RESOLUTION NO. 16-02

RESOLUTION OF THE CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK BOARD OF DIRECTORS PROVIDING FINAL APPROVAL OF AN INFRASTRUCTURE STATE REVOLVING FUND PROGRAM FINANCING IN AN AMOUNT NOT TO EXCEED $5,250,001 FOR THE PICO WATER DISTRICT

WHEREAS, the California Infrastructure and Economic Development Bank ("IBank") established and existing pursuant to the Bergeson-Peace Infrastructure and Economic Development Bank Act (California Government Code Section 63000 and following) (the "IBank Act"), for the purpose of, among other things, providing financial assistance to eligible projects; and

WHEREAS, the Pico Water District, a county water district, (the "Borrower") is seeking financing under the Infrastructure State Revolving Fund Program (the "ISRF Program") requesting $5,250,001 for financing eligible project costs of the Pico Water District Infrastructure Replacement Project, as more fully described in Attachment A hereto (the "Project"); and

WHEREAS, the Borrower and Project meet all applicable eligibility requirements, for infrastructure projects, mandated by the IBank Act and by the Criteria, Priorities and Guidelines for the Selection of Projects for Financing under the ISRF Program, dated August 25, 2015 (the "Criteria"); and

WHEREAS, pursuant to the provisions of the Internal Revenue Code of 1986, as amended, and those U.S. Treasury Regulations implementing such provisions (collectively, "Federal Tax Law"), any funds incurred or expended by the Borrower for the purpose of financing costs associated with the Project on a long-term basis using proceeds of tax-exempt bonds or other tax exempt obligations may be reimbursed from the proceeds of the ISRF Financing (as defined below) provided that the applicable requirements of Federal Tax Law are met (the "Reimbursable Expenditures").

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the California Infrastructure and Economic Development Bank (the "Board"), as follows:

Section 1. The above recitals are true and correct.

Section 2. Pursuant to this resolution (this "Resolution"), the Board authorizes and approves providing a financing under the ISRF Program in a principal amount not to exceed $5,250,001 to the Borrower for the costs of the Project (the "ISRF Financing"), subject to the execution of a financing agreement between IBank and the Borrower and associated loan documentation (collectively, the "Financing Agreement"). Such Financing Agreement shall reflect the Board-approved financing terms and conditions as set forth in Attachment B hereto.

Section 3. All actions heretofore taken by the officers and employees of IBank with respect to the consideration and approval of the ISRF Financing are hereby

approved, confirmed and ratified. IBank's Executive Director (the "Executive Director") or the Executive Director's assignees, and each of their authorized, designees, deputies, agents and counsel each acting alone, is hereby authorized and directed, jointly and severally, to perform their duties, provide funding, take actions and execute and deliver the Financing Agreement and any and all other financing documents and instruments which they may deem necessary or desirable in order to (i) effect the financing of the Project; (ii) facilitate the transactions contemplated by the ISRF Financing; and (iii) to otherwise to effectuate the purposes of this Resolution.

Section 4. This Resolution shall not be construed as an unconditional commitment to finance the Project, but rather IBank approval pursuant to this Resolution is conditioned upon entry by IBank and the Borrower into the Financing Agreement, in form and substance satisfactory to IBank, within 180 days from the date of its adoption. Such satisfaction is conclusively evidenced by IBank's execution and delivery of same.

Section 5. For purposes of assisting the Borrower in seeking reimbursement for any Reimbursable Expenditures pursuant to Federal Tax Law, the Board hereby declares its reasonable official intent to use proceeds of tax-exempt bonds to reimburse the Borrower for any such Reimbursable Expenditures. This declaration is made solely for purposes of establishing compliance with applicable requirements of Federal Tax Law. This declaration does not bind IBank to provide the ISRF Financing or to reimburse the Borrower any of its Project expenditures.

Section 6. This Resolution shall take effect immediately upon its adoption.

PASSED, APPROVED, AND ADOPTED at a meeting of the Board of Directors of the California Infrastructure and Economic Development Bank on February 23, 2016, by the following vote:

AYES: LUCHETTI, ANNIS, GORDON, ORTEGA

NOES:

ABSENT:

ABSTAIN:

By: _____
Teveia R. Barnes, Executive Director

ATTEST

By: _____
Stephan Spich,
Secretary of the Board of Directors

ATTACHMENT A

Description of the Project

Generally, the Project involves improvements to Pico Water District's (the "District") water system infrastructure. More specifically, the Project consists of the following components:

- Removing approximately 31,480 linear feet of four-inch diameter water pipe and replacing with new eight-inch diameter water pipe, installing five new fire hydrants, and replacing eight valves, at various locations throughout the District's boundaries.
- Other components necessary or desirable in connection with an infrastructure project of this type and that are consistent with the applicable requirements of the IBank Act and the Criteria.

ATTACHMENT B

Financing Terms

1. **Applicant/Borrower:** Pico Water District
2. **Project:** Pico Water District Infrastructure Replacement Project
3. **Amount of ISRF Program Financing:** $5,250,001
4. **Maturity:** Thirty (30) years
5. **Repayment/Security:** The ISRF Program financing will be secured by and payable from a senior lien on the District's net system revenues (Net Revenues) including any income howsoever derived; but excluding any revenues derived from the sale of recycled water that District had originally purchased from Central Basin Municipal Water District.
6. **Interest Rate:** 3.84%
7. **Fees:** District to pay an origination fee of 1.00%, $52,500, upon loan closing, and an annual fee of 0.30% of the outstanding principal balance.
8. **Not an Unconditional Commitment:** The IBank's resolution shall not be construed as unconditional commitment to finance the Project, but rather IBank's approval pursuant to the Resolution in conditioned upon entry by IBank and the District into an ISRF Program financing agreement, in form and substance satisfactory to IBank.
9. **Limited Time**: The Board's approval expires 180 days from the date of its adoption. Thus, the District and IBank must enter into the ISRF Program financing agreement no later than 180 days from such date. Once the approval has expired, there can be no assurances that IBank will be able to provide the ISRF Program financing to the District or consider extending the approval period.
10. **ISRF Program Financing Agreement Covenants:** The financing agreement shall include, among other things, the following covenants:
    a. District will be required to maintain rates and charges in an amount sufficient to ensure that Net Revenues produce a minimum 1.20 times aggregate annual debt service ratio for obligations senior to and on parity with the ISRF Program financing.
    b. The District will be prohibited from issuing future debt senior to the IBank financing.
    c. Parity debt will be allowed if Net Revenues amount to at least 1.20 times the MADS taking into consideration the MADS payable in any Fiscal Year on the proposed parity debt.
    d. Subordinate debt will be allowed if Net Revenues are at least 1.00 times the sum of the MADS on all outstanding debt, payable from the Fund, including the proposed Subordinate Debt.
    e. District will covenant against reducing rates below levels used for all debt service payable from the Fund, and to take actions to increase rates or fund a rate stabilization fund if the debt service coverage ratios fall below required levels.

f. District to comply with the requirements of the Criteria and all applicable laws, regulations, and permitting requirements associated with public works projects.
g. District to provide to IBank annually within 240 days of the end of each of District's fiscal year a copy of its audited financial statements together with an annual certificate demonstrating compliance with the foregoing covenants, as well as other information as IBank may request from time to time
h. In implementing rates and charges, District to covenant to ensure that its rate structure conforms to the requirements of Proposition 218 and those of the statutes implementing it and the cases interpreting it. Further, District to notify IBank immediately upon the filing of any legal challenge to its rates or charges.
i. District to covenant that District payments made to IBank under Financing Agreement will be accompanied by certification that such payment funds do not include any funds attributable to District revenues derived from the sale of recycled water that District had originally purchased from Central Basin Municipal Water District.