any levy, charge, or exaction of any kind imposed by a local government” except the following: (1) a charge imposed for a specific benefit

conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (5) A fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law; (6) a charge imposed as a condition of property development; and (7) assessments and property-related fees imposed in accordance with the provisions of Article XIID. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity.

Article XIID establishes procedural requirements for the imposition of assessments, which are defined as any charge upon real property for a special benefit conferred upon the real property. Standby charges are classified as assessments. Procedural requirements for assessments under Article XIID include conducting a public hearing and mailed protest procedure, with notice to the record owner of each parcel subject to the assessment. The assessment may not be imposed if a majority of the ballots returned oppose the assessment, with each ballot weighted according to the proportional financial obligation of the affected parcel.

Existing, new or increased assessments are subject to the procedural provisions of Proposition 218. However, certain assessments existing on November 6, 2005, are classified as exempt from the procedures and approval process of Article XIID. Expressly exempt assessments include (i) an assessment imposed exclusively to finance capital costs or Operation and Maintenance expenses for sewers, water, flood control and drainage systems, but subsequent increases are subject to the procedures and approval requirements; (ii) an assessment imposed pursuant to a petition signed by all affected landowners (but subsequent increases are subject to the procedural and approval requirements); (iii) assessments, the proceeds of which are used exclusively to pay bonded indebtedness, where failure to pay would violate the U.S. Constitution's prohibition against the impairment of contracts; and (iv) any assessment which has previously received approval by a majority vote of the voters (but subsequent increases are subject to the procedural and approval requirements).

On July 14, 2008, the California Supreme Court ruled in *Silicon Valley Taxpayers Association, Inc. v. Santa Clara County Open Space City* (the "SCCOSA Decision") that the Santa Clara County Open Space City's county-wide assessment which was designed to fund the acquisition and maintenance of unspecified open-space lands in the County was invalid under Proposition 218. The Court held that deference should not be accorded to local agencies when Proposition 218 legislative acts are challenged. Under Proposition 218, courts must make an independent review of whether the assessment and formation of an assessment district meet the "special benefit" and proportionality requirements of Article XIID. Further, while an assessment will not be invalidated because it confers a benefit upon the public at large, the "special benefit" must affect the assessed property in a distinct and particular manner not shared by other parcels and the public at large. Specifically, in the SCCOSA Decision the assessment did not meet the requirements of a "special benefit" and the assessment was not proportional to the special benefits conferred. Finally, the

Court held that the Santa Clara Open Space City did not meet the proportionality requirement of Article XIIIID because it did not specifically identify the improvements to be financed by the assessment and failed to sufficiently connect any costs of and benefits received from the open space assessment to the specific assessed parcels.

The District and the District's counsel are of the opinion that current sewer fees and charges that are subject to Proposition 218 comply with the provisions thereof. The District and the District's counsel are also of the opinion that current sewer capacity fees are not subject to Proposition 218. Should it become necessary to increase the sewer fees and charges above current levels, the District would be required to comply with the requirements of Article XIIIID in connection with such proposed increase. To date, there have been no legal challenges to sewer rate increases implemented by the District pursuant to Proposition 218 or otherwise. It is unclear whether under existing standards, rates and charges may be established at levels which would permit deposits to a Rate Stabilization Fund or maintenance of uncommitted cash reserves.

The interpretation and application of Proposition 218 will ultimately be determined by the courts or through implementing legislation with respect to a number of the matters described above, and it is not possible at this time to predict with certainty the outcome of such determination or the nature or scope of any such legislation.

Limited Recourse on Default

Failure by the District to pay debt service on the Bonds constitutes an event of default under the Indenture and the Trustee is permitted to pursue remedies at law or in equity to enforce the District's obligation to make such payments. Although the Trustee has the right to accelerate the total unpaid principal amount of the Bonds, there is no assurance that the District would have sufficient funds to pay the accelerated amounts.

Limitations on Remedies

The ability of the District to comply with its covenants under the Indenture and to generate Net Revenues sufficient to pay principal of and interest on the Bonds may be adversely affected by actions and events outside of the control of the District and may be adversely affected by actions taken (or not taken) by voters, property owners, taxpayers or persons obligated to pay assessments, fees and charges. See "LIMITATIONS ON RATE SETTING UNDER THE CALIFORNIA CONSTITUTION." Furthermore, the 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 remedies contained in the Indenture, the rights and obligations under the Indenture 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 limitations on legal remedies against governmental entities in the State of California. The opinions to be delivered by Bond Counsel concurrently with the issuance of the Bonds will be subject to such limitations and the various other legal opinions to be delivered concurrently with the issuance of the Bonds will be similarly qualified. See APPENDIX E—PROPOSED FORM OF BOND COUNSEL OPINION. If the District fails to comply with

its covenants in the Indenture or fails to pay principal of and interest due on the Bonds, there can be no assurance of the availability of remedies adequate to protect the interest of the holders of the Bonds.

Initiatives

In recent years several initiative measures have been proposed or adopted which affect the ability of local governments to increase taxes and rates. There is no assurance that the electorate or the State legislature will not at some future time approve additional limitations which could affect the ability of the District to implement rate increases which could reduce Net Revenues and adversely affect the security for the Bonds. See “LIMITATIONS ON RATE SETTING UNDER THE CALIFORNIA CONSTITUTION.”

Bankruptcy

The rights and remedies provided in the Indenture may be limited by and are subject to the provisions of federal bankruptcy laws, to other laws or equitable principles that may affect the enforcement of creditors’ rights, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State of California. The various opinions of counsel to be delivered with respect to the Bonds and the Indenture, including the opinion of Bond Counsel, will be similarly qualified. If the District were to file a petition under Chapter 9 of the Bankruptcy Code, the Owners of the Bonds and the District could be prohibited from taking any steps to enforce their rights under the Indenture.

Tax Exemption

The District has covenanted in the Indenture that it will take all actions permitted by law and the Indenture to assure that interest paid on the Bonds is excluded from gross income for purposes of federal income taxes and that it will take no action that could result in such interest not being excluded from gross income for purposes of federal income taxes. Future actions or omissions of the District could cause the interest on the Bonds to be included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds . See “TAX MATTERS.”

Future Parity Obligations

The Indenture permits the District to issue Parity Obligations, under which its obligations would be payable on a parity with the payment of the Bonds.

The coverage tests described in “SECURITY FOR THE BONDS-- Limitations on Future Obligations Secured by Net Revenues” involve, to some extent, projections of Net Revenues. If Parity Obligations are issued, the debt service coverage for the Bonds could be diluted below what it otherwise would be. Moreover, there is no assurance that the assumptions that form the basis of such projections, if any, will be actually realized subsequent to the date of such projections. If such assumptions are not realized, the amount of future Net Revenues may be less than projected, and the actual amount of Net Revenues may be insufficient to provide for the payment of the Bonds and any future Parity Obligations.

Secondary Market

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.

INVESTMENT OF DISTRICT FUNDS

Moneys held by the District, including Wastewater System moneys, will be invested in accordance with the District's adopted investment policies. See APPENDIX G—DISTRICT'S INVESTMENT POLICY.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (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, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the proposed form of opinion of Bond Counsel is attached hereto as APPENDIX E—PROPOSED FORM OF BOND COUNSEL OPINION.

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Beneficial Owners of the Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial

Owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

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 District has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and 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), or any other matters coming to Bond Counsel's attention after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

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 amounts treated as interest on, the Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

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, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. For example, the Obama Administration's budget proposals in recent years have proposed legislation that would limit the exclusion from gross income of interest on the Bonds to some extent for high-income individuals. The introduction or enactment of any such legislative proposals or 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 the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the District, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The District has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the District or the Beneficial Owners

regarding the tax-exempt status of the Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the District and their appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the District legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Bonds, and may cause the District or the Beneficial Owners to incur significant expense.

CERTAIN LEGAL MATTERS

The validity of the Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District. A complete copy of the proposed form of Bond Counsel opinion is contained in Appendix E hereto. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will also be passed upon for the District by Quint & Thimmig LLP, Larkspur, California, as Disclosure Counsel. Certain legal matters will be passed upon for the District by Burke Williams & Sorensen, LLP, Oakland, California and for the Underwriter by Jones Hall, A Professional Law Corporation, San Francisco, California. *Payment of the fees and expenses of Bond Counsel and Disclosure Counsel is contingent upon issuance of the Bonds.*

LITIGATION

To the best knowledge of the District, 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 District 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, a Standard & Poor's Financial Services LLC business ("S&P"), has assigned the rating of "_____" to the Bonds. Such rating reflects only the view of S&P and any desired explanation of the significance of such rating should be obtained from S&P at 55 Water Street, New York, NY 10041. 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 such rating will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely by S&P if in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price for the Bonds.

CONTINUING DISCLOSURE

The District has covenanted for the benefit of owners and beneficial owners of the Bonds to provide certain financial information and operating data relating to the Wastewater System by not later than nine months following the end of the District's fiscal year (currently ending June 30) (the "Annual Report"), commencing with the report for the fiscal year ended June 30, 2016, 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 District with the Municipal Securities Rulemaking Board through the Electronic Municipal Access (EMMA) System. The specific nature of the information to be contained in the Annual Report or the notices of enumerated events is summarized below under the caption APPENDIX C—PROPOSED FORM OF CONTINUING DISCLOSURE CERTIFICATE. These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5) (the "Rule"). The District has no prior obligations to provide continuing disclosure information under the Rule.

UNDERWRITING

The Bonds are being purchased by RBC Capital Markets, LLC (the "Underwriter") at a price of \$_____ (consisting of \$_____ aggregate principal amount of the Bonds, plus \$_____ of net original issue premium, less \$_____ of Underwriter's discount). The Underwriter may offer and sell the Bonds to certain dealers and others at prices different from the prices stated on the inside cover page of this Official Statement. The offering prices may be changed from time to time by the Underwriter.

The initial public offering prices stated on the inside cover of this Official Statement may be changed from time to time by the Underwriter. The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into investment trusts), dealer banks, banks acting as agent and others at prices lower than said public offering prices.

MISCELLANEOUS

So far as any statements made in this Official Statement involve matters of opinion, assumptions, projections, anticipated events or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact, and actual results may differ substantially from those set forth herein. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract with the owners of the Bonds.

The summaries of certain provisions of the Bonds, statutes and other documents or agreements referred to in this Official Statement do not purport to be complete, and reference is made to each of them for a complete statement of their provisions. Copies are available for review by making requests to the District.

The Appendices are an integral part of this Official Statement and must be read together with all other parts of this Official Statement. The audited financial statements of the District, including a summary of significant accounting policies, for the fiscal year ended June 30, 2015, are contained in APPENDIX B—

COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE DISTRICT FOR FISCAL YEAR ENDED JUNE 30, 2015.

The execution of this Official Statement and its delivery have been authorized by the District.

UNION SANITARY DISTRICT

By _____
General Manager

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APPENDIX A
SUMMARY OF THE INDENTURE

[TO COME]

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APPENDIX B

**COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE DISTRICT
FOR FISCAL YEAR ENDED JUNE 30, 2015**

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APPENDIX C

PROPOSED FORM OF THE CONTINUING DISCLOSURE CERTIFICATE

This CONTINUING DISCLOSURE CERTIFICATE (the “Disclosure Certificate”) is executed and delivered by the UNION SANITARY DISTRICT (the “District”) in connection with the issuance by the District of its \$ _____*Union Sanitary District (Alameda County, California) Wastewater Revenue Refunding Bonds, Series 2016 (the “Bonds”). The Bonds are being issued pursuant to an indenture, dated as of October 1, 2016 (the “Indenture”), by and between the District and U.S. Bank National Association, as trustee. The District covenants and agrees as follows:

Section 1. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Certificate, unless otherwise defined in this Section 1, the following capitalized terms shall have the following meanings when used in this Disclosure Certificate:

“*Annual Report*” shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“*Beneficial Owner*” shall mean any person who (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

“*Dissemination Agent*” shall mean the Applied Best Practices, LLC, or any successor Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation. In the absence of such a designation, the District shall act as the Dissemination Agent.

“*EMMA*” or “*Electronic Municipal Market Access*” means the centralized on-line repository for documents to be filed with the MSRB, such as official statements and disclosure information relating to municipal bonds, notes and other securities as issued by state and local governments.

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

“*MSRB*” means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information which may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

“*Owner*” or “*Bond Owner*,” when used with respect to any Bond, means the person in whose name the ownership of such Bond shall be registered.

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

“*Rule*” shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 2. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the owners and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

* Preliminary, subject to change.

Section 3. Provision of Annual Reports.

(a) *Delivery of Annual Report.* The District shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the District's fiscal year (which currently ends on June 30), commencing with the report for the 2015-16 Fiscal Year, which is due not later than March 31, 2017, file with EMMA, in a readable PDF or other electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date.

(b) *Change of Fiscal Year.* If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c), and subsequent Annual Report filings shall be made no later than nine months after the end of such new fiscal year end.

(c) *Delivery of Annual Report to Dissemination Agent.* Not later than fifteen (15) Business Days prior to the date specified in subsection (a) (or, if applicable, subsection (b)) of this Section 3 for providing the Annual Report to EMMA, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If by such date, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall notify the District.

(d) *Report of Non-Compliance.* If the District is the Dissemination Agent and is unable to file an Annual Report by the date required in subsection (a) (or, if applicable, subsection (b)) of this Section 3, the District shall send a notice to EMMA substantially in the form attached hereto as Exhibit A. If the District is not the Dissemination Agent and is unable to provide an Annual Report to the Dissemination Agent by the date required in subsection (c) of this Section 3, the Dissemination Agent shall send a notice to EMMA in substantially the form attached hereto as Exhibit A.

(e) *Annual Compliance Certification.* The Dissemination Agent shall, if the Dissemination Agent is other than the District, file a report with the District certifying that the Annual Report has been filed with EMMA pursuant to Section 3 of this Disclosure Certificate, stating the date it was so provided and filed.

Section 4. Content of Annual Reports. The Annual Report shall contain or incorporate by reference the following:

(a) *Financial Statements.* Audited financial statements of the District for the preceding fiscal year, prepared in accordance generally accepted accounting principles. If the District's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) *Other Annual Information.* To the extent not included in the audited final statements of the District, the Annual Report shall also include financial and operating data with respect to the District for preceding fiscal year, as follows:

[TO BE DETERMINED]

(c) *Cross References.* Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which are available to the public on EMMA. The District shall clearly identify each such other document so included by reference.

If the document included by reference is a final official statement, it must be available from EMMA.

(d) *Further Information.* In addition to any of the information expressly required to be provided under paragraph (b) of this Section 4, the District shall provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

Section 5. Reporting of Listed Events.

(a) *Reportable Events.* The District shall, or shall cause the Dissemination (if not the District) to, give notice of the occurrence of any of the following events with respect to the Bonds:

- (1) Principal and interest payment delinquencies.
- (2) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (3) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (4) Substitution of credit or liquidity providers, or their failure to perform.
- (5) Defeasances.
- (6) Rating changes.
- (7) Tender offers.
- (8) Bankruptcy, insolvency, receivership or similar event of the obligated person.
- (9) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.

Note: For the purposes of the event identified in subparagraph (8), the event is considered to occur when any of the following occur: the appointment of a receiver, trustee or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) *Material Reportable Events.* The District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

- (1) Non-payment related defaults.
- (2) Modifications to rights of security holders.
- (3) Bond calls.
- (4) The release, substitution, or sale of property securing repayment of the securities.
- (5) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms.
- (6) Appointment of a successor or additional trustee, or the change of name of a trustee.

(c) *Time to Disclose.* Whenever the District obtains knowledge of the occurrence of a Listed Event, the District shall, or shall cause the Dissemination Agent (if not the District) to, file a notice of such occurrence with EMMA, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(5) and (b)(3) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to owners of affected Bonds under the Indenture.

Section 6. Identifying Information for Filings with EMMA. All documents provided to EMMA under this Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 8. Dissemination Agent.

(a) *Appointment of Dissemination Agent.* The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate and may discharge any such agent, with or without appointing a successor Dissemination Agent. If the Dissemination Agent is not the District, the Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate. It is understood and agreed that any information that the Dissemination Agent may be instructed to file with EMMA shall be prepared and provided to it by the District. The Dissemination Agent has undertaken no responsibility with respect to the content of any reports, notices or disclosures provided to it under this Disclosure Certificate and has no liability to any person, including any Owner, with respect to any such reports, notices or disclosures. The fact that the Dissemination Agent or any affiliate thereof may have any fiduciary or banking relationship with the District shall not be construed to mean that the Dissemination Agent has actual knowledge of any event or condition, except as may be provided by written notice from the District.

(b) *Compensation of Dissemination Agent.* The Dissemination Agent shall be paid compensation by the District for its services provided hereunder in accordance with its schedule of fees as agreed to between the Dissemination Agent and the District from time to time and all expenses, legal fees and expenses and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall not be deemed to be acting in any fiduciary capacity for the District, owners or Beneficial Owners, or any other party. The Dissemination

Agent may rely, and shall be protected in acting or refraining from acting, upon any direction from the District or an opinion of nationally recognized bond counsel. The Dissemination Agent may at any time resign by giving written notice of such resignation to the District. The Dissemination Agent shall not be liable hereunder except for its negligence or willful misconduct.

(c) *Responsibilities of Dissemination Agent.* In addition of the filing obligations of the Dissemination Agent set forth in Sections 3(e) and 5, the Dissemination Agent shall be obligated, and hereby agrees, to provide a request to the District to compile the information required for its Annual Report at least 30 days prior to the date such information is to be provided to the Dissemination Agent pursuant to subsection (c) of Section 3. The failure to provide or receive any such request shall not affect the obligations of the District under Section 3.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate (and the Dissemination Agent shall agree to any amendment so requested by the District that does not impose any greater duties or risk of liability on the Dissemination Agent), and any provision of this Disclosure Certificate may be waived, provided that all of the following conditions are satisfied:

(a) *Change in Circumstances.* If the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a) or (b), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or the type of business conducted.

(b) *Compliance as of Issue Date.* The undertaking, as amended or taking into account such waiver, would, in the opinion of a nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances.

(c) *Consent of Owners; Non-impairment Opinion.* The amendment or waiver either (i) is approved by the Owners in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Owners or Beneficial Owners.

If this Disclosure Certificate is amended or any provision of this Disclosure Certificate is waived, the District shall describe such amendment or waiver in the next following Annual Report and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(c), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate, any Owner or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this

Disclosure Certificate. The sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. **Beneficiaries.** This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and the owners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: [Closing Date]

UNION SANITARY DISTRICT

By _____
Paul Eldredge
General Manager

ACKNOWLEDGED:

APPLIED BEST PRACTICES, LLC, as
Dissemination Agent

By _____
Authorized Officer

EXHIBIT A

NOTICE TO EMMA OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Union Sanitary District

Name of Issue: Union Sanitary District (Alameda County, California) Wastewater Revenue Refunding Bonds, Series 2016

Date of Issuance: [Closing Date]

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named Issue as required by the Continuing Disclosure Certificate dated [Closing Date], furnished by the Issuer in connection with the Issue. The Issuer anticipates that the Annual Report will be filed by _____.

Dated: _____

APPLIED BEST PRACTICES, LLC, as
Dissemination Agent

By _____
Name _____
Title _____

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APPENDIX D

TRI-CITY AREA AND ALAMEDA COUNTY SUPPLEMENTAL INFORMATION

The following information concerning the Tri-City Area and Alameda County is included only for the purpose of supplying general information regarding the community. The Bonds are not a debt of the cities of Fremont, Newark or Union City, County, the State or any of its political subdivisions, and neither the cities of Fremont, Newark and Union City, the County, the State nor any of its political subdivisions is liable therefor.

Introduction

The area consisting of the cities of Fremont, Newark (an enclave of Fremont), and Union City (formed from the communities of Alvarado and Decoto), is known as the Tri-City Area.

The City of Fremont has a population of around 230,000. It is the fourth most populous city in the San Francisco Bay Area, and the largest suburb in the Tri-City Area. The City of Newark has a population of around 45,000 residents and is an enclave, surrounded by the city of Fremont. The City of Union City has over 73,000 residents. All of the Tri-City Area cities sit at the edge of Silicon Valley and shares in its economic pattern.

Alameda County (the “County”) is located in the East San Francisco Bay Area of the State of California. The County seat is Oakland. The County was formed on March 25, 1853 from a large portion of Contra Costa County and a smaller portion of Santa Clara County. The County has a total area of 821 square miles (2,130 km²), of which 739 square miles (1,910 km²) is land and 82 square miles (210 km²) (10.0%) is water.

The San Francisco Bay borders the County on the west, and the city and county of San Francisco, California has a small land border with the city of Alameda due to land filling. The crest of the Berkeley Hills form part of the northeastern boundary, and reach into the center of the County. A coastal plain several miles wide lines the bay; it is home to Oakland and the most populous regions. Livermore Valley lies in the eastern part of the County.

Population

The table below summarizes population of the Tri-City area, the County and the State of California for the last five years.

Fremont, Newark, Union City, Alameda County and California POPULATION

Year	Fremont	Newark	Union City	Alameda County	State of California
2012	218,810	43,189	70,733	1,543,027	37,881,357
2013	221,397	43,464	71,172	1,566,339	38,239,207
2014	224,836	43,835	71,719	1,587,637	38,657,459
2015	227,582	44,284	72,412	1,610,765	38,907,642
2016	229,324	44,733	72,952	1,627,865	39,255,883

Source: California Department of Finance, E-4 Population Estimate for Cities, Counties, and the State, 2011-2016, with 2010 Census Benchmark.

Employment

The following table summarizes the historical numbers of workers by industry in Alameda County for the last five years:

Alameda County LABOR FORCE AND INDUSTRY EMPLOYMENT Annual Averages by Industry

	2011	2012	2013	2014	2015 ⁽¹⁾
Total, All Industries	660,900	680,400	699,700	719,400	746,300
Total Farm	700	700	600	500	400
Mining, Logging and Construction	30,800	33,300	35,600	37,600	40,600
Manufacturing	62,100	62,300	64,600	67,500	71,500
Wholesale Trade	34,300	35,600	36,500	37,000	38,100
Retail Trade	60,700	62,900	66,500	68,300	70,700
Transportation, Warehousing & Utilities	24,100	24,800	24,600	26,000	27,700
Information	13,600	13,600	12,900	12,900	14,100
Financial Activities	23,000	23,500	24,400	24,300	23,400
Professional & Business Services	111,600	118,300	121,300	125,600	132,700
Educational & Health Services	104,600	108,300	111,000	111,600	114,500
Leisure & Hospitality	56,000	58,300	61,900	65,800	67,900
Other Services	23,300	24,000	24,800	25,000	25,500
Government	116,000	114,900	115,100	117,300	119,300

Source: California Employment Development Department, based on March 2015 benchmark.

Note: Does not include proprietors, self-employed, unpaid volunteers or family workers, domestic workers in households, and persons involved in labor/management trade disputes. Employment reported by place of work. Items may not add to totals due to independent rounding.

(1) Last available full year data.

The following tables summarize historical employment and unemployment for the County, the State of California and the United States for the last five years:

**Alameda County, California and United States
CIVILIAN LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT
(Annual Averages)**

Year	Area	Labor Force	Employment	Unemployment	Unemployment Rate (1)
2011	Alameda County	786,800	707,400	79,400	10.1%
	California	18,419,500	16,260,100	2,159,400	11.7
	United States	153,617,000	139,869,000	13,747,000	8.9
2012	Alameda County	799,600	730,100	69,500	8.7
	California	18,554,800	16,630,100	1,924,700	10.4
	United States	154,975,000	142,469,000	12,506,000	8.1
2013	Alameda County	804,800	746,600	58,200	7.2
	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
2014	Alameda County	812,800	765,600	47,200	5.8
	California	18,811,400	17,397,100	1,414,300	7.5
	United States	155,922,000	146,305,000	9,617,000	6.2
2015 (2)	Alameda County	824,800	785,700	39,100	4.7
	California	18,981,800	17,798,600	1,183,200	6.2
	United States	157,130,000	148,834,000	146,411,000	5.3

Source: California Employment Development Department, Monthly Labor Force Data for Counties, Annual Average 2010-2015, and US Department of Labor.

- (1) The unemployment rate is computed from unrounded data, therefore, it may differ from rates computed from rounded figures available in this table.
- (2) Latest available full-year data.

Major Employers

The table below sets forth the ten principal employers of the County in 2015.

Alameda County MAJOR EMPLOYERS

Employer Name	Number of Employees	% of Total County Employment
University of California Berkeley	23,962	3.07%
Kaiser Permanente Medical Group Inc.	18,450	2.36
State of California	8,930	1.14
County of Alameda	8,868	1.14
Chevron Corporation	6,361	.81
Safeway Inc.	6,270	.80
United States Postal Service	5,948	.76
John Muir Health	5,857	.75
Wells Fargo Bank	5,400	.69
City of Oakland	5,055	.65
Total Top 10	95,101	12.17

Source: Alameda County CAFR for the Fiscal Year Ended June 30, 2015.

Construction Activity

The following tables reflect the five-year history of building permit valuation and number of building permits for the County:

Alameda County BUILDING PERMITS AND VALUATION (Dollars in Thousands)

	2011	2012	2013	2014	2015
Permit Valuation:					
New Single-family	\$ 269,312	\$ 372,939	\$ 451,279	\$ 400,498	\$ 576,948
New Multi-family	249,684	343,669	300,514	392,331	456,361
Res. Alterations/Additions	273,631	235,264	227,675	325,493	344,975
Total Residential	\$ 792,627	\$ 951,873	\$ 979,470	\$1,118,323	\$1,378,285
Total Nonresidential	708,956	463,431	1,650,777	1,026,771	1,146,437
Total All Building	\$1,501,583	\$1,415,305	\$2,630,247	\$2,145,094	\$2,524,722
New Dwelling Units:					
Single Family	817	1,119	1,339	1,076	1,671
Multiple Family	1,352	1,508	2,023	2,048	3,370
Total	2,169	2,627	3,362	3,124	5,041

Source: Construction Industry Research Board: "Building Permit Summary."

Note: Totals may not add due to independent rounding.

Commercial Activity

Taxable sales in the County for the last five available years are shown below. Beginning in 2009, reports summarize taxable sales and permits using the NAICS codes. As a result of the coding change, however, industry-level data for 2009 are not comparable to that of prior years.

Alameda County TAXABLE SALES (Dollars in Thousands)

	2010	2011	2012	2013	2014 ⁽¹⁾
Retail and Food Services					
Motor Vehicles and Parts Dealers	\$ 2,183,709	\$ 2,405,412	\$ 2,823,697	\$ 3,138,082	\$ 3,536,623
Furniture and Home Furnishings Stores	412,979	438,369	474,949	506,386	539,459
Electronics and Appliance Stores	575,374	583,234	625,589	636,277	644,141
Bldg Mtrl. and Garden Equip. and Supplies	1,091,857	1,153,236	1,230,013	1,379,338	1,428,426
Food and Beverage Stores	884,033	928,190	990,964	1,031,311	1,079,266
Health and Personal Care Stores	419,672	434,353	440,239	476,407	490,876
Gasoline Stations	1,716,376	2,135,182	2,291,985	2,218,302	2,153,400
Clothing and Clothing Accessories Stores	926,611	995,486	1,084,439	1,331,394	1,434,900
Sporting Goods, Hobby, Book and Music Stores	489,954	484,909	487,666	493,428	504,081
General Merchandise Stores	1,710,291	1,810,195	1,887,477	1,943,081	1,976,243
Miscellaneous Store Retailers	900,038	955,440	988,889	939,103	976,020
Nonstore Retailers	68,868	74,685	136,755	294,264	339,500
Food Services and Drinking Places	1,994,522	2,121,065	2,318,686	2,505,728	2,717,833
Total Retail and Food Services	\$13,374,283	\$14,519,756	\$15,781,349	\$16,893,102	\$17,820,857
All Other Outlets	8,167,458	8,911,043	9,400,222	9,731,469	10,556,857
Totals All Outlets ⁽²⁾	\$21,541,741	\$23,430,799	\$25,181,571	\$26,624,571	\$28,377,714

Source: California Board of Equalization, Taxable Sales in California (Sales & Use Tax).

(1) Last available full year data.

(2) Totals may not add up due to independent rounding.

Median Household Income

The following table summarizes the total effective buying income and the median household effective buying income for the County, the State of California and the nation for the last five years.

Alameda County, California and United States MEDIAN HOUSEHOLD EFFECTIVE BUYING INCOME

Year	Area	Total Effective Buying Income (000's Omitted)	Median Effective Buying Income
2011	Alameda County	\$39,064,683	\$54,542
	California	\$814,578,457	\$47,062
	United States	\$6,438,704,663	\$41,253
2012	Alameda County	\$43,677,855	\$55,396
	California	\$864,088,827	\$47,307
	United States	\$6,737,867,730	\$41,358
2013	Alameda County	\$43,770,518	\$57,467
	California	\$858,676,636	\$48,340
	United States	\$6,982,757,379	\$43,715
2014	Alameda County	\$47,744,408	\$60,575
	California	\$901,189,699	\$50,072
	United States	\$7,357,153,421	\$45,448
2015	Alameda County	\$52,448,661	\$64,030
	California	\$981,231,666	\$53,589
	United States	\$7,757,960,399	\$46,738

Source: Nielsen, Inc.

APPENDIX E

PROPOSED FORM OF BOND COUNSEL OPINION

[Letterhead of Orrick Herrington & Sutcliffe LLP]

[Closing Date]

[To Be Provided by Bond Counsel]

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APPENDIX F

BOOK-ENTRY ONLY SYSTEM

The information in this Appendix F, concerning The Depository Trust Company, New York, New York (“DTC”), and DTC’s book-entry system, has been furnished by DTC for use in official statements and the District takes no responsibility for the completeness or accuracy thereof. The District cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of principal or interest on the Bonds, (b) certificates representing ownership interest in or other confirmation of ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix F. 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. Information Furnished by DTC Regarding its Book-Entry Only System

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Bonds (as used in this Appendix F, the “Securities”). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each maturity of the Securities, in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC 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 and www.dtc.org.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC’s records. The ownership interest of each actual purchaser of each Security (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit the notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Securities within 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.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the paying agent or bond 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 nor its nominee, the paying agent or bond trustee, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the paying agent or bond 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.

9. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the District or the paying agent or bond trustee. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

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

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

APPENDIX G
DISTRICT'S INVESTMENT POLICY

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Effective: 1/1/16	Investment Policy	Policy Number 2030 Page 1 of 17
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I. INVESTMENT POLICY

A. Purpose

The purpose of the Union Sanitary District’s (“USD”) Investment Policy is to establish clear guidelines, objectives, policies and understanding for the Board of Directors, USD management, responsible employees, citizens and third parties for the investment of all USD funds. USD funds invested shall provide sufficient cash flow to meet current and expected operating expenses and to fund capital requirements as described in USD’s 10-year Capital Improvement Program and 10-year Financial Plan; and enhance the economic status of USD while protecting its cash. USD shall review this policy as least once annually, and may change its policies as investment objectives change.

B. Objectives

The objectives of this investment policy are, in order of priority:

1. To assure ongoing compliance with all Federal, State and local laws governing the investment of public funds;
2. To ensure safety of invested funds;
3. To maintain sufficient liquidity to meet cash flow needs for all operating requirements which might be reasonably anticipated without requiring a sale of securities;
4. Maintain a diversified investment portfolio to avoid incurring unreasonable risks regarding specific security types or individual financial institutes; and
5. To attain a “market average rate of return” consistent with the primary objectives of safety and liquidity. The expected rate of return on USD’s portfolio is more specifically defined in Section IV.

C. Prudence

1. The Prudent Investor Standard shall be used by investment officials, and shall be applied in the context of managing an overall portfolio. Investment staff acting in accordance with written procedures and the investment policy and

exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported within 30 days and appropriate action is taken to control adverse developments.

2. The Prudent Investor Standard: When investing, reinvesting, purchasing, acquiring, exchanging, selling, and managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency. Within the limitations of this section and considering individual investments as part of an overall strategy, a trustee is authorized to acquire investments as authorized by law.

D. Ethics and Conflicts of Interest

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions.

II. OPERATIONS AND PROCEDURAL MATTERS

A. Scope

This investment policy applies to all financial assets and investment activities of USD except USD's Deferred Compensation Plan managed by a third party administrator and invested by individual participants; and USD's retiree medical trust held with CalPERS (the CERBT Trust) and pension assets held with CalPERS since the assets of both plans are managed by CalPERS.

Proceeds of debt issuance shall be invested in accordance with the general investment philosophy of USD as set forth in this policy; however, such proceeds are invested in accordance with permitted investment provisions of their specific bond indentures.

B. Delegation of Authority

1. Authority to manage USD's investment program is derived from the California Government Code Sections 53600 et seq., and USD's Charter.
2. With the approval of the Board of Directors, USD may engage the services of an external investment advisor to assist in the management of USD's investment portfolio in a manner consistent with USD's objectives. Such external investment advisors may be granted discretion to purchase and sell

investment securities in accordance with this Investment Policy. Such discretion will be subject to oversight and other restrictions which are to be described in a written agreement. Such advisor must be registered under the Investment Advisers Act of 1940.

3. In accordance with Government Code Section 53607, the Board of Directors delegates to the General Manager/Treasurer, or his designee, the authority to invest, sell or exchange securities. This delegation of authority must be reviewed, and if still applicable, renewed on an annual basis. The Board shall receive a monthly report of the transactions conducted on its behalf.

C. Internal Controls

The General Manager/Treasurer is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the entity are protected from loss, theft or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

As part of the annual financial audit, USD's external auditor will perform a review of investment transactions to verify compliance with policies and procedures.

D. Delivery vs. Payment

All investment transactions of USD shall be conducted using standard delivery-vs.-payment procedures.

E. Safekeeping of Securities

To protect against potential losses by collapse of individual securities dealers, and to enhance access to securities, interest payments and maturity proceeds, all securities owned by USD shall be held in safekeeping by a third party bank trust department, acting as agent for USD under the terms of a custody agreement executed by the bank and by USD. The only exception to the foregoing shall be depository accounts and securities purchases made with: (i) local government investment pools; (ii) time certificates of deposit, and, (iii) money market mutual funds, since the purchased securities are not deliverable. Evidence of each of these investments will be held by USD.

F. Qualifications and Selection of Broker/Dealers

USD shall purchase investments with security broker/dealers based on their reliability; trustworthiness; and their expertise in public cash management. Brokers/dealers must be registered with the state and provide upon request other

information to determine their creditworthiness and trustworthiness such as proof of Financial Industry Regulatory Authority (FINRA) registration. A list of security brokers/dealers USD is doing business with will be provided to the Board of Directors with the monthly investment report. A copy of the current USD investment policy will be provided to all security broker/dealers doing business with USD. It shall be the policy of USD to purchase securities only from authorized institutions or firms.

For transactions initiated through an external investment advisor, the investment advisor may use their own list of approved broker/dealers and financial institutions, which it will maintain and review periodically.

III. PERMITTED INVESTMENT AND PORTFOLIO RISK MANAGEMENT

A. Authorized Investments

All investments shall be made in accordance with Sections 53600 et seq. of the Government Code of California and as described within this Investment Policy. Within the investments permitted by the Government Code, USD seeks to further restrict eligible investment to the investments listed below. In the event an apparent discrepancy is found between this Investment Policy and the Government Code, the more restrictive parameters will take precedence. Percentage holding limits listed in this section apply at the time the security is purchased.

1. U.S. Treasury securities not exceeding five (5) years to final maturity. There is no limitation as to the percentage of the portfolio that may be invested in this category.
2. Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises, provided that there shall be no maximum allowable investment in such securities. Purchases of Federal Agency mortgage-backed securities issued by or fully guaranteed as to principal and interest by government agencies are limited to a maximum of 20 % of the portfolio.
3. Eligible Banker's acceptances, highest letter and numerical short term debt ratings by a National Recognized Standard Rating Organization (NRSRO) and an A1 or P1 or equivalent rating, if any, of other debt, shall have a maximum duration of one hundred eighty (180) days. The aggregate investment in banker's acceptances shall not exceed forty percent (40%) of USD's total portfolio, and no more than five percent (5%) of the District's total portfolio shall be invested in banker's acceptances of any one bank.

4. Bank Deposits. FDIC insured or fully collateralized demand deposit accounts, savings accounts, market rate accounts, time certificates of deposits (“TCDs”) and other types of bank deposits in financial institutions located in California. Bank deposits shall meet the requirements for deposit under Government Code Section 53630 et. seq. To be eligible to receive USD deposits, the financial institution must have received a minimum overall satisfactory rating for meeting the credit needs of California Communities in its most recent evaluation, as provided in Government Code Section 53635.2. Deposits are required to be collateralized as specified under Government Code Section 53630 et. seq. The General Manager/Treasurer, at his or her discretion, may waive the collateralization requirements for any portion that is covered by federal deposit insurance. USD shall have a signed agreement with all depositories receiving USD deposits per Government Code Section 53649. The maturity of time deposits may not exceed 5 years. There is no limit on the percentage of the portfolio that may be invested in bank deposits. However, a maximum of 20 percent of the portfolio may be invested in time deposits.
5. Certificates of deposit placed through a deposit placement service shall meet the requirements under Government Code Section 53601.8. The full amount of the principal and the interest that may be accrued during the maximum term of each certificate of deposit shall at all times be insured by federal deposit insurance. The maximum term for placement service certificates of deposit shall be 5 years. The combined amount invested in placement service certificates of deposit and negotiable certificates of deposit shall not exceed 30% of the portfolio.
6. Negotiable certificates of deposit (NCDs issued by a nationally or state-chartered bank, a savings association or a federal association (as defined by Section 5102 by the Financial Code), a state or federal credit union, or by a federally licensed or state-licensed branch of a foreign bank. Purchases of NCDs shall not exceed thirty percent (30%) of the total portfolio and will have a maturity date not to exceed five (5) years.
7. Repurchase agreements, provided that:
 - a. The maximum maturity of repurchase agreements shall be 90 days;
 - b. No more than 10% of the portfolio shall be invested in repurchase agreements;
 - c. Repurchase agreements shall be fully secured by deliverable U.S. Treasury and Federal Agency obligations as described under Sections III (A1-2) of this policy (without limit to maturity) having a market value at all times of at least one hundred two percent (102%) of the

amount of the contract. If additional collateral is required then that collateral must be delivered within one business day (if a collateral deficiency is not corrected within this time frame, the collateral securities will be liquidated);

- d. Securities used as collateral for repurchase agreements, shall be free and clear of any lien and be held by USD's custodian bank or an independent third-party custodian acting solely as agent for the USD, provided such third party is not the seller under the repurchase agreement;
 - e. The repurchase agreements are the subject of a master repurchase agreement or a specific written repurchase agreement between USD and the provider of the repurchase agreement; and
 - f. The counterparty meets the following criteria:
 - (i) The counterparty must be a primary government securities dealer who reports daily to the Federal Reserve Bank of New York, or a bank, savings and loan association, or diversified securities broker-dealer having \$5 billion in assets and \$500 million in capital and subject to regulation of capital standards by any state or federal regulatory agency;
 - (ii) Has a long-term credit rating of at least 'AA' or the equivalent from a NRSRO;
 - (iii) Has been in operation for at least 5 years; and
 - (iv) Is reputable among market participants.
8. Commercial Paper with the highest letter and numerical short term debt ratings by a NRSRO and A1 or P1 or equivalent rating with a corporation organized and operating in the United States and has assets in excess of five hundred million dollars (\$500,000,000). No more than twenty-five percent (25%) of the portfolio shall be invested in commercial paper and no more than five percent (5%) of USD's total portfolio shall be invested in the commercial paper of any one issuer. Maximum maturity shall not exceed two hundred seventy (270) days
9. State of California's Local Agency Investment Fund ("LAIF"), pursuant to California Code Section 16429.1. A maximum of seventy percent (70%) of USD's funds or the limit permitted by the State may be invested in LAIF, whichever is less;

10. Corporate medium-term notes, defined as all corporate and depository institution debt securities with a maximum remaining maturity of five years or less, issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States. Notes eligible for investment under this subdivision shall be rated A or better by a NRSRO. Purchases may not exceed thirty percent (30%) of invested funds and five percent (5%) of the total portfolio of any one issuer's securities.
11. Municipal Obligations. USD may purchase municipal obligations in the following categories.
 - a. USD Bonds – Bonds issued by USD, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by USD or by a department, board, agency, or authority of USD.
 - b. California State Obligations – Registered state warrants or treasury notes or bonds of the State of California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the State or by a department, board, agency, or authority of the State.
 - c. Local Agency Bonds – Bonds, notes, warrants, or other evidences of indebtedness of any local agency within the State of California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency, or by a department, board, agency, or authority of the local agency.

With the exception of obligations issued by USD, purchases of municipal obligations are limited to securities rated at least in the "A" (long-term) or "A-1" (short-term), or their equivalents, by a NRSRO. Obligations shall have a maximum maturity of five years. A maximum of thirty percent (30%) of the portfolio may be invested in this category. The amount invested with any one issuer shall not exceed ten percent (10%) of the portfolio.

12. Money market mutual funds, provided that such funds
 - a. Are registered with the Securities and Exchange Commission and are rated "AAAm" or its equivalent by not less than two NRSROs; or have retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience managing money market mutual funds with assets under management in excess of \$500 million;

- b. The purchase price of shares shall not exceed twenty percent (20%) of USD's portfolio; and
 - c. If USD has funds invested in a money market fund, a copy of fund's information statement shall be maintained on file for due diligence. In addition, the General Manager/Treasurer should review the fund's summary holdings on a quarterly basis.
13. Shares of beneficial interest issued by a joint powers authority organized pursuant to Section 6509.7 that invests in the securities and obligations authorized in subdivisions (a) to (o) as provided, provided that
- a. A maximum of fifty percent (50%) of USD's funds may be invested in the shares of any one investment pool;
 - b. The pool's investment advisor meets the requirements of 53601(p);
 - c. The pool seeks to maintain a stable Net Asset Value ("NAV");
 - d. The pool is rated "AAAm" or its equivalent by a NRSRO; and
 - e. If USD has funds invested in a pool, a copy of pool's information statement shall be maintained on file for due diligence. In addition, the General Manager/Treasurer should review the pool's summary holdings on a quarterly basis.
14. United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or the Inter-American Development Bank, with a maximum remaining maturity of five years or less, and eligible for purchase and sale within the United States. Investments under this subdivision shall be rated "AA" or better by an NRSRO and shall not exceed thirty percent (30%) of the agency's moneys that may be invested pursuant to this section.

B. Prohibited Investment Vehicles and Practices

- 1. State law notwithstanding, any investments not specifically described herein are prohibited, including, but not limited to, mutual funds.
- 2. In accordance with Government Code Section 53601.6, investment in inverse floaters, range notes, or mortgage derived interest-only strips is prohibited.

3. In accordance with Government Code Section 53601.6, investment in any security that could result in a zero interest accrual if held to maturity is prohibited.
4. Trading securities for the sole purpose of speculating on the future direction of interest rates is prohibited.
5. Purchasing or selling securities on margin is prohibited.
6. The use of reverse repurchase agreements, securities lending or any other form of borrowing or leverage is prohibited.
7. USD is not permitted to deposit funds into any state or federal credit union, if a member of the Board of Directors, or any person with investment decision making authority also serves on the board of directors, or any committee appointed by the board of directors, or the credit committee or supervisory committee, of the state or federal credit union.

C. Mitigating Credit Risk in the Portfolio

Credit risk is the risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. USD shall mitigate credit risk by adopting the following strategies:

1. The diversification requirements included in Section III (A) are designed to mitigate credit risk in the portfolio;
2. No more than 10% of the total portfolio may be invested in securities of any single issuer, other than LAIF, local government investment pools, all U.S. Government, its agencies and instrumentalities. In regards to commercial paper and medium-term notes no more than five percent (5%) of the total two combined shall be with the same issuing company; and
3. USD may elect to sell a security prior to its maturity and record a capital gain or loss in order to improve the quality, liquidity or yield of the portfolio in response to market conditions or USD's risk preferences; and
4. If securities owned by USD are downgraded by a NRSRO to a level below the quality required by this Investment Policy, it shall be USD's policy to review the credit situation and make a determination as to whether to sell or retain such securities in the portfolio. Please see Appendix A for credit ratings.

- a. If a security is downgraded two rating categories below the level required by USD (A, depending on the rating Agency), the security shall be sold immediately.
- b. If a security is downgraded one rating category below the level required by this policy, USD will use discretion in determining whether to sell or hold the security based on its current maturity, the loss in value, the economic outlook for the issuer, and other relevant factors.
- c. If a decision is made to retain a downgraded security in the portfolio, its presence in the portfolio will be monitored and reported monthly to USD's Board of Directors.

IV. INVESTMENT PERFORMANCE OBJECTIVES

A 12-month rolling average of the 1-year U.S. Treasury yield may serve as a reasonable benchmark for the total current portfolio.

V. INVESTMENT GUIDELINES

A. Liquidity

1. A minimum of ten percent (10%) of USD's funds shall be invested in liquid investments such as LAIF or CAMP to ensure adequate cash reserves to pay current expenses. Any changes to investments or new investments approved by the state shall require an amendment to the policy approval by the Board.
2. If USD uses an investment advisor, USD's General Manager/Treasurer shall communicate periodically with the investment adviser in order to keep the adviser informed as to USD's specific short-term liquidity requirements.

B. Maximum Maturities

1. To the extent possible, investments shall be matched with anticipated cash flow requirements and known future liabilities. USD will not invest in securities maturing more than five (5) years from the date of trade settlement, unless the Board of Directors has by resolution granted authority to make such an investment at least three months prior to the date of investment.

VI. REPORTING, DISCLOSURE AND PROGRAM EVALUATION

A. Monthly Reports

Monthly investment reports shall be submitted by USD finance staff to USD's Board of Directors and the General Manager. These reports shall disclose, at a minimum, the following information about the risk characteristics of USD's portfolio:

1. As asset listing showing par value, cost and accurate and complete market value of each security, type of investment, issuer name, credit quality, coupon rate and yield to maturity at cost;
2. A one or two-page summary report which shows:
 - a. Weighted average maturity of the portfolio;
 - b. Maturity distribution of the portfolio;
 - c. Average monthly yield to maturity at cost for the portfolio for the prior twelve months compared to the Benchmark Index returns for the same periods;
 - d. A list of portfolio transactions;
3. A statement of compliance with the investment policy, including a schedule of any transactions or holdings which do not comply with this policy or with the California Government Code, if any, including a justification for their presence in the portfolio and a timetable for resolution; and
4. A statement that USD has adequate funds to meet its cash flow requirements for the next six months.
5. A list of broker/dealers the District is currently using.

B. Annual Reports

1. The investment policy shall be reviewed at least two months before the current investment policy expires and adopted before the current investment policy expires to ensure its consistency with the overall objectives of preservation of principal, liquidity and return, and its relevance to current law and financial and economic trends.
2. The investment program shall be included in the scope of USD's annual audit.

C. Periodic Investment Program Review

USD shall retain the services of an expert consultant to perform a thorough review of the investment program a minimum of once every four years.

This revision supersedes the versions listed below, which are no longer effective.

Title	Policy #	Effective Date
Investment Policy	2030	11/27/95
Investment Policy	2030	10/11/11
Investment Policy	2030	9/24/12
Investment Policy	2030	9/22/14
Investment Policy	2030	1/1/15

Approved by: Board of Directors
 Author/owner: Business Services Manager/Chief Financial Officer
 Reviewers: General Manager, Senior Accountant and Principal Financial Analyst
 Notify Person: Business Services Manager/Chief Financial Officer
 Revision frequency: Annually
 Next Review: 11/1/16 (two months before the effective policy expires)

GLOSSARY OF INVESTMENT TERMS

Asset-backed security. A security supported by assets such as automobile loans or other consumer receivables which are placed with a trustee for the benefit of the owners of the security.

Banker's acceptance. A high quality, short term money market instrument used to finance international trade. There has never been an instance of a failure to pay a banker's acceptance in full at its maturity date.

Benchmark. A segment of the securities market with characteristics similar to the subject portfolio. It is used to compare portfolio performance to the performance of the appropriate segment of the market.

Callable Security. Callable securities are those which contain an option allowing the issuer to retire the security prior to its final maturity date. If the level of interest rates falls sufficiently, the issuer of the bond will exercise the option and call the bond away from the investor. The issuer can save money by issuing new bonds at lower rates. Types of callable bonds can range from "one-time" to "quarterly" to "continuous" calls.

CAMP (California Asset Management Program). A pooled investment vehicle and Joint Powers Authority for local agencies in California which manages the California Asset Management Trust.

Commercial paper. Short term, negotiable unsecured promissory notes of corporations.

Delivery vs. payment. A securities industry procedure in which payment for a security is not released until the security is delivered to the customer's bank custodial account.

Inverse floaters. A security with an interest rate which changes periodically in the opposite direction to the change in the general level of interest rates.

Investment Official. An individual who is authorized to make investment decisions and execute investments of funds on behalf of USD.

Leverage. An investment practice in which the investor borrows money in order to increase the amount invested.

Local Agency Investment Fund (LAIF). A pooled investment vehicle for local agencies in California sponsored by the State of California and administered by the State Treasurer.

Market cycle. A market cycle is defined as a period of time which includes a minimum of two consecutive quarters of falling interest rates followed by a minimum of two consecutive quarters of rising interest rates.

Money market mutual fund. A mutual fund which invests in short term money market instruments only, and which has as an investment objective.

Nationally Recognized Statistical Rating Organization (NRSRO). A credit rating agency which issues credit ratings that the US Securities and Exchange Commission (SEC) permits other financial firms to use for certain regulatory purposes. Commonly used NRSROs are Moody's Investor Service, Standard & Poor's, and Fitch Ratings.

Negotiable certificate of deposit. A large denomination certificate of deposit which can be sold in the open market prior to maturity.

Range notes. Fixed income securities which pay interest only under certain conditions which are defined in the bond's indenture.

Repurchase agreement. An investment transaction wherein an investor agrees to purchase securities at an agreed upon price, and simultaneously agrees to sell the securities back to the counterparty on an agreed upon future date at an agreed upon price.

Time certificate of deposit. A non-negotiable certificate of deposit which cannot be sold prior to maturity.

Total rate of return. Annual return on an investment including appreciation and dividends or interest. For bonds held to maturity, total return is yield to maturity.

Weighted Average Maturity. The weighted average of the remaining terms of the underlying securities, using the current balance of each security as the weighting factor.

Appendix A – Credit Ratings for Corporate Notes

Equivalent Credit Ratings				
Credit Risk	Moody's*	Standard & Poor's*	Fitch IBCA**	Duff & Phelps**
INVESTMENT GRADE				
Highest quality	Aaa	AAA	AAA	AAA
High quality (very strong)	Aa	AA	AA	AA
Upper medium grade (strong)	A	A	A	A
Medium grade	Baa	BBB	BBB	BBB
NOT INVESTMENT GRADE				
Lower medium grade (somewhat speculative)	Ba	BB	BB	BB
Low grade (speculative)	B	B	B	B
Poor quality (may default)	Caa	CCC	CCC	CCC
Most speculative	Ca	CC	CC	CC
No interest being paid or bankruptcy petition filed	C	C	C	C
In default	C	D	D	D

Source: The Bond Market Association

* The ratings from Aa to Ca by Moody's may be modified by the addition of a 1, 2 or 3 to show relative standing within the category.

**The ratings from AA to CC by Standard & Poor's, Fitch IBCA and Duff & Phelps may be modified by the addition of a plus or minus sign to show relative standing within the category.

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Directors
Manny Fernandez
Tom Handley
Pat Kite
Anjali Lathi
Jennifer Toy

Officers
Paul R. Eldredge
*General Manager/
District Engineer*

Karen W. Murphy
Attorney

DATE: September 19, 2016

MEMO TO: Board of Directors - Union Sanitary District

FROM: Paul R. Eldredge, General Manager/District Engineer
Sami E. Ghossain, Manager of Technical Services
Raymond Chau, CIP Coach
Kevin Chun, Associate Engineer

SUBJECT: Agenda Item No. 9 - Meeting of September 26, 2016
Authorize the General Manager to Execute Task Order No. 2 with West Yost Associates to Provide Engineering Services During Construction of the Sludge Degritter System Project.

Recommendation

Staff recommends the Board authorize the General Manager to execute Task Order No. 2 with West Yost Associates (WYA) in the amount of \$70,110 to provide engineering services during construction of the Sludge Degritter System Project.

Funds for this project have been budgeted in the Capacity Fund as Project No. 900-468.

Background

The Degritter Building (formerly called the Solids Handling Building) was constructed in 1985 and previously housed five belt filter presses to dewater biosolids prior to disposal. In 2000, the District replaced the belt filter presses with centrifuges in a new building called the Centrifuge Building. The District also replaced the original grit removal equipment with two Eutek Grit Snail and SlurryCup degritter units. Removal of the grit materials from the primary clarifier sludge is important to maintain the process capacity, reduce grit accumulation in digesters, and reduce wear and maintenance on downstream pumps and pipes. Figure 1 is a plant site map that shows the location of the Degritter Building.

The two existing sludge degritters, located on the second floor of the Degritter Building, receive sludge flow from Primary Clarifiers 1 through 6. The degritter equipment removes grit through a two-stage system. It first separates the grit from the primary clarifier sludge using the Eutek SlurryCup and then dewateres the grit by utilizing the Eutek Grit Snail. The dewatered grit is discharged into a hopper for removal by truck to landfill for disposal, while the sludge is conveyed to the Thickener Control Building for further treatment.

Both degritters are required to operate concurrently in order to handle the sludge flow from the primary clarifiers. When one of the degritters is out of service due to regular backwash cycle of the SlurryCup or preventive maintenance, the other unit does not have the capacity to process all of the primary sludge flow. This results in additional sludge to accumulate in the primary clarifiers and the lower sludge flow rate could affect the ability of the thickeners to efficiently settle the solids. Therefore, staff determined that an additional degritter is needed to provide redundancy to the system and to increase the sludge flow rate to improve the thickening process.

The Project will include the following improvements at the Degritter Building:

1. Installation of one new Hydro International/Eutek Sludge Degritting System and associated piping, valves, fittings and controls.
2. Installation of a shaftless screw conveyor to transport dewatered grit to the existing grit hopper.
3. Replacement of existing primary sludge and degrittied primary sludge piping.
4. Installation of a No. 2 Water booster pump to provide the backup degritter water supply with sufficient pressure and flow for the degritters.
5. Replacement of the existing roof access hatch covers over the new degritter.
6. Installation of a half-ton jib crane on the roof of the Degritter Building to allow removal of the new degritter components through the roof access hatch covers.
7. Miscellaneous structural modifications in the degritter room.

Sole sourcing of the new Hydro International Eutek Sludge Degritting System was authorized by the Board during its regular meeting of May 9, 2016.

WYA completed the design in July 2016. Staff advertised the Project on July 15, 2016, and opened bids on August 18, 2016. The Board awarded the construction contract in the amount of \$1,436,000 to Kiewit Infrastructure West Co. on September 12, 2016. Staff will likely issue the Notice to Proceed in by the end of September 2016 and anticipates construction to be completed by November 2017. Construction management and inspection services will be performed by staff.

Task Order No. 2

The scope of services and fees of Task Order No. 2 are summarized below:

Task	Task Description	Amount
1	Project Management, Meetings, Site Inspections	\$16,161
2	Submittals and Requests for Information	\$49,361
3	Change Order Assistance	\$4,588
Task Order Not to Exceed Amount		\$70,110

The task order's total not-to-exceed amount is 4.9% of the construction contract. For a project of this size and scope, staff expects the fee to be in the range of 4% to 5%. Staff has reviewed the proposed fee for the task order and found it to be reasonable. As a comparison, the table below summarizes the final fees and percentages of engineering services during construction of past plant projects.

Project	Engineering Services During Construction Cost (A)	Construction Cost (B)	Percentage of A to B
Chemical Tanks and Piping Replacement	\$82,919	\$2,101,633	4.0%
Emergency Outfall Improvements	\$49,805	\$1,088,889	4.6%
Thickener Nos. 3 and 4 Rehabilitation	\$71,491	\$1,453,461	4.9%

The task order amounts for the Project's agreement with WYA are summarized in the table below:

Task Order / Amendment	Description of Work	Amount
Task Order No. 1	Pre-Design, Design & Bid Period Services	\$180,629
Amendment No. 1 to Task Order No. 1	Additional Design Services – Additional effort to include upper platforms and a jib crane in the design scope	\$17,669
Amendment No. 2 to Task Order No. 1	Additional Design Services – Evaluation of a larger degritter and degritter technology evaluation	\$4,686
Task Order No. 2	Engineering Services during Construction	\$70,110
Total		\$273,094

Staff recommends the Board authorize the General Manager to execute Task Order No. 2 with West Yost Associates in the amount of \$70,110 to provide engineering services during construction of the Sludge Degritter System Project.

PRE/SEG/RC/KC:ks

Attachments: Figure 1 – Site Map
Task Order No. 2



**SITE MAP
SLUDGE DEGRITTER SYSTEM PROJECT**

New sludge
degritter on 2nd
floor of Degritter
Building



FIGURE 1

**SLUDGE DEGRITTER SYSTEM PROJECT
(USD Project No. 900-468)**

TASK ORDER NO. 2

TO

**AGREEMENT DATED AUGUST 25, 2015
BETWEEN UNION SANITARY DISTRICT
AND WEST YOST ASSOCIATES, INC. FOR
PROFESSIONAL SERVICES**

1. PURPOSE

The purpose of Task Order No. 2 is to authorize engineering services during construction of the Sludge Degritter System Project (Project) (USD Project No. 900-468).

Engineering services to be provided during construction include engineering support, attendance at meetings, field visits, responses to informal queries and communications, submittal reviews, responses to requests for information, and preparation of design clarification memoranda. These services are to be performed by the “Key Personnel” listed in section No. 7 of this Task Order. District staff will update record drawings based on markups provided by the Contractor and reviewed by the Construction Manager.

2. SCOPE OF SERVICES

The task numbers in this Scope of Services relate directly to the costs presented in Item 5, PAYMENT TO THE ENGINEER, and the schedule presented in Item 6, TIME OF COMPLETION. Deliverables to be received by the District are described in Item 3.

The services to be provided by the Engineer described in this Task Order are in conjunction with the following elements of the Project:

1. Installation of new Degritter No. 3 and all associated piping, electrical and instrumentation equipment, and controls on the second floor of the Degritter Building.
2. Installation of a No. 2 Water booster pump and all associated piping, electrical and instrumentation equipment on the main floor of the Degritter Building.
3. Replacement of the existing access hatch cover over the Degritter No. 3 location.
4. Installation of a jib crane on the roof of the Degritter Building.

Task 1. Project Management and On-Site Meetings/Site Visits

- Task 1.01 – Engineer shall manage the efforts of the project team members, coordinate with the Construction Manager, delegate responsibilities, and review work progress. Engineer shall prepare and submit monthly invoices. Monthly invoices will be broken down by each sub-task and list a summary of monthly work completed by the Engineer.

The Engineer’s budget allowance includes 30 hours of project management time, of which includes 15 hours for the Engineer’s subconsultants.

- Task 1.02 – Engineer shall attend progress meetings as requested by the District to discuss construction progress, investigate problems or issues, to provide construction observations, advice and assistance, or to answer questions which may arise related to the design and other matters affecting completion of the Project.

The Engineer’s budget allowance includes 2 meetings at an average of 7 hours per meeting for a total of 14 hours for attendance, preparation, and documentation.

- Task 1.03 – Engineer shall periodically visit the project site to investigate project related issues or provide advice and assistance as requested by the Construction Manager. Engineer shall provide written observations and recommendations to the Construction Manager regarding general compliance with the Contract Documents in a field report.

The Engineer’s budget allowance includes 6 site visits at an average of 5 hours per site visit for a total of 30 hours, of which includes 12 hours for the Engineer’s subconsultants.

The total budget of Task 1 is \$16,161

Task 2. Review of Submittals and RFIs

- Task 2.01 – Engineer shall review submittals and shop drawings as requested by the Construction Manager. Engineer shall provide and submit to the Construction Manager written review comments on a review comment sheet within twenty-one (21) calendar days, after Engineer’s receipt of submittal.

The Construction Manager will screen all submittals for form, completeness, and general content conforming to that specified in the Contract Documents before transmitting them to Engineer.

The labor requirement for this task budget has assumed that there will be 25 original submittals at approximately 4.4 hours per submittal review and 9 resubmittals at approximately 2.9 hours per re-submittal review for a total of 136 hours, of which includes 30 hours for its subconsultants.

- Task 2.02 – Engineer shall review and respond to formal requests for information (RFIs) on an as requested basis during construction. Engineer shall complete review of RFI,

prepare a response, and return a response sheet within seven (7) calendar days after Engineer's receipt of RFI. If for any reason the response cannot be completed within this period, Engineer shall notify Construction Manager and provide a valid reason for delay prior to the end of the specified period.

The Engineer's budget allowance is based on reviewing 20 RFIs at an average review time of 2.6 hours per RFI for a total of 52 hours, of which includes 16 hours for the Engineer's subconsultants.

- Task 2.03 - Engineer shall respond to Construction Manager's informal requests for information related to the Project, including verbal, email, and telephone correspondence with the Construction Manager.

The Engineer's budget allowance is based on a total labor requirement of 50 hours, of which includes 10 hours for the Engineer's subconsultants.

The total budget of Task 2 is \$49,361.

Task 3. Change Order Assistance

Engineer shall issue a Design Change Memoranda (DCM) where deemed necessary by the Engineer or on an as requested basis. Engineer shall provide a written clarification on a DCM (including specifications, sketches, or other information as necessary) and issue the DCM to the Construction Manager.

DCMs will be issued to 1) clarify Contract Documents when necessary, 2) in the event that modifications to the Contract Documents are desired by the District, or 3) to assist the Construction Manager with the preparation of contract change order requests.

Engineer's budget allowance is based on preparing 2 DCMs for a total of 22 hours, of which includes 6 hours for the Engineer's subconsultants.

The total budget of Task 3 is \$4,588.

3. DELIVERABLES

Project deliverables are listed below:

- Responses to submittals as required.
- Responses to RFIs as required.
- Engineer's field reports
- Monthly summary of work completed
- Upload information to the District's online project management system, "ProjectMates".

4. PROJECT COORDINATION

All work related to this task order shall be coordinated through the District's Project Manager, Kevin Chun.

5. PAYMENT TO THE ENGINEER

Compensation shall be on a time and materials cost basis for services provided under Article 2 of this Agreement in accordance with the Billing Rate Schedule (updated annually) contained in Task Order No. 1. The billing rate schedule is generally comparable to a labor multiplier of approximately 3.22.

The estimated costs for Tasks 1 through 3 are presented in Exhibit A. Total charges to the District shall not exceed the total cost of \$70,110 without written authorization from the District.

The following table summarizes all task orders and amendments, if any, including those previously executed under the Agreement, ending with this Task Order:

Task Order / Amendment	Not to Exceed Amount	Board Authorization Required? (Yes/No)	District Staff Approval
Task Order No. 1	\$180,629	Yes	Paul Eldredge
Amendment No. 1 to Task Order No. 1	\$17,669	No	Sami Ghossain
Amendment No. 2 to Task Order No. 1	\$4,686	No	Sami Ghossain
Task Order No. 2	\$70,110	Yes	Paul Eldredge
Total	\$273,094		

6. TIME OF COMPLETION

All work defined in Item 2 shall be completed within three weeks after Project substantial completion date is determined by the Construction Manager. The anticipated substantial completion date is November 30, 2017.

7. KEY PERSONNEL

Key engineering personnel or subconsultants assigned to this Task Order are as follows:

Role	Personnel/Subconsultant
Principal-in-Charge	John D. Goodwin
Project Manager	Greg Chung
Project Engineer	Scott Heald
Structural Engineer	Brad Friedrich
Architect	Daniel Wright
Structural Engineer (Jib Crane design)	Michael Rojansky (Complete Project Solutions)
Electrical Engineer	Todd Beecher (Beecher Engineering, Inc.)

Key personnel shall not change except in accordance with Article 8 of the Agreement.

IN WITNESS WHEREOF, the parties hereto have made and executed this Task Order No. 2 as of _____ and therewith incorporated it as part of the Agreement.

ENGINEER:
WEST YOST ASSOCIATES

DISTRICT:
UNION SANITARY DISTRICT

By: _____
John D. Goodwin
Vice President

By: _____
Paul R. Eldredge, P.E.
General Manager / District Engineer

West Yost Associates	P/NP \$266 GKC	PE/PS/PG I \$222 BAF	PE/PS/PG I \$222 DW	SE/SS/SG II \$208 PCH	SCADD \$133 SB	ADM IV \$122 MC	Labor		Drafting		Modeling		Sub. Beech \$185 DETAILED	Sub. CPS \$190 DETAILED	Costs		Total Costs
							Hours	Fee	Hours	Fee \$25	Hours	Fee \$25			Sub. w/ markup 5%	Other Direct	
PROJECT: Degritter System Project - Services during Construct																	
Task 1 Project Management & Meetings																	
1.01 Project Management	13					2	15	\$ 3,702					\$ 2,405	\$ 380	\$ 2,924		\$ 6,626
1.02 Meetings	8	6					14	\$ 3,460									\$ 3,460
1.03 Site Inspections				18			18	\$ 3,744					\$ 2,220		\$ 2,331		\$ 6,075
Subtotal, Task 1 (hours)	21	6	0	18	0	2	47		0		0						
Subtotal, Task 1 (\$)	\$ 5,586	\$ 1,332		\$ 3,744		\$ 244		\$ 10,906					\$ 4,625	\$ 380	\$ 5,255		\$ 16,161
Task 2 Submittals and RFIs																	
2.01 Submittal Review		14	9	83			106	\$ 22,370					\$ 4,440	\$ 1,140	\$ 5,859		\$ 28,229
2.02 RFI Responses		6	6	22	2		36	\$ 7,506					\$ 2,220	\$ 760	\$ 3,129		\$ 10,635
2.03 Informal requests for information		12	4	24			40	\$ 8,544					\$ 1,480	\$ 380	\$ 1,953		\$ 10,497
Subtotal, Task 2 (hours)	0	32	19	129	2	0	182		0		0						
Subtotal, Task 2 (\$)		\$ 7,104	\$ 4,218	\$ 26,832	\$ 266			\$ 38,420					\$ 8,140	\$ 2,280	\$ 10,941		\$ 49,361
Task 3 Change Order Assistance																	
3.01 Design Change Memoranda		6		10			16	\$ 3,412					\$ 740	\$ 380	\$ 1,176		\$ 4,588
Subtotal, Task 3 (hours)	0	6	0	10	0	0	16		0		0						
Subtotal, Task 3 (\$)		\$ 1,332		\$ 2,080				\$ 3,412					\$ 740	\$ 380	\$ 1,176		\$ 4,588
TOTAL (hours)	21	44	19	157	2	2	245		0		0						
TOTAL (\$)	\$ 5,586	\$ 9,768	\$ 4,218	\$ 32,656	\$ 266	\$ 244		\$ 52,738					\$ 13,505	\$ 3,040	\$ 17,372		\$ 70,110

**UNION SANITARY DISTRICT
CHECK REGISTER
09/03/2016-09/16/2016**

Check No.	Date	Invoice No.	Vendor	Description	Invoice Amt	Check Amt
162204	9/8/2016	30104119	SYNAGRO WEST LLC	JULY 2016 BIOSOLIDS DISPOSAL	\$69,337.99	\$69,337.99
162223	9/15/2016	11274105	BROWN & CALDWELL CONSULTANTS	ALVARADO-NILES ROAD SS REHABILITATION	\$35,912.05	\$35,912.05
162189	9/8/2016	103545	MUNIQUIP, LLC	APS PUMP 4 OVERHAUL PARTS MUNIQUIP	\$33,064.02	\$33,064.02
162174	9/8/2016	32261REV	HARRIS & ASSOCIATES	NEWARK BACKYARD SS RELOCATION - PHASE 3	\$30,632.50	\$30,632.50
162234	9/15/2016	902754130	EVOQUA WATER TECHNOLOGIES	4,502 GAL HYDROGEN PEROXIDE	\$20,997.33	\$30,297.35
	9/15/2016	902754179		1,994 GAL HYDROGEN PEROXIDE	\$9,300.02	
162194	9/8/2016	761520160825	PACIFIC GAS AND ELECTRIC	SERV TO 08/24/16 NEWARK PS	\$22,661.12	\$22,661.12
162227	9/15/2016	9831	CDW GOVERNMENT LLC	9 TERRAWAVE 3FT	\$508.66	\$20,317.00
	9/15/2016	8585		R&R BACKUP NAS	\$20,317.00	
	9/15/2016	7888		CREDIT 9 TERRAWAVE 3FT	\$-508.66	
162265	9/15/2016	533620160822	US BANK CORP PAYMENT SYSTEM	MONTHLY CAL-CARD STMT - AUG 2016	\$18,167.45	\$18,167.45
162166	9/8/2016	1811101A	DELTA DENTAL SERVICE	AUGUST 2016 DENTAL	\$1,994.98	\$17,074.23
	9/8/2016	1811101C		AUGUST 2016 DENTAL	\$15,079.25	
162247	9/15/2016	13152	LOOKINGPOINT INC	WLAN ACCESS POINTS	\$16,490.50	\$16,490.50
162239	9/15/2016	800466.3	GSE CONSTRUCTION CO INC	RETENTION DIFFUSER REPLACEMENT AERATION BASIN TANK #5	\$14,710.25	\$14,710.25
162161	9/8/2016	151271	CAROLLO ENGINEERS	FREMONT & PASEO PADRE LS IMPROVEMENTS	\$12,420.50	\$12,420.50
162143	9/8/2016	66112	3T EQUIPMENT COMPANY INC	20 PIPEPATCH KIT - WINTER	\$11,286.00	\$11,286.00

**UNION SANITARY DISTRICT
CHECK REGISTER
09/03/2016-09/16/2016**

Check No.	Date	Invoice No.	Vendor	Description	Invoice Amt	Check Amt
162162	9/8/2016	3329	CDW GOVERNMENT LLC	FY16 NETWORK R&R	\$3,785.23	\$10,417.25
	9/8/2016	4870		REMOTE SITE BACKUP COMM	\$960.20	
	9/8/2016	8519		FY17 Q1 PRINTERS	\$4,784.96	
	9/8/2016	8006		REMOTE SITE BACKUP COMM	\$886.86	
162235	9/15/2016	508	CITY OF FREMONT	PAVEMENT PWC 8234-0	\$10,400.00	\$10,400.00
162206	9/8/2016	766100	UNIVAR USA INC	4,950 GALS SODIUM HYPOCHLORITE	\$2,186.17	\$8,634.70
	9/8/2016	765484		4,899 GALS SODIUM HYPOCHLORITE	\$2,163.64	
	9/8/2016	765532		4,799 GALS SODIUM HYPOCHLORITE	\$2,119.49	
	9/8/2016	765678		4,903 GALS SODIUM HYPOCHLORITE	\$2,165.40	
162225	9/15/2016	204393	BURKE, WILLIAMS & SORENSON LLP	GENERAL LEGAL - JULY 2016	\$7,515.65	\$8,300.85
	9/15/2016	204394		GENERAL LEGAL/CIP - JULY 2016	\$785.20	
162183	9/8/2016	37432220160901	LINCOLN NATIONAL LIFE INS COMP	LIFE AND DISABILITY INSURANCE - SEPT 2016	\$7,982.62	\$7,982.62
162226	9/15/2016	29528	CALIFORNIA WATER TECHNOLOGIES	42,400 LBS FERROUS CHLORIDE	\$3,732.82	\$7,561.97
	9/15/2016	29583		44,380 LBS FERROUS CHLORIDE	\$3,829.15	
162158	9/8/2016	29514	CALIFORNIA WATER TECHNOLOGIES	43,860 LBS FERROUS CHLORIDE	\$3,854.45	\$7,536.12
	9/8/2016	29493		42,580 LBS FERROUS CHLORIDE	\$3,681.67	
162144	9/8/2016	7103035371	ABB INC	OVERHAUL OF TURBO FOR COGEN 1	\$6,662.55	\$6,662.55

**UNION SANITARY DISTRICT
CHECK REGISTER
09/03/2016-09/16/2016**

Check No.	Date	Invoice No.	Vendor	Description	Invoice Amt	Check Amt
162263	9/15/2016	768206	UNIVAR USA INC	5,013 GALS SODIUM HYPOCHLORITE	\$2,214.00	\$6,547.92
	9/15/2016	767986		4,800 GALS SODIUM HYPOCHLORITE	\$2,119.92	
	9/15/2016	768203		5,013 GALS SODIUM HYPOCHLORITE	\$2,214.00	
162232	9/15/2016	XK1C59251	DELL MARKETING LP C/O DELL USA	FY17 Q1 DESKTOPS	\$5,735.84	\$5,735.84
162231	9/15/2016	268167	CURTIS & TOMPKINS, LTD	56 LAB SAMPLE ANALYSIS	\$2,420.00	\$5,500.00
	9/15/2016	268210		4 LAB SAMPLE ANALYSIS	\$210.00	
	9/15/2016	268235		65 LAB SAMPLE ANALYSIS	\$2,870.00	
162164	9/8/2016	267881	CURTIS & TOMPKINS, LTD	52 LAB SAMPLE ANALYSIS	\$2,999.25	\$5,109.25
	9/8/2016	267821		40 LAB SAMPLE ANALYSIS	\$2,110.00	
162230	9/15/2016	17613023569	CORIX WATER PRODUCTS INC	80 MANHOLE CASTINGS	\$4,616.71	\$4,616.71
162147	9/8/2016	60804059	AIRTECH MECHANICAL INC	BUILDING 78 HVAC SOUTH NEW COMPRESSOR	\$4,489.00	\$4,489.00
162259	9/15/2016	130891	TOTAL WASTE SYSTEMS INC	AUGUST 2016 GRIT DISPOSAL	\$4,377.65	\$4,377.65
162195	9/8/2016	1069943	POLYDYNE INC	42,340 LBS CLARIFLOC WE-539	\$4,005.36	\$4,005.36
162197	9/8/2016	117361	R-2 ENGINEERING INC	ASTD PARTS & MATERIALS	\$3,699.21	\$3,699.21
162222	9/15/2016	652826	BRENNTAG PACIFIC, INC.	2564 LBS SODIUM HYDROXIDE	\$1,332.54	\$3,539.23
	9/15/2016	654634		2564 LBS SODIUM HYDROXIDE	\$1,332.54	
	9/15/2016	652076		400 LBS SODIUM HYDROXIDE	\$207.89	
	9/15/2016	654633		1282 LBS SODIUM HYDROXIDE	\$666.26	

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162253	9/15/2016	013720160906	PACIFIC GAS AND ELECTRIC	SERV TO 09/05/16 BOYCE RD PS	\$2,486.35	\$3,481.07
	9/15/2016	666720160831		SERV TO 08/30/16 PASEO PADRE PS	\$221.49	
	9/15/2016	096020160831		SERV TO 08/30/16 CATHODIC PROJECT	\$60.28	
	9/15/2016	892820160831		SERV TO 08/30/16 HAYWARD MARSH	\$52.06	
	9/15/2016	380420160831		SERV TO 08/29/16 CHERRY ST PS	\$271.15	
	9/15/2016	898220160831		SERV TO 08/30/16 FREMONT PS	\$389.74	
162185	9/8/2016	38324	METROMOBILE COMMUNICATIONS INC	3 EA RADIOS & ACCESSORIES FOR TPO	\$3,332.40	\$3,332.40
162210	9/8/2016	20160901	VISION SERVICE PLAN - CA	SEPTEMBER 2016 VISION STMT	\$3,317.76	\$3,317.76
162160	9/8/2016	16403905	CANON SOLUTIONS AMERICA INC	LEASE 6 CANON COLOR COPIERS	\$3,286.79	\$3,286.79
162212	9/8/2016	3648710	WESTERN ENERGY SYSTEMS	1 SET SPARK PLUG 4PCS P7N1	\$2,904.30	\$2,904.30
162192	9/8/2016	816642	PACHECO BROTHERS GARDENING INC	PINE NEEDLES & DEBRIS CLEAN UP	\$2,750.00	\$2,750.00
162248	9/15/2016	77102	MAAS BROTHERS INC.	POWDER COATING OF EBDA DRIVE BASE	\$350.00	\$2,719.00
	9/15/2016	77103		POWDER COATING OF VAULT PLATES	\$2,369.00	
162155	9/8/2016	39830	AZTEC MACHINE & REPAIR INC	1 OFFICE BASE UNIT - USA TRUCK	\$2,650.00	\$2,650.00
162202	9/8/2016	1737743004	SAN LEANDRO ELECTRIC SUPPLY	ASTD PARTS & MATERIALS	\$370.09	\$2,596.71
	9/8/2016	1731059004		ASTD PARTS & MATERIALS	\$78.88	
	9/8/2016	1737743003		ASTD PARTS & MATERIALS	\$921.14	
	9/8/2016	1734754001		ASTD PARTS & MATERIALS	\$1,226.60	

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162217	9/15/2016	8500305	AT&T	SERV: 07/20/16 - 08/19/16	\$20.46	\$2,525.08
	9/15/2016	8500329		SERV: 07/20/16 - 08/19/16	\$185.89	
	9/15/2016	8500307		SERV: 07/20/16 - 08/19/16	\$2,318.73	
162254	9/15/2016	916002846795	REPUBLIC SERVICES #916	RECYCLE & ROLL OFF - AUGUST 2016	\$2,466.04	\$2,466.04
162209	9/8/2016	9770691852	VERIZON WIRELESS	WIRELESS SERV 07/21/16-08/20/16	\$2,319.41	\$2,319.41
162244	9/15/2016	518099	INSTRUMART	1 WAS FLOW METER	\$2,303.50	\$2,303.50
162214	9/8/2016	16654	WHIPPLE AUTO BODY INC	REPAIR BODY DAMAGE TRUCK T1367	\$2,226.72	\$2,226.72
162215	9/15/2016	6082860	ALPHA ANALYTICAL LABORATORIES	167 LAB SAMPLE ANALYSIS	\$2,170.00	\$2,170.00
162228	9/15/2016	1206269	CLEAR EDGE FILTRATION INC	2 GBT BELTS	\$2,165.64	\$2,165.64
162258	9/15/2016	3313428999	STAPLES CONTRACT & COMMERCIAL	ASTD JANITORIAL SUPPLIES - INVENTORY	\$661.93	\$2,131.14
	9/15/2016	3313429003		ASTD JANITORIAL & BREAKROOM SUPPLIES - INVENTORY	\$660.37	
	9/15/2016	3313429011		ASTD JANITORIAL & BREAKROOM SUPPLIES - INVENTORY	\$47.19	
	9/15/2016	3313429014		ASTD JANITORIAL SUPPLIES - INVENTORY	\$675.82	
	9/15/2016	3313429007		ASTD JANITORIAL & BREAKROOM SUPPLIES - INVENTORY	\$85.83	
162154	9/8/2016	1252	AUTOMATED NETWORK CONTROLS	MAIN BREAKER POWER METER INSTALLATION	\$250.00	\$2,077.90
	9/8/2016	1251		HIGH SPEED AERATION BLOWER	\$1,827.90	
162262	9/15/2016	7258	TURNER RISK CONSULTING INC	TRAFFIC FLAGGER TRAINING - SHENK	\$250.00	\$1,900.00
	9/15/2016	7249		CONFINED SPACE TRAINING - TPO & CS	\$1,650.00	

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162220	9/15/2016	5602	BAY AREA COATING CONSULTANT	COATINGS INSPECTION	\$1,252.68	\$1,879.02
	9/15/2016	5617		COATING INSPECTION SERVICES - THICKENER CONTROL BUILDING	\$626.34	
162190	9/8/2016	20160831	NAPA AUTO PARTS	MONTHLY AUTO PARTS STMT - AUG 2016	\$852.50	\$1,877.27
	9/8/2016	695850		4 BATTERIES	\$1,024.77	
162171	9/8/2016	9180514680	GRAINGER INC	1 LOCKING RECEPTACLE	\$27.20	\$1,792.83
	9/8/2016	9179343877		ASTD PARTS & MATERIALS	\$1,236.85	
	9/8/2016	9183060293		4 CARBIDE BURS	\$129.41	
	9/8/2016	9184368265		1 EA ECONOMY DIPPER	\$80.44	
	9/8/2016	9183060301		6 CARBIDE BURS	\$149.04	
	9/8/2016	9178494028		2 EACH DIPPERS AND UTILITY CONTAINERS	\$243.44	
	9/8/2016	9184164987		CREDIT FOR 1 DIPPER ON INV 9178494028	\$-80.45	
	9/8/2016	9180514672		1 SINGLE PLATE RECEPTACLE	\$6.90	
162188	9/8/2016	24869333	MOTION INDUSTRIES INC	4 LNM-0900-1100-1-1	\$1,004.26	\$1,763.70
	9/8/2016	24869029		10 MINI LUBERS	\$666.25	
	9/8/2016	24868446		ASTD PARTS & MATERIALS	\$93.19	
162201	9/8/2016	7634639700	RS HUGHES CO INC	ASTD PPE & SAFETY SUPPLIES	\$-32.21	\$1,717.81
	9/8/2016	7633711601		ASTD PPE & SAFETY SUPPLIES	\$122.41	
	9/8/2016	7633711600		ASTD PPE & SAFETY SUPPLIES	\$1,627.61	
162249	9/15/2016	20160909	LASHAUN MCKINNEY	THIRD PARTY CLAIM REIMBURSEMENT	\$1,500.00	\$1,500.00

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162186	9/8/2016	609431	MISSION CLAY PRODUCTS LLC	ASTD CLAY COUPLINGS	\$1,443.16	\$1,443.16
162152	9/8/2016	8457183	AT&T	SERV: 07/13/16 - 08/12/16	\$66.38	\$1,368.07
	9/8/2016	8457184		SERV: 07/13/16 - 08/12/16	\$88.03	
	9/8/2016	8339763		SERV: 06/13/16 - 07/12/16	\$237.07	
	9/8/2016	8457182		SERV: 07/13/16 - 08/12/16	\$43.16	
	9/8/2016	8339761		SERV: 06/13/16 - 07/12/16	\$172.64	
	9/8/2016	8457180		SERV: 07/13/16 - 08/12/16	\$760.79	
162172	9/8/2016	1709360	HANSON AGGREGATES INC	4.34 TONS 1/2 MED TYP A AC-R	\$331.37	\$1,092.37
	9/8/2016	5608146		10.11 TONS 1/2 MED TYP A AC-R	\$761.00	
162184	9/8/2016	76573512	MCMASTER SUPPLY INC	ASTD PARTS & MATERIALS	\$986.70	\$1,046.49
	9/8/2016	77357348		ASTD PIPE FITTINGS	\$59.79	
	9/8/2016	78219563		CREDIT FOR 4 PVC ADAPTERS ON INV 77039653	\$-29.14	
	9/8/2016	77039653		4 PVC ADAPTERS	\$29.14	
162252	9/15/2016	46510290	OFFICE TEAM	TEMP LABOR-PENALOSA, J., WKEND 08/19/16	\$1,016.72	\$1,016.72
162216	9/15/2016	560562	A-PRO PEST CONTROL INC	AUG PEST CONTROL	\$1,005.00	\$1,005.00
162191	9/8/2016	46460742	OFFICE TEAM	TEMP LABOR-PENALOSA, J., WKEND 08/12/16	\$998.00	\$998.00
162242	9/15/2016	944720160828	HOME DEPOT CREDIT SERVICES	MONTHLY HARDWARE STMT - AUG 2016	\$953.92	\$953.92

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162241	9/15/2016	3J9025	HARRINGTON INDUSTRIAL PLASTICS	3 8" FLANGES	\$102.13	\$902.17
	9/15/2016	3j9026		ASTD PARTS & MATERIALS	\$694.29	
	9/15/2016	3J9024		ASTD PARTS & MATERIALS	\$105.75	
162175	9/8/2016	20160831	THOMAS HERLIHY	EXP REIMB: CWEA MID-SUMMER CONF - 7/29-31/16 - MORRO BAY	\$859.60	\$859.60
162219	9/15/2016	608956	AUTOMATION PRODUCTS GROUP	1 APG LEVEL TRANSMITTER	\$824.38	\$824.38
162261	9/15/2016	17909731	TRI DIM FILTER CORPORATION	400 TRI-DEK 15/40 2 PLY PADS	\$813.73	\$813.73
162176	9/8/2016	20160901	ALEXANDRO HERNANDEZ	EXP REIMB: LODGING/MEALS/MILEAGE/GAS - FILAMENT ID WKSHP	\$773.44	\$773.44
162238	9/15/2016	9189545263	GRAINGER INC	1 EA AIR FLOW SWITCH AND METER HANGING KIT	\$230.04	\$762.54
	9/15/2016	9187484242		12 CEMENT, 8 OZ, AMBER, PVC, CPVC, ABS	\$83.29	
	9/15/2016	9187074829		2 HAND RATCHETS	\$449.21	
162250	9/15/2016	78224695	MCMASTER SUPPLY INC	20 LITHIUM BATTERIES	\$59.91	\$734.96
	9/15/2016	78719784		1 WELDED STEEL CART	\$433.92	
	9/15/2016	79270118		2 JOBBERS' DRILL BITS	\$30.76	
	9/15/2016	78500697		1 LARGE-CELL BATTERY	\$54.88	
	9/15/2016	79208412		10 COMPACT LIQUID-TIGHT	\$31.55	
	9/15/2016	78356857		1 PACK SCREWS	\$23.15	
	9/15/2016	79463828		ASTD PARTS & MATERIALS	\$100.79	
162237	9/15/2016	1841076336	GOODYEAR COMM TIRE & SERV CTRS	1 TIRE	\$699.80	\$699.80

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162236	9/15/2016	1083821390	G&K SERVICES CO	ASTD DUST MOPS, WET MOPS & TERRY TOWELS	\$33.70	\$681.27
	9/15/2016	1083821388		UNIFORM LAUNDERING & RUGS	\$341.23	
	9/15/2016	1083821389		UNIFORM LAUNDERING SERVICE	\$306.34	
162153	9/8/2016	8789658120825201@T&T		SERV: 07/18/16 - 08/17/16	\$678.60	\$678.60
162163	9/8/2016	38091	CLAREMONT BEHAVIORAL SERVICES	SEP 2016 EAP PREMIUM	\$662.40	\$662.40
162268	9/15/2016	37225	WECO INDUSTRIES LLC	ASTD PARTS & MATERIALS	\$647.02	\$647.02
162203	9/8/2016	37541	STARLINE SUPPLY COMPANY	13 CS COMPOSTABLE UTENSILS	\$639.44	\$639.44
162179	9/8/2016	1038245	INDUSTRIAL SAFETY SUPPLY	ASTD CALIBRATION GAS FOR ELECTRICIANS	\$612.75	\$612.75
162240	9/15/2016	1711692	HANSON AGGREGATES INC	7.86 TONS 1/2 MED TYPE A AC-R	\$593.47	\$593.47
162229	9/15/2016	22832	CLI-METRICS SERVICE COMPANY	HVAC MAINTENANCE FOR CS (BLDG 70, 82, 83 ONLY)	\$565.00	\$565.00
162146	9/8/2016	9054336520	AIRGAS NCN	2 CYL ARGON	\$558.59	\$558.59
162165	9/8/2016	201608.10	DALE HARDWARE INC	08/16 - ASTD PARTS & MATERIALS	\$552.14	\$552.14
162145	9/8/2016	65685	AIR & TOOL ENGINEERING COMPANY	6 ASPHALT BLADES	\$386.10	\$544.13
	9/8/2016	65710		REPAIR APT 654 CHIPPING GUN	\$158.03	
162233	9/15/2016	224595	ENVIRONMENTAL PRODUCTS & ACCES	2 VACTOR TRUCK PARTS	\$538.68	\$538.68
162187	9/8/2016	1086961	MOBILE MODULAR MANAGEMENT CORP	FMC TRAILER RENTAL - AUG 2016	\$535.70	\$535.70
162169	9/8/2016	1083819448	G&K SERVICES CO	ASTD DUST MOPS, WET MOPS & TERRY TOWELS	\$33.70	\$509.72
	9/8/2016	1083819447		UNIFORM LAUNDERING SERVICE	\$245.96	
	9/8/2016	1083819446		UNIFORM LAUNDERING & RUGS	\$230.06	

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162224	9/15/2016	170122900	BUCKLES SMITH ELECTRIC	1 AB COMPACTLOGIX ANALOG MODULE 1769-IF4	\$508.18	\$508.18
162173	9/8/2016	3J8659	HARRINGTON INDUSTRIAL PLASTICS	ASTD PARTS & MATERIALS	\$472.13	\$472.13
162200	9/8/2016	302966	RKI INSTRUMENTS INC	10 PROBE, 10", HYDROPHOBIC WITH PARTICLE FILTER	\$453.75	\$453.75
162218	9/15/2016	184116001	AUTO BODY TOOLMART	ASTD PARTS & MATERIALS	\$423.11	\$423.11
162256	9/15/2016	4700	SKIL-PAINTING INC	1 SANDBLAST LARGE LOCK RING	\$400.00	\$400.00
162208	9/8/2016	35097	VALLEY OIL COMPANY	1 DR AW 46 HYDRAULIC FLUID	\$399.30	\$399.30
162251	9/15/2016	20160915.1	SHAWN NESGIS	EXP REIMB: GIFT CARD SUPT TEAM SAFETY RAFFLE WINNER	\$25.00	\$375.00
	9/15/2016	20160915.2		EXP REIMB: MSA CONF REGISTRATION FEE	\$350.00	
162181	9/8/2016	20160907.1	KATHLEEN KING	EXP REIMB: SHRM-SCP CERTIFICATION TEST	\$300.00	\$374.57
	9/8/2016	20160907.3		EXP REIMB: SNACKS FOR CSW1 RECRUITMENT PANELS	\$59.57	
	9/8/2016	20160907.2		EXP REIMB: NCCIPMA-HR BREAKFAST BRIEFING	\$15.00	
162167	9/8/2016	8743	EAST BAY MUNI UTILITY DISTRICT	8 LAB SAMPLE ANALYSIS	\$370.70	\$370.70
162170	9/8/2016	81501	GORILLA METALS	ASTD METAL, STEEL, STAINLESS & ALUMINUM	\$30.06	\$370.14
	9/8/2016	81468		ASTD METAL, STEEL, STAINLESS & ALUMINUM	\$112.33	
	9/8/2016	81492		ASTD METAL, STEEL, STAINLESS & ALUMINUM	\$38.49	
	9/8/2016	81482		ASTD METAL, STEEL, STAINLESS & ALUMINUM	\$189.26	
162151	9/8/2016	6082025	ALPHA ANALYTICAL LABORATORIES	21 LAB SAMPLE ANALYSIS	\$345.00	\$345.00
162211	9/8/2016	8045835053	VWR INTERNATIONAL LLC	4 BOTTLE SQUARE LG W/M HDPE 4L	\$106.13	\$338.42
	9/8/2016	8045839063		3 PKS TUBE HYDROGEN SULFIDE DETECTOR	\$232.29	

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162150	9/8/2016	5145557	ALL INDUSTRIAL ELECTRIC SUPPLY	ASTD PARTS & MATERIALS	\$332.18	\$332.18
162213	9/8/2016	13009	WESTERN MACHINE & FAB INC	MACHINE 1"-8 THREAD INTO SQUARE THREAD	\$315.00	\$315.00
162205	9/8/2016	7247	TURNER RISK CONSULTING INC	FALL PROTECTION TRAINING - GALLEGO	\$300.00	\$300.00
162168	9/8/2016	48202	FRANK BONETTI PLUMBING, INC.	ALVARADO BLVD SEWER MAIN REPAIR	\$285.50	\$285.50
162255	9/15/2016	20160913	LOUIS RIVERA III	TRAVEL ADVANCE	\$260.00	\$260.00
162148	9/8/2016	1700033	ALAMEDA COUNTY OFFICE OF EDU	FY2016 - 2017 LIVE SCAN FINGERPRINTING FEE	\$250.00	\$250.00
162180	9/8/2016	200994546A	IRON MOUNTAIN	DATA/MEDIA OFF-SITE STORAGE - JUNE 2016	\$245.50	\$245.50
162267	9/15/2016	8045946340	VWR INTERNATIONAL LLC	10 PKS SULFIDE REFILL 15ML	\$242.22	\$242.22
162257	9/15/2016	20160901	SPOK INC	SEPTEMBER 2016 PAGER SERVICE	\$239.82	\$239.82
162182	9/8/2016	21274773	LABOR READY	TEMP LABOR-ABRAHAM, A, WK END 08/12/16	\$220.31	\$220.31
162198	9/8/2016	8200000009918	RED WING SHOE STORE	SAFETY SHOES - MENDOZA	\$205.29	\$205.29
162156	9/8/2016	19330400	BECK'S SHOES	SAFETY SHOES: S. NOEGEL	\$186.14	\$186.14
162246	9/15/2016	20160914	KEVIN LANDSBOROUGH	EXP REIMB: OIT CERTIFICATE APPLICATION	\$170.00	\$170.00
162266	9/15/2016	35259	VALLEY OIL COMPANY	20 TUBES MOBIL POLYREX EM GREASE	\$152.90	\$152.90
162243	9/15/2016	530326	HULBERT LUMBER SUPPLY	ASTD LUMBER SUPPLIES	\$123.22	\$123.22
162196	9/8/2016	12058G	R & S ERECTION OF S ALAMEDA	PM SERVICE 2 ELITE SLIDE GATES	\$120.05	\$120.05
162193	9/8/2016	20160907	CHRIS PACHMAYER	EXP REIMB: CA PE LICENSE REG FEE	\$115.00	\$115.00
162199	9/8/2016	82885	REMOTE SATELLITE SYSTEMS INT'L	IRIDIUM SVC FEE SEPTEMBER 2016	\$97.90	\$97.90
162245	9/15/2016	20160912	KATHLEEN KING	EXP REIMB: SNACKS FOR BS COACH QAI & LEADERSHIP SCHOOL	\$65.77	\$65.77

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162159	9/8/2016	181852	STATE OF CALIFORNIA	2 NEW HIRE FINGERPRINTS	\$64.00	\$64.00
162149	9/8/2016	4088644120160824	ALAMEDA COUNTY WATER DISTRICT	SERV TO: 08/23/16 - BOYCE ROAD	\$51.83	\$51.83
162260	9/15/2016	180997016	TRENCH PLATE RENTAL COMPANY	1 DAY HD QUIK-SHOR RENTAL	\$39.75	\$39.75
162178	9/8/2016	530268	HULBERT LUMBER SUPPLY	ASTD LUMBER SUPPLIES	\$37.39	\$37.39
162157	9/8/2016	11435290	BLAISDELL'S	1 WALL PLANNER	\$30.79	\$30.79
162221	9/15/2016	11447410	BLAISDELL'S	6 VIEW BINDERS	\$51.41	\$25.01
	9/15/2016	11444130		1 PK INSTANT GLUE	\$4.39	
	9/15/2016	11435290C		CREDIT 1 WALL PLANNER	\$-30.79	
162264	9/15/2016	9853346	UPS - UNITED PARCEL SERVICE	SHIPPING CHARGES W/E 08/20/16	\$22.67	\$22.67
162207	9/8/2016	9853336.0	UPS - UNITED PARCEL SERVICE	SHIPPING CHARGES W/E 08/13/16	\$19.70	\$19.70
162177	9/8/2016	5632605	HOSE & FITTINGS ETC	2 12 FNTX-S	\$9.83	\$9.83

Invoices:

Credit Memos :	5	-681.25
\$0 - \$1,000 :	134	42,040.89
\$1,000 - \$10,000 :	57	167,177.01
\$10,000 - \$100,000 :	14	331,475.96
Over \$100,000 :	0	
Total:	210	540,012.61

Checks:

\$0 - \$1,000 :	64	25,699.52
\$1,000 - \$10,000 :	47	161,124.88
\$10,000 - \$100,000 :	15	353,188.21
Over \$100,000 :		
Total:	126	540,012.61



Directors
Manny Fernandez
Tom Handley
Pat Kite
Anjali Lathi
Jennifer Toy

Officers
Paul Eldredge
*General Manager/District
Engineer*

Karen W. Murphy
Attorney

Date: September 26, 2016

To: Board of Directors-Union Sanitary District

From: Paul Eldredge, General Manager/District Engineer
James Schofield, Collection Services Manager

Subject: Agenda Item No. 11 – Meeting of September 26, 2016
Information Item: **Return on Investment for Expanding Trenchless Repair Capabilities**

Informational Item:

Response to a Board inquiry regarding the increase of Collection Services Operating Budget to cover the cost of increasing the District's Trenchless Spot Repair Capabilities.

Background:

During the April 27th Operating Budget Workshop, staff proposed increasing the District's trenchless repair capabilities. Currently, the District is limited to repairs up to 6 feet in length. This limitation was resulting in an increasing backlog of longer repairs being transferred to the Capital Improvements Project (CIP) team to coordinate with contractors at considerable time and expense to the District.

Staff proposed increasing the CS operating budget (\$180,000) for equipment, materials, and training for CS staff to increase the District's trenchless repair capabilities. As mentioned, the District is currently limited to 6 foot repairs, this new equipment would allow up to 100 feet. This figure also includes funds to rent portable cutters used to reinstate laterals.

By developing increased capability and bringing responsibility for these repairs back in-house, the District can complete the same repairs for less than half the cost (estimated) in a more timely fashion. Recent cost comparisons of work done for the District by contractors is approximately \$1,000/foot, while handling the same repairs in-house is estimated to cost \$372/foot.

The following is a graph depicting the return on investment for the initial investment.



The contractor price was taken for the most recent CIP Cast Iron Lining Project. It is estimated the initial cost will be recouped within the first 6 months of adopting the new process. Of the initial \$180,000 investment, \$111,520 is equipment which will be added to the Vehicle Renewal and Replacement Schedule. The expected life span of this equipment is estimated to be 10 years.

Expanding the District's repair capabilities will significantly reduce the number of projects given to private contractors. There will be cost savings in keeping this work in-house. It will allow staff to better manage current and future work load while providing future cost savings to rate payers. Adopting this process will also reduce impacts to the District's rate payers by minimizing the time crews are set up in the street doing multiple repairs.

In conclusion, adopting these processes will allow the District to remain competitive with private contractors; it will increase the opportunities to use a cost effective alternative to traditional, open trench repairs. And lastly, it will provide significant benefit to its rate payers by minimizing intrusive traffic set ups and lowering the cost of maintaining the infrastructure.

Agency vetoes sewer work: Sewer pipe system needs major upgrade; delays could cost ratepayers \$100 million

September 9, 2016

By Bill Silverfarb

The West Bay Sanitary District vetoed preliminary design work for a necessary \$479 million pipeline replacement project Thursday that baffled proponents of the project.

The Silicon Valley Clean Water board voted 3-1 to fund preliminary design work to replace about 9 miles of sewer pipe that is prone to crack.

The board is comprised of elected officials from Belmont, San Carlos, Redwood City and West Bay. But West Bay's vote is weighted, meaning it can veto any major funding proposal.

West Bay contends it does not want to raise rates for its customers and that perhaps the cost of the overall project could possibly shrink by delaying it.

District officials first recommended the replacement project in 2006 and environmental reviews are already underway.

Delaying the project could cost ratepayers an additional \$100 million, according to district officials.

Belmont Councilman Warren Lieberman called West Bay's vote "irresponsible."

He was also perturbed that West Bay sent an alternate member of its board to vote on Thursday's agenda item. George Otte represented West Bay at the meeting and said his vote was tied to his board's decision. He offered little information as to why West Bay is against starting the design work now. He referred to a letter the board sent to Silicon Valley Clean Water asking that the vote to start the preliminary design work be put off until April 2017.

Lieberman said West Bay's short-term interest will "get much more expensive" related to the pipeline replacement project.

"You are holding the other agencies hostage," Lieberman said. "This is not acceptable to Belmont at all."

San Carlos Councilman Bob Grassilli suggested the joint powers agreement that gives West Bay a weighted vote should become more democratic.

Under the JPA, Redwood City has a 42 percent weighted vote; West Bay has 28 percent; San Carlos has 19 percent; and Belmont has 11 percent. The West Bay Sanitary District serves Atherton, Woodside, Menlo Park and portions of East Palo Alto.

West Bay does not argue that the work needs to be done but rather that it has raised rates for its customers 235 percent since 2005 and that they need a break.

Sanitary sewer rates for single-family residences in West Bay's district have climbed from \$290 a year in 2005-06 to \$973 in 2015-16 and are expected to climb beyond \$1,000 next year, according to a letter West Bay sent to the SVCW board.

Redwood City Mayor John Seybert, president of the SVCW board, questioned why West Bay voted to approve the start of California Environmental Quality Act review but not the necessary design work that would be an essential part of the review.

Protecting ratepayers, Seybert said, seems to be a new excuse to not start the project.

West Bay has been setting aside money for years related to the sewer pipeline replacement project and that spending its share now, about \$2.5 million, will save all four agencies big money down the road.

The three cities and West Bay own the wastewater treatment facility in Redwood Shores jointly.

"The \$2.5 million has already been charged to ratepayers," Seybert said Thursday.

Seybert questioned too whether West Bay would vote "yes" on the project next April, when it says the work should begin.

Otte could not answer any of his fellow commissioner's questions.

"It makes no fiscal sense. Construction costs will not go down," Seybert said.

Redwood Shores resident Carol Wong was the only member of the public to address the board Thursday night.

"It's so obvious this is an urgent matter for people, property and the environment," Wong said.

Redwood Shores could be the most impacted, she said, if the pipe breaks again.

Most of the pipe sits in young Bay mud and the agency wants to bury it in a tunnel in solid rock at least 40 feet underground. The agency spelled out its need in March 2014 to replace about 9 miles of sewer pipe called the force main.

West Bay does not dispute the need for the project, just when it should start.

The pipe can easily sway or move when a truck passes over it and during wet weather, the pressure can increase beyond the pipe's capacity.

A big leak can bring big fines and depending on where, big lawsuits from residents.

And then there's the fear of an earthquake striking, which could be catastrophic, Seybert said previously.

So far, SVCW has had 64 leaks across the entire force main and associated costs do not include potential regulatory, civil and even criminal penalties.

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WEF, Department Of Energy Sign Memorandum Of Understanding

Collaboration supports DOE's Better Buildings Wastewater Infrastructure Accelerator initiative

September 14, 2016

The U.S. Department of Energy (DOE) and the Water Environment Federation (WEF) have signed a Memorandum of Understanding (MOU) in support of the DOE Better Buildings Wastewater Infrastructure Accelerator initiative. The initiative engages state, regional, and local agencies working with water resource recovery facilities (WRRFs) to accelerate innovative approaches to sustainable infrastructure of the future.

“WEF is committed to providing a platform for water sector innovation, focusing on approaches and technologies that benefit utilities on the path to sustainable energy management,” said WEF Executive Director Eileen O’Neill. “To that end, we are excited to be collaborating with DOE to promote the benefits of the Accelerator initiative.”

The Wastewater Infrastructure Accelerator Goals include:

- Demonstrate best-practice/cutting-edge approaches and tools toward a sustainable wastewater infrastructure and yield road-tested examples for other facilities.
- Document model plans for transitioning to a sustainable infrastructure that will help drive more solutions in the industry.
- Develop assessment and decision tools for selecting best-practice approaches and tools on the pathway toward a sustainable infrastructure.
- Develop recommendations for post-Accelerator next steps.
- Specifically, the MOU partners will jointly promote the initiative, encouraging WRRF innovative approaches in accelerating improvements in energy efficiency, and facilitating and collaborating on technical peer exchange opportunities to share best practices and solutions.
- DOE staff will be available at the WEFTEC 2016 Innovation Pavilion to discuss the initiative and next steps.

About WEF

The Water Environment Federation (WEF) is a not-for-profit technical and educational organization of 33,000 individual members and 75 affiliated Member Associations representing water quality professionals around the world. Since 1928, WEF and its members have protected public health and the environment. As a global water sector leader, our mission is to connect water professionals; enrich the expertise of water professionals; increase the awareness of the impact and value of water; and provide a platform for water sector innovation. For more information, visit www.wef.org.

About WEFTEC

WEFTEC 2016, the Water Environment Federation's 89th Annual Technical Exhibition and Conference, will be held Sept. 24-28, 2016 at the New Orleans Morial Convention Center in New Orleans, La. The world's largest annual water quality event provides the latest developments, technologies, and services for water preservation, restoration, and sustainability. For more information, visit www.weftec.org.

SOURCE: Water Environment Federation (WEF)

California city requires pharmacies to collect unwanted Rx drugs

September 15, 2016

By Christine Blank, Contributing Editor

Santa Cruz, Calif. has become the first U.S. city to require retail pharmacies and drug manufacturers to collect and dispose of unwanted prescription drugs.

The ordinance went into effect on September 12, but pharmacies have until November 12 to present their plans to the city on how they will meet the new requirements.

Shutterstock/Susanna Mattioda Santa Cruz's new Extended Producers Responsibility Ordinance requires manufacturers and retailers to develop programs to dispose of unneeded medications and unwanted hazardous medical products such as needles and syringes.

"Until now, our sharps and drug take back program was based on an environmental benefits analysis," said City of Santa Cruz Environmental Compliance Manager Akin Babatola. "But the new ordinance brings a social justice component. Since 2007, the City has budgeted \$7,000 to \$10,000 annually in program costs to keep our rivers and ocean clean from these chemical wastes. From now on, we will have the manufacturers and distributors pick up the tab."

However, some of the more than 30 pharmacies in the city already have medication disposal programs in place. "We have installed safe medication disposal kiosks in our Santa Cruz pharmacies," said Phil Caruso, media relations representative for Walgreens.

In 2012, Alameda, Calif. became the first U.S. county to enact a medication disposal ordinance. And in 2015, the U.S. Supreme Court denied the pharmaceutical industry's attempt to overturn that ordinance.

"This ruling validated this model for control at county and municipal levels. A total of nine counties nationwide have enacted similar ordinances to Santa Cruz," Santa Cruz officials said in a statement. "All of these ordinances prohibit the manufacturers and/or producers of the products from charging any visible fee at point of sale or point of collection."

City officials said that its groundwater and drinking water is being contaminated by unwanted, leftover, and expired drugs passing through its wastewater treatment centers and that

“manufacturers, retailers, and producers have not offered any support for a permanent collection program to date.”

Santa Cruz collected 28,000 doses of analgesics, 22,000 doses of anti-inflammatory drugs, 20,000 doses of blood thinners, and several thousand doses of other pharmaceuticals “for reasonable disposal and diversion from wastewater and surface waters in one year.”

Santa Cruz has had a voluntary medication disposal program in place since 2007, in partnership with Watsonville, Capitola, and Scotts Valley. However, participation in collection and disposal of unwanted drugs was voluntary, “resulting in a patchwork of businesses participating in one or both programs, leading to confusion among consumers and sometimes improper disposal in the wrong containers,” Santa Cruz officials said.

From Dublin San Ramon Services District:

9/15/2016

DUBLIN, CA–Dublin San Ramon Services District (DSRSD) will close its recycled water fill station in downtown Dublin at the end of September. A larger fill station, located at the district’s water recycling facility in Pleasanton, will remain open with expanded hours.

“As fall temperatures cool, it makes sense to reduce our costs and operate only one fill station,” says General Manager Dan McIntyre. “We thank the City of Dublin’s staff for hosting our fill station at their public safety complex over the last two summers. It allowed Dublin and San Ramon residents to pick up recycled water a little closer to home, and it helped us alleviate the traffic at the Pleasanton fill station.”

DSRSD opened the fill stations in June 2014 as a temporary measure to help homeowners save valuable trees and landscaping during the drought emergency. The program has about 3,900 registered users and has given away 42 million gallons of free recycled water to date. Volume dropped by about a third this summer, as water supplies improved and the Tri-Valley’s water utilities ended stringent restrictions on outdoor watering. More information is available at www.dsrdsd.com.