

*In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel to the Authority ("Bond Counsel"), under existing statutes, regulations, rulings and judicial decisions, and assuming certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the 2022 Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest on the 2022 Bonds is exempt from State of California personal income tax. See "TAX MATTERS" herein.*

**\$43,575,000**

**ALAMEDA COUNTY WATER DISTRICT FINANCING AUTHORITY  
WATER SYSTEM REVENUE BONDS, SERIES 2022**



**Dated: Date of Delivery**

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

The Alameda County Water District Financing Authority Water System Revenue Bonds, Series 2022 (the "2022 Bonds"), will be issued pursuant to a Trust Agreement, dated as of April 1, 2022 (the "Trust Agreement"), by and between the Alameda County Water District Financing Authority (the "Authority") and U.S. Bank Trust Company, National Association, as Trustee (the "Trustee"). The 2022 Bonds will be issued in denominations of \$5,000 or any integral multiple thereof. Interest on the 2022 Bonds is payable semiannually on June 1 and December 1, commencing December 1, 2022.

The 2022 Bonds will be issued as fully registered bonds and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the 2022 Bonds. Individual purchases of the 2022 Bonds will be made in book-entry form only.

The 2022 Bonds are being issued by the Authority to provide funds, together with available funds of the District, to (i) finance and/or reimburse the design, acquisition and construction of improvements (the "2022 Project") to the Alameda County Water District's Water System (as defined herein), (ii) refund the Authority's Water System Revenue Bonds, Series 2012 (the "Refunded Bonds"), which are currently outstanding in the principal amount of \$40,750,000; and (iii) pay the costs of issuing the 2022 Bonds.

The 2022 Bonds are secured by a pledge of Authority Revenues, consisting of installment payments (the "2022 Installment Payments") and other payments paid by the Alameda County Water District (the "Water District") and received by the Authority pursuant to a 2022 Installment Purchase Contract, dated as of April 1, 2022, by and between the Authority and the Water District, and all interest or other income from any investment of any money in any fund or account established pursuant to the Trust Agreement (other than the Rebate Fund), and any other amounts held by the Trustee in any fund or account established under the Trust Agreement (other than amounts on deposit in the Rebate Fund). The Water District has previously incurred obligations and may issue or incur obligations payable from Net Revenues on a parity with the 2022 Installment Payments, subject to the terms and conditions of the 2022 Installment Purchase Contract, as more fully described herein. See "SECURITY FOR THE 2022 BONDS – Parity Obligations." and "Execution of Subordinate Obligations" herein.

The 2022 Bonds are subject to optional redemption and mandatory sinking fund redemption as described herein.

THE 2022 BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY AND ARE PAYABLE SOLELY FROM AUTHORITY REVENUES AND THE OTHER ASSETS PLEDGED THEREFOR UNDER THE TRUST AGREEMENT.

THE OBLIGATION OF THE WATER DISTRICT TO MAKE THE 2022 INSTALLMENT PAYMENTS IS A LIMITED OBLIGATION OF THE WATER DISTRICT PAYABLE SOLELY FROM A PLEDGE OF NET REVENUES, AND NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE WATER DISTRICT, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS IS PLEDGED FOR THE PAYMENT THEREOF.

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE OF BONDS. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION WITH RESPECT TO THE PURCHASE OF THE 2022 BONDS.

*The 2022 Bonds are offered when, as and if issued by the Authority and accepted by the initial purchaser, subject to the respective legal opinions of Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel to the Water District, and certain other conditions. Certain legal matters will be passed upon for the Authority and the Water District by Hanson Bridgett LLP. It is expected that the 2022 Bonds in book-entry form will be available for delivery through the facilities of DTC in New York, New York, on or about April 5, 2022.*

Dated: March 22, 2022

## MATURITY SCHEDULE

### \$40,320,000 Serial Bonds

<i>Maturity (June 1)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Yield</i>	<i>Price</i>	<i>CUSIP<sup>†</sup></i>
2023	\$ 2,130,000	5.000%	1.270%	104.263	01112CBZ8
2024	2,490,000	5.000	1.470	107.460	01112CCA2
2025	2,605,000	5.000	1.580	110.484	01112CCB0
2026	2,715,000	5.000	1.660	113.355	01112CCC8
2027	2,865,000	5.000	1.750	115.952	01112CCD6
2028	3,015,000	5.000	1.800	118.564	01112CCE4
2029	1,555,000	5.000	1.850	121.018	01112CCF1
2030	1,635,000	5.000	1.900	123.316	01112CCG9
2031	1,720,000	5.000	1.960	125.362	01112CCH7
2032	1,810,000	5.000	2.070	126.709	01112CCJ3
2033	1,905,000	5.000	2.130	126.082 <sup>C</sup>	01112CCK0
2034	2,010,000	4.000	2.350	114.827 <sup>C</sup>	01112CCL8
2035	2,085,000	4.000	2.400	114.341 <sup>C</sup>	01112CCM6
2036	2,175,000	4.000	2.430	114.051 <sup>C</sup>	01112CCN4
2037	2,260,000	4.000	2.500	113.377 <sup>C</sup>	01112CCP9
2038	2,355,000	4.000	2.550	112.898 <sup>C</sup>	01112CCQ7
2039	2,455,000	3.000	3.100	98.674	01112CCR5
2040	2,535,000	3.000	3.150	97.935	01112CCS3

**\$3,255,000 3.250% Term Bonds due June 1, 2042 - Yield: 3.250%; Price: 100.000<sup>C</sup> CUSIP No. 01112CCU8<sup>†</sup>**

<sup>C</sup> Priced to par call on June 1, 2032.

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No dealer, broker, salesperson or other person has been authorized by the Authority or the Water District to provide any information or to make any representations in connection with the offering or sale of the 2022 Bonds other than as contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized by the Authority or the Water District. 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 2022 Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the 2022 Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matter of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as a representation of facts. This Official Statement is submitted in connection with the sale of the 2022 Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose, unless authorized in writing by the Authority and the Water District.

The information set forth herein has been obtained from sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the initial purchaser, the Authority, or the Water District. The information and expression of opinion 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 Authority or the Water District since the date hereof.

**THE 2022 BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT. THE 2022 BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.**

IN CONNECTION WITH THE OFFERING OF THE 2022 BONDS, THE INITIAL PURCHASER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2022 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE INITIAL PURCHASER MAY OFFER AND SELL THE 2022 BONDS TO CERTAIN DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENT AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE INITIAL PURCHASER.

The initial purchaser has provided the following for inclusion in the Official Statement in connection with the offering of the 2022 Bonds: The initial purchaser has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities under the federal securities laws, as applied to the facts and circumstances of this transaction, but the initial purchaser does not guarantee the accuracy or completeness of such information.

Certain statements included or incorporated by reference in this Official Statement constitute forward-looking statements. Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “project,” “budget” or other similar words. Such forward-looking statements include, but are not limited to, the Projected Operating Results of the Water District in Table 9 herein.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE AUTHORITY AND THE WATER DISTRICT DO NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ANY OF ITS EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR.

**ALAMEDA COUNTY WATER DISTRICT FINANCING AUTHORITY**

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**BOARD OF DIRECTORS**

John H. Weed, President  
Paul Sethy, Vice President  
James G. Gunther, Director  
Judy C. Huang, Director  
Aziz Akbari, Director  
Anjali Lathi (Member from Union Sanitary District)

**WATER DISTRICT OFFICERS AND STAFF**

Ed Stevenson, General Manager  
Jonathan Wunderlich, Director of Finance  
Girum Awoke, Director of Engineering and Technology  
Laura J. Hidas, Director of Water Resources  
Kurt Arends, Director of Operations and Maintenance

**PROFESSIONAL SERVICES**

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Sacramento, California

**WATER DISTRICT COUNSEL**

Hanson Bridgett LLP  
San Francisco, California

**MUNICIPAL ADVISOR**

PFM Financial Advisors LLC  
San Francisco, California

**TRUSTEE**

U.S. Bank Trust Company, National Association  
San Francisco, California

**VERIFICATION AGENT**

Causey Demgen & Moore  
Denver, Colorado

TABLE OF CONTENTS

	Page
INTRODUCTION .....	1
The Authority .....	2
The Water District .....	2
Sources of Payment for the 2022 Bonds .....	2
Continuing Disclosure .....	3
Changes Since the Date of the Preliminary Official Statement .....	3
Summaries Not Definitive .....	3
THE 2022 BONDS .....	3
General .....	3
Redemption .....	4
Notice, Rescission and Effect of Redemption .....	5
FINANCING PLAN .....	6
ESTIMATED SOURCES AND USES OF FUNDS .....	8
DEBT SERVICE REQUIREMENTS .....	9
SECURITY FOR THE 2022 BONDS .....	9
General .....	9
Pledge of Revenues .....	10
Deposit of Authority Revenues; Funds and Accounts .....	10
2022 Installment Payments .....	11
Net Revenues .....	11
Rate Covenant .....	12
Parity Obligations .....	13
Execution of Subordinate Obligations .....	13
Eminent Domain Proceeds .....	14
Insurance .....	14
DISTRICT AND WATER SYSTEM INFORMATION .....	14
Background .....	14
District Facilities and Infrastructure; Capital Improvement Planning .....	15
District Board Members .....	16
District Staff .....	17
District Employees .....	19
Water Supply .....	19
San Francisco Hetch Hetchy Regional Water System .....	20
State Water Project; State Water Project Tax Revenues .....	21
Groundwater Resources .....	22
California Drought and Response .....	23
Financial Effects of Drought .....	24

Per- and Polyfluoralkyl substances (PFAS) .....	26
COVID-19 Pandemic .....	27
Water System Accounts .....	28
Rates and Charges .....	29
Comparative Rates .....	31
Connection Fees .....	32
1% Property Tax Revenues .....	32
Assessed Valuations, Tax Collections and Tax Delinquencies .....	32
Capital Expenditures .....	33
Historical and Projected Net Revenues and Debt Service Coverage.....	34
Reserve Policy.....	38
Pension Plan Obligations.....	39
Other Post-Employment Benefits.....	40
TAX MATTERS.....	41
CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS AND CHARGES.....	42
Article XIII B .....	42
Proposition 218.....	43
Future Initiatives.....	45
Effect of Proposition 218 and of Possible General Limitations on Enforcement Remedies .....	45
RISK FACTORS .....	46
General; Failure to Meet Projections.....	46
COVID-19 Pandemic .....	46
Climate Change .....	46
Cybersecurity.....	47
Environmental Regulation.....	48
Earthquakes, Floods and Other Natural Disasters .....	48
System Demand.....	48
System Expenses .....	49
Drought.....	49
Rate Process .....	49
Investment of Funds .....	49
Limitations on Remedies and Bankruptcy.....	49
Secondary Market for Bonds.....	50
Parity Obligations.....	50
CERTAIN LEGAL MATTERS .....	50
LITIGATION .....	50
MUNICIPAL ADVISOR .....	51
RATINGS .....	51
VERIFICATION OF MATHEMATICAL COMPUTATIONS .....	51

SALE OF THE 2022 BONDS .....	51
INDEPENDENT AUDITOR.....	52
MISCELLANEOUS .....	52
APPENDIX A - SUMMARY OF PRINCIPAL LEGAL DOCUMENTS .....	A-1
APPENDIX B - AUDITED FINANCIAL STATEMENTS OF THE WATER DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2021 AND JUNE 30, 2020.....	B-1
APPENDIX C - FORM OF CONTINUING DISCLOSURE CERTIFICATE.....	C-1
APPENDIX D - PROPOSED FORM OF OPINION OF BOND COUNSEL .....	D-1
APPENDIX E - BOOK-ENTRY ONLY SYSTEM .....	E-1

## SERVICE AREA MAP

# Service Area

- Fremont, Newark, and Union City – 105 square miles



## OFFICIAL STATEMENT

**\$43,575,000**

### **ALAMEDA COUNTY WATER DISTRICT FINANCING AUTHORITY WATER SYSTEM REVENUE BONDS, SERIES 2022**

#### INTRODUCTION

This Official Statement, including the cover page and Appendices hereto, is provided to furnish certain information in connection with the offering of Alameda County Water District Financing Authority Water System Revenue Bonds, Series 2022 (the “2022 Bonds”), in the aggregate principal amount of \$43,575,000. Certain capitalized terms used herein are defined in “APPENDIX A- SUMMARY OF PRINCIPAL LEGAL DOCUMENTS.”

The 2022 Bonds are secured by a pledge of Authority Revenues, consisting of installment payments to be made by the Alameda County Water District (the “Water District”), pursuant to the 2022 Installment Purchase Contract, dated as of April 1, 2022 (the “2022 Installment Purchase Contract”), by and between the Water District and the Alameda County Water District Financing Authority, a joint exercise of powers agency (the “Authority”), and all interest and or other income from any investment of any money in any fund or account established pursuant to the Trust Agreement, dated as of April 1, 2022 (the “Trust Agreement”), by and between the Authority and U.S. Bank Trust Company, National Association, as Trustee (the “Trustee”) (except the Rebate Fund), and any other amounts held by the Trustee in any fund or account established under the Trust Agreement (other than amounts on deposit in the Rebate Fund). The Authority is a joint exercise of powers authority organized under the laws of the State of California (the “State”) and composed of the Water District and Union Sanitary District, a public sanitary district duly organized and existing under and pursuant to the Sanitary District Act of 1923 (“USD”).

The 2022 Installment Purchase Contract is being executed and delivered to (a) (i) finance and/or reimburse the design, acquisition and construction of improvements (the “2022 Project”) to the Alameda County Water District’s Water System (as defined herein), (ii) refund the Authority’s Water System Revenue Bonds, Series 2012 (the “Refunded Bonds”), which are currently outstanding in the principal amount of \$40,750,000; and (b) pay the costs of issuing the 2022 Bonds See “FINANCING PLAN” herein. The Trust Agreement defines “Water System” as all facilities for the pumping, storage, transmission and treatment of water now owned by the Water District and all other properties, structures or works hereafter acquired and constructed by the Water District and determined to be a part of the Water System, together with all additions, betterments, extensions or improvements to such facilities, properties, structures or works or any part thereof hereafter acquired and constructed.

The 2022 Bonds are being issued pursuant to the Joint Exercise of Powers Act (being Chapter 5 of Division 7 of Title 1 of the California Government Code, as amended) (the “Act”) and the Trust Agreement. Pursuant to the Trust Agreement, the Authority will assign to the Trustee, for the benefit of the registered owners of the 2022 Bonds, all its rights to receive the payments of principal and interest payable by the Water District under the 2022 Installment Purchase Contract (the “2022 Installment Payments”) and certain other rights and interests of the Authority in the 2022 Installment Purchase Contract. The Authority shall not have any obligation or liability to the Bond owners with respect to the Water District’s performance of its obligations under the 2022 Installment Purchase Contract.

**The 2022 Bonds are limited obligations of the Authority and are payable solely from Authority Revenues and the other assets pledged therefor under the Trust Agreement. The obligation of the Water District to make the 2022 Installment Payments is a limited obligation payable solely from a pledge of Net Revenues (as defined below), and neither the full faith and credit nor the taxing power of the Water District, the State of California or any of its political subdivisions is pledged for the payment thereof.**

## **The Authority**

The Authority was created by a Joint Exercise of Powers Agreement, dated as of November 14, 2011, and amended as of January 20, 2015, between USD and the Water District. The agreement was entered into pursuant to the provisions of Articles 1, 2 and 4, Chapter 5, Division 7, Title 1 of the California Government Code. The Authority is empowered to assist in financing projects and certain public improvements, such as the design, acquisition and construction of additions, betterments and improvements to the Water System. Under the Act, the Authority has the power to issue revenue bonds to assist in the financing of public capital improvements.

## **The Water District**

The Water District is a special district formed under California law. The Water District is located in southern Alameda County along the southeastern shore of San Francisco Bay in the State. It includes the cities of Fremont, Newark and Union City, and serves a population of approximately 348,283 as of January 1, 2020. The Water District provides water service and manages the Niles Cone Groundwater Basin in its service area.

## **Sources of Payment for the 2022 Bonds**

*Trust Agreement.* The payment of principal of and interest on the 2022 Bonds is secured solely by a pledge of the Authority Revenues, consisting of mainly 2022 Installment Payments and other payments paid by the Water District and received by the Authority pursuant to the 2022 Installment Purchase Contract. The obligation of the Water District to make the 2022 Installment Payments is a limited obligation of the Water District payable solely from a Pledge of Net Revenues. “Net Revenues” means, for any period, an amount equal to all of the Revenues (as hereinafter defined) received by the Water District during such period less the amount of Maintenance and Operation Costs becoming payable during such period. See “SECURITY FOR THE 2022 BONDS - Net Revenues; Pledge of Net Revenues.”

*Rate Covenant.* In the 2022 Installment Purchase Contract, the Water District has covenanted that it will fix, prescribe and collect rates, fees and charges for the services and facilities furnished by the Water District’s Water System during each fiscal year, which are at least sufficient to yield in each fiscal year Net Revenues equal to 125 percent of the Debt Service for such fiscal year. See “SECURITY FOR THE 2022 BONDS - Rate Covenant.”

*Parity Obligations.* The 2022 Installment Purchase Contract provides that additional installment purchase contracts and bonds payable from Net Revenues may be issued or incurred on a parity with the 2022 Installment Payments provided that certain conditions are met. (Such additional installment purchase contracts or bonds payable from Net Revenues on a parity with the 2022 Installment Payments are referred to as “Parity Obligations.”) The Water District previously executed and delivered (i) the Refunded Bonds; and (ii) Water System Revenue Bonds, Series 2015, which are currently outstanding in the principal amount of \$24,715,000 (the “2015 Bonds”). The Refunded Bonds are payable from installment payments to be made by the Water District pursuant to an Installment Purchase Agreement between the Water District and the Authority, dated as of February 1, 2012 (the “2012 Installment Purchase Agreement”). The 2015 Bonds are payable from installment payments to be made by the Water District pursuant to an Installment Purchase Agreement between the Water District and the Authority, dated as of March 1, 2015 (the “2015 Installment Purchase Agreement” and, together with the 2012 Installment Purchase Agreement, the “Prior Parity Obligations”). The 2022 Installment Purchase Agreement, when issued, will be secured by a pledge of Net Revenues on a parity with the Water District’s obligation to make payments with respect to the Prior Parity Obligations. See “SECURITY FOR THE 2022 BONDS - Parity Obligations.”

*Other District Obligations.* In December 2017, the Water District entered into a revolving credit agreement (the “Credit Agreement”) with JP Morgan Chase Bank that allows the Water District to draw up to \$10.0 million for the purpose of borrowing funds when needed to respond to an emergency declared by the

Governor of the State. The Water District's obligation to make payments under the Credit Agreement are not secured by a lien on Net Revenues. The term of the Credit Agreement was initially one-year and has been renewed through amendments to provide for additional one year terms, with the current term set to expire on December 12, 2022. Interest is assessed on any fund borrowed under the Credit Agreement using a Secured Overnight Financing Rate-based rate. As of the date of this Official Statement, the District has no amounts outstanding under the Credit Agreement. If the District does not extend the term of the Credit Agreement, all amounts outstanding under the Credit Agreement would be due and payable by no later than December 12, 2022.

### **Continuing Disclosure**

The Water District has covenanted, on behalf of itself and the Authority, for the benefit of owners of the 2022 Bonds to provide certain financial information and operating data relating to the Water District by not later than nine months after the end of the Water District's fiscal year (which is currently June 30) in each year commencing with the report for the Fiscal Year 2021-22 (the "Annual Report") and to provide notices of the occurrence of certain enumerated events. The Annual Report and notices of material events will all be filed with the Municipal Securities Rulemaking Board. These covenants have been made in order to assist the initial purchasers in complying with Securities Exchange Commission Rule 15c2-12(b)(5) (the "Rule"). The specific nature of the information to be contained in the Annual Report or the notices of material events by the Water District is set forth in APPENDIX C - "Form of Continuing Disclosure Certificate."

The Water District entered into undertakings to provide annual reports, and to provide notice of certain events, in connection with the issuance of the Refunded Bonds and the 2015 Bonds. The Water District has prepared annual reports pursuant to such undertakings each of the last five years, and provided the annual reports to the Dissemination Agent for the 2012 Bonds and the 2015 Bonds in a timely manner. On one occasion, the Dissemination Agent filed a notice of rating upgrade with the Municipal Securities Rulemaking Board 21 days after the occurrence of the event.

### **Changes Since the Date of the Preliminary Official Statement.**

Changes have been made in this Official Statement since the Preliminary Official Statement dated March 15, 2022, to revise the text under the caption "DISTRICT & WATER SYSTEM – State Water Project; State Water Project Tax Revenues" and "-California Drought and Response" to reflect the Department of Water Resources reduction of State Water Project water allocation to 5% of requested supplies.

### **Summaries Not Definitive**

Brief descriptions of the 2022 Bonds, the security for the 2022 Bonds and the Water District are provided herein. Such descriptions do not purport to be comprehensive or definitive. Definitions of certain capitalized terms used herein may be found in APPENDIX A - SUMMARY OF PRINCIPAL LEGAL DOCUMENTS - Certain Definitions. All references made to various documents herein are qualified in their entirety by reference to the forms thereof, all of which are available for inspection at the office of the Director of Finance of the Water District.

## **THE 2022 BONDS**

### **General**

The 2022 Bonds will be issued in denominations of \$5,000 or any integral multiple thereof, and will be dated the date of delivery thereof and will mature on June 1 in the years and in the amounts set forth on the cover page hereof. Interest on the 2022 Bonds is payable from their dated date at the rates set forth on the cover page hereof, on June 1 and December 1 of each year, commencing December 1, 2022.

The 2022 Bonds, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC,” and, together with any successor securities depository, the “Securities Depository”). DTC will act as Securities Depository for the 2022 Bonds so purchased. Individual purchases will be made only in book-entry form. Purchasers will not receive physical certificates representing their beneficial ownership interest in the 2022 Bonds. So long as the 2022 Bonds are registered in the name of Cede & Co., payment of the principal of, premium, if any, and interest on the 2022 Bonds will be payable to DTC or its nominee. DTC in turn will remit such payments to DTC Participants for subsequent disbursement to the Beneficial Owners. See “APPENDIX F - BOOK-ENTRY ONLY SYSTEM.”

THE 2022 BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY AND ARE PAYABLE, AS TO INTEREST THEREON, PRINCIPAL THEREOF AND ANY PREMIUMS UPON THE REDEMPTION OF ANY THEREOF, SOLELY FROM THE AUTHORITY REVENUES (AS DEFINED IN THE TRUST AGREEMENT), AND THE AUTHORITY IS NOT OBLIGATED TO PAY THE INTEREST OR PREMIUM, IF ANY, ON AND PRINCIPAL OF THE 2022 BONDS EXCEPT FROM AUTHORITY REVENUES. THE AUTHORITY HAS NO TAXING POWER AND THE FULL FAITH AND CREDIT OF THE WATER DISTRICT IS NOT PLEDGED FOR THE PAYMENT OF THE INTEREST ON OR PRINCIPAL OF THE 2022 BONDS. NO TAX SHALL EVER BE LEVIED OR COLLECTED TO PAY THE INTEREST ON OR PRINCIPAL OF THE 2022 BONDS. THIS BOND IS NOT SECURED BY A LEGAL OR EQUITABLE PLEDGE OF OR CHARGE OR LIEN UPON ANY PROPERTY OF THE AUTHORITY OR ANY OF ITS INCOME OR RECEIPTS EXCEPT THE AUTHORITY REVENUES.

**Redemption**

*Optional Redemption.* The 2022 Bonds are subject to optional redemption prior to their respective stated maturities at the direction of the Authority, from moneys deposited by the Authority or the Water District from any source of available funds, in whole on any date, or in part (in such maturities as are designated by the Authority at the direction of the Water District) on any date on or after June 1, 2032, at a redemption price equal to 100 percent of the principal amount of Bonds called for redemption, together with accrued interest thereon to the date fixed for redemption, without premium.

*Mandatory Sinking Fund Redemption.* The Term Bonds maturing on June 1, 2042 are subject to redemption prior to their respective stated maturities, on any June 1 on or after June 1, 2041, in part, by lot, from mandatory sinking account payments at a redemption price equal to the principal amount thereof and interest accrued thereon to the date fixed for redemption date, without premium, as set forth below.

Sinking Fund Redemption Date (June 1)	Principal Amount
2041	\$2,610,000
2042*	645,000

\*Final Maturity

*Partial Redemption of the 2022 Bonds.* If less than all Outstanding Bonds maturing by their terms on any one date are to be redeemed at any one time, the Trustee shall select the 2022 Bonds and maturity date to be redeemed in any manner that it deems appropriate and fair and shall promptly notify the Authority in writing of the numbers of such Bonds so selected for redemption. For purposes of such selection, Bonds shall be deemed to be composed of \$5,000 multiples and any such multiple may be separately redeemed.

## **Notice, Rescission and Effect of Redemption**

*Notice of Redemption.* Notice of redemption is required to be mailed by first-class mail by the Trustee, not less than 20 nor more than 60 days prior to the redemption date to (i) the respective Holders of the 2022 Bonds designated for redemption at their addresses appearing on the registration books of the Trustee, (ii) the Securities Depositories and (iii) one or more Information Services. Notice of redemption to the Securities Depositories and the Information Services is required to be given by registered mail, overnight delivery, electronic mail or facsimile transmission. Each notice of redemption is required to state the date of such notice, the Series being redeemed, the redemption price, if any (including the name and appropriate address of the Trustee), the CUSIP number (if any) of the maturity or maturities, and if less than all of any such maturity is to be redeemed, the distinctive certificate numbers of the 2022 Bonds of such maturity to be redeemed and, in the case of 2022 Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice is also required to state that on said date there will become due and payable on each of said 2022 Bonds 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 require that the 2022 Bonds be then surrendered at the address of the Trustee specified in the redemption notice.

So long as the 2022 Bonds are held in book-entry only form, notice of redemption will be mailed by the Trustee only to DTC and not to the Beneficial Owners of Bonds under the DTC book-entry only system. Neither the Authority nor the Trustee is responsible for notifying the Beneficial Owners, who are to be notified in accordance with the procedures in effect for the DTC book-entry system. See “APPENDIX F - BOOK-ENTRY ONLY SYSTEM.”

Neither the failure to receive any such notice of redemption nor any defect therein will affect the validity of the proceedings for the redemption of such Bonds or the cessation of the accrual of interest on the redemption date. Neither the Authority nor the Trustee shall have any responsibility for any defect in CUSIP numbers which appears on any Bond or in any redemption notice with respect thereto.

*Conditional Notice of Optional Redemption.* Any notice of optional redemption of the 2022 Bonds may be conditional and if any condition stated in the notice of redemption is not satisfied on or prior to the redemption date, said notice will be of no force and effect and the Authority (at the direction of the Water District) will not redeem such 2022 Bonds. The Trustee will within a reasonable time thereafter give notice, to the persons and in the manner in which the notice of redemption was given, that such condition or conditions were not met and that the redemption was cancelled.

*Right to Rescind Redemption.* The Authority (at the direction of the Water District) has the right to rescind any redemption by written notice of rescission. Any notice of redemption will be cancelled and annulled if for any reason funds are not available on the date fixed for redemption for the payment in full of the 2022 Bonds then called for redemption, and such cancellation shall not constitute an Event of Default under the Trust Agreement. The Trustee will mail notice of rescission of such redemption in the same manner as the original notice of redemption was sent.

*Effect of Redemption.* If notice of redemption is given as provided in the Trust Agreement and money for the payment of the redemption price of the 2022 Bonds called for redemption is held by the Trustee, then on the redemption date designated in such notice the 2022 Bonds so called for redemption will become due and payable, and from and after such redemption date interest on such Bonds will cease to accrue, and the Holders of such Bonds will have no rights in respect thereof except to receive payment of the redemption price thereof.

## FINANCING PLAN

The 2022 Bonds are being issued by the Authority to provide funds, together with available funds of the District, to (i) finance and/or reimburse costs of the 2022 Project, (ii) refund the Refunded Bonds, which are currently outstanding in the principal amount of \$40,750,000; and (iii) pay the costs of issuing the 2022 Bonds.

2022 Project. The Water District is implementing an Advanced Metering Infrastructure (“AMI”) Project to benefit the Water District and its Customers. The AMI Project will install AMI technology at all Customer locations. The project implementation is consistent with the Water District’s Mission Statement, the Board of Directors’ Strategic Objectives and the Water District’s AMI Needs Assessment. AMI technology allows water meters to be read remotely at frequent intervals. Remote reading of meters not only reduces the Water District meter reading resource requirements but provides opportunities for the Water District to improve operational efficiencies related to meter maintenance, water supply planning, rate development, water use efficiency analysis, infrastructure replacement, and demand management modeling. AMI also allows the Water District to increase customer engagement. With the capability of offering near real-time data, AMI will enable customers to view water usage at any time during the billing cycle and monitor use to identify water leaks more quickly. Additionally, the Water District is developing an online portal, integrated with the AMI software, as part of the Project which will provide Customers convenient access to their consumption data, advanced consumption analytics to support their continued water use efficiency, and access to other customer services such as electronic bill payment and account management. The Water District is expected to complete the full deployment of the AMI Deployment by the end of Fiscal Year 2023-24.

To the extent not expended on the AMI Project, the Water District intends to use the proceeds of the 2022 Bonds to pay the costs of other infrastructure needs of the Water System.

Refunding. A portion of the proceeds of the Series 2022 Bonds, together with other available funds, will be deposited in an escrow fund (the “Escrow Fund”) held by U.S. Bank Trust Company, National Association, as escrow agent for the Refunded Bonds (the “Escrow Agent”) under an escrow agreement for the Refunded Bonds (the “Escrow Agreement”). A portion of the amounts deposited in the Escrow Fund will be invested in certain investments permitted by the terms of the Trust Agreement (the “Defeasance Securities”). The principal of and interest on the Defeasance Securities, together with uninvested amounts held in the Escrow Funds, will be sufficient to pay the principal of and interest on the Series 2012 Bonds to June 1, 2022 (the “Redemption Date”) and to redeem the Refunded Bonds on the Redemption Date, as set forth in the tables below, at redemption prices equal to 100% of the outstanding principal amount thereof plus all accrued but unpaid interest on the Refunded Bonds on the Redemption Date.

For information on mathematical verification of the sufficiency of the principal of and interest on the Defeasance Securities and the funds held by the Escrow Agent to make such payments, see “VERIFICATION OF MATHEMATICAL COMPUTATIONS.” Upon such deposits with the Escrow Agent, the Refunded Bonds will be defeased, and the owners of the Refunded Bonds will no longer be entitled to the benefits of the Trust Agreement.

Certain information relating to the Refunded Bonds is set forth below.

**ALAMEDA COUNTY WATER DISTRICT FINANCING AUTHORITY**  
**Water System Revenue Bonds, Series 2012**  
**Redemption Date: June 1, 2022**

Maturity Date (June 1)	Principal Amount	Interest Rate	Redemption Price	CUSIP <sup>††</sup> Number
2022	\$ 2,400,000	5.000%	100.00%	01112CAK2
2023	2,465,000	5.000	100.00	01112CAL0
2024	2,545,000	4.000	100.00	01112CAM8
2025	2,635,000	4.000	100.00	01112CAN6
2026	2,725,000	3.000	100.00	01112CAP1
2027	2,815,000	3.000	100.00	01112CAQ9
2028	2,910,000	3.000	100.00	01112CAR7
2029	1,385,000	3.000	100.00	01112CAS5
2030	1,430,000	3.000	100.00	01112CAT3
2031	1,475,000	3.125	100.00	01112CAU0
2032	1,520,000	3.125	100.00	01112CAV8
2033	1,575,000	3.250	100.00	01112CAY2
2037	6,895,000	3.500	100.00	01112CAW6
2041	7,975,000	3.500	100.00	01112CAX4

<sup>†</sup> CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Capital IQ. Copyright© 2022 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. Neither the Water District nor the Underwriter take any responsibility for the accuracy of such numbers.

## ESTIMATED SOURCES AND USES OF FUNDS

The sources and uses of funds in connection with the 2022 Bonds are as follows:

**SOURCES:**

Principal Amount of the 2022 Bonds	\$43,575,000.00
Plus Net Original Issue Premium	5,477,358.50
Plus Available Amounts from Refunded Bonds and District Contribution	2,919,361.88
TOTAL:	<u>\$51,971,720.38</u>

**USES:**

2022 Acquisition Fund <sup>(1)</sup>	10,000,000.00
Escrow for Refunded Bonds	41,463,218.97
Underwriter's Discount	267,028.51
Costs of Issuance <sup>(2)</sup>	241,472.90
TOTAL:	<u>\$51,971,720.38</u>

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<sup>(1)</sup> Pursuant to the Trust Agreement, the 2022 Acquisition Fund will be established and held by the Water District. Amounts in the 2022 Acquisition Fund are not pledged pursuant to the Trust Agreement.

<sup>(2)</sup> Includes legal fees, municipal advisory fees, rating fees, printing expenses and other costs relating to the execution and delivery of the 2022 Bonds.

## DEBT SERVICE REQUIREMENTS

Annual debt service on the 2015 Bonds and 2022 Bonds is presented below.

<i>Period Ending (June 1)</i>	<i>2015 Bonds Principal</i>	<i>2015 Bonds Interest</i>	<i>2022 Bonds Principal</i>	<i>2022 Bonds Interest</i>	<i>Total Debt Service</i>
2022 <sup>(2)(3)</sup>	\$ 610,000	\$ 1,014,900	\$ --	\$--	\$ 1,624,900
2023	640,000	984,400	2,130,000	2,210,737	5,965,137
2024	675,000	952,400	2,490,000	1,806,638	5,924,038
2025	705,000	918,650	2,605,000	1,682,138	5,910,788
2026	740,000	883,400	2,715,000	1,551,888	5,890,288
2027	770,000	853,800	2,865,000	1,416,138	5,904,938
2028	800,000	823,000	3,015,000	1,272,888	5,910,888
2029	835,000	791,000	1,555,000	1,122,138	4,303,138
2030	870,000	757,600	1,635,000	1,044,388	4,306,988
2031	900,000	722,800	1,720,000	962,638	4,305,438
2032	940,000	686,800	1,810,000	876,638	4,313,438
2033	975,000	649,200	1,905,000	786,138	4,315,338
2034	1,015,000	610,200	2,010,000	690,888	4,326,088
2035	1,055,000	569,600	2,085,000	610,488	4,320,088
2036	1,100,000	527,400	2,175,000	527,088	4,329,488
2037	1,140,000	483,400	2,260,000	440,088	4,323,488
2038	1,185,000	437,800	2,355,000	349,688	4,327,488
2039	1,235,000	390,400	2,455,000	255,488	4,335,888
2040	1,285,000	341,000	2,535,000	181,838	4,342,838
2041	1,335,000	289,600	2,610,000	105,788	4,340,388
2042	1,390,000	236,200	645,000	20,963	2,292,163
2043	1,445,000	180,600	--	--	1,625,600
2044	1,505,000	122,800	--	--	1,627,800
2045	1,565,000	62,600	--	--	1,627,600
<b>Total<sup>(1)</sup></b>	<b>\$ 24,715,000</b>	<b>\$14,289,550</b>	<b>\$ 43,575,000</b>	<b>\$ 17,914,674</b>	<b>\$100,494,224</b>

<sup>(1)</sup>Totals may not add due to rounding.

<sup>(2)</sup>Reflects District cash contribution of \$2,460,000 to defease June 1, 2022 maturity of Series 2012 Bonds.

<sup>(3)</sup>Debt service for the period ending June 1, 2022 does not reflect \$726,815.63 of interest on Series 2012 Bonds paid on December 1, 2021.

## SECURITY FOR THE 2022 BONDS

Capitalized terms used herein and not otherwise defined shall have the meanings set forth in APPENDIX A- SUMMARY OF PRINCIPAL LEGAL DOCUMENTS- Certain Definitions.

### General

The 2022 Bonds are secured by a pledge of Authority Revenues, consisting of the 2022 Installment Payments and other payments paid by the Water District and received by the Authority pursuant to the 2022 Installment Purchase Contract and all interest or other income from any investment of any money in any fund or account established pursuant to the Trust Agreement (other than the Rebate Fund), and any other amounts held by the Trustee in any fund or account established under the Trust Agreement (other than amounts on deposit in the Rebate Fund).

**The 2022 Bonds are limited obligations of the Authority and are payable solely from Authority Revenues and the other assets pledged therefor under the Trust Agreement. The obligation of the Water District to make the 2022 Installment Payments is a limited obligation of the Water District payable solely**

**from a pledge of Net Revenues, and neither the full faith and credit nor the taxing power of the Water District, the State of California or any of its political subdivisions is pledged for the payment thereof.**

### **Pledge of Revenues**

“Authority Revenues” is defined in the Trust Agreement to mean all 2022 Installment Payments and other payments paid by the Water District and received by the Authority pursuant to the 2022 Installment Purchase Contract and all interest or other income from any investment of any money in any fund or account established pursuant to the Trust Agreement (other than the Rebate Fund).

All Authority Revenues and any other amounts held by the Trustee in any fund or account established under the Trust Agreement (other than amounts on deposit in the Rebate Fund) are irrevocably pledged to the payment of the interest and premium, if any, on and principal of the 2022 Bonds as provided in the Trust Agreement, and the Authority Revenues are not permitted to be used for any other purpose while any of the 2022 Bonds remain Outstanding. The pledge of Authority Revenues under the Trust Agreement constitutes a first pledge of and charge and lien upon the Authority Revenues and all other moneys on deposit in the funds and accounts established under the Trust Agreement (other than amounts on deposit in the Rebate Fund) for the payment of the interest on and principal of the 2022 Bonds in accordance with the terms of the Trust Agreement.

### **Deposit of Authority Revenues; Funds and Accounts**

Under the Trust Agreement, all Authority Revenues are required to be deposited in the Authority Revenue Fund and all money in the Authority Revenue Fund is required to be disbursed, allocated, and applied by the Trustee solely for the uses and purposes set forth in the Trust Agreement.

*Allocation of Authority Revenues.* The Trustee is required under the Trust Agreement to set aside the moneys in the Authority Revenue Fund in the following respective accounts or funds in the following order of priority:

- |         |                   |
|---------|-------------------|
| First:  | Interest Account  |
| Second: | Principal Account |

*Interest Account.* On or before each June 1 and December 1, commencing December 1, 2022, the Trustee is required to set aside from the Authority Revenue Fund and deposit in the Interest Account that amount of money that is equal to the amount of interest coming due and payable on all Outstanding 2022 Bonds on such June 1 or December 1.

No deposit need be made in the Interest Account if the amount contained therein is at least equal to the aggregate amount of interest becoming due and payable on all 2022 Bonds on such interest payment date.

All money in the Interest Account will be used and withdrawn by the Trustee solely for the purpose of paying the interest on the 2022 Bonds as it becomes due and payable (including accrued interest on any 2022 Bonds purchased or redeemed prior to maturity).

*Principal Account.* On each June 1, the Trustee is required to set aside from the Authority Revenue Fund and deposit in the Principal Account an amount of money equal to the principal amount of all Outstanding Serial Bonds maturing or becoming subject to mandatory sinking account redemption on such June 1.

No deposit need be made in the Principal Account if the amount contained therein is at least equal to the aggregate amount of the principal of all Outstanding 2022 Bonds maturing or becoming subject to mandatory sinking account redemption by their terms on such June 1.

All money in the Principal Account is required to be used and withdrawn by the Trustee solely for the purpose of paying the principal of the 2022 Bonds as it becomes due and payable, whether at maturity or redemption.

No debt service reserve fund to secure the 2022 Bonds is created under the Trust Agreement.

## **2022 Installment Payments**

Pursuant to the 2022 Installment Purchase Contract, the Water District is obligated to make 2022 Installment Payments, solely from Net Revenues, the combined totals of which 2022 Installment Payments equal the principal of and interest on the 2022 Bonds. The obligation of the Water District to pay such 2022 Installment Payments is absolute and unconditional, and until such time as the 2022 Installment Payments have been paid in full (or provision for the payment thereof shall have been made pursuant to the 2022 Installment Purchase Contract, the Water District will not discontinue or suspend any 2022 Installment Payments required to be paid by it under the 2022 Installment Purchase Contract required to be paid when due, whether or not the Water System or any part thereof is operating or operable, or its use is suspended, interfered with, reduced, curtailed or terminated in whole or in part, and such payments will not be subject to reduction whether by offset, abatement or otherwise and will not be conditional upon the performance or nonperformance by any party to any agreement for any cause whatsoever. The obligation of the Water District to make the 2022 Installment Payments is not subject to annual appropriation by the Water District.

The obligation of the Water District to make the 2022 Installment Payments pursuant to the 2022 Installment Purchase Contract is a limited obligation of the Water District payable solely from a pledge of Net Revenues, and neither the full faith and credit nor the taxing power of the Water District, the State of California or any of its political subdivisions is pledged for the payment of the 2022 Installment Payments.

## **Net Revenues**

*Pledge of Net Revenues.* Under the 2022 Installment Purchase Contract, all Net Revenues are irrevocably pledged to the payment on a parity of the 2022 Installment Payments and all other Installment Payments (including the 2015 Installment Payments) and Bonds, and the Net Revenues shall not be used for any other purpose while any of the 2022 Installment Payments remain unpaid; provided, that out of the Net Revenues there may be apportioned such sums for such purposes as described below. The pledge under the 2022 Installment Purchase Contract constitutes a first lien on the Net Revenues for the payment of the 2022 Installment Payments and all other Installment Purchase Contracts and Bonds in accordance with the terms of the 2022 Installment Purchase Contract, and the 2022 Installment Payments shall be secured by and payable on a parity with all such payments.

“Net Revenues” are defined in the 2022 Installment Purchase Contract as, for any designated period, the Revenues during such period, less the Maintenance and Operation Costs during such period.

“Revenues” are defined in the 2022 Installment Purchase Contract as all gross income and revenue received or receivable by the Water District from the ownership or operation of the Water System, determined in accordance with Generally Accepted Accounting Principles, including all rates, charges and connection fees received by the Water District for water and the other services of the Water System and all proceeds of insurance covering business interruption loss relating to the Water System and all other income and revenue howsoever derived by the Water District from the ownership or operation of the Water System, but excluding all proceeds of taxes imposed by the District to pay costs of water purchased for the Water System and all refundable deposits made to establish credit and advances or contributions in aid of construction.

“Maintenance and Operation Costs” are defined in the 2022 Installment Purchase Contract as the reasonable and necessary costs paid or incurred by the Water District for maintaining and operating the Water System, determined in accordance with Generally Accepted Accounting Principles, including all costs of water

purchased for the Water System (except those costs paid from taxes imposed by the District), and including all reasonable expenses of management and repair and all other expenses necessary to maintain and preserve the Water System in good repair and working order, and including all administrative costs of the Water District that are charged directly or apportioned to the operation of the Water System, such as salaries and wages of employees, overhead, taxes (if any) and insurance premiums, and including all other reasonable and necessary costs of the Water District or charges required to be paid by it to comply with the terms of the 2022 Installment Purchase Contract and of any resolution authorizing the execution of any Installment Purchase Contract or of such Installment Purchase Contract or of any resolution or indenture authorizing the issuance of any Bonds or of such Bonds, such as compensation, reimbursement and indemnification of the trustee, seller or lessor for any such Installment Purchase Contracts or Bonds and fees and expenses of Independent Certified Public Accountants and Independent Engineers, but excluding in all cases depreciation, replacement and obsolescence charges or reserves therefor and amortization of intangibles.

*Allocation of Revenues.* In order to carry out and effectuate the pledge and lien contained in the 2022 Installment Purchase Agreement, the Water District agrees and covenants that all Revenues shall be received by the Water District in trust hereunder and shall be deposited when and as received in the Water District Revenue Fund, which fund the Water District agrees and covenants to continue to maintain in the treasury of the Water District so long as any 2022 Installment Payments remain unpaid, and all money in the Water District Revenue Fund shall be applied and used as provided in the 2022 Installment Purchase Agreement. The Water District shall pay all Maintenance and Operation Costs (including amounts reasonably required to be set aside in contingency reserves for Maintenance and Operation Costs the payment of which is not then immediately required) from the Water District Water Revenue Fund as they become due and payable. After such payment, amounts in the Water District Water Revenue Fund shall be set applied by the Water District at the following times in the following amounts.

On or before the fifth (5th) Business Day before June 1 and December 1 of each year, beginning on December 1, 2022, the Water District shall, from the money in the Water District Revenue Fund, transfer to the Trustee (on a parity with the transfers for the payment of all other Debt Service) for deposit in the Authority Revenue Fund a sum equal to the amount of the interest installment becoming due under the 2022 Installment Purchase Contract on the next succeeding June 1 or December 1, as the case may be, and on or before the fifth (5th) Business Day before June 1 of each year, beginning on December 1, 2022, the Water District shall, from the money in the Water District Revenue Fund, transfer to the Trustee (on a parity with the transfers for the payment of all other Debt Service) for deposit in the Authority Revenue Fund a sum equal to the amount of the principal installment becoming due under the 2022 Installment Purchase Contract on the next succeeding June 1.

No transfer to and deposit in the Authority Revenue Fund need be made if the amount available and contained therein is at least equal to the amount of the interest installment becoming due under the 2022 Installment Purchase Contract on the next succeeding June 1 or December 1, as the case may be, plus (in the case of deposits required to be made on or before the fifth (5th) Business Day before each June 1) the amount of the principal installment becoming due hereunder on the next succeeding June 1.

All remaining money in the Water District Revenue Fund may be withdrawn from the Water District Revenue Fund from time to time for expenditure for any lawful purpose of the Water District.

### **Rate Covenant**

The Water District covenants under the 2022 Installment Purchase Contract that it will fix, prescribe and collect charges, fees and rates for the Water Service which are reasonably fair and nondiscriminatory and which will be at least sufficient to yield, during each Fiscal Year, Net Revenues equal to one hundred twenty-five per cent (125%) of the Debt Service for such Fiscal Year. The Water District may make adjustments from time to time in such charges, fees and rates and may make such classification thereof as it deems necessary, but shall not reduce the charges, fees and rates then in effect unless the Net Revenues from such reduced charges,

fees and rates will at all times be sufficient to meet the requirements described in this section. If for any Fiscal Year the Water District does not meet the rate covenant, the Water District covenants under the 2022 Installment Purchase Contract to engage an Independent Engineer to recommend revised charges, fees and rates, and the Water District will, to the extent practicable and subject to applicable requirements and restrictions imposed by law and subject to a good faith determination by the Water District that such recommendations, in whole or in part, are in the best interests of the Water District, implement such revised charges, fees and rates so as to produce the necessary Net Revenues.

The 2022 Installment Purchase Contract provides that, so long as the Water District has complied with its obligations set forth in paragraph above, the failure of Net Revenues to meet the threshold set forth above at the end of a Fiscal Year shall not constitute a default or an Event of Default under the 2022 Installment Purchase Contract, so long as the Water District has complied with the requirements of the paragraph above at the commencement of the succeeding Fiscal Year.

### **Parity Obligations**

The 2022 Installment Purchase Contract provides that the Water District will not incur any obligations payable from the Net Revenues superior to the payment of the 2022 Installment Payments, although the Water District may at any time execute any Installment Purchase Contract or issue any water revenue bonds (“Bonds”), as the case may be, to finance or refinance any Project the Debt Service on which Installment Purchase Contract or Bonds are payable on a parity with the payment by the Water District of the 2022 Installment Payments from the Net Revenues, provided that the following conditions are met:

(a) (a) The Net Revenues for the most recently audited Fiscal Year, as evidenced by a calculation prepared by the District, shall have produced a sum equal to at least one hundred twenty-five percent (125%) of the Debt Service for such Fiscal Year on all then outstanding Installment Purchase Contracts and Bonds; and

(b) The estimated Net Revenues for the first Fiscal Year commencing after the issuance of the additional Installment Purchase Contract or Bonds as evidenced by a calculation prepared by the District, plus an allowance for estimated Revenues for such Fiscal Year arising from any increase in the charges, fees or rates adopted prior to issuance of such Additional Bonds to be fixed and prescribed for the use of the Water System in an amount equal to ninety percent (90%) of the amount by which such Revenues would have been increased if such increase had been in effect during such Fiscal Year (as similarly evidenced), shall produce a sum equal to at least one hundred twenty-five percent (125%) of the estimated Debt Service for such Fiscal Year;

provided, that notwithstanding the foregoing conditions, any Installment Purchase Contract may be executed and delivered and any Bonds may be issued without regard to such conditions if the Debt Service in each fiscal year after the execution and delivery of any such Installment Purchase Contract or the issuance of any such Bonds, as the case may be, is not increased by reason of the execution and delivery of such Installment Purchase Contract or the issuance of such Bonds; and provided further, that notwithstanding the foregoing conditions, no such Installment Purchase Contract shall be executed and delivered nor such Bonds shall be issued if an Event of Default shall have occurred and shall be then continuing.

Upon issuance of the 2022 Bonds, the 2022 Installment Payments will be payable from Net Revenues on a parity with the Water District’s obligation to make payments with respect to the Prior Parity Obligations.

### **Execution of Subordinate Obligations**

Pursuant to the 2022 Installment Agreement, the Water District may at any time, or from time to time, issue evidences of indebtedness for any lawful purpose which are payable from and secured by a pledge of and lien on any Net Revenues then remaining in the Water District Revenue Fund as provided in the 2022 Installment

Agreement so long as such pledge and lien shall be subordinate in all respects to the pledge of and lien on the Net Revenues provided herein.

### **Eminent Domain Proceeds**

The 2022 Installment Purchase Contract provides that if all or any part of the Water System is taken by eminent domain proceedings, then if: (1) the Water District obtains and files with the Trustee an Engineer's Report showing (i) the estimated loss of annual Net Revenues, if any, suffered or to be suffered by the Water District by reason of such eminent domain proceedings, (ii) a general description of the additions, betterments, extensions or improvements to the Water System proposed to be acquired and constructed by the Water District from such Net Proceeds, and (iii) an estimate of the additional annual Net Revenues to be derived from such additions, betterments, extensions or improvements, and (2) the Water District, on the basis of such Engineer's Report, determines that the estimated additional annual Net Revenues will sufficiently offset the estimated loss of annual Net Revenues resulting from such eminent domain proceedings so that the ability of the Water District to meet its obligations under the 2022 Installment Purchase Contract will not be substantially impaired (which determination shall be final and conclusive), then the Water District shall promptly proceed with the acquisition and construction of such additions, betterments, extensions or improvements substantially in accordance with such Engineer's Report and such Net Proceeds shall be applied as set forth in a Written Request of the Water District for the payment of the costs of such acquisition and construction, and any balance of such Net Proceeds not required by the Water District for such purpose shall be deposited in the Water District Revenue Fund.

### **Insurance**

The Water District covenants in the 2022 Installment Purchase Contract to procure and maintain insurance on the Water System with responsible insurers in such amounts and against such risks (including accident to or destruction of the Water System) as are usually covered in from reputable insurance companies. In the event of any damage to or destruction of the Water System caused by the perils covered by such insurance, the Net Proceeds thereof shall be applied to the reconstruction, repair or replacement promptly after such damage or destruction shall occur, and the Water District shall continue and properly complete such reconstruction, repair or replacement as expeditiously as possible, and shall pay out of such Net Proceeds all costs and expenses in connection with such reconstruction, repair or replacement so that the same shall be completed and the Water System shall be free and clear of all claims and liens.

The Water District further covenants in the 2022 Installment Purchase Contract to procure and maintain such other insurance which it shall deem advisable or necessary to protect its interests and the interests of the Owners, which insurance shall afford protection in such amounts and against such risks as are usually covered in connection with water systems similar to the Water System; provided, that any such insurance may be maintained under a self-insurance program so long as such self-insurance is maintained in the amounts and manner usually maintained in connection with water systems similar to the Water System.

## **DISTRICT AND WATER SYSTEM INFORMATION**

### **Background**

In 1914, the Alameda County Water District became the first agency formed under the State's County Water District Law (California Water Code Sections 30000 et seq.). The Water District was formed originally to halt the exportation of water from the local groundwater basin and to conserve the water of Alameda Creek. It is responsible for the groundwater supply underlying the cities of Fremont, Newark and Union City in southern Alameda County.

Since 1930, the Water District has also been a water distribution agency. From purchase of a small distribution system in Alvarado (now a part of Union City), the Water District has expanded to serve almost all of the area covering the cities of Fremont, Newark and Union City. The Water District produces, stores, treats

and distributes water for a population of 348,283 people (as of January 1, 2020) in southern Alameda County. The Water District covers approximately 105 square miles and as of June 2021 had over 86,000 customer accounts. For Fiscal Year 2020-21, average daily water production was approximately 40.0 million gallons per day (“mgd”) and peak monthly average demand was approximately 50.3 mgd.

### **District Facilities and Infrastructure; Capital Improvement Planning**

The Water District includes four water production facilities, as described below:

The Water Treatment Plant 2 (“WTP2”) produces up to 28 mgd. WTP2 receives water from the South Bay Aqueduct of the State Water Project (“SWP”), which began operation in 1993, and utilizes pre-ozonation and biologically-active filtration as major components of the water treatment process.

The Newark Desalination Facility (“NDF”) produces up to 12.5 mgd. The NDF is one of the first water plants in northern California using reverse osmosis membranes to remove salts from brackish water. The NDF not only helps restore saline-intruded portions of the Niles Cone groundwater basin but also turns a previously untapped local resource into high quality potable supply. Placed into service in 2003, the production capacity of the facility was increased to its current maximum capacity of 12.5 mgd in a 2009 expansion.

The Blending Facility (the “Blending Facility”) is capable of producing up to 48 mgd. Placed into service in 1992, the Blending Facility enables more uniform water quality and moderation of groundwater hardness from the Water District’s Peralta-Tyson and Mowry Wellfields, comprised of eight wells each. The quality of blended water is comparable in hardness to the Water District’s treated surface water, which is achieved by combining the higher hardness water from wells with the very low hardness water purchased from the San Francisco Hetch Hetchy Regional Water System, owned and operated by the City and County of San Francisco. Production at the Blending Facility is currently reduced due to the detection of certain substances in the groundwater wells supplying the facility as described in “Per- and Polyfluoralkyl substances (“PFAS”).”

The Mission San Jose Water Treatment Plant (“MSJWTP”), which historically produced up to 8 mgd, is currently decommissioned. The MSJWTP was placed on-line in 1975 using conventional water treatment processes, underwent major treatment process changes in 2004 with a conversion to ultrafiltration technology, and was decommissioned in 2015 due to low water demand at the height of the 2012-2016 statewide drought. The MSJWTP could be brought back online if needed in the future to address higher demands resulting from population growth; however, a substantial rehabilitation project would be needed.

The Water District has approximately 911 miles of pipes in its distribution system (not including “service lines” which bring water from the distribution pipes to particular residential or commercial locations), of which about two-thirds are older than forty years.

Much of the Water District's water infrastructure is aging and susceptible to damage as a result of ground shaking and ground failure due to earthquakes. Of primary concern is the Hayward Fault, which bisects the Water District’s service area. Accordingly, the Water District has embarked on a Main Replacement and Seismic Upgrade Program (“MRSUP”) which will (1) improve the overall seismic reliability of the Water District's distribution system by strategically making improvements in areas of potential seismic induced earth movement, (2) improve fire flows in the older portions of the service area that are currently served by mains that do not meet current standards, (3) improve water service reliability and manage maintenance costs by renewing aging water distribution infrastructure, and (4) improve the seismic reliability of its distribution storage and production facilities. Over the past several years, the Water District has implemented significant seismic improvements including retrofitting more than 8.5 miles of large diameter main along the Hayward Fault; replacing more than 4,500 feet of pipeline to improve flows and ensure better fire protection in one of the older residential areas of Fremont; replacing approximately 6,700 feet of aging water pipeline in Union City to enhance transmission capacity during a seismic event; completing upgrades to its Canyon Heights Booster Station; repairing the Vallecitos Channel to improve the reliability of water imported for groundwater recharge near Quarry Lakes;

replacing the roof of a 4.3 million gallon water storage reservoir to meet current seismic codes, and increase seismic resiliency; and completing the installation of a backup power system at the Blending Facility.

In recent years, the Water District improved the reliability of distribution storage by replacing the existing roof on the Canyon Heights Tank, one of the Water District's upper zone storage facilities with a capacity of 0.5 million gallons. The Water District has also completed the Appian Tank Seismic Upgrade project to maintain water pressure and provide firefighting capabilities during and after a seismic emergency. This project included complete replacement of the 0.8 million gallon capacity tank, improved and modernized tank monitoring and control systems, and replaced several thousand feet of transmission pipeline served by the tank.

The Water District utilizes three main comprehensive long range integrated planning tools: the Integrated Resources Plan ("IRP"), Capital Improvement Program ("CIP") and the Financial Planning Model ("FPM"). The IRP process evaluates a wide range of water supply, production and water conservation options as well as land use projections in the Water District's service area to develop the Water District's long range water supply strategy necessary to meet projected demands. The CIP includes project schedules and projected costs for production facilities and other projects identified in the IRP needed to support and maintain water supply and system reliability, public health and water quality, and environmental compliance over a 25-year planning horizon. The FPM includes short- and long-range projections of the Water District's revenues, operating and maintenance expenses, capital expenditures, and reserves over a 25-year planning horizon. See "Capital Expenditures."

### **District Board Members**

The Water District is governed by a five member Board of Directors, with each director elected to four-year terms by the voters. Brief biographies of each director and principal members of the Water District staff are set forth below.

**Mr. John H. Weed** is the current Board President and has served on the Water District Board since 1995. He is an attorney, member of the California Bar, and also works in property development as President of Niles Properties, Inc. He has military experience as a Civil Engineer and water utility consultant with the United States Air Force on installations worldwide. He retired as a Colonel with the U.S. Air Force Reserves in 2000. He was previously employed as an Engineer Technician with the Santa Clara Valley Water District and was the Special Assistant to the Division Manager of Ordnance Engineering at FMC Corporation. Mr. Weed formerly served as an elected Trustee of the Ohlone Community College District from 1977 to 2010.

He currently serves on the Board of Directors of the Bay Area Water Supply and Conservation Agency and is an appointed member of the Alameda County Assessment Appeals Board. Mr. Weed also serves on the Federal Affairs Committee of the Association of California Water Agencies (ACWA) and is past Chair of the ACWA Region 5 Council. He serves as Alternate Director on the Board of the California Delta Conveyance Design and Construction Authority, a member of the Risk Management Committee of Joint Power Insurance Authority of ACWA, President of the Washington Township Historical Society, and member of the Newark Rotary Club.

Mr. Weed has a Bachelor of Science degree in Civil Engineering, and Juris Doctor degree from the University of Santa Clara. He has a Master of Business Administration degree in Finance from Eastern New Mexico University. He conducted doctoral level graduate studies in Water Resource Administration and was a Graduate Research Associate in Agricultural Economics at the University of Arizona.

**Mr. Paul Sethy** is the current Board Vice President and has served on the Water District Board since 2010. He also currently serves on the Local Government and Water Management committees for the Association of California Water Agencies and serves as a member of the board of directors of the California Delta Conveyance Finance Authority and the Los Vaqueros Reservoir Joint Powers Authority. In addition, Mr. Sethy serves as Board President of the Southern Alameda County GIS Authority.

Professional/occupational history: Chairman and Chief Executive Officer; Founder in 1999 of AirPrime, Inc., raising a total of \$82 million in venture capital financing. The company eventually grew into a leading manufacturer of cellular modems for personal computer, smartphone, and industrial applications and was later acquired by Sierra Wireless, a NASDAQ listed company. AirPrime introduced the world's first internet-enabled smartphone which was retailed by both Sprint and Verizon. Mr. Sethy is a 35 year veteran of Silicon Valley's high technology industry working in various management positions for corporate leaders Verbatim, Xerox, 3Com, VeriFone and Hewlett-Packard, as well as for several startup companies. He has written numerous articles for industry trade publications and was co-author of the book, The Wireless Industry, which served as the subject of a PBS program, The Wireless Future, which aired on 200 television stations internationally during 2001 and 2002. He is the current Vice-President of the Fremont Cultural Arts Council and Board member of the Washington Township Historical Society.

Mr. Sethy attended the University of California, Berkeley, School of Letters and Sciences.

**Mr. James G. Gunther** has served on the Water District Board since 1995. Mr. Gunther was formerly a registered Professional Engineer in the State of Maryland and formerly a registered Environmental Assessor in the State of California. He holds a Hazardous Materials Management Certificate and served as a U.S. Coast Guard officer/engineer for 12 years. Mr. Gunther previously served as a facility supervisor with an environmental cleanup and emergency response firm and is currently a conductor supervisor for Transit America Services, Inc. for the Caltrain System. He has served as an active member of the Association of California Water Agencies since 1995 and was previously a volunteer with the Fremont Fire Department.

Mr. Gunther has a Bachelor of Science degree in Ocean Engineering from the U.S. Coast Guard Academy.

**Ms. Judy C. Huang** has served on the Water District Board since 2002. Ms. Huang is a Registered Professional Engineer in California. She worked for the San Francisco Bay Region of the California Regional Water Quality Control Board as a Water Resource Control Engineer from 1993 to 1997 and as an Associate Water Resource Control Engineer from 1997 to 2006. She is currently an environmental engineer/project manager for the U.S. Environmental Protection Agency.

Ms. Huang has a Bachelor of Science degree in Chemical Engineering from the University of California, Berkeley.

**Mr. Aziz Akbari** has served on the Water District Board since 2016. He currently serves on the Business Development committee for the Association of California Water Agencies. Previously, Mr. Akbari served as a Consumer Affairs Commissioner in Alameda County – the youngest to ever serve in this capacity. Outside of his duties on the Water District Board, Mr. Akbari volunteers with several local organizations and is an active member in the Niles Rotary Club.

Mr. Akbari obtained his Bachelor's degree in Industrial and Systems Engineering with concentrations in Data Science and Resource Planning from the University of Southern California.

#### **District Staff**

**Mr. Ed Stevenson, General Manager**, has been with the Water District since 1998. His background includes over 24 years of experience in engineering, operations, new development, water supply, water quality, information technology, customer service, and utility management. Prior to assuming the role of General Manager in July 2021, Mr. Stevenson managed various engineering and technology functions for a combined period of 17 years. As General Manager, Mr. Stevenson currently serves as the chief executive with responsibility for implementing the policy direction and decisions of the Board of Directors, and through subordinate managers all engineering, planning, design, and construction activities, as well as the administrative, operational, and financial affairs of the Water District.

Mr. Stevenson holds a Bachelor of Science degree in Civil and Environmental Engineering from San Jose State University and is a registered Civil Engineer in the state of California. He serves on the Board of California Urban Water Agencies and on the Executive Committee of CalDesal, is a member of the American Water Works Association and the Association of California Water Agencies and is Past President of the Bay Area Waterworks Association.

**Mr. Jonathan Wunderlich, Director of Finance**, joined the Water District in February 2017. Previously, Mr. Wunderlich served as the Chief Financial Officer and Administrative Manager of the Goleta Water District in Santa Barbara County. Prior to working with the Goleta Water District, he spent nine years with the State of California serving most of that time in various budget oversight capacities with the California Department of Finance. During his State service, he also worked as Assistant Deputy Director for Healthcare Financing at the California Department of Health Care Services. He has a diverse background and experience in financial management, financial planning, rate design, utility billing, and procurement. He is a member of the Government Finance Officers Association and the California Society of Municipal Finance Officers. He also represents the Water District as an alternate Board member to the Los Vaqueros Reservoir Joint Powers Authority.

Mr. Wunderlich has both a Bachelor's degree in Economics and a Master's of Public Policy degree from Brigham Young University.

**Ms. Laura J. Hidas, Director of Water Resources**, has been with the Water District for over 20 years, with experience in water quality and treatment, water supply, water system operations, and public affairs, and has served as the Director of Water Resources for the past three years. Her areas of responsibility include oversight of the Water District's groundwater protection and management programs, water supply operations, imported water supply management, long-term water supply planning, and water conservation. She is a member of the American Water Works Association and the Association of Women in Water, Energy & Environment.

Ms. Hidas holds a B.S. in Chemistry from Stanford University and a Master's of Science degree in Civil & Environmental Engineering from University of California, Berkeley. Ms. Hidas is a registered professional engineer and a licensed Water Treatment Operator and Water Distribution Operator in the State of California.

**Mr. Girum Awoke, Director of Engineering and Technology**, has been with the Water District since September 2021. He has 20 years of professional experience in public works and utilities engineering in both the private and public sectors. For the past 10 years, he has served in executive management roles, and his most recent assignments were as the Director of Public Works for the City of Vacaville, and Public Works Director for the City of Gilroy. He also served as Chief of Construction for Montgomery County in Maryland.

Mr. Awoke holds a PhD and master's degree in Civil Engineering from the University of Maryland and has several certifications in project management, alternative project delivery, and leadership. He is a member of many industry associations including the American Water Works Association, American Public Works Association, Construction Management Association of America, and Institute of Traffic Engineers. He is a Registered Professional Engineer in California, holds a Water Treatment Operator certification from the State of California, and serves as adjunct faculty at Santa Clara University and San Jose State University.

**Mr. Kurt Arends, Director of Operations and Maintenance**, has been with the Water District since 2019. Prior to that, he held multiple positions with several Bay Area water agencies including Deputy Operating Officer of Raw Water Operations at the Santa Clara Valley Water District in San Jose, and Assistant General Manager at Zone 7 Water Agency in Livermore. He is a member of the American Water Works Association and the American Society of Civil Engineers.

Mr. Arends holds a B.S. in Civil Engineering from California Polytechnic State University, San Luis Obispo, Masters Degrees in Civil Engineering and Public Administration from San Jose State University, is a

licensed civil engineer in the State of California and holds treatment and distribution certifications from the State of California.

### **District Employees**

As of July 1, 2021, the Water District has an authorized staff of 241 full-time employees of which 109 are management, confidential and professional (“MCP”) employees. The Water District’s non-MCP employees are currently represented by two labor organizations:

- Operating Engineers Local No. 3 of the AFL-CIO, represents 112 of the Water District’s employees in the Finance, Operations and Maintenance, Engineering and Technology Services, and Water Resources departments with wages, benefits, and conditions of employment covered by a memorandum of understanding with Operating Engineers Local No. 3 that expires March 31, 2025.
- 20 employees in the Operations and Maintenance Department are self-represented by the Alameda County Water District Operators Association with wages, benefits, and conditions of employment covered by a memorandum of understanding with the Alameda County Water District Operators Association that expires June 30, 2025.

### **Water Supply**

The Water District’s fiscal year 2020-21 potable water production was approximately 44,800 acre-feet. Water is typically provided from the following sources:

- the Niles Cone Groundwater Basin, consisting of fresh groundwater produced from 16 wells in the Peralta-Tyson and Mowry wellfields plus brackish water produced from 6 wells that supply the NDF;
- surface water from the Sacramento-San Joaquin Delta (including water stored from prior years) and supply (when available) from the Lake Del Valle watershed delivered via the South Bay Aqueduct branch of the SWP, which is then treated at the WTP2 (or, potentially, the MSJWTP, subject to recommissioning); and
- water purchased from the San Francisco Public Utility Commission’s (“SFPUC”) Hetch Hetchy Regional Water System.

The amount of water available from these sources is variable in any given year due to hydrologic conditions and other factors. Assuming locally high levels of precipitation and full delivery of imported water supplies, these sources can theoretically provide over 125,000 acre-feet in a given year. As described below under “California Drought and Response,” the current drought has resulted in increased reliance on conservation, water purchases from the SFPUC, and return of water stored in prior years, as the availability of new water allocations from the SWP has decreased.

The Water District’s contract with the State provides that in the event of a shortage in supply due to drought, the Department of Water Resources (“DWR”) will reduce deliveries from the SWP to its contractors in proportion to their maximum contractual amounts. See “State Water Project” below for further details.

The Water District’s contract with the City and County of San Francisco (“San Francisco”) provides for a division in supply between the wholesale customers, collectively, and retail customers in San Francisco, in the event of a shortage of supply in the Hetch Hetchy Regional Water System. In the event of a shortage of up to 20%, the wholesale customers will receive between 62.5% and 64.5% of the total water available,

depending on the severity of the shortage. See “San Francisco Hetch Hetchy Regional Water System” below for further details.

Supply agreements with both DWR and San Francisco permit these suppliers to increase the unit charges for water. The cost of water purchased from DWR is determined by formula based on capital and operating expenses. Water is purchased from San Francisco in accordance with a wholesale rate schedule as adjusted annually by the SFPUC, in accordance with cost allocation rules contained in the water supply agreement with its wholesale customers, such as the Water District.

In addition to groundwater used for the distribution system by the Water District, approximately 10 percent of the groundwater extracted from the Niles Cone is used by other private and public well owners and operators. For fiscal year 2020-21, private pumping was approximately 1,500 acre-feet. The following table shows the acre-feet of water from each of the Water District’s sources during the last five fiscal years:

**TABLE 1  
WATER SUPPLY BY SOURCE  
(Acre-Feet)**

<u>Fiscal Year</u> <u>Ending</u>	<u>Groundwater</u> <sup>1</sup>	<u>Desalination</u>	<u>SWP</u> <sup>2</sup>	<u>Del Valle</u> <u>Reservoir</u>	<u>SFPUC</u>	<u>Total</u> <sup>3</sup>
2017	8,500	7,900	8,400	9,000	7,100	40,800
2018	10,100	7,200	15,300	2,100	8,500	43,100
2019	9,200	6,700	14,100	4,600	8,700	43,100
2020	7,100	8,600	14,900	5,400	8,800	44,900
2021	6,500	8,600	20,100	500	10,500	46,300

<sup>1</sup> ‘Groundwater’ includes the volume of untreated groundwater extracted from the Niles Cone by private and public well owners, but does not include Del Valle Reservoir supplies or imported supplies used for recharge of the groundwater basin, as these volumes are listed under the ‘Del Valle Reservoir’ and ‘SWP’ columns, respectively, and are considered to be produced at the Water District’s production facilities immediately upon recharge. ‘Groundwater’ also does not include brackish groundwater desalination production volumes, which are listed under the ‘Desalination’ column.

<sup>2</sup> ‘SWP’ supplies include water stored in prior years and returned to the Water District during the applicable fiscal year.

<sup>3</sup> ‘Total’ includes both potable production from the Water District’s production facilities as well as untreated groundwater supplies from the Niles Cone extracted by private and public well owners.

\*Totals may not add due to rounding.

Source: Alameda County Water District

### **San Francisco Hetch Hetchy Regional Water System**

The Water District has a 25-year contract with San Francisco that runs through 2034 and provides up to 15,400 acre feet (“AF”) per year (13.76 mgd) from the San Francisco Hetch Hetchy Regional Water System. The supply is derived predominantly from runoff and melted snowpack collected in Hetch Hetchy Reservoir located within Yosemite National Park in the Sierra Nevada mountain range. It is seasonally supplemented by treated water produced from SFPUC lands and facilities within the Alameda Creek watershed. This water does not require further treatment by the Water District to meet potable water requirements. The Water District is one of 26 wholesale customers that have collectively contracted with San Francisco for up to 184 mgd on an annual average basis, but the supply can be, and has been, reduced at San Francisco’s discretion in times of drought.

The water purchased from the San Francisco Regional Water System has proven to be the Water District’s most reliable imported supply. However, it is also the most expensive source of supply because of the high capital, operations and maintenance costs associated with extensive water supply works virtually spanning the breadth of California.

The Water District is a member of the Bay Area Water Supply and Conservation Agency (“BAWSCA”) which represents the interests of 24 cities and water districts, and two private utilities that purchase wholesale water from the Public Utilities Commission of the City and County of San Francisco, through the facilities of the San Francisco Regional Water System. In February 2013, BAWSCA issued bonds in the amount of \$335.8 million to raise the funds necessary to prepay capital commitments owed to San Francisco by BAWSCA member agencies for interest savings. In October 2021, BAWSCA completed the pricing and sale of 2023A bonds to refund the callable portion of 2013A bonds, based on a tax-exempt forward delivery. Following settlement on January 5, 2023, the 2023A refunding bonds will generate \$25.1 million in net present value savings over the term of the 2023A bonds for all member agencies. For the Water District, this BAWSCA refunding will result in annual net savings of approximately \$168,000 from 2023 to 2034, assuming ACWD’s percentage of SFPUC water purchases relative to all BAWSCA’s members remains constant at the 2020-21 level. BAWSCA’s revenue bonds are secured by a surcharge on BAWSCA member agencies. San Francisco collects the surcharge and sends the amount to BAWSCA’s trustee for debt service payments. The surcharge is in place for the term of the bonds which end in 2034. The surcharge is listed on the San Francisco wholesale water bill and is accounted for by the Water District as water purchases expense. The Water District’s annual bond surcharge for Fiscal Year 2022-23 is estimated to be approximately \$1.96 million, exclusive of expected savings following the settlement of the 2023A refunding bonds, based on all member agencies’ actual wholesale water use in fiscal year ended June 30, 2021. The annual surcharge for each agency will be based on the actual wholesale water purchase percentage from the last full year for which data is available with an annual reconciliation based on the actual water purchased.

### **State Water Project; State Water Project Tax Revenues**

On November 29, 1961, the Water District entered into a water supply contract with DWR for a water supply from the State Water Project Contract (“SWP”), under which the Water District has agreed to make payments which include, among other charges, capital charges and operation and maintenance charges. Under the SWP, in any year the Water District fails or is unable to raise sufficient funds by other means, the Water District is required to levy upon all property in the Water District not exempt from taxation a tax sufficient to provide for all payments thereunder then due or to become due within such year.

Although the SWP was not required to be, and was not, submitted for approval by voters in the Water District, relevant current case law (*Goodman v. County of Riverside*, 140 Cal. App. 3d 900, 190 Cal. Rptr. 7 (Cal. App. 4th Dist. (1983)) (the “Goodman Case”) has held that similar State Water Project contracts not approved by the voters are nevertheless deemed to be voter approved indebtedness for purposes of Article XIII A of the California Constitution (Proposition 13). The Goodman Case held that, when the voters approved the Burns-Porter Act in 1960 (which authorized the construction and financing of the State Water Project), they intended that the cost to finance construction, operation, maintenance and replacement of the State Water Project would be paid by local agencies through their water contracts, which in turn could be paid through local property taxes.

Based on current case law, the Water District has historically levied, and expects to continue to levy, property taxes to pay a percentage of amounts due under the SWP. The Authority has covenanted in the Indenture to comply with the provision of the SWP which requires the levying of property taxes to the extent necessary. Table 7 shows the amount of the taxes levied for payment of SWP costs the last five years. In accordance with the 2022 Installment Purchase Contract, taxes imposed by the Water District for the payment of SWP costs do not constitute “Revenues” and are not pledged for the payment of the 2022 Installment Purchase Payments. SWP costs paid from such taxes do not constitute Maintenance and Operation Costs.

The majority of the water supply from the SWP enters the Water District’s distribution system after surface water treatment at the WTP2, or potentially, the MSJWTP. (As described herein, MSJWTP is currently decommissioned as a cost savings measure due to current low demands.) The remainder of the Water District’s State allotment is diverted to Alameda Creek, destined for Water District groundwater recharge facilities, or can be delivered for storage in the Semitropic Water Bank described below. The Water District has a contract with

the State for a maximum annual amount of 42,000 AF (“Table A amount”). However, not all of the SWP planned facilities to provide the full project reliability have been constructed by the State, so the State is left with reduced delivery capability under certain conditions.

Environmental-related regulations and court rulings have resulted in new Delta export pumping constraints which have further reduced the SWP delivery reliability. As such, the amount the State will be able to deliver to the Water District and its other customers in the future depends on several physical, environmental, and political factors beyond the control of the Water District.

In addition, deliveries of SWP water to the Water District have been historically curtailed depending on drought severity. On January 31, 2014, DWR announced a 0% allocation of State Water Project entitlements for the first time in its 54-year history. Although the allocation was subsequently raised to 5%, this water was not available before September 1, 2014, after the typically high summer demand season. In light of severe drought conditions, the current SWP allocation is 5%.

Recognizing the need to increase long-term water supply reliability, in 1996 the Water District entered into a water banking agreement with the Semitropic Water Storage District (Semitropic) to enable the storage of wet year surpluses of SWP water for use in subsequent dry years. This agreement provided for 50,000 acre-feet of storage capacity at the Semitropic Groundwater Banking Program. In 2001, the Water District acquired an additional 100,000 acre-feet of storage capacity by purchasing a portion of the entitlement owned by the Vidler Water Company, Inc. and therefore has a combined contractual maximum storage volume available of 150,000 acre-feet. Under both of the Water District’s agreements with Semitropic, farmers in the Semitropic service area use surplus water from the Water District’s SWP supplies in lieu of pumping from Semitropic’s groundwater basin during water surplus years. During dry years, the Water District is entitled to withdraw water previously stored in the Semitropic water “bank.” The Water District’s water banking contracts run through 2035. The operating costs of the Water District’s participation in the water banking project are accounted for in the Water District’s audits under “water purchases.”

The primary use of stored water in Semitropic is for return and use during droughts, when SWP or other supplies are limited. During the previous critically dry period of 2013 and 2014, the Water District recovered more than 18,700 acre-feet of banked supplies to bolster local groundwater recharge and provide a reliable supply of water when the SWP was at a record low allocation of 5% of contract. The recovered water from the Semitropic Water Bank was pivotal to ensuring the sufficiency of supply to the Water District’s treatment plants during the high demand summer season. The Water District anticipates Semitropic will similarly play a critical role in the coming year as further discussed under California Drought and Response, below. Apart from droughts, the Water District also uses Semitropic during moderately dry years as an alternative to increased purchases of more costly water from the SFPUC, thereby reducing operating costs.

Since 1996, the Water District has stored approximately 206,200 acre-feet of water and withdrawn nearly 89,000 acre-feet. As of the end of February 2022, the Water District had approximately 117,267 acre-feet of water stored in the Semitropic water bank.

## **Groundwater Resources**

Runoff from the Alameda Creek watershed provides the primary source of recharge to the Niles Cone Groundwater Basin (Niles Cone or Subbasin 2-09.01). Alameda Creek is a large perennial stream, flowing 45 miles to the eastern shore of the San Francisco Bay by way of Niles Canyon and through the Water District’s service area. The Alameda Creek watershed is the largest watershed within the southern San Francisco Bay, draining approximately 660 square miles. The Alameda Creek drainage system consists of two main branches which join near the City of Sunol and jointly discharge through the approximately six-mile-long Niles Canyon with an outlet near the historic Niles District within the City of Fremont. The Southern branch, Alameda Creek, receives drainage from Calaveras Creek, San Antonio Creek, and several smaller streams. The northern branch,

Arroyo de la Laguna, is the outlet from the Livermore Valley that consists of several large streams (most notably Arroyo de Valle and Arroyo Mocho).

Average rainfall in the watershed is approximately 20 inches per year. Runoff from much of the southern region is collected in the Calaveras and San Antonio reservoirs and is part of the San Francisco Regional Water System. Runoff from much of the southeastern portion is collected in Del Valle Reservoir, to which the Water District and Zone 7 Water Agency equally share the right to store water. The remainder of Lake Del Valle storage is allotted to DWR. Stored water from Del Valle Reservoir can be delivered through the South Bay Aqueduct. Runoff from the Alameda Creek watershed that is not captured in Calaveras, San Antonio or Del Valle Reservoirs flows through Niles Canyon and into the Water District's service area where it can be used for groundwater recharge. A continuous flow record has been kept for Alameda Creek since 1892 at the stream gauging station located about 1.2 miles above Niles. Average annual flow at this station is about 90,000 acre-feet per year. Average diversions from Alameda Creek for groundwater recharge are about 18,700 acre-feet per year but can vary year to year depending on conditions.

For over 100 years, the Water District has managed the groundwater of the Niles Cone to protect and improve water supplies for all groundwater users and the environment. The Water District has in place an existing plan developed pursuant to laws authorizing groundwater management. Under these laws, the Water District has a number of planning and operational documents and policies under which it carries out groundwater management activities to ensure a reliable and sustainable supply of high-quality water that satisfies present and future water needs for its distribution system customers and owners and operators of private wells.

The Sustainable Groundwater Management Act (SGMA) specifically identifies the Water District as one of 18 agencies that were created by statute to manage groundwater and deemed to be the exclusive local agency to comply with SGMA (California Water Code Section 10720 *et seq.*). On December 31, 2016, the Water District submitted an Alternative to a Groundwater Sustainability Plan (Alternative) for Niles Cone Subbasin 2-09.01. The Alternative preserves and continues the successful sustainable groundwater management already being performed by the Water District. The existing planning and operating policies and documents under which the Water District manages the Niles Cone, show that the Water District has managed the Niles Cone sustainably for decades, meeting the objective of SGMA.

On July 17, 2019, the California Department of Water Resources (DWR) evaluated the Alternative and determined that it satisfies the objectives of the SGMA and approved the Alternative. Accompanying DWR's letter of approval and staff report was a Statement of Findings Regarding the Approval of the Niles Cone Subbasin Alternative which included seven recommended actions from the staff report for the Water District to incorporate in the Alternative Update, which is due January 1, 2022.

This Alternative Update is not a plan amendment but is a written assessment that describes and provides an update on the Water District's groundwater management efforts, an explanation of how the Alternative Update is functionally equivalent to elements of a Groundwater Sustainability Plan, incorporates DWR's seven recommended actions, and includes information on proposed projects and ongoing management actions, to ensure the continued sustainable management of the Niles Cone.

### **California Drought and Response**

The State is currently in the second driest two-year period in its recorded history and is experiencing a severe drought as a result. On May 10, 2021, Governor Gavin Newsom proclaimed a Drought Emergency to exist in Alameda County and 40 other counties due to severe drought conditions. On July 8, 2021, Governor Newsom expanded the drought emergency to include 50 counties and issued an Executive Order requesting a voluntary 15% reduction in water use compared to 2020 by all Californians. On October 19, 2021, Governor Newsom proclaimed a Statewide Drought Emergency and urged Californians to step up their water conservation efforts and directed local water suppliers to execute their urban Water Shortage Contingency Plans at a level appropriate to local conditions that takes into account the possibility of a third consecutive dry year. Accordingly,

the Water District anticipates that SWP supplies in 2022 will be very low, and similar to conditions experienced in 2014 when DWR declared a 0% allocation for a period of nine months before increasing it to 5% in September of the same year. On December 1, 2021, DWR provided an initial notification to the Water District and other SWP users that no new water supplies would be made available except to meet critical unmet health and safety needs. On January 20, 2022, DWR announced a 15% allocation. On March 18, 2022, DWR reduced the allocation to 5% of requested supplies due to a historically dry January and February. Such allocation is subject to further reduction if dry conditions persist throughout spring months.

On November 23, 2021 the SFPUC declared a water supply emergency in the regional water system and called on customers to voluntarily reduce water use by 10%. This action opens the door for a potential mandatory conservation action and reduced allocations in 2022 should conditions worsen. Should the SFPUC go into an allocated state, water would be shared amongst the SFPUC wholesale customers according to a previously established allocation formula developed by BAWSCA. The Water District is projected to receive at least 8,000 AF from the SFPUC under the worst case 2022 conditions, representing a 27% reduction from Fiscal Year 2020-2021 purchases. A significant reduction to estimated SFPUC supply may require the Water District to declare a higher level drought emergency than the Stage 2 emergency with 15% system wide conservation that was declared December 9, 2021.

Stemming from recent experience and the successful water management strategies used in the 2012-2016 drought, the Water District has implemented several water supply optimization strategies to maximize water supply reliability for the current year but also to prepare for a potential third dry year and is well positioned for the range of hydrologic conditions anticipated in 2022. These efforts include:

- Declared a Stage 2 Water Shortage Emergency on December 9, 2021 and adopted an Ordinance with water use regulations, restrictions and guidelines to achieve a 15% system-wide water demand reduction in accordance with the Water District's established Water Shortage Contingency Plan.
- Increased purchases of imported supplies from the SFPUC regional water system
- Maximized the return of banked supplies from Semitropic groundwater bank to the service area and into local storage for use in 2022; the Water District successfully scheduled the return of approximately 1,800 AF above the maximum contractual obligation from Semitropic in 2021 as a result of interagency coordination
- Optimized local groundwater water storage for use in 2022
- Launched the "One Saves Water" water conservation campaign in Spring 2021 to promote additional voluntary water conservation in the service area
- Increased temporary staffing to address a fivefold increase in customer inquiries and provide additional customer education related to the drought and the Water District's water conservation programs

The Water District's successful Semitropic groundwater banking program has been an essential key to optimizing supplies both ahead of and during drought. Even with the heavy reliance on this program, at the end of February 2022 the Water District had approximately 117,267 AF of water in storage in Semitropic for future droughts.

### **Financial Effects of Drought**

Water Revenues collected from District customers consist primarily of a fixed service charge and commodity charges based on consumption volume (currently, about one-third of these revenues are derived from

fixed charges and two-thirds from commodity charges). This source represents the majority of District revenues and totaled about 85% of all revenues in Fiscal Year 2020-21. Reduced water consumption during a drought can have an impact on revenues – as occurred in Fiscal Year 2014-15 when billed demands fell to 31.9 million gallons per day (“MGD”) from 40.5 MGD in the prior year. Billed demands fell again to 28.5 MGD in Fiscal Year 2015-16, which was the lowest demand year during the last drought. Billed demands gradually increased after the last drought and reached 36.5 MGD in Fiscal Year 2020-21. Billed demands are expected to decline as a result of the current drought.

While the revenue impact of a drought is clear, the cost impact of a drought is less certain. During the last drought the Water District was able to save money because less water was available from SFPUC (the Water District’s most expensive source of supply). However, if SFPUC supplies were plentiful while other supplies were severely constrained, it is possible that costs would go up during a drought if the Water District increased purchases from SFPUC.

The Water District managed the financial effects of the last drought through a combination of 1) rate increases including a 7% increase February 1, 2014 and a 30% increase on the fixed service charge only on May 1, 2015 (equivalent to an 8% overall rate increase), 2) drought surcharges designed to partially offset revenue losses, 3) issuance of \$25 million in revenue bonds to fund critical capital projects and deferral of some other capital projects, and 4) utilization of a \$10 million emergency/rate stabilization reserve. Despite these efforts, water revenues stayed relatively flat from Fiscal Year 2013-14 through Fiscal Year 2015-16 while operating expenses increased moderately.

The Water District anticipates greater financial resiliency during the current drought due to the following factors:

- The Board approved drought surcharges (sometimes called ‘stage’ rates) designed to fully recover the net revenue loss from conservation whereas the surcharges from the last drought were designed to only partially recover net revenue losses. Board action occurred on February 10, 2022 and approved the Stage 2 rate based on 15% conservation that will go into effect March 1, 2022. For purposes of calculating the surcharge, net revenues are defined as lost revenue due to consumption less savings from lower water production.
- Per capita water use is much lower than it was before the last drought, so there is less potential for revenue loss due to customer conservation. (Fiscal Year 2013-14 billed demands were 40.5 MGD for 81,700 customer accounts while Fiscal Year 2020-21 billed demands were 36.5 MGD for 86,468 customer accounts).
- The base rate increase approved by the Board February 10, 2022 provides for a 6% increase in fixed charge revenues and will therefore not be affected by conservation. This increase is effective March 1, 2022.
- The Water District’s current General Fund cash balance is much larger than it was at the end of Fiscal Year 2013-14 (\$123.9 million General Fund cash balance at June 30, 2021 compared to \$63.4 million at June 30, 2014). Additionally, the current reserve policy provides for a combined \$18.1 million for emergency expenses and rate stabilization compared to only \$10 million dedicated for those purposes during the last drought.
- The Water District maintains a low debt profile and can reasonably issue bonds if needed to fund critical infrastructure projects.

## **Per- and Polyfluoralkyl substances (PFAS)**

**Water Quality-PFAS.** PFAS are common compounds used in many household items, including most items that are waterproof, stain-resistant or non-stick. In August 2019, the California Office of Environmental Health Hazard Assessment (“OEHHA”) (a department within the California Environmental Protection Agency) recommended a notification level for perfluorooctanoic acid (“PFOA”) and perfluorooctanesulfonic acid (“PFOS”) at the lowest levels at which such substances can be reliably detected in drinking water using currently available and appropriate technologies. The Division of Drinking Water (“DDW”) of the State Water Resources Control Board (“SWRCB”) subsequently set the notification levels (NL) at 6.5 parts per trillion (“ppt”) for PFOS and 5.1 ppt for PFOA. If exceeded, water providers must notify their governing bodies, and the SWRCB recommends they inform customers. In February 2020, the SWRCB also set the response levels (RL) at 10 ppt for PFOA and 40 ppt for PFOS. If exceeded, water providers are required to either take the water source out of service, provide treatment, or notify customers in writing. On March 5, 2021, DDW issued the NL and RL for perfluorobutane sulfonic acid (PFBS) at .5 parts per billion (ppb) and 5 ppb respectively.

On January 14, 2021, U.S. Environmental Protection Agency (“USEPA”) released an Advance Notice of Public Rulemaking (“ANPRM”), seeking public comment on the designation of PFOA and PFOS as hazardous substances under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (“CERCLA”) and/or hazardous waste under the Resource Conservation and Recovery Act (“RCRA”). On March 3, 2021, the USEPA announced via the Federal Register its final determination to regulate PFOA and PFOS in drinking water. On March 11, 2021, the USEPA announced via the Federal Register its proposed revisions to the Unregulated Contaminant Monitoring Rule (UCMR 5) for public water systems which includes monitoring for 29 PFAS in drinking water. The proposal would require pre-sampling preparations in 2022, sample collection from 2023-2025, and reporting of final results through 2026. Comments on the USEPA’s final regulatory determination for PFOA and PFOS and the UCMR 5 proposals are due within 60 days of publication. On March 5, 2021, under the authority of the Deputy Director of the DDW, the state of California issued a NL of 500 ppt and RL of 5000 ppt for PFBS.

On July 22, 2021, OEHHA announced proposed public health goals (“PHG”) of 0.007 ppt for PFOA and 1 ppt for PFOS. A PHG is the level of a drinking water contaminant at which adverse health effects are not expected to occur from a lifetime of exposure. The public comment period for the proposed PHGs ended on September 28, 2021. The proposed PHGs are subject to additional peer review and public comment prior to being published. The published PHGs will be considered by OEHHA when setting Maximum Contaminant Levels (“MCL”) for PFOA and PFOS.

On October 18, 2021, the USEPA released their PFAS Strategic Roadmap, which includes proposing national primary drinking water regulations for PFOA and PFOS in the Fall of 2022 and finalizing the regulations in Fall of 2023.

In June 2020, the Water District began a voluntary monitoring program for PFAS in the treated water served to customers, surface water sources, and groundwater sources (wells). The monitoring confirmed that no customers were receiving water with concentrations of PFOA, PFOS, or PFBS above the notification levels. PFOA, PFOS, and PFBS were not detected in imported surface water supplies (SWP and SFPUC), which accounts for nearly two-thirds of water delivered to customers.

The Water District’s voluntary monitoring program detected varying low concentrations of PFOA, PFOS, and PFBS in the production wells feeding the Blending Facility and Newark Desalination Facility (NDF). The NDF treats drinking water using reverse osmosis, which is an effective technology for PFAS removal. PFOS was detected at average concentrations between 10 and 14 ppt, PFOA was detected at concentrations up to 6.4 ppt, and PFBS was detected at concentrations up to 6.8 ppt in the Mowry and PT wellfields, which supply the Blending Facility. While the well concentrations exceed the State of California established notification levels for PFOS and PFOA, set at 6.5 and 5.1 ppt respectively, the Water District has managed the levels in the treated water delivered to customers to be below the NLs using a combined strategy of blending ratios, with purchased

SFPUC treated water, and running various well combinations. This modified operational strategy has led to a reduction in Blending Facility production of up to 30% depending on operating conditions and facility availability.

The Water District is engaged in a PFAS treatment study to identify and implement an interim PFAS treatment system to restore the lost Blending Facility production rates to those of the pre-PFAS detection timeframe. In addition, when the MCL draft is published, this effort will provide input into the design of a permanent PFAS treatment system for the Mowry and PT wellfields. The Water District has also detected low levels of PFHxS, PFHxA, PHPpA, and PFNA in its groundwater sources, however, no NL has been established for these compounds.

The Water District has also initiated a PFAS Source Investigation monitoring effort to identify the source of PFAS contamination in our groundwater basins. As a result of the low levels of PFAS detected in the production wells, the Water District expanded sampling to Water District owned groundwater monitoring wells in the general vicinity of the wellfields, and surface water samples from recharge facilities at Quarry Lakes (Kaiser AHF, Shinn, and Rainbow), and Alameda Creek. In summary, PFAS was detected at levels similar to those in the production wells with the exception of higher concentrations in upstream Arroyo de la Laguna. The Water District is currently drafting a Request for Proposals for consulting services to review and analyze the existing groundwater and surface water PFAS water quality data, watershed hydrology, hydrogeologic data, and develop a general understanding of potential or specific upgradient areas contributing to the PFAS detected in Arroyo de la Laguna, the approximate time frame when PFAS likely may have started to be discharged or would have been discharged into watershed tributaries, and when such water likely began impacting the recharge facilities and Niles Cone. Based on already completed monitoring, the lateral and vertical extent of the PFAS in groundwater has been largely characterized for the most part, but part of the work performed under the RFP will confirm that. The evaluation may include identification of data gaps and recommendations for more in-depth understanding of potential sources of the PFAS concentrations detected above the notification levels.

The Water District is committed to delivering safe drinking water to our customers. In line with this commitment, the Water District will continue to voluntarily monitor drinking water and source water supplies for PFAS. This testing confirms that no Water District customers are receiving water with concentrations of PFAS above the Notification Levels. The Water District continues to identify potential sources of PFAS, evaluate operational strategies to mitigate their impacts, and investigate potential treatment alternatives.

### **COVID-19 Pandemic**

As described further under the caption “CERTAIN RISK FACTORS—COVID-19 Pandemic,” the spread of COVID-19 has had significant negative impacts throughout the world, including in California. The World Health Organization has declared the COVID-19 outbreak to be a pandemic, and states of emergency have been declared by the United States, the State of California, and numerous counties throughout the State, including Alameda County.

Over the course of the pandemic, the State and the County have issued various stay-at-home orders and other guidance and restrictions on businesses and other activities, which severely restrict the movements of residents and operations of business and related activities. Due to these orders, the Water District has implemented a telecommuting plan to reduce the number of District employees in office workplaces and modified work practices to reduce close contact. Standard safety precautions such as distancing, mask use, cleaning and sanitization are being practiced. Operations and maintenance activities have been able to continue without interruption.

Governor Newsom signed Executive Order N-42-20 which enacted a statewide water disconnection moratorium and requires reconnection for households who had their water shutoff since March 4, 2020. On June 11, 2021, Governor Newsom signed Executive Order N-08-21, which among other things, provided that the provisions of Executive Order N-42-20 would expire on September 30, 2021. Governor Newsom signed Senate

Bill 155, an omnibus budget trailer bill with a number of provisions, including extension of the prohibition of water service disconnection for non-payment through the end of 2021. The Water District applied for and received \$892,000 in relief for customers with past due balances as part of the water bill arrearage program administered by the State Water Resources Control Board. Following application of these funds and recent customer payments, total past due customer balances were \$1.3 million as of January 31, 2022. While higher than the normal balances of around \$300,000 maintained by the Water District before the pandemic, balances are expected to decrease with resumption of normal collections activities, including disconnection for non-payment, effective with bills issued in February 2022. Furthermore, the current past due balance is less than 1% of total water revenues since the pandemic started.

See “CERTAIN RISK FACTORS—COVID-19 Pandemic” for a discussion of certain investor considerations relating to the COVID-19 Pandemic.

### Water System Accounts

The following table shows the number of accounts (as measured by meters installed) for the periods indicated.

**TABLE 2**  
**ALAMEDA COUNTY WATER DISTRICT**  
**Number of Metered Accounts**

Fiscal Year Ending June 30	Number of Meters
2012	81,005
2013	81,432
2014	81,700
2015	82,049
2016	82,492
2017	83,398
2018	84,255
2019	85,108
2020	85,959
2021	86,468

Source: Alameda County Water District

The following table shows the Water District’s largest distribution service accounts as of June 30, 2021 estimated according to annualized fiscal year billings.

**TABLE 3**  
**ALAMEDA COUNTY WATER DISTRICT**  
**Largest Distribution Water Accounts (Unaudited)**  
**(in Thousands)**

	Fiscal Year 2021 Water Revenues (000’s)
Tesla Motors, Inc.	\$1,436
City of Fremont	1,434
Fremont Unified School District	1,129
Western Digital Technologies	771
Lam Research Corporation	704
City of Union City	648
Prologis Trust	612
Ardenwood Forest Apartments	570
Contempo Homeowners Association	529
Cargill Salt	450

Source: Alameda County Water District.

**Rates and Charges**

In Fiscal Year 2020-21 water revenues were divided as follows: industrial customers approximately \$9,081,000; commercial customers approximately \$14,670,000; residential customers approximately \$87,690,000; and all other customers approximately \$8,997,000.

The following table shows the Water District’s historical and projected bi-monthly water charge based on 23 hundred cubic feet of consumption. Future rate increases are subject to Board approval, as well as satisfaction of the requirements of Proposition 218. With respect to the increase shown on the table for March 1, 2022, the Water District Board directed staff to commence the required process under Proposition 218 which is expected to result with the shown rate increase effective March 1, 2022. The Projected Operating Results assume that this increase will be approved by the Board at its February 10, 2022 meeting. See “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS AND CHARGES – Proposition 218” and “ - Effect of Proposition 218 and of Possible General Limitations on Enforcement Remedies.”

**TABLE 4  
ALAMEDA COUNTY WATER DISTRICT  
Historical and Projected Water Rates**

Effective Date	Actual/Approved							Projected <sup>(1)</sup>			
	<u>4/1/2016</u>	<u>3/1/2017</u>	<u>3/1/2018</u>	<u>3/1/2019</u>	<u>3/1/2020</u>	<u>3/1/2021</u>	<u>3/1/2022</u>	<u>3/1/2023</u>	<u>3/1/2024</u>	<u>3/1/2025</u>	<u>3/1/2026</u>
Bi-monthly Commodity Charge	\$77.58	\$93.08	\$97.73	\$101.64	\$105.71	\$105.71	\$105.71	\$108.88	\$112.15	\$115.51	\$118.98
Bi-monthly Service Charge	\$41.54	\$49.84	\$52.33	\$54.43	\$56.61	\$56.61	\$58.94	\$60.71	\$62.53	\$64.41	\$66.34
Drought Surcharge	\$10.36						\$18.10				
<b>TOTAL</b>	<b>\$129.48</b>	<b>\$142.92</b>	<b>\$150.06</b>	<b>\$156.07</b>	<b>\$162.32</b>	<b>\$162.32</b>	<b>\$182.75</b>	<b>\$169.59</b>	<b>\$174.68</b>	<b>\$179.92</b>	<b>\$185.32</b>

<sup>(1)</sup> Projected years assume 3% annual increase overall.  
Totals may not add due to rounding.  
Source: Alameda County Water District

## Comparative Rates

The following table shows a comparison of residential user fees for services charged by the Water District and other agencies within the Bay Area.

**TABLE 5**  
**ALAMEDA COUNTY WATER DISTRICT**  
**Bi-Monthly Residential Service Charges**  
**For the Water District and Other Bay Area Agencies**  
**July 2021<sup>(1)</sup>**

Authority	Commodity Charge <sup>(2)</sup>	Service Charge	Total
City Of Millbrae	\$294.40	\$60.00	\$354.40
North Coast County Water District	284.95	53.48	338.43
City Of San Bruno	240.89	51.16	292.05
City Of Burlingame	196.63	84.03	280.66
San Francisco Water Dept (SFPUC)	237.45	38.86	276.31
Mid-Peninsula Water District	201.92	56.00	257.92
City Of East Palo Alto	183.54	53.82	249.23
City Of Palo Alto	190.69	40.50	242.75
Calif Water Svs. Co. - Mid-Peninsula	167.68	64.99	234.96
Calif Water Svs. Co. - South SF (Bayshore)	167.68	64.99	234.96
Calif Water Svs. Co. - Bear Gulch	148.66	86.98	233.99
City Of Redwood City	167.84	59.04	226.88
City Of Mountain View	191.76	31.50	223.26
Marin Municipal Water District	106.68	108.07	214.75
San Jose Water Company	115.31	83.38	214.40
City Of Daly City	163.72	49.69	213.41
City Of Hayward	164.22	43.65	207.87
City Of Milpitas	162.15	45.52	207.67
City Of Livermore	81.46	121.46	202.92
City Of Santa Clara	153.87	39.62	193.49
Calif Water Svs. Co. - Los Altos	113.44	76.28	189.53
City Of Foster City (Estero)	138.05	49.60	187.65
Contra Costa Water District	117.34	69.61	186.94
Calif Water Svs. Co. - Livermore	105.75	79.76	185.02
City Of San Jose Municipal Water	114.08	61.78	184.65
East Bay Municipal Water District	116.60	57.96	174.56
North Marin Water District - Novato	127.96	41.46	169.42
Dublin San Ramon Service District	118.91	49.82	168.73
<b>Alameda County Water District</b>	<b>105.71</b>	<b>56.61</b>	<b>162.32</b>
City Of Sunnyvale	115.32	28.52	143.84
City Of Pleasanton	82.82	29.89	112.71

<sup>(1)</sup> Rates shown for all agencies as of July 2021 for 3/4" meters.

<sup>(2)</sup> Based on bimonthly charges for 23 hundred cubic feet ("ccf").

## Connection Fees

The following table shows the last ten years of annual revenues from connection fees and other related fees.

**TABLE 6**  
**ALAMEDA COUNTY WATER DISTRICT**  
**Connection Fee Revenues (in Thousands)**

Fiscal Year	Amount (000's)
2011-12	\$2,118
2012-13	1,977
2013-14	3,494
2014-15	1,920
2015-16	5,186
2016-17	11,467
2017-18	10,428
2018-19	11,359
2019-20	13,952
2020-21	6,154

Source: Alameda County Water District.

## 1% Property Tax Revenues

Each County levies a 1% property tax on behalf of all taxing agencies in each County, including the Water District. The taxes collected are allocated to taxing agencies within each County, including the Water District, on the basis of a formula established by State law enacted in 1979. Under this formula, each County and all other taxing entities receive a base year allocation plus an allocation on the basis of “situs” growth in assessed value (new construction, change of ownership and inflation) prorated among the jurisdictions, which serve the tax rate areas within which the growth occurs. Tax rate areas are specifically defined geographic areas, which were developed to permit the levying of taxes for less than countywide or less than citywide special districts.

The Water District portion of the 1% property tax received in each of the last five years is shown in Table 7.

From time to time, legislation has been considered as part of the State budget to shift Property Tax Revenues from special districts to school districts or other governmental entities. There can be no assurance that the property tax revenues that the Water District currently expects to receive will not be reduced pursuant to State legislation enacted in the future. If the property tax formula is changed in a State fiscal year or permanently changed in the future, it could have a material adverse effect on the receipt of property tax revenues by the Water District.

## Assessed Valuations, Tax Collections and Tax Delinquencies

The following table shows the secured assessed valuation within the Water District and the amount of the 1% property tax paid by the County of Alameda to the Water District, as well as the tax imposed to pay SWP costs during the five most recent Fiscal Years.

**Table 7**  
**District Secured Assessed Valuation, District Allocation of County Property Tax**  
**and District State Water Project Tax**  
**Fiscal Years Ending June 30, 2017 Through June 30, 2021**  
**(in Thousands)**

<u><i>Fiscal Year</i></u>	<i>Total Secured</i> <u><i>Assessed</i></u> <u><i>Valuation</i></u>	<i>1% Property Tax</i> <u><i>Allocation Levy</i></u>	<i>State Water Contract</i> <u><i>Tax</i></u>
2017	\$61,533,425	\$5,007	\$4,884
2018	65,860,178	5,372	5,373
2019	70,571,105	5,763	3,502
2020	75,529,575	6,162	5,268
2021	80,341,491	6,530	5,327

Source: Alameda County Water District.

### Capital Expenditures

The Water District makes prudent investments in infrastructure replacement and seismic improvements to enhance system reliability. Significant near-term infrastructure investments include Advanced Metering Infrastructure (“AMI”), the Alameda Creek fish passage projects, service line emergency replacements, and reservoir roof replacement projects. One of the major projects is the AMI, which is designed to benefit the Water District and its customers. The Water District’s AMI Project includes the deployment of both AMI metering technology for all consumption meters and a best-in-class customer web portal to provide customer self-service access to the AMI data and customer service functions. The Water District anticipates funding from a State Revolving Fund (SRF) loan to fund \$19.5 million (approximately 50%) of the project costs. The Water District also plans to utilize approximately \$10 million of the proceeds of the 2022 Bonds to pay costs of the AMI project. Such 2022 Bond proceeds may also be used on other capital investments to the extent not applied to the AMI project. The Water District is financially structured into three major funds: the Facilities Improvement Fund that contains connections fee revenue to pay for growth related capital costs, the Facilities Renewal Fund that contains the equity buy-in component of connection fees revenue to pay for refurbishing/replacing existing facilities for growth related capital costs, and the General Fund. The projected capital related to these funds and the total Water District projected capital costs are shown below.

**TABLE 8**  
**ALAMEDA COUNTY WATER DISTRICT**  
**Projected Capital Expenditures**

<b>Fiscal Year</b>			<b>Projected Facilities</b>	<b>Projected Facilities</b>
<b>Ended</b>	<b>Projected Capital</b>	<b>Projected General</b>	<b>Improvement Fund</b>	<b>Renewal Fund</b>
<b>June 30</b>	<b>Expenditures</b>	<b>Fund Capital</b>	<b>Capital</b>	<b>Capital</b>
2021-22	\$ 52,106,960	\$ 45,204,077	\$ 5,882,883	\$ 1,020,000
2022-23	48,418,531	41,309,975	5,498,556	1,610,000
2023-24	57,346,208	47,293,457	8,925,751	1,127,000
2024-25	58,110,244	47,726,613	9,256,631	1,127,000
2025-26	54,866,674	42,249,014	11,490,660	1,127,000
2026-27	<u>53,334,010</u>	<u>38,634,336</u>	<u>13,572,674</u>	<u>1,127,000</u>
Total	\$ 324,182,628	\$ 262,417,472	\$ 54,627,156	\$ 7,138,000

Source: Alameda County Water District

The actual level of capital expenditures will depend on a variety of factors, including procurement of permits and other necessary approvals as may be required for particular projects.

#### **Historical and Projected Net Revenues and Debt Service Coverage**

Table 9 sets forth historical operating results through Fiscal Year 2020-21, and are based on the Water District audited financial statements. Table 9 also contains Projected Operating Results for Fiscal Years 2021-22 through 2025-26. The Projected Operating Results have been prepared by the Water District in December 2021 in connection with the proposed rate increase, and are based upon certain assumptions and qualifications, which the Water District believes are reasonable.

Significant assumptions include the following:

*Customer Growth.* The Projected Operating Results assume growth in the number of meters that is generally based on the General Plans of the cities in the Water District’s service area. Annual growth is projected to average approximately 0.73% for the next five years.

*Rates.* The Projected Operating Results reflect the rates increases shown herein in “ - Rates and Charges” which are approximately 3% per year. Any increases in adopted rates would be subject to the provisions of Proposition 218 and final approval by the Water District Board. See “CERTAIN RISK FACTORS — Certain Limitations on the Ability of the Water District to Impose Taxes, Fees and Charges.” Projected billed water demands are consistent with recent experience with a 3% increase due to replacement of most meters in the system with new, ultrasonic meters.

*Connection Fees.* Connection fee revenue is expected to decrease from approximately \$6.1 million in Fiscal Year 2020-21, to approximately \$3.0 million in Fiscal Year 2021-22, and then stabilize at approximately \$4.65 million in later years. These revenues are lower than prior years due to the relative slowdown in activity as major developments reach completion.

*Operating Expenses.* For purposes of the Projected Operating Results, the Water District has generally assumed that salaries and benefits will increase in accordance with existing contract requirements (3.25% for Fiscal Year 2022-23, 3.25% for Fiscal Year 2023-24, 3.14% for Fiscal Year 2024-25, and then approximately 3% annually thereafter). Projected results also include the addition of five positions in Fiscal Year 2021-22 and an additional two positions starting in Fiscal Year Fiscal Year 2022-23. Overall benefits are projected to increase

an average of 4% annually over the next five years. Utilities are projected to increase annually by approximately 5%. All other general operating costs are projected to increase by about 3% annually.

The projection of costs for water purchased from the SFPUC is based on preliminary data recently provided by the SFPUC indicating a potential increase 5.37% for Fiscal Year 2022-23. The Projected Operating Results assume an average 7% annual increase for the next five years.

*Capital Expenditure.* The Projected Operating Results assume the levels of expenditures for the Water District's capital improvement program set forth above in "Capital Expenditures."

*Additional Parity Obligations.* The Projected Operating Results assume the incurrence by the District of an SRF loan in the amount of \$19,500,000 with an interest rate of 1.10%. The District expects to enter into the SRF loan in Fiscal Year 2022, and the SRF Loan is expected to have a 20-year term. The proceeds of the SRF loan are expected to be applied to the payment of certain costs of the AMI project. See the caption "-Capital Expenditures" above.

*Other Assumptions.* The Projected Operating Results also assume that there will not be any changes in applicable regulatory requirements which materially affect Water District finances or operations and no adverse environmental conditions will be discovered which materially affect the Water District finances or operations. See "CERTAIN RISK FACTORS."

While the Water District believes these assumptions to be reasonable, the assumptions may vary significantly from actual future conditions due to unanticipated events and circumstances. Any projection is subject to uncertainties. Some of the assumptions used to develop the forecasts will not be realized, and unanticipated events and circumstances could occur. Therefore, there are likely to be differences between the projections and the actual results, and those differences may be material. To the extent that actual future conditions vary from those assumed by the Water District in the Projected Operating Results, the actual results will vary from those contained in the Table. Changes in circumstances could have a material adverse impact on the ability of the Water District to pay the principal of and interest on the 2022 Bonds.

**TABLE 9**  
**ALAMEDA COUNTY WATER DISTRICT**  
**HISTORICAL AND PROJECTED NET REVENUES AND DEBT SERVICE COVERAGE**  
**Fiscal Years Ending June 30 (in Thousands)**

	Actual					Projected				
	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
<b>Revenues</b>										
Water Sales <sup>(1)</sup>	\$86,263	\$104,447	\$108,576	\$116,230	\$122,388	\$114,074	\$125,699	\$121,334	\$126,626	\$133,125
Investment Income	145	179	7,367	8,971	187	2,694	2,669	3,586	3,048	2,517
Property Taxes <sup>(2)</sup>	5,350	5,704	6,131	6,580	6,937	7,189	7,434	7,686	7,948	8,218
Facilities Connection Fees	11,467	10,428	11,359	13,952	6,154	3,000	4,710	4,628	4,641	4,721
Other Revenue <sup>(3)</sup>	1,993	1,101	1,275	1,167	1,848	1,241	1,258	3,684	1,184	1,184
Total Revenues	\$105,218	\$121,859	\$134,708	\$146,900	\$137,514	\$128,198	\$141,770	\$140,919	\$143,447	\$149,764
<b>Maintenance and Operation Costs</b>										
Pumping Power Costs	1,389	1,266	1,600	1,613	1,863	2,484	2,528	2,518	2,601	2,723
Other Operating Expenses <sup>(4)</sup>	8,470	14,901	11,978	18,344	23,802	23,321	26,942	28,662	29,273	31,024
Labor Costs <sup>(5)</sup>	44,156	46,098	48,052	47,869	49,152	50,381	51,465	52,567	53,945	54,565
Purchased Water	19,190	21,554	21,846	23,737	28,279	26,554	23,155	29,073	31,268	32,198
Total Expenses	73,205	83,819	83,476	91,563	103,096	102,740	104,089	112,819	117,088	120,510
Net Revenues	\$32,013	\$38,040	\$51,232	\$55,337	\$34,418	\$25,459	\$37,680	\$28,099	\$26,359	\$29,254
<b>Maximum Annual Debt Service on Bond</b>										
2009 Refunding Revenue Bond	\$2,867	\$2,864	\$2,863	\$2,866	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2012 Revenue Bond <sup>(6)</sup>	1,892	1,887	1,885	1,884	3,905	3,187	-	-	-	-
2015 Revenue Bond	1,628	1,622	1,623	1,627	1,624	1,625	1,624	1,627	1,624	1,623
2022 Revenue Bonds	--	--	--	--	--	--	4,341	4,297	4,287	4,267
Est Debt Service (AMI) <sup>(7)</sup>	--	--	--	--	--	--	1,092	1,092	1,092	1,092
Total Debt Service	\$6,387	\$6,373	\$6,371	\$6,377	\$5,529	\$4,812	\$7,057	\$7,016	\$7,002	\$6,982
<b>Ratio of Net Revenues to Maximum Annual Debt Service on Revenue Certificates</b>										
	5.01x	5.97x	8.04x	8.68x	6.22x	5.29x	5.34x	4.01x	3.76x	4.19x

Notes:

- (1) Water Sales revenue declined in FY 2021-22 due to conservation during the drought. Imposition of a drought surcharge effective March 1, 2022 made up some of the lost revenue in FY 2021-22 and more fully makes up for lower sales volume in FY 2022-23. It's assumed the drought ends June 30, 2023 and the drought surcharge will be rescinded. Consequently, revenues will decline in FY 2023-24 because it's assumed that it will take several years for water demands to return to a new normal after the drought – similar to after the prior drought.
- (2) In accordance with the provisions of the 2015 Installment Purchase Contract, "Property Taxes" exclude the State Water Project property taxes collected by the Water District, and the equal amount in expenses paid from such taxes.
- (3) Excludes certain one-time grants, reimbursements of shared projects, property sales, and a mitigation payment.

- (4) For those relevant expenses, includes general annual inflationary increases of 3% beginning in 2022. OPEB and Other miscellaneous costs included in “Other Operating Expenses”. Increase in Fiscal Year 2018-19 due to increase in water treatment and administrative and general costs. Increase in Fiscal Year 2019-20 due to increase in administrative and general costs and administration of customer accounts costs.
- (5) Includes fringe benefits and annual inflationary increases as relevant beginning in 2022. MCP Bonus Program included beginning Fiscal Year 2011-12.
- (6) Reflects District cash contribution of \$2,460,000 to defease June 1, 2022 maturity of Series 2012 Bonds plus \$726,815.63 of interest on Series 2012 Bonds paid on December 1, 2021.
- (7) Projected Debt Service payments are included on a State Revolving Fund loan of \$19.5 million at an interest rate of 1.10% to fund approximately 50% of the Advanced Metering Infrastructure (AMI) capital project costs beginning in Fiscal Year 2022-23.

Source: Alameda County Water District Finance Department. Totals may not add due to rounding.

## Reserve Policy

The Water District's adopted reserve policy provides for the establishment and maintenance of a number of reserves, including the Operations and Maintenance (O&M) and Capital Reserve, the Emergency Reserve, and Rate Stabilization Reserve, as described below. The Water District is not legally obligated to maintain reserves at the levels identified in the policy, and the actual amount of reserves varies from year to year.

*The Operations and Maintenance (O&M) and Capital Reserves* are established to maintain a level of funding to meet the daily cash needs for ongoing operations and maintenance and capital expenditures not funded from bond proceeds.

The O&M Reserve is a designated reserve, which has been established by the Board of Directors to maintain a level of funding to meet the daily cash needs for ongoing operations and maintenance of the water system. This also provides funds to ensure District operations are not affected by the timing of planned expense, or disruption in revenue. This reserve has an established minimum target of three months of water revenues, or approximately \$30 million.

*The Capital Reserve* is a designated reserve, which has been established by the Board of Directors to maintain a minimum level of funding to meet cash flow requirements of the Capital Improvement Program and fund up to one-year of capital improvements. The Water District's main current source of funding for capital improvements is from water revenues. Capital improvements are designed to meet regulatory requirements, improve system reliability, and address future water demand in the Water District and are included in the 25-year Capital Improvement Program and Long Range Financial Planning Model, both of which are reviewed by the Board of Directors each fiscal year. This reserve has an established minimum target of one year of water system depreciation, currently \$14.7 million.

*The Capital Projects Sinking Fund* is utilized to account for resources specifically designated for future capital projects. The annual Capital Improvement Program (CIP) appropriations are drawn from this fund as needed based on the timing of capital projects. The Capital Projects Sinking Fund has an established target equal to the difference between the current General Fund ending balance and lowest ending balance within the next five years as presented in the Water District's Financial Planning Model. Any General Fund balances that are either short or in excess of the Capital Projects Sinking Fund target are accounted for in the Rate Stabilization Reserve.

*The Emergency Reserve* generally maintained at a target level of \$10 million. This is the calculated additional amount of funds needed to purchase water in a year of adverse water conditions. The Emergency Reserve is to be used only with the authorization of the Board of Directors in the event of an unforeseen event such as a natural disaster, water shortage situation or other unanticipated adverse situation.

*The Rate Stabilization Reserve* is established to maintain a level equal to six months of variable water sales – the difference in revenue that would result from using the lowest water usage year versus the most recent year or a typical year based on current commodity rates. These reserve funds may be designated to address revenue shortfalls resulting from lower than anticipated water sales due to unusually wet weather, conservation in response to a water shortage emergency, or any other reason that may cause lower water sales. Rate Stabilization Reserve funds will be replenished as needed during years of higher than anticipated water sales. The purpose of this reserve is to moderate the need for rate increases resulting from lower water demand.

The Water District may utilize the Emergency Reserve and Rate Stabilization Reserve in Fiscal Years 2021-22 and 2022-23 to offset negative impacts of the drought. The Rate Stabilization Reserve is currently above the target level established by Board policy and can therefore be utilized on a short-term basis without a need to replenish.

The table below shows the District’s reserves as of December 31, 2021.

<u>Reserve:</u>	<u>Fiscal Year 2021-22</u>		
	<u>As of 12/31/2021</u>	<u>Adopted Budget</u>	<u>Benchmark</u>
Management Retirement Bonus	\$1,078,833	\$1,078,833	\$1,078,833
Emergency	10,000,000	10,000,000	10,000,000
Operations & Maintenance (O&M)	29,868,169	29,868,169	29,868,169
Capital	14,734,000	14,734,000	14,734,000
Rate Stabilization Reserve	<u>27,318,933</u>	<u>35,071,000</u>	<u>8,104,540</u>
General Fund Reserves	82,999,935	90,752,000	63,785,542
Capital Projects Sinking Fund	<u>35,231,000</u>	<u>35,231,000</u>	
Total General Fund Balance	118,230,935	125,983,000	
Facilities Improvement Fund Reserve	70,562,877	64,798,000	
Facilities Renewal Fund Reserve	-	-	
Total District	\$188,793,811	\$190,781,000	

**Pension Plan Obligations**

The Water District contributes to the California Public Employee’s Retirement System (“CalPERS”), an agent multiple-employer defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Certain summary information is presented below. See Note 10 in APPENDIX B – “AUDITED FINANCIAL STATEMENTS OF THE WATER DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2021 AND JUNE 30, 2020” for a detailed description of the retirement benefits, funding methods, actuarial assumptions, annual costs, unfunded liabilities and other matters.

The Water District’s obligation to make annual payments to CalPERS is a significant financial obligation of the Water District, and annual required payments have increased significantly over the last several years and, as a result of changes in CalPERS’ funding policies and actuarial assumptions, are expected to continue to increase in the future. There can be no assurances that actual investment returns, future changes in actuarial assumptions, or other circumstances will not result in additional significant increases.

**Annual Pension Cost.** For fiscal years 2020-21 and 2019-20, the Water District’s annual pension cost of approximately \$9.2 million and \$8.8 million, respectively, for CalPERS was fully funded by the Water District’s contributions. In addition to the required contributions, the Water District made supplementary payments in the fiscal years ended June 30, 2021 and 2020 of \$5.5 million and \$6.0 million, respectively. These supplementary contributions were made to finance the unfunded accrued liability. The expected contribution amount for fiscal year 2021-22 is approximately \$9.5 million, and the projected amount for fiscal year 2022-23 is approximately \$9.6 million. The Water District made a supplementary payment of \$5.5 million in Fiscal Year 2021-22 and plans to make additional supplemental payments in the future, which are programmed into the projected operating results presented in Table 9.

**TABLE 10**  
**ALAMEDA COUNTY WATER DISTRICT**  
**Historical Pension Cost**

	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>
Pension Normal Cost and UAAL Flat Payment	\$7,129,528	\$7,751,449	\$8,049,275	\$8,734,155	\$9,140,442
Pension Advanced Funding (Discretionary)	-	3,021,600	6,876,000	5,975,000	5,505,916
Total	\$7,129,528	\$10,773,049	\$14,925,275	\$14,709,155	\$14,646,358

**Funding History.** The table below represents the Water District’s recent history of the accrued actuarial liability, the market value of assets, the funded ratio and the annual covered payroll, as reported by CalPERS.

**TABLE 11**  
**ALAMEDA COUNTY WATER DISTRICT**  
**Certain Pension Information**

<u>Valuation</u> <u>Date</u>	<u>Accrued Liability</u>	<u>Market Value of</u> <u>Assets</u>	<u>Funded Ratio</u>	<u>Annual Covered</u> <u>Payroll</u>
6/30/16	\$239,281,584	\$154,750,255	64.7%	\$23,962,945
6/30/17	249,999,848	170,055,367	68.0%	25,164,068
6/30/18	266,287,858	185,969,049	69.8%	26,519,299
6/30/19	277,331,753	203,112,887	73.2%	25,743,429
6/30/20	288,680,287	215,656,766	74.7%	27,089,720

**Other Post-Employment Benefits**

**Retiree Health Insurance.** The Water District provides health plan coverage under the CalPERS Health Benefits Program (“PEMHCA”) for eligible retirees and eligible dependents, or surviving spouse or registered domestic partner. To fund this coverage, the Water District contributes the minimum required amounts under the PEMHCA rules as determined by CalPERS on an annual basis. The Water District also provides other post employment benefits. See Note 11 in APPENDIX B – “AUDITED FINANCIAL STATEMENTS OF THE WATER DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2021 AND JUNE 30, 2021” for a detailed description of the various post-employment benefits, as well as additional information concerning annual costs and unfunded liabilities.

**General OPEB Costs.** For the years ended June 30, 2021 and 2020, the Water District paid approximately \$3.4 million and \$5.1 million, respectively, in post-employment health care and life insurance benefits. Of this amount, the Water District made a contribution amount of approximately \$2.2 million and \$2.1 million for retirees’ health premiums in 2021 and 2020, respectively. The remaining balance of approximately \$1.2 million and \$3.0 million was deposited with CalPERS in 2021 and 2020, respectively. In addition to the required contributions, the Water District made supplementary payments in the fiscal years ended June 30, 2021 and 2020 of \$1.2 million and \$1.2 million, respectively. These supplementary contributions were made to finance the unfunded accrued liability.

**Funding of Other Post-Employment Benefit Obligations.** Governmental Accounting Standards Board Statement No. 75 (“GASB 75”) became effective for the Water District’s fiscal year ended June 30, 2018. It establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB plans, improving the accounting and financial reporting by state and local governments for OPEB, and provides information provided by state and local government employers about financial support for OPEB that is provided by other entities. This statement replaces the requirements of Statement No. 45, Accounting and

Financial Reporting by Employers for Postemployment Benefits Other Than Pensions and Statement No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans. The Water District has undertaken biennial actuarial studies to estimate its other post-employment benefit obligations (“OPEB Obligations”) since June 30, 2007, and received its June 30, 2021 valuation in August 2021. The June 30, 2021 GASB 75 Actuarial Valuation was updated for new assumptions, changes in discount rates and health benefits and reported that the Water District has an UAAL of approximately \$24.1 million at June 30, 2021. The funded ratio was 59.4%.

**TABLE 12**  
**ALAMEDA COUNTY WATER DISTRICT**  
**Certain OPEB Information**

	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>
OPEB Normal Cost	\$1,376,000	\$1,421,000	\$1,551,000	\$1,237,245	\$1,274,362
OPEB UAAL Payment	<u>\$2,943,000</u>	<u>\$5,196,000</u>	<u>\$3,588,000</u>	<u>\$5,036,318</u>	<u>\$3,283,915</u>
Total	\$4,319,000	\$6,617,000	\$5,139,000	\$6,273,563	\$4,558,277

### TAX MATTERS

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California (“Bond Counsel”), under existing statutes, regulations, rulings and judicial decisions, interest on the 2022 Bonds is excluded from gross income for federal income tax purposes, and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest on the 2022 Bonds is exempt from State of California personal income tax.

Bond Counsel’s opinion as to the exclusion from gross income for federal income tax purposes of interest on the 2022 Bonds is based upon certain representations of fact and certifications made by the Water District and others and is subject to the condition that the Water District complies with all requirements of the Internal Revenue Code of 1986, as amended (the “Code”), that must be satisfied subsequent to the issuance of the 2022 Bonds to assure that interest on the 2022 Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause the interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the 2022 Bonds. The Water District will covenant to comply with all such requirements.

In the opinion of Bond Counsel, the difference between the issue price of a 2022 Bond (the first price at which a substantial amount of the 2022 Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity of such 2022 Bond constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Beneficial Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Beneficial Owner will increase the Beneficial Owner’s basis in the applicable 2022 Bond. The amount of original issue discount that accrues to the Beneficial Owner of a 2022 Bond is excluded from the gross income of such Beneficial Owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals, and is exempt from State of California personal income tax.

The amount by which a Beneficial Owner’s original basis for determining loss on sale or exchange in the applicable 2022 Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which must be amortized under Section 171 of the Code; such amortizable bond premium reduces the Beneficial Owner’s basis in the applicable 2022 Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of bond premium may result in a Beneficial Owner realizing a taxable gain when a 2022 Bond is sold by the Beneficial Owner for an amount equal to or less (under certain circumstances) than the original cost of the 2022 Bond to the Beneficial Owner. Purchasers of the 2022 Bonds

should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable bond premium.

Bond Counsel's opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. Bond Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Indenture and the Tax Certificate relating to the Bonds permit certain actions to be taken or to be omitted if a favorable opinion of a bond counsel is provided with respect thereto. Bond Counsel expresses no opinion as to the effect on the exclusion from gross income for federal income tax purposes of interest on any 2022 Bond if any such action is taken or omitted based upon the advice of counsel other than Bond Counsel.

Although Bond Counsel will render an opinion that interest (and original issue discount) on the 2022 Bonds is excluded from gross income for federal income tax purposes provided that the Water District continue to comply with certain requirements of the Code, the ownership of the 2022 Bonds and the accrual or receipt of interest with respect to the Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. Accordingly, before purchasing any of the 2022 Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the 2022 Bonds.

The Internal Revenue Service (the "IRS") has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the 2022 Bonds will be selected for audit by the IRS. It is also possible that the market value of the 2022 Bonds might be affected as a result of such an audit of the Bonds (or by an audit of similar bonds). No assurance can be given that in the course of an audit, as a result of an audit, or otherwise, Congress or the IRS might not change the Code (or interpretation thereof) subsequent to the issuance of the 2022 Bonds to the extent that it adversely affects the exclusion from gross income of interest on the 2022 Bonds or their market value.

SUBSEQUENT TO THE ISSUANCE OF THE 2022 BONDS THERE MIGHT BE FEDERAL, STATE, OR LOCAL STATUTORY CHANGES (OR JUDICIAL OR REGULATORY INTERPRETATIONS OF FEDERAL, STATE, OR LOCAL LAW) THAT AFFECT THE FEDERAL, STATE, OR LOCAL TAX TREATMENT OF THE 2022 BONDS OR THE MARKET VALUE OF THE 2022 BONDS. LEGISLATIVE CHANGES HAVE BEEN INTRODUCED IN CONGRESS, WHICH, IF ENACTED, WOULD RESULT IN ADDITIONAL FEDERAL INCOME OR STATE TAX BEING IMPOSED ON OWNERS OF TAX-EXEMPT STATE OR LOCAL OBLIGATIONS, SUCH AS THE 2022 BONDS. THE INTRODUCTION OR ENACTMENT OF ANY OF SUCH CHANGES COULD ADVERSELY AFFECT THE MARKET VALUE OR LIQUIDITY OF THE 2022 BONDS. NO ASSURANCE CAN BE GIVEN THAT SUBSEQUENT TO THE ISSUANCE OF THE 2022 BONDS SUCH CHANGES (OR OTHER CHANGES) WILL NOT BE INTRODUCED OR ENACTED OR INTERPRETATIONS WILL NOT OCCUR. BEFORE PURCHASING ANY OF THE 2022 BONDS, ALL POTENTIAL PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS REGARDING POSSIBLE STATUTORY CHANGES OR JUDICIAL OR REGULATORY CHANGES OR INTERPRETATIONS, AND THEIR COLLATERAL TAX CONSEQUENCES RELATING TO THE 2022 BONDS.

A copy of the proposed form of opinion of Bond Counsel with respect to the 2022 Bonds is attached hereto in APPENDIX D.

## **CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS AND CHARGES**

### **Article XIII B**

At the statewide special election of November 6, 1979, the voters approved an initiative entitled "Limitation of Government Appropriations" which added Article XIII B to the California Constitution. Under

Article XIII B, State and local governmental entities have an annual “appropriations limit” which limits the ability to spend certain monies which are called “appropriations subject to limitation” (consisting of tax revenues, State subventions and certain other funds) in an amount higher than the “appropriations.” The “base year” for establishing such appropriations limit is the 1978-79 Fiscal Year and the limit is to be adjusted annually to reflect changes in population and consumer prices. Adjustments in the appropriations limit of an entity may also be made if (i) the financial responsibility for a service is transferred to another public entity or to a private entity, (ii) the financial source for the provision of services is transferred from taxes to other revenues, or (iii) the voters of the entity approve a change in the limit for a period of time not to exceed four years.

Appropriations subject to Article XIII B generally include proceeds of taxes levied by the State or other entity of local government, exclusive of certain State subventions and refunds of taxes. “Proceeds of taxes” include, but are not limited to, all tax revenues and the proceeds to an entity of government from (i) regulatory licenses, user charges, and user fees (but only to the extent such proceeds exceed the cost of providing the service or regulation), and (ii) the investment of tax revenues. Article XIII B includes a requirement that if an entity’s revenues in any year exceed the amounts permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years.

Certain expenditures are excluded from the appropriations limit including payments of indebtedness existing or legally authorized as of January 1, 1979, or of bonded indebtedness thereafter approved by the voters and payments required to comply with court or federal mandates which without discretion required an expenditure for additional services or which unavoidably make the providing of existing services more costly.

It is the position of the Water District that the water fees and charges it imposes for use of the Water System do not exceed the costs it reasonably bears in providing such services and therefore are not subject to the limits of Article XIII B.

### **Proposition 218**

On November 5, 1996, the voters of the State approved Proposition 218, the so-called “Right to Vote on Taxes Act.” Proposition 218 added Articles XIII C and XIII D to the State Constitution, which contain a number of provisions affecting the ability of local governments to levy and collect both existing and future taxes, assessments, fees and charges.

*Article XIII C.* Article XIII C removes limitations on the initiative power in matters of local taxes, assessments, fees and charges. In *Bighorn-Desert View Water Agency v. Beringson* (“Bighorn”), decided by the California Supreme Court on July 24, 2006, the petitioner sought to establish his right to reduce a local water agency’s water rates and fees and charges through use of the initiative power. In holding for the petitioner on this issue, the court stated that the absence of a restrictive definition of “fee” or “charge” in Article XIII C suggests that those terms include all levies that are ordinarily understood to be fees or charges, including all of the property-related fees and charges subject to Article XIII D. Though the Supreme Court did not arrive at an exact definition of such terms, it did determine that fees and charges that are fees and charges within the meaning of Article XIII D are necessarily fees and charges within the meaning of Article XIII C. See “Article XIII D” below. The Court held that Article XIII C authorizes the use of the initiative process to reduce water rate and other delivery charges, but that it does not authorize use of the initiative power to impose a voter-approval requirement on future increases or new water delivery charges. The court declined to determine whether the initiative power is limited by other statutory provisions requiring that water service charges be set at a level that will pay system expenses and debt service since that issue was not before the court.

Consequently, the voters of the Water District could, by future initiative, seek to repeal or reduce any local tax, assessment, fee or charge, including the Water District’s water service fees and charges, which are the source of Net Revenues pledged to the payment of 2022 Installment Payments. Though the use of the initiative power is arguably limited in the case of levies directly pledged to bonded indebtedness, such as the fees and charges imposed by the Water District for services of the Water System that are pledged to the payment of the

2022 Bonds, there can be no assurance that the voters of the Water District will not seek to approve an initiative which attempts to reduce the fees and charges imposed by the Water System securing the 2022 Bonds.

**Article XIII D.** Article XIII D established procedural requirements for imposition of assessments, which are defined as any charge on real property for a special benefit conferred upon the real property. Standby charges are classified as assessments. Procedural requirements include the conducting of a public hearing and an election by mailed ballot, 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. The Water District does not believe that its connection fees would be classified as standby charges or assessments for the Water System.

Article XIII D conditions the imposition or increase of any “fee” or “charge” upon there being no written majority protest after a required public hearing and voter approval for fees and charges other than for sewer, water or refuse collection services. Article XIII D defines “fee” or “charge” to mean levies (other than ad valorem or special taxes or assessments) imposed by a local government upon a parcel or upon a person as an incident of the ownership or tenancy of real property, including a user fee or charge for a “property-related service.” One of the requirements of Article XIII D is that before a property related fee ‘or charge may be imposed or increased, a public hearing upon the proposed fee or charge must be held and mailed notice sent to the record owner of each identified parcel of land upon which the fee or charge is proposed for imposition. In the public hearing, if written protests of the proposed fee or charge are presented by a majority of the owners of affected identified parcel(s), an agency may not impose the fee or charge.

In *Richmond et al. v. Shasta Community Services District* (“Richmond”), the California Supreme Court held that a water connection fee was not a “property-related” fee and charge subject to Article XIII D. However, in the opinion, the California Supreme Court suggested in dicta that fees for ongoing water service through an existing connection were “property related” fees and charges imposed on a person as an incident of property ownership. The court addressed this issue directly in the *Bighorn* case discussed above. In its decision, the court relied on its discussion in *Richmond* to reach the conclusion that fees and charges for ongoing water service through an existing connection are “property-related” fees and charges imposed on a person as an incident of property ownership for purposes of Article XIII D whether the fees and charges are calculated based on usage or are imposed as a fixed monthly fee.

The Water District believes it has complied with the procedures required by Article XIII D in connection with the increase in the water fees and charges approved by the Board of Directors. See “DISTRICT AND WATER SYSTEM INFORMATION- Rates and Charges” herein.

In addition to the procedural requirements of Article XIII D, under Article XIII D, all property related fees and charges, including those which were in existence prior to the passage of Proposition 218 in November 1996, must meet the following substantive standards:

- (1) Revenues derived from the fee or charge cannot exceed the funds required to provide the property related service.
- (2) Revenues derived from the fee or charge must not be used for any purpose other than that for which the fee or charge was imposed.
- (3) The amount of a fee or charge imposed upon any parcel or person as an incident of property ownership must not exceed the proportional cost of the service attributable to the parcel.
- (4) No 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. Fees or charges based on potential or future use of a service are not permitted. Standby charges, whether characterized as charges or assessments, must be

classified as assessments and cannot be imposed without compliance with Section 4 of Article XIID (relating to assessments).

(5) No fee or charge may be imposed for general governmental services including, but not limited to, police, fire, ambulance or library services where the service is available to the public at large in substantially the same manner as it is to property owners.

Article XIID provides that nothing in Proposition 218 shall be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development.

Further 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 discussed 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.

### **Future Initiatives**

Articles XIIB, XIIC and XIID were adopted as measures that qualified for the ballot pursuant to California's initiative process. From time to time other initiatives could be proposed and adopted affecting the Water District's Net Revenues or ability to increase charges or connection fees.

One such initiative, approved by the electorate at the November 2, 2010 election, is Proposition 26. The initiative imposes a two-thirds voter approval requirement for the imposition of fees and charges by the State. It also imposes a majority voter approval requirement on local governments with respect to fees and charges for general purposes, and a two-thirds voter approval requirement with respect to fees and charges for special purposes. The initiative, according to its supporters, is intended to prevent the circumvention of tax limitations imposed by the voters pursuant to Proposition 13, approved in 1978, and other measures through the use of non-tax fees and charges. Proposition 26 expressly excludes from its scope "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 cost to the [State/local government] of providing the service or product to the payor." The Water District believes that the fees and charges imposed are not "taxes" as defined by Proposition 26. The Authority and the Water District, however, are unable to predict at this time how Proposition 26 will be interpreted by the courts or what its ultimate impacts will be.

### **Effect of Proposition 218 and of Possible General Limitations on Enforcement Remedies**

The ability of the Water District to comply with its covenants under the 2022 Installment Purchase Contract and to generate Net Revenues sufficient to pay the principal of and interest on the 2022 Bonds may be adversely affected by actions and events outside of the control of the Water District and may be adversely affected by actions taken (or not taken) under Article XIIC, Article XIID, or Proposition 26 by voters, property owners, taxpayers or payers of assessments, fees and charges. Furthermore, any remedies available to the owners of the 2022 Bonds upon the occurrence of an event of default under the 2022 Installment Purchase Contract 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 possible limitations on the ability of the Water District to comply with its covenants under the Trust Agreement, the rights and obligations under the 2022 Bonds and the 2022 Installment Purchase Contract 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 municipal utilities in the State.

Based on the foregoing, in the event the Water District fails to comply with its covenants under the 2022 Installment Purchase Contract, including its covenants to generate sufficient Net Revenues, as a consequence of the application of Article XIIC, Article XIID, or Proposition 26 or to pay principal of or interest on the 2022

Bonds, there can be no assurance that available remedies will be adequate to fully protect the interests of the holders of the 2022 Bonds.

## **RISK FACTORS**

The following discussion of risks is not meant to be an exhaustive list of the risks associated with the purchase of the 2022 Bonds and does not necessarily reflect the relative importance of the various risks.

### **General; Failure to Meet Projections**

The payment of principal of and interest on the 2022 Bonds is secured solely by a pledge of the Authority Revenues, consisting of mainly 2022 Installment Payments and other payments paid by the Water District and received by the Authority pursuant to the 2022 Installment Purchase Contract. The obligation of the Water District to make the 2022 Installment Payments is a limited obligation of the Water District payable solely from a pledge of Net Revenues. The realization of the Net Revenues is subject to, among other things, the capabilities of management of the Water District, the ability of the Water District to provide water services to its users, and the ability of the Water District to establish and maintain water fees and charges sufficient to provide the required debt service coverage as well as pay for Maintenance and Operation Costs.

Among other matters, drought, general and local economic conditions and changes in law and government regulations (including initiatives and moratoriums on growth) could adversely affect the amount of Net Revenues realized by the Water District.

In addition, the Projected Operating Results are based on a number of assumptions. Actual conditions may differ significantly from assumptions, and could have a material adverse impact on the ability of the Water District to make the 2022 Installment Payments and thereby pay the principal of and interest on the 2022 Bonds.

### **COVID-19 Pandemic**

The COVID-19 pandemic and the governmental actions to respond to and control the outbreak materially altered the behavior of people and disrupted business activity, resulting in a significant contraction of the national, state and local economies. Employment data released since the imposition of governmental restrictions on activities showed a dramatic increase in unemployment rates and, while some recovery of jobs has occurred, unemployment rates remain above pre-pandemic levels. In addition, domestic and international stock markets experienced declines in market value following the onset of the outbreak. Although rebounds in the global financial markets have since occurred, price volatility remains.

With widespread vaccination currently underway worldwide, the domestic governmental-imposed “stay-at-home” orders and restrictions on operations of schools and businesses implemented to respond to and control the outbreak have been eased. Restrictions, however, may be re-imposed in various jurisdictions from time to time as local conditions warrant. It is not known with any level of certainty when a full re-opening of the economy will be achieved and sustained. The negative effects of the COVID-19 pandemic and its aftermath on global, national and local economies is widely expected to continue at least for the foreseeable future.

The COVID-19 outbreak is ongoing and developments will continue. The ultimate degree of impact of COVID-19 on the operations and finances of the Water District is difficult to predict due to the evolving nature of the COVID-19 pandemic. However, to-date the Water District has not experienced significant operational or financial impacts.

### **Climate Change**

Chapter 3 of the *Urban Water Management Plan 2020-2025* (“UWMP”), Sources of Supply, discusses and incorporates anticipated climate change impacts into future water supply planning wherever possible. The

impacts of climate change during the 25-year, near-term period contemplated in the UWMP are not as significant as those anticipated to occur later in the century; nonetheless, the UWMP includes the anticipated impacts wherever possible.

The Water District's SWP supply reliability data includes climate change impacts on source hydrology and uses a technique that scales the historic planning hydrology with monthly and annual climate change factors derived from climate change studies. The SWP data includes the anticipated effect of rising temperatures on reduced occurrence of precipitation as snow. The SWP data also reflects 45-cm of sea-level rise, which has operational impacts on the use of the Sacramento-San Joaquin River Delta to convey water, resulting in further reduction in supply. The approach used by DWR for the SWP dataset essentially contemplates past weather and assesses how climate change would have changed the weather experienced on a year-to-year basis, either wetter or drier. A shortcoming of this approach is that it does not simulate potential changes in inter-annual weather and does not predict changed frequency, intensity, or duration of future droughts. The SFPUC RWS supply reliability data incorporated in the 2020-2025 UWMP does not include the known impacts of climate change.

The Water District also used DWR-provided change factors estimating future climate conditions in the development of time-series inputs in the Water District's groundwater model, the Niles East Bay Integrated Model (NEBIM), as part of considering how climate change may impact local supply (specifically groundwater conditions). Upon review of the climate change rainfall input for the future "what-if" scenarios, the Water District found that the near-term climate change scaling factors over the Alameda Creek Watershed suggest the region may become slightly wetter on average, which could increase local water supply. The Water District's analysis concluded that, on the balance, the near-term effect of climate change is negligible, erring on the side of increased local supply, and is not anticipated to negatively impact groundwater conditions. However, computer models used to predict future weather patterns are complex, very large scale, and sensitive to several key inputs and assumptions. Utilizing the DWR-provided change factors is the Water District's first step in the analysis of climate change projections which will be supplemented with a more robust long-term look at climate change as part of the Water District's 2025 Integrated Resources Plan (IRP) Update.

While the 2020-2025 UWMP incorporates climate change impacts into its future water supply planning to the extent feasible and has determined that no new infrastructure is needed to support water supply reliability for its customers over the next 25 years, the Water District's long-term water supply planning and capital improvement program must consider investments that extend for 50 years and beyond. As previously discussed, the Water District will update the IRP which will include a more robust long-term look at climate change as well as a Climate Adaptation Plan (CAP).

## **Cybersecurity**

Like most organizations, the Water District relies on electronic systems and technologies to conduct its operations in support of its mission of providing a reliable supply of high-quality water at a reasonable price to its customers. Over the past few years, there have been increasing attempts to gain unauthorized access to electronic systems of public agencies. These attempts, which continue to increase, include highly sophisticated efforts to electronically circumvent security measures and cause disruption to agency operations. The Water District faces similar threats and risks as faced by other public agencies of its size.

The Water District maintains an active cybersecurity program which provides guidelines for proper use of its network and systems by staff, consultants and other third-parties and these policies and procedures are consistent with public agency standards. All District employees are required to participate in the Water District's cybersecurity education and awareness training. The Water District's Information Technology (IT) team maintains adequate backups of critical systems and performs periodic testing of its disaster recovery processes and procedures. The Water District's cybersecurity team, in conjunction with a Security Operations Center service and other IT staff, actively monitors and responds to potential threats and vulnerabilities, performs ongoing updates and patches to its devices and systems, protects against virus and malware attacks, and investigates any potential unauthorized activity on the Water District's network.

The Water District maintains a multilayered cybersecurity posture designed to deter cyberattacks and has safeguards in place to ensure its ability to continually deliver water to its customers. The Water District is not aware of any cybersecurity breach impacting its systems to date; however, no assurances can be given that the Water District's cybersecurity and operational control measures will be successful in guarding against any and each future cyber threat and attack. A successful security breach against its systems or water production and delivery facilities could expose the Water District to significant liability, cause reputational harm and materially impair the Water District's operations and its ability to deliver water to its customers, its revenues, and its ability to pay its obligations.

### **Environmental Regulation**

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

From a water supply perspective, environmental-related regulations and court rulings intended to protect endangered species in the Sacramento-San Joaquin River Delta have resulted in interruptions and pumping constraints to the Water District's State Water Project ("SWP") supply deliveries. Additional regulation and/or court rulings that negatively impact the Water District's State Water Project reliability could potentially be analogous to a drought and, thus, similarly adversely affect the amount of Net Revenues realized by the Water District.

### **Earthquakes, Floods and Other Natural Disasters**

Earthquakes, floods or other natural disasters could interrupt operation of the Water District's Water System and cause increased costs and thereby interrupt the ability of the Water District to realize Net Revenues. The Water District is located in a seismically active region within the vicinity of several active and inactive faults, including the San Andreas Fault, the Concorde-Green Valley Fault and the Calaveras Fault. The Hayward Fault, a seismically active fault, bisects the Water District's service area. The Water District could sustain extensive damage to its Water System in a major earthquake, both from ground motion and possible liquefaction of underlying soils. In October 1989, an earthquake measuring 7.1 on the Richter scale and with an epicenter approximately 50 miles south of the Water District struck the San Francisco Bay Area. There was no material structural damage to the Water District's facilities. The Water District is not obligated under the Trust Agreement to have earthquake or flood insurance. There can be no assurance that earthquakes or other natural disasters will not interrupt the ability of the Water System to realize Net Revenues sufficient to pay principal and interest of the 2022 Bonds.

### **System Demand**

There can be no assurance that the demand for water services will occur as described in this Official Statement. Reduction in levels of demand could require an increase in rates or charges in order to comply with the covenants to fix rates and charges.

## **System Expenses**

There can be no assurance that the Water District's expenses will be consistent with the descriptions in this Official Statement. Increases in expenses could require a significant increase in rates or charges in order to pay for Water District water projects and comply with the rate covenant.

## **Drought**

As described herein, the State is experiencing a significant drought, which has resulted in significant increases in the cost of water for the Water District. Although, as described herein in "DISTRICT AND WATER SYSTEM INFORMATION - California Drought and Response," the Water District has implemented water conservation programs to reduce water consumption as well as a rate surcharge to maintain revenues at required levels, there can be no assurances that a continuation of the drought will not materially adversely impact the operations and/or financial condition of the Water District.

## **Rate Process**

The passage of Proposition 218 by the California electorate potentially affects the Water District's ability to impose future rate increases, and no assurance can be given that future rate increases will not encounter majority protest opposition under Proposition 218. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS AND CHARGES - Articles XIIC and XIID of the California Constitution."

## **Investment of Funds**

All moneys in the Water District Revenue Fund may be invested by the Water District from time to time in any investments which are legal for investment of Water District funds under California law. All moneys in any of the funds or accounts established with the Trustee pursuant to the Trust Agreement will be invested by the Trustee solely in Permitted Investments. Obligations purchased as an investment of moneys in any fund shall be deemed to be part of such fund or account.

All interest or gain derived from the investment of amounts in any of the funds or accounts established under the Trust Agreement will be deposited in the fund or account from which such investment was made. For purposes of acquiring any investments, the Trustee may commingle funds held by it pursuant to the Trust Agreement upon the Request of the Water District. The Trustee may act as principal or agent in the acquisition of any investment. The Trustee will incur no liability for losses arising from any investments made in accordance with the Trust Agreement. See "APPENDIX A - SUMMARY OF PRINCIPAL LEGAL DOCUMENTS."

## **Limitations on Remedies and Bankruptcy**

The ability of the Water District to increase water services charges and to comply with its covenants under the 2022 Installment Purchase Contract and to generate Net Revenues sufficient to pay principal of and interest on the 2022 Bonds may be adversely affected by actions and events outside of the control of the Water District and may be adversely affected by actions taken (or not taken) by voters, property owners, taxpayers or payers of assessments, fees and charges. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS AND CHARGES- Proposition 218." Furthermore, any remedies available to the owners of the 2022 Bonds upon the occurrence of an event of default under the 2022 Installment Purchase Contract and the Trust Agreement 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 2022 Installment Purchase Contract and the Trust Agreement, the rights and obligations under the 2022 Installment Purchase Contract, the 2022 Bonds and the Trust Agreement 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 cities in the State. Various legal opinions to be delivered concurrently with the issuance of the 2022 Bonds will be so qualified. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix D hereto. In the event the Water District fails to comply with its covenants under the 2022 Installment Purchase Contract and the Trust Agreement or to pay principal of or interest on the 2022 Bonds, there can be no assurance that available remedies will be adequate to fully protect the interests of the holders of the 2022 Bonds.

The enforcement of the remedies provided in the 2022 Installment Purchase Contract and the Trust Agreement could prove both expensive and time consuming. In addition, the rights and remedies provided in the 2022 Installment Purchase Contract and the Trust Agreement may be limited by and are subject to provisions of the federal bankruptcy laws, as now or hereafter enacted, and to other laws or equitable principles that may affect creditors' rights. If the Water District were to file a petition under Chapter 9 of the Bankruptcy Code (Title 11, United States Code), the Bondholders and the Trustee could be prohibited or severely restricted from taking any steps to enforce their rights under the 2022 Installment Purchase Contract and the Trust Agreement.

### **Secondary Market for Bonds**

There can be no guarantee that there will be a secondary market for the 2022 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.

### **Parity Obligations**

As described in: "SECURITY FOR THE 2022 BONDS- Parity Obligations" above, the 2022 Installment Purchase Contract permits the Water District to execute any Installment Purchase Contract or issue any Bonds, as the case may be, to finance or refinance any Project the Debt Service on which Installment Purchase Contract or Bonds is payable on a parity with the payment by the Water District of the 2022 Installment Payments from the Net Revenues. In the event of a decline in Net Revenues available to pay debt service on the 2022 Bonds, the existence of Installment Purchase Contracts or additional Bonds could adversely affect the Water District's ability to pay debt service on the 2022 Bonds. When and if issued, the 2022 Installment Purchase Contract will be secured by Net Revenues on a parity with the 2015 Installment Purchase Contract.

## **CERTAIN LEGAL MATTERS**

The validity of the 2022 Bonds and certain other legal matters are subject to the approving opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel to the Authority. A complete copy of the proposed form of Bond Counsel opinion is contained in Appendix D hereto. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of the Official Statement. Certain legal matters will be passed upon for the Water District by Hanson Bridgett LLP. Payment of the fees and expenses of Bond Counsel is contingent upon issuance of the 2022 Bonds.

## **LITIGATION**

To the best knowledge of the Authority and the Water 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 Authority to restrain or enjoin the authorization, execution or delivery of the 2022 Bonds, the pledge of the Authority Revenues or the collection of the payments to be made pursuant to the Trust Agreement, the obligation of the Water District to pay 2022 Installment Payments from the Net Revenues made pursuant to the

2022 Installment Purchase Contract, or in any way contesting or affecting the validity of the 2022 Bonds, the Trust Agreement, the 2022 Installment Purchase Contract or the agreement for the sale of the 2022 Bonds.

### **MUNICIPAL ADVISOR**

PFM Financial Advisors LLC, San Francisco, California, has served as Municipal Advisor to the Authority with respect to the sale of the 2022 Bonds. The Municipal Advisor has assisted the Authority in the review of this Official Statement and in other matters relating to the planning, structuring, execution and delivery of the 2022 Bonds. The Municipal Advisor has not independently verified any of the data contained herein or conducted a detailed investigation of the affairs of the Authority to determine the accuracy or completeness of this Official Statement. Due to their limited participation, the Municipal Advisor assumes no responsibility for the accuracy or completeness of any of the information contained herein.

### **RATINGS**

Moody's Investors Service, Inc. ("Moody's") and S&P Global Ratings, a division of Standard & Poor's Financial Services LLC ("S&P"), have assigned their municipal bond rating of "Aa1" and "AAA," respectively, to the 2022 Bonds.

The ratings issued reflect only the view of such rating agencies, and any explanation of the significance of such ratings should be obtained from such rating agencies. There is no assurance that such ratings will be retained for any given period of time or that they will not be revised downward or withdrawn entirely by such rating agencies if, in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of any ratings obtained may have an adverse effect on the market price of the 2022 Bonds.

### **VERIFICATION OF MATHEMATICAL COMPUTATIONS**

Upon delivery of the 2022 Bonds, Causey Demgen & Moore, independent certified public accountants, will deliver a report stating that the firm has verified the mathematical accuracy of certain computations relating to the adequacy of the Defeasance Securities and the interest thereon, together with cash deposits, to pay when due the principal of and interest on the 2022 Bonds to their respective redemption dates and the redemption price of the Series 2012 Bonds on their respective redemption dates.

### **SALE OF THE 2022 BONDS**

The 2022 Bonds were sold at competitive bid on March 22, 2022. The 2022 Bonds were awarded to Morgan Stanley & Co. LLC (the "Purchaser"), who submitted the lowest true interest cost bid, at a purchase price of \$48,785,329.99. Under the terms of its bid, the Purchaser will be obligated to purchase all of the 2022 Bonds if any are purchased, the obligation to make such purchase being subject to the approval of certain legal matters by Bond Counsel, and certain other conditions to be satisfied by the Authority.

The Purchaser has certified the reoffering prices or yields for the 2022 Bonds set forth on the cover of this Official Statement, and neither the Authority nor the Water District take any responsibility for the accuracy of those prices or yields. Based on the reoffering prices, the net original issue premium on the reoffering of the 2022 Bonds is \$5,477,358.50, and the Purchaser's gross compensation (or "spread") is \$267,028.51. The Purchaser may offer and sell Bonds to certain dealers and others at prices lower than the offering prices stated on the cover. The offering prices may be changed from time to time by the Purchaser.

Morgan Stanley & Co. LLC., as Purchaser of the 2022 Bonds, has entered into a distribution agreement with its affiliate, Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the 2022 Bonds.

## **INDEPENDENT AUDITOR**

The audited financial statements of the Water District for the years ended June 30, 2021 and June 30, 2020 are included in Appendix B attached hereto. The basic financial statements referred to in the preceding sentence have been audited by the Pun Group, Santa Ana, California, independent auditors, as stated in its Independent Auditor's Report included in Appendix B. The Pun Group has consented to the inclusion of the basic financial statements and their Auditor's Report in Appendix B attached hereto. The Pun Group has not undertaken to update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by the Pun Group with respect to any event subsequent to its report dated November 10, 2021.

## **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 2022 Bonds.

The summaries of certain provisions of the 2022 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 Water District.

The Appendices are an integral part of this Official Statement and must be read together with all other parts of this Official Statement.



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## APPENDIX A

### SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

#### CERTAIN DEFINITIONS

The following are definitions of certain terms as used in this Official Statement.

“Act” means the Joint Exercise of Powers Act (being Chapter 5 of Division 7 of Title 1 of the California Government Code, as amended) and all laws amendatory thereof or supplemental thereto.

“Authority” means the Alameda County Water District Financing Authority created pursuant to the Act and its successors and assigns in accordance with the Trust Agreement.

“Authority Revenue Fund” means the fund by that name established pursuant to the Trust Agreement.

“Authority Revenues” means all 2022 Installment Payments and other payments paid by the Water District and received by the Authority pursuant to the 2022 Installment Purchase Contract and all interest or other income from any investment of any money in any fund or account established pursuant to this Trust Agreement (other than the Rebate Fund).

“Approving Opinion” means an opinion of Bond Counsel addressed to the Trustee and the Authority, that an action being taken (i) is authorized by the Act and the Trust Agreement, and (ii) will not, in and of itself, adversely affect the tax exempt status of the 2022 Bonds.

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

“Bond Counsel” means a firm of recognized standing in the field of obligations, the interest on which is excluded from gross income for purposes of federal income taxation.

“Bonds” means all water revenue bonds of the Water District authorized, executed, issued and delivered by the Water District under and pursuant to the Law, the payments of which are on a parity with each other and with the payment of the Installment Payments and which are secured by a pledge of and lien on the Net Revenues.

“Business Day” means any day other than a Saturday or Sunday or day upon which the Trustee is open for business at its Principal Office.

“Certificate of the Authority” means an instrument in writing signed by or on behalf of the Authority by its President, Vice President or Treasurer, or by any other officer of the Authority duly authorized by the governing board of the Authority to sign documents on its behalf under the Trust Agreement.

“Code” means the Internal Revenue Code of 1986, as amended, or any successor statute thereto, and any regulations promulgated thereunder.

“Continuing Disclosure Certificate” means that certain Continuing Disclosure Certificate executed as of April 1, 2022, by the Water District, as originally executed and entered into and as it may from time to time be amended in accordance with its terms.

“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the Authority or the Water District and related to the authorization, the Continuing Disclosure Certificate, the 2022 Installment Purchase Contract and the Trust Agreement and the related sale of the 2022 Bonds, including, but not limited to, costs of preparation and reproduction of documents, costs of rating agencies and costs to provide information required by rating agencies, filing fees, initial fees and charges of the Trustee, Escrow Agent, legal

fees and charges, fees and expenses of consultants and professionals, fees and expenses of the municipal advisor, fees and charges for preparation, execution and safekeeping of the 2022 Bonds and any other charge, cost or fee in connection with the original issuances, sale and delivery of the 2022 Bonds.

“Debt Service” means, for any designated period, the sum of (1) the interest accruing during such period on all outstanding Bonds, assuming that all outstanding serial Bonds are retired as scheduled and that all outstanding term Bonds are redeemed or paid from sinking fund payments as scheduled (except to the extent that such interest is to be paid from the proceeds of sale of any Bonds), (2) that portion of the principal amount of all outstanding serial Bonds (but not including Excluded Principal) maturing on the next succeeding principal payment date that would have accrued during such period if such principal amount were deemed to accrue daily in equal amounts from the next preceding principal payment date or during the year preceding the first principal payment date, as the case may be, (3) that portion of the principal amount of all outstanding term Bonds (but not including Excluded Principal) required to be redeemed or paid on the next succeeding redemption date (together with the redemption premiums, if any, thereon) that would have accrued during such period if such principal amount (and redemption premiums) were deemed to accrue daily in equal amounts from the next preceding redemption date or during the year preceding the first redemption date, as the case may be, and (4) that portion of the Installment Payments (but not including Excluded Principal) required to be made at the times provided in the Installment Purchase Contracts that would have accrued during such period if such Installment Payments were deemed to accrue daily in equal amounts from, in each case, the next preceding installment payment date of interest or principal or the date of the pertinent Installment Purchase Contract, as the case may be; provided however that if any series or issue of such Bonds or Installment Purchase Contracts have twenty-five percent (25%) or more of the aggregate principal amount of such series or issue due in any one year (and such principal is not Excluded Principal), Debt Service shall be determined for the period of determination as if the principal of and interest on such series or issue of such Bonds or Installment Purchase Contracts were being paid from the date of incurrence thereof in substantially equal annual amounts over a period of forty (40) years from the date of calculation.

“Event of Default” means an event described in the Installment Purchase Contract.

“Excluded Principal” means each payment of principal of any Bond or Installment Purchase Contracts for which there is on file with the Trustee (i) a certificate of the District to the effect that such Bond or Contract is commercial paper or otherwise of a revolving or short-term nature and has a maturity of less than 60 months and (ii) a certificate of the General Manager or Executive Manager of Finance to the effect that the District intends to pay such principal from the proceeds of Bonds or Contracts or other bonds, notes or other obligations of the District. No such determination will affect the security for such Bonds or Contracts or the obligation of the District to pay such Bonds or Contracts from Net Revenues.

“Federal Securities” means United States of America Treasury bills, notes, bonds or certificates of indebtedness, or obligations for which the full faith and credit of the United States of America are pledged for the payment of interest and principal, or securities evidencing ownership interests in such obligations or in specified portions of the interest on or principal of such obligations.

“Fiscal Year” means the twelve-month period terminating on June 30 of each year, or any other annual accounting period hereafter selected and designated by the Water District as its Fiscal Year in accordance with applicable law.

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

“Holder” means any person who shall be the registered owner of any Outstanding Bond.

“Independent Engineer” means any firm of civil engineers of national reputation generally recognized to be well qualified in engineering matters relating to municipal water systems duly licensed and entitled to practice and practicing as such under the laws of the State of California, appointed and paid by the Water District, and each of whom--

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

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

“Information Services” means the Electronic Municipal Market Access system (referred to as “EMMA”), a facility of the Municipal Securities Rulemaking Board, at [www.emma.msrb.org](http://www.emma.msrb.org); and, in accordance with the then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other services providing information with respect to called bonds as the Authority may designate in a Certificate of the Authority delivered to the Trustee, any other information services providing information with respect to called bonds that the Authority may designate in a Certificate of the Authority delivered to the Trustee.

“Installment Payments” means the installment payments of interest and principal scheduled to be paid by the Water District under and pursuant to the Installment Purchase Contracts.

“Installment Purchase Contracts” means all installment purchase contracts of the Water District authorized and executed by the Water District under and pursuant to the Law (including the Installment Purchase Agreement between the Water District and the Authority, dated as of March 1, 2015), the Installment Payments under which are payable on a parity with the payment of the 2022 Bonds and which are secured by a pledge of and lien on the Net Revenues.

“Interest Payment Date” means a date on which an interest installment of the 2022 Installment Payments is due and payable, being June 1 and December 1 of each year to which reference is made, commencing on December 1, 2022.

“Joint Powers Agreement” means the Joint Exercise of Powers Agreement by and between the Water District and the Union Sanitary District, dated November 14, 2011, as amended January 20, 2022, and as it may from time to time be amended or supplemented pursuant to the provisions of the Trust Agreement and thereof.

“Law” means the County Water District Law of the State of California (constituting Sections 30000 et seq. of the Water Code of the State of California) and all laws amendatory thereof or supplemental thereto, including 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.

“Maintenance and Operation Costs” means the reasonable and necessary costs paid or incurred by the Water District for maintaining and operating the Water System, determined in accordance with Generally Accepted Accounting Principles, including all costs of water purchased for the Water System (except those costs paid from taxes imposed by the District), and including all reasonable expenses of management and repair and

all other expenses necessary to maintain and preserve the Water System in good repair and working order, and including all administrative costs of the Water District that are charged directly or apportioned to the operation of the Water System, such as salaries and wages of employees, overhead, taxes (if any) and insurance premiums, and including all other reasonable and necessary costs of the Water District or charges required to be paid by it to comply with the terms of the Installment Purchase Contract and of any resolution authorizing the execution of any Installment Purchase Contract or of such Installment Purchase Contract or of any resolution or indenture authorizing the issuance of any Bonds or of such Bonds, such as compensation, reimbursement and indemnification of the trustee, seller or lessor for any such Installment Purchase Contracts or Bonds and fees and expenses of accountants and Independent Engineers, but excluding in all cases depreciation, replacement and obsolescence charges or reserves therefor and amortization of intangibles.

“Net Proceeds” means, when used with respect to any 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” means, for any designated period, the Revenues during such period, less the Maintenance and Operation Costs during such period.

“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 Authority.

“Outstanding,” when used as of any particular time with reference to Bonds, means (subject to the provisions of the Trust Agreement all Bonds except

- (1) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation;
- (2) Bonds paid or deemed to have been paid within the meaning of discharge of Bonds; and
- (3) Bonds in lieu of or in substitution for which other Bonds shall have been executed, issued and delivered by the Authority pursuant to the Trust Agreement.

“Permitted Investments” means any of the following to the extent then permitted by law:

- (1) Federal Securities;
- (2) Obligations issued by banks for cooperatives, federal land banks, federal intermediate credit banks, federal home loan banks, the Federal Home Loan Bank Board or the Tennessee Valley Authority, or obligations, participations or other instruments of or issued by, or fully guaranteed as to interest and principal by, the Federal National Mortgage Association, or guaranteed portions of Small Business Administration notes, or obligations, participations or other instruments of or issued by a federal agency or a United States of America government-sponsored enterprise;
- (3) Any obligations which are then legal investments for moneys of the Water District under the laws of the State of California; provided, that if such investments are not required to be collateralized or insured, such investments shall be issued by entities the debt securities of which are rated in one of the two highest short-term or long-term rating categories by Moody’s Investors Service and by Standard & Poor’s, a division of The McGraw-Hill Companies, Inc.; and provided further, that any repurchase agreements must be fully secured by collateral security described in clauses (i) and (ii) of this definition, which collateral (A) is held by the Water District, the Trustee or a third party agent during the term of such repurchase agreement and in which collateral the Water District or the Trustee, as applicable, has a perfected first security interest, (B) has a market value determined at least every thirty (30) days at least equal to one hundred ten per cent (110%) of the amount so invested, and (C) may be liquidated within seven (7) days if the market value of such collateral is at any time less than the amount so invested;

(4) Investment contracts with entities the debt securities of which are rated in one of the two highest long-term rating categories by Moody's Investors Service and by Standard & Poor's;

(5) Units of a money-market fund portfolio rated in one of the two highest rating categories by Moody's Investors Service or by Standard and Poor's, including funds for which the Trustee or its affiliates provide investment advisory or other management services, and, with respect to investments of less than one hundred thousand dollars (\$100,000), time or demand deposits which are maintained by a banking department of the Trustee or its affiliates so long as the Trustee or its parent has a combined capital and surplus of at least fifty million dollars (\$50,000,000);

(6) Tax-exempt obligations of a state or a political subdivision thereof which are rated in one of the two highest short-term or long-term rating categories by Moody's Investors Service and by Standard & Poor's, a division of The McGraw-Hill Companies, Inc.;

(7) Tax-exempt obligations of a state or a political subdivision thereof which have been defeased under irrevocable escrow instructions with Federal Securities and which are rated in the highest rating category by Moody's Investors Service and by Standard & Poor's, a division of The McGraw-Hill Companies, Inc.;

(8) Investments in the Local Agency Investment Fund maintained by the Office of the California State Treasurer, which such investments shall only be invested in the special portion of the Local Agency Investment Fund for bond proceeds that are not subject to arbitrage restrictions; provided, that the Finance Director shall be designated as the authorized authority to transact these investments; and

(9) "Shares in a California common law trust established pursuant to Title 1, Division 7, Chapter 5 of the Government Code of the State of California which invests exclusively in investments permitted by Section 53635 of Title 5, Division 2, Chapter 4 of the Government Code of the State of California, as it may be amended.

"Principal Office" means the designated corporate trust office of the Trustee, located in San Francisco, California; provided, however, for transfer, registration, exchange, payment and surrender of 2022 Bonds, "Principal Office" means care of the corporate trust operations office of U.S. Bank Trust Company, National Association in St. Paul, Minnesota, or such other office designated by the Trustee from time to time.

"Principal Payment Date" means a date on which a principal installment of the 2022 Installment Payments is due and payable.

"Project" means any additions; betterments, extensions or improvements to the Water System designated by the Board of Directors as a designated Project, the financing or refinancing of which is to be paid for by the proceeds of any Installment Purchase Contracts or Bonds.

"Purchase Price" means the principal amount plus the interest thereon owed by the Water District to the Authority under the conditions and terms of the Installment Purchase Contract.

"Rebate Fund" shall have the meaning given in the Tax Certificate.

"Record Date" means with respect to an Interest Payment Date, the fifteenth calendar day of the month immediately preceding such Interest Payment Date.

"Representation Letter" means the blanket letter of representations of the Authority to The Depository Trust Company, New York, New York.

"Reserved Rights" means the rights of the Authority under the 2022 Installment Purchase Contract with respect to reimbursement of costs and indemnification.

“Revenues” means all gross income and revenue received or receivable by the Water District from the ownership or operation of the Water System, determined in accordance with Generally Accepted Accounting Principles, including all rates, charges and connection fees received by the Water District for water and the other services of the Water System and all proceeds of insurance covering business interruption loss relating to the Water System and all other income and revenue howsoever derived by the Water District from the ownership or operation of the Water System, but excluding all proceeds of taxes imposed by the District to pay costs of water purchased for the Water System and all refundable deposits made to establish credit and advances or contributions in aid of construction.

“Securities Depositories” means: The Depository Trust Company, 55 Water Street, 50th Floor, New York, N.Y. 10041 0099 Attn. Call Notification Department, Fax (212) 855 7232, or, in accordance with then-current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories, or no such depositories, as designated by the Authority to the Trustee.

“State” means the State of California.

“Supplemental Trust Agreement” means any trust agreement then in full force and effect which has been duly executed and delivered by the Authority and the Trustee amendatory of the Trust Agreement or supplemental thereto, but only if and to the extent that such Supplemental Trust Agreement is specifically authorized under the Trust Agreement.

“Tax Certificate” means the Tax Certificate delivered by the Water District and the Authority at the time of the issuance and delivery of the 2022 Bonds, as the same may be amended or supplemented in accordance with its terms.

“Trust Agreement” means that certain Trust Agreement, executed and entered into as of April 1, 2022, by and between the Trustee and the Authority, as originally executed and as it may from time to time be amended or supplemented in accordance with its terms.

“Trustee” means U.S. Bank Trust Company, National Association, acting in its capacity as trustee under and pursuant to the Trust Agreement, and its successors and assigns as provided in the Trust Agreement.

“2012 Bonds” means the Authority’s Water System Revenue Bonds, Series 2012.

“2012 Escrow Agreement” means the Escrow Agreement, dated as of March 1, 2022, among the District, the Authority and the Trustee, and the 2012 Escrow Agent.

“2012 Installment Purchase Contract means the Installment Purchase Contract, dated as of February 1, 2012, between the District and the Authority.

“2012 Refinancing” means the refinancing of the District’s obligations in connection with the 2012 Installment Purchase Contract.

“2022 Acquisition Fund” means the fund by that name established pursuant to 2022 Installment Purchase Contract.

“2022 Bonds” means the “Alameda County Water District Financing Authority Water System Revenue Bonds, Series 2022.”

“2022 Costs of Issuance Fund” means the fund by that name established pursuant to the Trust Agreement. “DTC” means The Depository Trust Company, New York, New York, or any successor thereto.

“2022 Installment Payment Date” means any date on which 2022 Installment Payments are scheduled to be paid by the Water District under and pursuant to the Installment Purchase Contract.

“2022 Installment Payments” means the Installment Payments scheduled to be paid by the Water District under and pursuant to the Installment Purchase Contract.

“2022 Installment Purchase Contract” means that certain 2022 Installment Purchase Contract executed and entered into as of April 1, 2022, by and between the Authority and the Water District, as originally executed and entered into and as it may from time to time be amended in accordance with the Trust Agreement and therewith.

“2022 Project” means the design, engineering, permitting and construction of additions, betterments, extensions and improvements to the Water System listed on Exhibit A of the Installment Purchase Contract.

“Water District” means the Alameda County Water District, a county water district duly organized and existing under and by virtue of the laws of the State.

“Water District Revenue Fund” means the Alameda County Water District Water Revenue Fund now existing in the treasury of the Water District.

“Water System” means all facilities for the pumping, storage, transmission and treatment of water now owned by the Water District and all other properties, structures or works hereafter acquired and constructed by the Water District and determined to be a part of the Water System, together with all additions, betterments, extensions or improvements to such facilities, properties, structures or works or any part thereof hereafter acquired and constructed.

“Written Request of the Authority” means an instrument in writing signed by or on behalf of the Authority by its President, Vice President or Treasurer, or by any other officer of the Authority duly authorized by the governing board of the Authority to sign documents on its behalf under the Trust Agreement.

**SUMMARY OF CERTAIN PROVISIONS OF THE 2022  
INSTALLMENT PURCHASE CONTRACT**

The following is a summary of certain provisions of the 2022 Installment Purchase Contract. This summary does not purport to be complete or definitive and is qualified in its entirety by reference to the full terms of the 2022 Installment Purchase Contract. The purpose of the 2022 Installment Purchase Contract is to finance the design acquisition and construction of the 2022 Water Projects.

**Design, Acquisition, Construction and Sale of the 2022 Water Projects**

The Authority hereby agrees to design, acquire and construct the 2022 Project for, and to sell the 2022 Project to, the Water District. In order to implement this provision, the Authority hereby appoints the Water District as its agent for the purpose of such design, acquisition and construction, and the Water District hereby agrees to enter into such engineering, design and construction contracts and purchase orders as may be necessary, as agent for the Authority, to provide for the complete design, acquisition and construction of the 2022 Project. The Water District hereby agrees that as such agent it will cause the acquisition and construction of the 2022 Project to be diligently completed after the deposit of funds in the Acquisition Fund for such purpose pursuant to the Trust Agreement. The Authority hereby agrees to sell, and hereby sells, the 2022 Project to the Water District. The Water District hereby agrees to purchase, and hereby purchases, the 2022 Project from the Authority. Notwithstanding the foregoing, it is hereby expressly understood and agreed that the Authority shall be under no liability of any kind of character whatsoever for the payment of any costs or expenses incurred by the Water District (whether as agent for the Authority or otherwise) for the engineering, design, acquisition or construction of the 2022 Project and that all such costs and expenses shall be paid by the Water District, regardless of whether the funds deposited in the Acquisition Fund are sufficient to cover all such costs.

**2022 Acquisition Fund**

The Authority hereby agrees to cause a portion of the proceeds of the 2022 Bonds to be transferred to the Water District, as provided in the Trust Agreement, for deposit in the 2022 Acquisition Fund, which fund is hereby established and which fund the Water District hereby agrees to maintain until the 2022 Project have been acquired and constructed by the Water District, or until all amounts therein are expended towards such acquisition and construction. All money in the 2022 Acquisition Fund shall be applied by the Water District for the payment of the costs of the acquisition and construction of the 2022 Project, payment of interest on the 2022 Installment Payments during the period during which the 2022 Project are being acquired and constructed, and the incidental costs and expenses related thereto (including reimbursement to the Water District for any such costs or expenses paid by it). When the acquisition and construction of the 2022 Project has been completed, the Water District shall deposit any remaining balance in the 2022 Acquisition Fund in the Water District Revenue Fund.

**Implementation of the 2012 Refinancing**

The Authority hereby agrees to implement to the 2012 Refinancing, and has entered into the 2012 Escrow Agreement in connection therewith.

**Escrow for 2012 Bonds**

The Authority hereby agrees to cause a portion of the proceeds of the 2022 Bonds to be transferred to the 2012 Escrow Agent for the 2012 Bonds. All moneys deposited with the 2012 Escrow Agent pursuant to the 2012 Escrow Agreement shall be applied to the implementation of the 2012 Refinancing.

## **2022 Purchase Price**

The 2022 Purchase Price to be paid by the Water District to the Authority is the sum of the principal amount of the Water District's obligation under the 2022 Installment Purchase Contract plus the interest to accrue on the unpaid balance of such principal amount over the term of the 2022 Installment Purchase Contract.

The interest to accrue on the unpaid balance of the principal amount of the 2022 Purchase Price shall be paid by the Water District and shall constitute interest paid on the principal amount of the Water District's 2022 Purchase Price obligation under the 2022 Installment Purchase Contract.

## **Payment of the 2022 Installment Payments**

The Water District shall, subject to prepayment as provided in the 2022 Installment Purchase Contract, pay the Authority the Purchase Price, without offset or deduction of any kind, by paying the principal installments of the 2022 Installment Payments annually in the amounts and on June 1 in each of the years and in accordance with the Installment Purchase Contract, together with interest installments of the 2022 Installment Payments, which interest installments shall be paid on each applicable Interest Payment Date.

The obligation of the Water District to pay the Purchase Price by paying the 2022 Installment Payments is, subject to the provisions of the 2022 Installment Payments, absolute and unconditional, and until such time as the 2022 Installment Payments shall have been paid in full (or provision for the payment thereof shall have been made pursuant to the 2022 Installment Payments), the Water District will not discontinue or suspend any 2022 Installment Payments required to be paid by it under the 2022 Installment Payments when due, whether or not the Water System or any part thereof is operating or operable, or its use is suspended, interfered with, reduced, curtailed or terminated in whole or in part, and such payments shall not be subject to reduction whether by offset or otherwise and shall not be conditional upon the performance or nonperformance by any party to any agreement for any cause whatsoever.

## **Covenants of the Water District**

*Compliance with the 2022 Installment Purchase Contract and the Trust Agreement.* The Water District will punctually pay the 2022 Installment Payments in strict conformity with the terms of the Installment Purchase Contract, and will faithfully observe and perform all the agreements, conditions, covenants and terms contained in the Installment Purchase Contract required to be observed and performed by it, and will not terminate the 2022 Installment Purchase Contract for any cause including, without limiting the generality of the foregoing, any acts or circumstances that may constitute failure of consideration, destruction of or damage to the 2022 Project or the Water System, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State of California or any political subdivision of either or any failure of the Authority to observe or perform any agreement, condition, covenant or term contained in the Installment Purchase Contract required to be observed and performed by it, whether express or implied, or any duty, liability or obligation arising out of or connected with the Installment Purchase Contract or the insolvency, or deemed insolvency, or bankruptcy or liquidation of the Authority or any force majeure, including Acts of God, tempest, storm, earthquake, war, rebellion, riot, civil disorder, acts of public enemies, blockade or embargo, strikes, industrial disputes, lockouts, lack of transportation facilities, fire, explosion, or acts or regulations of governmental authorities.

The Water District will faithfully observe and perform all the agreements, conditions, covenants and terms contained in the Trust Agreement required to be observed and performed by it, and it is expressly understood and agreed by and among the parties to the 2022 Installment Purchase Contract and the Trust Agreement that each of the agreements, conditions, covenants and terms contained in each such agreement is an essential and material term of the obligation of the Water District to pay the Purchase Price pursuant to, and in accordance with, and as authorized under law and the 2022 Installment Purchase Contract.

## **Events of Default**

Each of the following events constitutes an Event of Default under the 2022 Installment Purchase Contract:

- (1) the Water District shall default in the due and punctual payment of any 2022 Installment Payment when and as the same shall become due and payable;
- (2) the Water District shall default in the performance of any of the agreements or covenants contained in the Installment Purchase Contract or in the Trust Agreement required to be performed by it, and such default shall have continued for a period of sixty (60) days after the Water District shall have been given notice in writing of such default by the Authority or the Trustee; and
- (3) the Water 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 Water 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 Water District or of the whole or any substantial part of its property.

## **Remedies; No Acceleration**

Upon the occurrence of an Event of Default, the Trustee, as assignee of the Authority, shall have the right—

- (a) by mandamus or other action or proceeding or suit at law or in equity to enforce its rights against the Water District or any member of the Board of Directors, officer or employee thereof, and to compel the Water District or any such member of the Board of Directors, officer or employee to perform and carry out its or his duties under law and the agreements and covenants required to be performed by it or him under the 2022 Installment Purchase Contract;
- (b) by suit in equity to enjoin any acts or things which are unlawful or violate the rights of the Authority or the Trustee; or
- (c) by suit in equity upon the happening of an Event of Default to require the Water District and its members of the Board of Directors, officers and employees to account as the trustee of an express trust.

Notwithstanding the above, the Trustee shall have no right to declare the principal or interest component of any 2022 Installment Payment to be due and payable immediately.

## **Discharge of Obligations**

- (a) If the Water District shall pay or cause to be paid all the 2022 Installment Payments at the times and in the manner provided in the Installment Purchase Contract, the right, title and interest of the Authority herein and the obligations of the Water District hereunder shall thereupon cease, terminate, become void and be completely discharged and satisfied, except only as provided in subsection (c).
- (b) Any unpaid principal installment of the 2022 Installment Payments shall on its payment date or date of prepayment be deemed to have been paid within the meaning of and with the effect expressed in subsection (a) of this section if the Water District makes payment of such

2022 Installment Payments and the prepayment premium, if applicable, in the manner provided in the 2022 Installment Purchase Contract.

(c) All or any portion of unpaid principal installments of the 2022 Installment Payments shall, prior to their payment dates or dates of prepayment, be deemed to have been paid within the meaning of and with the effect expressed in subsection (a) of this section (except that the Water District shall remain liable for such 2022 Installment Payments, but only out of such money or securities deposited with the Trustee for such payment), if (i) notice is provided by the Water District to the Trustee as required by the Trust Agreement, and (ii) there shall have been deposited with the Trustee either money in an amount which shall be sufficient, or Federal Securities, the interest on and principal of which when paid will provide money which, together with money, if any, deposited with the Trustee, shall be sufficient to pay when due the principal installments of such 2022 Installment Payments or such portions thereof on and prior to their payment dates or their dates of prepayment, as the case may be, and the prepayment premiums, if any, applicable thereto.

### **Liability of Water District Limited to Net Revenues**

The Water District is not required to advance any moneys derived from any source of income other than the Net Revenues for the payment of the 2022 Installment Payments or for the performance of any agreements or covenants required to be performed by it contained in the 2022 Installment Purchase Contract. The Water District may, however, advance moneys for any such purpose so long as such moneys are derived from a source legally available for such purpose and may be legally used by the Water District for such purpose.

The obligation of the Water District to make the 2022 Installment Payments is a special obligation of the Water District payable solely from the Net Revenues as provided in the 2022 Installment Purchase Contract, and does not constitute a debt of the Water District or of the State of California or of any political subdivision thereof within the meaning of any constitutional or statutory debt limitation or restriction.

### **Assignment**

The 2022 Installment Purchase Contract and the Authority's rights under the Installment Purchase Contract (except the rights of the Authority set forth in the Installment Purchase Contract with respect to reimbursement of costs and indemnification) shall be assigned by the Authority to the Trustee as provided in the Trust Agreement, to which assignment the Water District expressly acknowledges and consents.

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

The following is a summary of certain provisions of the Trust Agreement. This summary does not purport to be complete or definitive and is qualified in its entirety by reference to the full terms of the Trust Agreement.

Certain provisions of the Trust Agreement setting forth the terms of the 2022 Bonds, the redemption provisions thereof and the use of the proceeds of the 2022 Bonds are set forth elsewhere in this Official Statement. See "THE 2022 BONDS."

### **Revenues**

***Pledge of Authority Revenues.*** All Authority Revenues and any other amounts held by the Trustee in any fund or account established under the Trust Agreement (other than amounts on deposit in the Rebate Fund) are irrevocably pledged to the payment of the interest and redemption premium, if any, on and principal of the 2022 Bonds as provided in the Trust Agreement, and the Authority Revenues shall not be used for any other purpose while any of the 2022 Bonds remain Outstanding; provided, however, that out of the Authority Revenues

and other moneys there may be applied such sums for such purposes as are permitted under the Trust Agreement. This pledge shall constitute a first pledge of and charge and lien upon the Authority Revenues and all other moneys on deposit in the funds and accounts established under the Trust Agreement (other than amounts on deposit in the Rebate Fund) for the payment of the interest and redemption premium, if any, on and principal of the 2022 Bonds in accordance with the terms of the Trust Agreement and the 2022 Bonds. In the Trust Agreement, the Authority assigned to the Trustee all of the Authority's rights and remedies under the 2022 Installment Purchase Contract (other than the Reserved Rights); such assignment shall confer no duties or obligations of the Authority upon the Trustee and shall be subject to the provisions of the Trust Agreement.

***Receipt and Deposit of Authority Revenues in the Authority Revenue Fund.*** In order to carry out and effectuate the pledge, charge and lien contained in the Trust Agreement, the Authority agrees and covenants that all Authority Revenues when and as received shall be received by the Authority in trust under the Trust Agreement for the benefit of the Holders and shall be transferred when and as received by the Authority to the Trustee for deposit in the Authority Revenue Fund (the "Authority Revenue Fund"), which fund is created and which fund the Trustee agrees and covenants to maintain so long as any Bonds shall be Outstanding under the Trust Agreement. All Authority Revenues shall be accounted for through and held in trust in the Authority Revenue Fund, and the Authority shall have no beneficial right or interest in any of the Authority Revenues except only as provided in the Trust Agreement. All Authority Revenues, whether received by the Authority in trust or deposited with the Trustee as provided in the Trust Agreement, shall nevertheless be allocated, applied and disbursed solely to the purposes and uses as set forth in the Trust Agreement, and shall be accounted for separately and apart from all other accounts, funds, money or other resources of the Authority.

***Establishment and Maintenance of Accounts for Use of Money in the Authority Revenue Fund.*** Subject to the Trust Agreement, all money in the Authority Revenue Fund shall be set aside by the Trustee in the following respective special accounts or funds within the Authority Revenue Fund (each of which is created and each of which the Trustee agrees to cause to be maintained) in the following order of priority:

- (a) Interest Account, and
- (b) Principal Account.

All money in each of such accounts shall be held in trust by the Trustee and shall be applied, used and withdrawn only for the purposes thereafter authorized in the Trust Agreement.

***Interest Account.*** On each June 1 and December 1, commencing December 1, 2022, the Trustee shall set aside from the Authority Revenue Fund and deposit in the Interest Account that amount of money which is equal to the amount of interest becoming due and payable on all Outstanding Bonds on such June 1 and December 1, as the case may be.

No deposit need be made in the Interest Account if the amount contained therein is at least equal to the aggregate amount of interest becoming due and payable on all Outstanding Bonds on such Interest Payment Date.

All money in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the 2022 Bonds as it shall become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity).

***Principal Account.*** On each June 1, the Trustee shall set aside from the Authority Revenue Fund and deposit in the Principal Account an amount of money equal to the principal amount of all Outstanding Serial Bonds maturing or becoming subject to mandatory sinking account redemption on such June 1.

No deposit need be made in the Principal Account if the amount contained therein is at least equal to the aggregate amount of the principal of all Outstanding Serial Bonds maturing or becoming subject to mandatory sinking account redemption by their terms on such June 1.

All money in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of the 2022 Bonds as they shall become due and payable, whether at maturity or redemption.

***Deposit and Investments of Money in Accounts and Funds.*** Subject to the Trust Agreement, all money held by the Trustee in any of the accounts or funds established pursuant to the Trust Agreement shall be invested in Permitted Investments at the Written Request of the Authority. Such investments shall, as nearly as practicable, mature on or before the dates on which such money is anticipated to be needed for disbursement under the Trust Agreement. Subject to the Trust Agreement with respect to tax covenants, all interest or profits received shall be deposited in the Authority Revenue Fund.

The Trustee may commingle the funds and accounts established under the Trust Agreement 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 Authority, the Trustee shall (i) notify the Authority in writing that it does not have investment instructions, and (ii) until such instructions are received, invest in those investments described in clause (5) of the definition of Permitted Investments. The Trustee shall not be liable for any loss for any investment made in accordance with the Trust Agreement.

***Accounting Records and Statements.*** The Trustee shall keep proper books of record and account in accordance with 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 Authority Revenues and the proceeds of the 2022 Bonds. Such records shall be open to inspection by the Authority, the Water 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 April 15, 2022, and continuing so long as any Bonds are Outstanding, the Trustee will furnish to the Authority and to the Water District a complete statement covering the receipts, deposits and disbursements of the funds held by the Trustee under the Trust Agreement for the preceding month.

#### **Covenants of the Authority; Assignment to Trustee**

***Punctual Payment and Performance.*** The Authority will punctually pay out of the Authority Revenues the interest, redemption premium, if any, and principal to become due on every Bond issued under the Trust Agreement in strict conformity with the terms thereof and of the 2022 Bonds, and will faithfully observe and perform all the agreements and covenants to be observed or performed by the Authority contained in the Trust Agreement and in the 2022 Bonds.

***Against Encumbrances.*** The Authority will not make any pledge of or place any charge or lien upon the Authority Revenues except as provided in the Trust Agreement, and will not issue any bonds, notes or obligations payable from the Authority Revenues or secured by a pledge of or charge or lien upon the Authority Revenues except the 2022 Bonds.

***Tax Covenants.*** (a) The Authority covenants that it shall not take any action, or fail to take any action, if such action or failure, to take such action would adversely affect the exclusion from gross income of the interest payable on the 2022 Bonds under Section 103 of the Code. Without limiting the generality of the foregoing, the Authority covenants that it will comply with the requirements of the Tax Certificate, which is incorporated in the Trust Agreement as if fully set forth therein. This covenant shall survive payment in full or defeasance of the 2022 Bonds.

(b) In the event that at any time the Authority is of the opinion that for purposes of this section it is necessary or helpful to restrict or limit the yield on the investment of any moneys held by the Trustee under the Trust Agreement, the Authority shall so instruct the Trustee under the Trust Agreement in writing, and the Trustee shall take such action as may be necessary in accordance with such instructions.

(c) Notwithstanding any provisions of this section, if the Authority shall provide to the Trustee an Opinion of Counsel of recognized standing in the field of law relating to municipal financing 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 on the 2022 Bonds, the Trustee may conclusively rely on such opinion in complying with the requirements of the Trust Agreement with respect to tax covenants and of the Tax Certificate, and the covenants under the Trust Agreement shall be deemed to be modified to that extent.

***Accounting Records and Reports.*** The Authority 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 Authority Revenues, and such books shall be available for inspection by the Trustee, at reasonable hours and under reasonable conditions. Not more than one hundred eighty (180) days after the close of each Fiscal Year, the Authority shall furnish or cause to be furnished to the Trustee a complete financial statement covering receipts, disbursements, allocation and application of Revenues for such Fiscal Year. The Authority shall also keep or cause to be kept such other information as required under the Tax Certificate. The Trustee shall have no duty to review or examine such statement.

***Prosecution and Defense of Suits.*** The Authority will defend against every suit, action or proceeding at any time brought against the Trustee upon any claim to the extent arising out of the receipt, application or disbursement of any of the Authority Revenues or to the extent involving the failure of the Authority to fulfill its obligations under the Trust Agreement; provided that the Trustee or any affected Holder at its election may appear in and defend any such suit, action or proceeding. The Authority will indemnify and hold harmless the Trustee against any and all liability claimed or asserted by any person to the extent arising out of such failure by the Authority, and will indemnify and hold harmless the Trustee against any attorney's fees or other expenses which it may incur in connection with any litigation to which it may become a party by reason of its actions under the Trust Agreement, except for any loss, cost, damage or expense resulting from the active or passive negligence or willful misconduct of the Trustee. Notwithstanding any contrary provision of the Trust Agreement, this covenant shall remain in full force and effect even though all Bonds secured by the Trust Agreement may have been fully paid and satisfied.

***Further Assurances.*** Whenever and so often as reasonably requested to do so by the Trustee or any Holder, the Authority will promptly execute and deliver or cause to be executed and delivered all such other and further assurances, documents or instruments, and promptly do or cause to be done all such other and further things as may be necessary or reasonably required in order to further and more fully vest in the Holders all rights, interests, powers, benefits, privileges and advantages conferred or intended to be conferred upon them under the Trust Agreement.

***Assignment to Trustee; Enforcement of Obligations.*** (a) Pursuant to the Trust Agreement, the Authority, for good and valuable consideration, unconditionally grants, transfers and assigns to the Trustee, without recourse, all of its rights, title and interest under the 2022 Installment Purchase Contract, except the Reserved Rights.

(b) Subject to the terms of the Trust Agreement, the Trustee also shall be entitled to take all steps, actions and proceedings reasonably necessary in its judgment (1) to enforce the terms, covenants and conditions of, and preserve and protect the priority of its interest in and under, the 2022 Installment Purchase Contract and (2) to assure compliance with all covenants, agreements and conditions on the part of the Authority contained in the Trust Agreement with respect to the Authority Revenues.

## **Amendment of the Trust Agreement**

***Amendment of the Trust Agreement.*** The Trust Agreement and the rights and obligations of the Authority and of the Holders may be amended at any time by a Supplemental Trust Agreement which shall become binding when the written consents of the Holders of a majority in aggregate principal amount of the 2022 Bonds then Outstanding, exclusive of Bonds disqualified as provided in the Trust Agreement are filed with the Trustee. No such amendment shall (1) extend the maturity of or reduce the interest rate on or amount of interest on or principal of or redemption premium, if any, on any Bond without the express written consent of the Holder of such Bond, or (2) permit the creation by the Authority of any pledge of or charge or lien upon the Authority Revenues as provided in the Trust Agreement superior to or on a parity with the pledge, charge and lien created by the Trust Agreement for the benefit of the 2022 Bonds, or (3) reduce the percentage of Bonds required for the written consent to any such amendment, or (4) modify any rights or obligations of the Trustee, the Authority or the Water District without their prior written assent thereto, respectively.

The Trust Agreement and the rights and obligations of the Authority and of the Holders may also be amended at any time by a Supplemental Trust Agreement which shall become binding upon adoption without the consent of the Holders, but only to the extent permitted by law and after receipt of an approving Opinion of Counsel, for any purpose that will not materially adversely affect the interests of the Holders, including (without limitation) for any one or more of the following purposes --

(a) to add to the agreements and covenants required under the Trust Agreement to be performed by the Authority other agreements and covenants thereafter to be performed by the Authority, or to surrender any right or power reserved therein to or conferred therein on the Authority;

(b) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained in the Trust Agreement or in regard to questions arising thereunder which the Authority may deem desirable or necessary and not inconsistent with the Trust Agreement; or

(c) to add to the agreements and covenants required in the Trust Agreement, such agreements and covenants as may be necessary to qualify the Trust Agreement under the Trust Indenture Act of 1939.

***Disqualified Bonds.*** Bonds owned or held by or for the account of the Authority shall not be deemed Outstanding for the purpose of any consent or other action or any calculation of Outstanding Bonds provided in the Trust Agreement, and shall not be entitled to consent to or take any other action provided therein.

***Endorsement or Replacement of Bonds After Amendment.*** After the effective date of any action taken as provided in the Trust Agreement, the Authority may determine that the 2022 Bonds may bear a notation by endorsement in form approved by the Authority as to such action, and in that case upon demand of the Holder of any Outstanding Bonds and presentation of the Bond for such purpose at the office of the Trustee a suitable notation as to such action shall be made on such Bond. If the Authority shall so determine, new Bonds so modified as, in the opinion of the Authority, shall be necessary to conform to such action shall be prepared and executed, and in that case upon demand of the Holder of any Outstanding Bond a new Bond or Bonds shall be exchanged at the office of the Trustee without cost to each Holder for its Bond or Bonds then Outstanding upon surrender of such Outstanding Bonds.

***Amendment by Mutual Consent.*** The Trust Agreement shall not prevent any Holder from accepting any amendment as to the particular Bonds held by him, provided that due notation thereof is made on such Bonds.

## **Amendment of the 2022 Installment Purchase Contract**

The Authority shall not supplement, amend, modify or terminate any of the terms of the 2022 Installment Purchase Contract, or consent to any such supplement, amendment, modification or termination, without the written consent of the Trustee, which consent shall be given only if the Trustee has been furnished an Opinion of Counsel or a Certificate of the Authority to the effect that such amendment or supplement is not materially adverse to the interests of the Holders, including, but not limited to, amendments or supplements (i) to add to the agreements and covenants of either party other agreements and covenants to be observed, or to surrender any right or power therein reserved to the Water District, or (ii) to cure, correct or supplement any ambiguous or defective provision contained therein, or (iii) to resolve questions arising thereunder as the parties thereto may deem necessary or desirable and which do not adversely affect the interests of the Holders; provided, that the Trustee may consent to any amendment of or supplement to the 2022 Installment Purchase Contract if it first obtains the written consent of the Holders of at least a majority in aggregate principal amount of the 2022 Bonds then Outstanding to such amendment or supplement.

## **Events of Default and Remedies**

*Events of Default and Acceleration of Maturities.* If one or more of the following events (therein called "Events of Default") shall happen, that is to say:

(a) if default shall be made by the Authority in the due and punctual payment of the interest on any Bond when and as the same shall become due and payable;

(b) if default shall be made by the Authority in the due and punctual payment of the principal of or redemption premium, if any, on any Bond when and as the same shall become due and payable, whether at maturity as therein expressed or by proceedings for redemption;

(c) if default shall be made by the Authority in the performance of any of the other agreements or covenants required in the Trust Agreement to be performed by the Authority, and such default shall have continued for a period of thirty (30) days after the Authority shall have been given notice in writing of such default by the Trustee;

(d) if the Authority 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 Authority 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 Authority or of the whole or any substantial part of its property; or

(e) if an Event of Default has occurred under the 2022 Installment Purchase Contract;

then and in each and every such case during the continuance of such event of default the Trustee may, and upon the written request of the Holders of not less than fifty-one percent (51%) in aggregate principal amount of the 2022 Bonds then Outstanding shall, by notice in writing to the Authority, declare the principal of all 2022 Bonds then Outstanding and the interest accrued thereon to be due and payable immediately, and upon any such declaration the same shall become due and payable, anything contained in the Trust Agreement or in the 2022 Bonds to the contrary notwithstanding. The Trustee shall promptly notify all Holders of any such event of default which is continuing.

This provision, however, is subject to the condition that if at any time after the principal of the 2022 Bonds then Outstanding shall have been so declared due and payable and before any judgment or decree for the payment of the money due shall have been obtained or entered the Authority shall deposit with the Trustee a

sum sufficient to pay all matured interest on all the 2022 Bonds and all principal of 2022 Bonds matured prior to such declaration, with interest at the rate borne by such Bonds on such overdue interest and principal, and the reasonable fees and expenses of the Trustee, and any and all other defaults known to the Trustee (other than in the payment of interest on .and principal of the 2022 Bonds 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 Holders of not less than fifty-one percent (51%) in aggregate principal amount of 2022 Bonds then Outstanding, by written notice to the Authority and to the Trustee, may on behalf of the Holders of all the 2022 Bonds then Outstanding 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.

Upon the occurrence of an Event or Default of the 2022 Installment Purchase Contract, the Trustee may exercise any of the remedies provided for therein, which remedies do not include any right to declare any 2022 Installment Payments to be due and payable immediately.

***Application of Funds Upon Acceleration.*** All moneys in the accounts and funds provided in the Trust Agreement upon the date of the declaration of acceleration by the Trustee as provided in the Trust Agreement with respect to events of default and acceleration of maturities and all Revenues (other than Revenues on deposit in the Rebate Fund) thereafter received by the Authority under the Trust Agreement shall be transmitted to the Trustee and shall be applied by the Trustee in the following order--

First, to the payment of the costs and expenses of the Holders in providing for the declaration of such event of default, including reasonable compensation to their accountants and counsel, and to the payment of the fees, costs and expenses of the Trustee, if any, in carrying out the provisions of the Trust Agreement relating to Events of Default, including reasonable compensation to its accountants and counsel; and

Second, upon presentation of the several Bonds and the stamping thereon of the amount of the payment if only partially paid or upon the surrender thereof if fully paid, to the payment of the whole amount then owing and unpaid upon the 2022 Bonds for interest and principal, with (to the extent permitted by law) interest on the overdue interest and principal at the rate borne by such 2022 Bonds, and in case such money shall be insufficient to pay in full the whole amount so owing and unpaid upon the 2022 Bonds, then to the payment of such interest, principal and (to the extent permitted by law) interest on overdue interest and principal without preference or priority among such interest, principal and interest on overdue interest and principal ratably to the aggregate of such interest, principal and interest on overdue interest and principal.

***Institution of Legal Proceedings by Trustee.*** If one or more of the events of default shall happen and be continuing, the Trustee may, and upon the written request of the Holders of a majority in principal amount of the 2022 Bonds then Outstanding, and upon being indemnified to its satisfaction therefor, shall, proceed to protect or enforce its rights or the rights of the Holders of Bonds under the Trust Agreement by a suit in equity or action at law, either for the specific performance of any covenant or agreement contained in the Trust Agreement, or in aid of the execution of any power therein or therein granted, or by mandamus or other appropriate proceeding for the enforcement of any other legal or equitable remedy as the Trustee shall deem most effectual in support of any of its rights and duties under the Trust Agreement.

***Non-Waiver.*** Nothing in the Trust Agreement or in any other provision thereof or in the 2022 Bonds shall affect or impair the obligation of the Authority, which is absolute and unconditional, to pay the interest and redemption premiums, if any, on and principal of the 2022 Bonds to the respective Holders of the 2022 Bonds at the respective dates of maturity or upon prior redemption as provided in the Trust Agreement from the Authority Revenues as provided therein pledged for such payment, or shall affect or impair the right of such Holders, which is also absolute and unconditional, to institute suit to enforce such payment by virtue of the contract embodied in the Trust Agreement and in the 2022 Bonds.

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

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

***Actions by Trustee as Attorney-in-Fact.*** Any action, proceeding or suit which any Holder shall have the right to bring to enforce any right or remedy under the Trust Agreement may be brought by the Trustee for the equal benefit and protection of all Holders, whether or not the Trustee is a Holder, and the Trustee is appointed (and the any successive Holders, by taking and holding the 2022 Bonds issued under the Trust Agreement, shall be conclusively deemed to have so appointed it) the true and lawful attorney-in-fact of the Holders for the purpose of bringing any such action, proceeding or suit and for the purpose of doing and performing any and all acts and things for and on behalf of the Holders as a class or classes as may be advisable or necessary in the opinion of the Trustee as such attorney-in-fact.

***Remedies Not Exclusive.*** No remedy conferred in the Trust Agreement upon or reserved to the Holders is intended to be exclusive of any other remedy, and each such remedy shall be cumulative and shall be in addition to every other remedy given under the Trust Agreement or now or hereafter existing at law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by the Act or any other law.

***Limitation on Bondholders' Right to Sue.*** No Holder of any Bond issued under the Trust Agreement shall have the right to institute any suit, action or proceeding at law or equity, for any remedy under or upon the Trust Agreement, unless (a) such Holder shall have previously given to the Trustee written notice of the occurrence of an event of default as defined under the Trust Agreement; (b) the Holders of at least a majority in aggregate principal amount of all the 2022 Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such suit, action or proceeding in its own name; (c) said Holders shall have tendered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee shall have refused or omitted to comply with such request for a period of sixty (60) days after such 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 declared, in every case, to be conditions precedent to the exercise by any owner of Bonds of any remedy under the Trust Agreement; it being understood and intended that no one or more owners of Bonds shall have any right in any manner whatever by his or their action to enforce any right under the Trust Agreement, except in the manner provided therein, and that all proceedings at law or in equity to enforce any provision of the Trust Agreement shall be instituted, had and maintained in the manner provided therein and for the equal benefit of all Holders of the Outstanding 2022 Bonds.

## **Defeasance**

***Discharge of Bonds.*** (a) If the Authority shall pay or cause to be paid or there shall otherwise be paid to the Holders of all Outstanding 2022 Bonds the interest thereon and the principal thereof and the redemption premiums, if any, thereon at the times and in the manner stipulated in the Trust Agreement and therein, then the Holders of such Bonds shall cease to be entitled to the pledge of and charge and lien upon the Authority Revenues as provided in the Trust Agreement, and all agreements, covenants and other obligations of the Authority to the

Holders of such 2022 Bonds under the Trust Agreement shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee shall execute and deliver to the Authority all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over or deliver to the Authority all money or securities held by it pursuant to the Trust Agreement which are not required for the payment of the interest and redemption premium, if any, on and principal of such 2022 Bonds.

(b) Any Outstanding 2022 Bond shall prior to their dates or their dates of redemption prior thereto be deemed to have been paid within the meaning of and with the effect expressed in subsection (a) above if (1) in case any of such are to be redeemed on any date prior to their maturity dates, the Authority shall have given to the Trustee in form satisfactory to it irrevocable instructions to give notice of redemption in accordance with the Trust Agreement to the Holders of such 2022 Bonds of the redemption of such 2022 Bonds on such redemption dates, (2) there shall have been deposited with the Trustee pursuant to an escrow agreement either money in an amount which shall be sufficient, or Federal Securities, the interest on and principal of which when paid will provide money which, together with money, if any, deposited with the Trustee, shall be sufficient to pay when due the interest on and prior to their maturity date or date of redemption prior thereto, and redemption premium, if any, on and the principal of such 2022 Bonds, and (3) in the event such 2022 Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the Authority shall have given the Trustee in form satisfactory to it irrevocable instructions to give notice to the Holders of such 2022 Bonds that the deposit required by clause (2) above has been made with the Trustee and that such Bonds are deemed to have been paid in accordance with the Trust Agreement and stating their maturity dates or their dates of redemption prior thereto upon which money is to be available for the payment of the interest and redemption premium, if any, on and principal of such 2022 Bonds. Upon satisfaction of the foregoing conditions with respect to any Bond, the Trustee shall deliver to the Authority a certificate evidencing the discharge of the Authority's obligations with respect thereto.

(c) After the payment of all interest on and principal of all Outstanding 2022 Bonds as provided in subsections (a) or (b) above, and the payment of all fees and expenses of the Trustee, the Trustee, upon receipt of a Request of the Authority, shall cause an accounting for such period or periods as may be requested by the Authority to be prepared and filed with the agency and the Water District and shall execute and deliver to the Authority and the Water District all such instruments as may be necessary or desirable to evidence such total discharge and satisfaction of the Trust Agreement, and the Trustee shall pay over or deliver to the Authority all money or investments held by it pursuant to the Trust Agreement which are not required for the payment of interest redemption premium, if any, or principal which money and investments shall be used by the Authority for any lawful purpose.

## **Miscellaneous**

***Liability of Authority Limited to Authority Revenues.*** Notwithstanding anything contained in the Trust Agreement, the Authority shall not be required to advance any money derived from any source other than the Authority Revenues as provided in the Trust Agreement for the payment of the interest on or principal of or redemption premiums, if any, on the 2022 Bonds or for the performance of any agreements or covenants contained therein. The Authority may, however, advance funds for any such purpose so long as such funds are derived from a source legally available for such purpose without incurring an indebtedness.

The 2022 Bonds are limited obligations of the Authority and are payable, as to interest thereon, principal thereof and any premiums upon the redemption of any thereof, solely from the Authority Revenues as provided in the Trust Agreement, and the Authority is not obligated to pay them except from the Authority Revenues. All the 2022 Bonds are equally secured by a pledge of and charge and lien upon the Authority Revenues, and the Authority Revenues constitute a trust fund for the security and payment of the interest and redemption premium, if any, on and principal of the 2022 Bonds as provided in the Trust Agreement. The 2022 Bonds are not a debt of the Water District or the State or any of its political subdivisions, and neither the Authority, the Water District, said State nor any of its political subdivisions is liable thereon, nor in any event shall the 2022 Bonds be payable

out of any funds or properties other than those of the Authority as provided in the Trust Agreement. The 2022 Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory limitation or restriction.

***Benefits of the Trust Agreement Limited to Parties.*** Nothing contained in the Trust Agreement, expressed or implied, is intended to give to any person other than the Authority, the Trustee and the Holders any right, remedy or claim under or by reason of the Trust Agreement; provided, the Water District shall be a third party beneficiary of the Trust Agreement. Any agreement or covenant required in the Trust Agreement to be performed by or on behalf of the Authority or any member, officer or employee thereof shall be for the sole and exclusive benefit of the Trustee, the Holders and the Water District.

**APPENDIX B**

**AUDITED FINANCIAL STATEMENTS OF THE WATER DISTRICT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021 AND JUNE 30, 2020**

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# Annual Comprehensive Financial Report

Year Ended ~ June 30, 2021 and June 30, 2020

Fremont, California

# **Alameda County Water District**

Fremont, California

## **Annual Comprehensive Financial Report**

*For the Fiscal Years Ended June 30, 2021 and 2020*

PREPARED BY THE FINANCE DEPARTMENT

**Alameda County Water District  
Annual Comprehensive Financial Report  
For the Fiscal Years Ended June 30, 2021 and 2020  
Table of Contents**

	<u>Page</u>
<b><u>INTRODUCTORY SECTION</u></b>	
Letter of Transmittal .....	i
GFOA Certificate of Achievement .....	xvi
Directory of District Officials .....	xvii
Functional Organizational Chart .....	xviii
<b><u>FINANCIAL SECTION</u></b>	
<b>Independent Auditor’s Report .....</b>	<b>1</b>
<b>Management’s Discussion and Analysis – Required Supplementary Information (Unaudited).....</b>	<b>3</b>
<b>Basic Financial Statements:</b>	
Statements of Net Position.....	11
Statements of Revenues, Expenses and Changes in Net Position .....	13
Statements of Cash Flows.....	14
Notes to Basic Financial Statements .....	19
<b>Required Supplementary Information (Unaudited):</b>	
Schedules of Changes in Net Pension Liability and Related Ratios .....	63
Schedules of Employer Pension Contributions.....	64
Schedules of Changes in Net OPEB Liability and Related Ratios – Retiree Health Care .....	65
Schedules of Changes in Net OPEB Liability and Related Ratios – MCP Bonus Program.....	66
Schedules of Employer OPEB Contributions – Retiree Health Care .....	67
Schedules of Employer OPEB Contributions – MCP Bonus Program.....	68
<b><u>STATISTICAL SECTION (Unaudited)</u></b>	
Index .....	71
Ten Year Summary of Revenues, Expenses and Rate Increases .....	72
Ten Year Summary of Connection Fees.....	75
Ten Year Summary of Net Position.....	76
Ten Year Summary of Property Tax Levies/Collections .....	78
Ten Year Summary of Assessed Valuation .....	79
Ten Year Summary of Secured Tax Charges and Delinquencies .....	80
Ten Year Summary of Schedule of Base Water Rates-Bimonthly Readings and Billings.....	81
Historical Water Rates.....	82
Ten Year Summary of Ten Largest Distribution Water Revenue Accounts .....	83
Ten Year Summary of Historical Net Revenues and Debt Service Coverage .....	84
Ten Year Summary of Outstanding Debt .....	86
Largest Employers within the District .....	87
Ten Year Summary of Demographic and Economic Statistics .....	88
Ten Year Summary of Property, Plant & Equipment .....	89
Ten Year Summary of Water Demand.....	90
Ten Year Summary of Metered Accounts .....	91

## **INTRODUCTORY SECTION**



BOARD MEMBERS

AZIZ AKBARI  
JAMES G. GUNTHER  
JUDY C. HUANG  
PAUL SETHY  
JOHN H. WEED

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MANAGEMENT

ED STEVENSON  
General Manager  
KURT ARENDS  
Operations and Maintenance  
GIRUM AWOKE  
Engineering and Technology  
LAURA J. HIDAS  
Water Resources  
JONATHAN WUNDERLICH  
Finance

November 10, 2021

To the Alameda County Water District Board of Directors and Customers:

We are pleased to present the Annual Comprehensive Financial Report (ACFR) of the Alameda County Water District (District) for the years ended June 30, 2021 and 2020.

We believe the report presented is accurate in all material respects, and presented in a manner designed to fairly set forth the financial position, the changes in financial position and the cash flows of the District, and that disclosures necessary to enable the reader to gain the maximum understanding of the District's financial position and activity have been included. Additionally, the financial section of the report includes a detailed discussion and analysis by management of the District's financial performance for Fiscal Years (FYs) ended June 30, 2021 and 2020. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the District.

The ACFR follows the financial reporting requirements established by the Governmental Accounting Standards Board of the United States.

**THE REPORTING ENTITY**

The District was established as a special district in 1913 by a vote of the people to ensure a continuous supply of high-quality water within its service area. The District was the first agency formed under the State of California's County Water District Act. Since its founding, the District has been a water conservation agency. It is responsible for managing the groundwater supply in the Niles Cone Groundwater Basin, which underlies southern Alameda County, including the Cities of Fremont, Newark, Union City and the southern portion of Hayward.

Since 1930, the District has also been a water distribution agency. From the purchase of a small water distribution system in Alvarado (now part of Union City), the District has expanded to serve almost all of the area covered by its conservation activities. The District provides, stores, treats, and distributes water for a population of approximately 357,000 people in southern Alameda County. The District covers approximately 105 square miles and, as of June 2021, provided water service through approximately 86,468 connections.

The District's water production was approximately 44,800 acre-feet in FY 2020/21 and is expected to be approximately 43,200 acre-feet in FY 2021/22. This slight decrease in customer demand is anticipated as a result of (a) an on-going drought campaign in California calling for conservation; and (b) the gradual return of the "at-home" work force to traditional office spaces in commuter centers as the COVID-19 pandemic is expected to wind down. Therefore FY 2021/22 demands are anticipated to be slightly lower despite new development in the service area.

Water is typically provided to the District's customers from four sources: 1) groundwater from the Niles Cone Groundwater Basin (including fresh groundwater from two wellfields and desalination of brackish groundwater); 2) surface water from the Alameda Creek Watershed; 3) water imported from the State of California's State Water Project; and 4) water imported from the San Francisco Regional Water System operated by the San Francisco Public Utilities Commission (SFPUC). The amount of water available from each of these sources is highly variable in any given year due to hydrologic conditions and other factors. Assuming abundant local precipitation and full deliveries of imported water supplies, these four sources may provide up to a maximum of approximately 90,000 acre-feet in any given year.

The District is governed by a five-member Board of Directors (Board) elected at-large from within the District's service area. The Board appoints the General Manager who is responsible for the administration of the District through its five departments - Office of the General Manager, Engineering & Technology Services, Finance, Operations & Maintenance, and Water Resources. The General Manager's Office organizes and directs District activities in accordance with the Board's policies. The District currently has an authorized staff of 236 full-time positions.

The Alameda County Water District Financing Authority, a joint powers authority in partnership with the Union Sanitary District, was formed on November 14, 2011 to facilitate the issuance of the 2012 and 2015 Water System Revenue Bonds to enable the District to accomplish a number of critical capital projects and refund prior debt issuances at lower rates. The Board of Directors of the Alameda County Water District Financing Authority is comprised of the Board of the Alameda County Water District and one Board Member from the Union Sanitary District.

### **Alameda County Water District Mission Statement**

It is the mission of the District to provide a reliable supply of high quality water at a reasonable price to our customers. To fulfill this mission, the District will:

- Provide prompt, courteous and responsive customer service.
- Ensure that sound, responsible financial management practices are observed in the conduct of District business.
- Plan, design and operate facilities efficiently, effectively and safely, bearing in mind the District's responsibility to be a good neighbor and a good steward of the environment.
- Promote ethical behavior in the conduct of District affairs, and facilitate the public's involvement in the planning and development of District policy.
- Recruit and retain a qualified, productive workforce and maintain a workplace environment where diversity and excellence are valued and where creativity, teamwork, and open communication are actively encouraged.

### **SIGNIFICANT EVENTS AND ACCOMPLISHMENTS**

#### ***Finance***

The Board of Directors conducted four financial workshops during 2020 – two workshops focused on the budget and two focused on rates and charges. At the rates workshops, the Board reviewed the allocation between fixed service charges and commodity charges in collecting revenues, the charges for dedicated fire service lines, and discussed the District's financial status and a potential increase in water rates and charges. The District also completed a cost-of-service study that guided the rate setting process and updated the water shortage emergency stage rates to enhance the District's revenue stability during water supply emergencies, such as a drought. At the conclusion of the rates process, the Board ultimately declined to increase water rates in recognition of the financial hardship many customers were facing as a result of the

ongoing COVID-19 pandemic (Pandemic). The District will resume evaluation of water rates and a potential rate increase in FY 2021/22. District water rates are currently in the bottom third of 30 surveyed Bay Area water utilities.

The District updated various other fees and charges based on actual District costs for the prior fiscal year. These fee revisions were effective March 1, 2021, and they include fire hydrant meter charges, metered jumper assembly charges, backflow inspection and testing fees, and meter installation charges. The District also implemented an inflationary update to development fees and the year three phase-in (out of a five-year plan) of the new buy-in component of these fees effective May 2021. The District also completed an updated fringe and overhead rate study and revised its overhead rate to reflect actual costs.

The District's responsible financial management was recognized by Moody's Investors Service, who upgraded its rating of the District from Aa2 to Aa1 in April 2019. Primary factors considered by Moody's in making this decision included the District's healthy debt service coverage, robust liquidity, and diverse water supply with ample storage. The District continues to maintain the Aa1 rating, which will help the District achieve significant savings on behalf of its customers when issuing debt. The District also maintains a AAA Standard & Poor's rating.

The District continues to manage its investments in a manner that adheres to the primary objectives of safety and liquidity. District staff and the District's investment advisor recently performed a comprehensive review of the District's investment policy which resulted in revisions consistent with California Government Code. These revisions increased the maximum investment allocation for commercial paper from 25% to 40% and authorize investment in securities that could result in a zero or negative interest accrual. Both of these provisions are scheduled to expire on January 1, 2026. The District continues to maintain investments of a duration less than five years due to the ongoing low interest rate environment.

#### ***Customer Service***

The number of customers using the District's electronic bill presentment and payment system continues to grow. Since the July 2018 implementation, 74% of customers are now paying their water bills electronically, which adds up to over 1,200,000 total payments for over \$200 million to date. This resulted in a 20% reduction in phone calls and 30% reduction in foot traffic before the customer counter was closed due to the pandemic.

On March 16, 2020, due to the Pandemic, the District halted collection activities in advance of Governor Newsom's Executive Order N-40-42, which suspended the authority of water utility agencies to disconnect customers for non-payment until further notice. Since suspending collection activities, the District has seen an increase of past due balances of about \$1 million, which is less than 1% of the amount billed since then.

Like many water utilities, the District is facing several challenges, such as aging infrastructure and its post-employment benefit obligations such as pension and retiree healthcare, that continue to put upward pressure on water rates. Accordingly, in addition to maximizing productivity and efficiency, maintaining water service affordability for low-income customers is a key concern for the District. The District implemented an innovative customer assistance program effective March 1, 2017 for low-income customers called *Help On Tap* that initially provided a \$15 credit on the bi-monthly service charge. The bi-monthly service charge credit has been updated several times since inception and was last increased to \$35 effective October 9, 2020. As of June 30, 2021, there were 1,138 customers enrolled in the program.

The District continues to offer a program to residential customers provided by Home Emergency Insurance Solutions (HEIS) for exterior private water service line insurance. HEIS is responsible for all aspects of the program including marketing, billing, claims and conflict resolution. As of June 2021, there were 9,521

customers enrolled in the program and 1,754 repairs/replacements had been completed since the start of the program in 2012.

### ***Labor Agreements***

The District was in active negotiations with its two labor unions during the past fiscal year. The agreement with the District's largest union, the Operating Engineers Local No. 3 AFL-CIO, expired March 31, 2021 and negotiations are ongoing with this represented group. The agreement with the ACWD Operators' Association expired June 30, 2021 and the District was successful in negotiating a successor Memorandum of Understanding which took effect July 1, 2021, and expires June 30, 2024.

### ***Water Supply***

Precipitation conditions during FY 2020/21 were below average making it the second consecutive dry fiscal year. Together, FY 2019/20 and FY 2020/21 make the second driest two-fiscal-year periods in 148 years of local rainfall history. As a result, the District prioritized returns from the Semitropic Water Bank, which the District utilizes to store state water in wet years, to meet customer demands and maintain sufficient levels in the local groundwater basin in case of extended drought. Also, the District made use of a new operational functionality to recover additional water from Semitropic for nearby storage in San Luis Reservoir, a joint use facility that is part of both the California State Water Project and Federal Central Valley Project.

Statewide conditions are also extremely dry, prompting Governor Newsom to issue three drought emergency proclamations on April 21, May 10, and July 8, 2021, respectively. The July 8 proclamation expanded a drought emergency to 50 out of 58 counties in the State and called on all Californians to voluntarily reduce their water use by 15%, and the District is supporting this request. In response to the prevailing drought conditions, the District initiated the "One Saves Water" campaign, which outlines simple ways that customers can reduce their water use by 15% to meet both District and statewide water use reduction goals. The campaign includes water conservation "hacks" to reduce use and features photos and videos in a social media campaign of members of the community and stakeholders describing their water conservation efforts.

On August 19, 2021, the National Oceanic and Atmospheric Administration (NOAA) climate prediction center indicated an elevated probability of another dry year in the Western United States. Accordingly, the District has maximized its accessible reserves consistent with the FY 2020/21 practices outlined above and is prepared for a third dry year.

On May 13, 2021, the District adopted its 2020-2025 Urban Water Management Plan, which includes projected water demands and establishes sufficient supplies into the future. At the same time, an updated Water Shortage Contingency Plan was adopted to address potential water shortage conditions, including financial contingency plans during a drought. In FY 2020/21, the District also began a climate change adaptation initiative to prepare for climate-related changes in water service and water supply, including prolonged drought. This initiative will continue into FY 2021/22.

Given the growing population in the District's service area, future uncertain decisions related to the Bay-Delta Water Quality Control Plan, and the potential impacts of climate change to the District's existing water supplies, the District is actively looking ahead and evaluating potential future water supply initiatives to maintain and improve water supply reliability. Ongoing studies in this area include: 1) implementation of a State Water Project Delta Conveyance Project; 2) expansion of regional surface water storage in Los Vaqueros Reservoir; 3) implementation of water reuse in partnership with Union Sanitary District and SFPUC; and 4) exploring dry year transfer options for future droughts.

Additionally, in 2014, the District along with seven other Bay Area water agencies formed the Bay Area Regional Reliability (BARR) Partnership to evaluate how regionally focused planning can build drought

resiliency for the Bay Area. In 2017, the BARR Partners developed a regional Drought Contingency Plan (DCP) which identified projects that can provide water supply benefits to the region, and new projects that could leverage capacity in existing facilities. During FY 2020/21, the District continued to work with the BARR Partners to investigate DCP projects related to streamlining water transfers and exchanges.

### ***Water Treatment***

The District operates three potable drinking water treatment and production facilities: 1) Water Treatment Plant No. 2 - a surface water treatment plant, which receives water from the California Department of Water Resources via the South Bay Aqueduct, 2) Peralta-Tyson Blending Facility - a facility that blends purchased treated water from the SFPUC with fresh groundwater from local wellfields; and 3) Newark Desalination Facility - a brackish water desalination facility, which treats brackish water discharged as part of the District's Aquifer Reclamation Program. These multiple sources of supply and variety of water treatment processes provide reliability and operational flexibility.

The District optimizes distribution system pumping and facility operations to take advantage of tiered power rate structures and to realize savings in electrical costs. In October 2017, the District received State approval to operate the Water Treatment Plant No. 2/Whitfield Reservoir complex in a gravity-flow mode, minimizing pumping and saving on electrical costs. These savings continue to be fully recognized in FY 2020/21.

### ***Drinking Water Quality***

The District's State-certified laboratory continues to collect samples and conduct analyses for monitoring the quality of water as required by state and federal regulations. Additional sampling and analyses are performed for monitoring the operation of treatment facilities, the condition of water in the distribution system, and to meet other analytical needs of the District. Most analyses are performed in-house by District staff, but some samples are sent to sub-contract laboratories when it is more cost effective to do so given specific sampling frequency and expense of associated instrumentation and supplies. The District continues to meet or exceed all Federal and State drinking water quality and treatment regulations, including those for lead. The State Water Resources Control Board Division of Drinking Water (DDW) conducted a Sanitary Survey inspection, which is an in-depth assessment of all production facilities, wellfields, tanks, and reservoirs. The Sanitary Survey findings were received in 2019 and the District's water system was found to be in good condition, operated by conscientious staff, and capable of providing safe, potable water which meets all applicable primary and secondary drinking water standards.

As required by drinking water regulations, the District maintains a Water Quality Monitoring Plan, which provides the framework for water quality sampling and reporting. In FY 2019/20, the District revised and updated its Water Quality Monitoring Plan. The District also completed the required initial monitoring at groundwater sources, distribution system entry points, and standby sources for 1,2,3 Trichloropropane (TCP), which is a recently regulated contaminant. The District did not detect 1,2,3 TCP in any of the locations monitored.

In addition, in FY 2019/20, the District completed water quality parameter monitoring as required by US EPA Unregulated Contaminant Monitoring Rule (UCMR) 4. The information collected from the UCMR program is used as a basis to determine the source occurrence of potential contaminants during the regulatory development process.

In FY 2019/20, the District began a voluntary monitoring program for Per- and Polyfluoralkyl substances (PFAS) at all surface and ground water sources and distribution system entry points. This monitoring effort will prepare the District for future PFAS regulations. While the District did detect very low concentrations of PFAS in several groundwater wells, the District blends groundwater with its SFPUC-supplied water and no PFAS was detected in the treated water delivered to customers at levels above the notification levels

established by DDW. The District is currently evaluating potential sources of PFAS and is developing a plan for further testing and future treatment as needed.

The District actively monitors and maintains distribution system water quality by optimizing operations to reduce water age and proactively managing disinfectant levels at all storage facilities. This is partially accomplished by the District's Main Cleaning Program, which annually removes accumulated sediment from approximately 200 miles of water mains and all end-of-main blow-offs. Additionally, each year, one to two distribution system water storage facilities are inspected and cleaned.

### ***Service Reliability***

Much of the District's water infrastructure is aging and susceptible to damage as a result of ground shaking and ground failure due to regional earthquakes. Accordingly in 2013, the District embarked on a Main Renewal and Seismic Improvement Program (MRSIP), which 1) improves the overall seismic reliability of the District's distribution system by strategically making improvements in areas of potential seismic induced-earth movement; 2) improves fire flows and service reliability in the older portions of the service area; 3) reduces long term water system maintenance costs; and 4) improves the seismic reliability of its distribution storage and production facilities.

As part of the MRSIP, the District has invested over \$38 million in water main renewals, replacements and seismic upgrades in addition to other projects including distribution storage tank replacements and upgrades and seismic improvements. The District's distribution system has nearly 930 miles of pipeline that serves Fremont, Newark, and Union City businesses and residents. The program focuses on the proactive renewal of aging pipeline infrastructure. The pipelines to renew are selected based on several factors including likelihood of failure, consequence of failure, capacity constraints, and service to critical facilities. As part of the program, the District has replaced nearly 29,000 feet of pipeline and plans to invest an average of \$10 million per year with increasing investments over time to renew the pipeline infrastructure and prevent an unmanageable number of pipeline failures while minimizing overall costs in the long term.

During FY 2020/21, the District completed construction of the renewal and seismic upgrade of the approximately 1.5 mile Alvarado-Niles transmission pipeline, or "Spine Main," to improve water transmission reliability and earthquake resiliency. Additionally, the District is completing the design work for upgrade of a 1.5 mile pipeline on Driscoll Road. The planning and design work for the upgrade of a 3.5 mile portion of the water distribution system in Central Newark is currently underway to improve system hydraulics and service reliability in these areas. Finally, the District added a new element to the MRSIP in FY 2018/19 which focuses on proactively improving service reliability of smaller diameter aging water mains requiring an increased level of maintenance. This program will replace and upgrade approximately 34 water mains in nine areas of the water system containing these older, smaller water mains, thereby improving system hydraulics and service reliability. Construction of the first two segments of this program, the Small Diameter Main Renewal Souza-Concord project, includes one mile of pipeline renewal expected to be complete by the end of 2021.

The District continues its multi-year program of replacing and upgrading the control systems for its water production and distribution systems. Following the recent completion of projects to replace all of the Programmable Logic Controllers (PLCs) at its primary surface water treatment plant and seven distribution facilities (tanks, reservoirs, and pump stations), the District completed a second phase of PLC replacements for two additional booster stations, one additional tank, and one additional reservoir in FY 2019/20. In FY 2020/21, the District commenced the design of Phase 3 facilities including reprogramming of the PLCs, development of control system documentation, and updating of programming standards and the programming environment. The District also began the replacement of its System Control and Data Acquisition (SCADA) systems used across the District's production and distribution system in order to improve operational effectiveness, efficiencies, security, and service reliability. In FY 2020/21, Phase I of

the SCADA Replacement project, including system analysis and plans to capture current needs and future improvements, was completed. Phase I also included development of a comprehensive cybersecurity plan and SCADA Governance Plan defining specific responsibilities for District functional groups, the changes and upgrades necessary to maintain the SCADA system, and the process to be used to manage and document those changes and upgrades over time.

### ***Groundwater Resources***

On average, local groundwater accounts for approximately 40% of the District's overall water supply. The District is identified in the Sustainable Groundwater Management Act (SGMA) as an agency created by statute to manage groundwater and deemed to be the exclusive local agency within its statutory boundaries with powers to comply with SGMA. On November 10, 2016, the District's Board of Directors adopted a resolution to become the Groundwater Sustainability Agency for the Niles Cone Subbasin. On July 17, 2019, the District received notice that the Department of Water Resources determined that the District's Alternative to a Groundwater Sustainability Plan satisfies the objectives of SGMA and that the plan was approved. To ensure the high quality of this important source of supply, the District maintains one of the most comprehensive groundwater protection programs in the State.

During the fiscal year ended June 30, 2021, the District accomplished the following groundwater management and protection initiatives:

- Adopted a 3% increase in the replenishment assessment rate for groundwater pumping for uses other than municipal and agricultural in order to generate sufficient revenue to cover expected groundwater basin-related costs.
- Issued a Survey Report on Groundwater Conditions – February 2021 and 2020 Groundwater Monitoring Report in support of the replenishment assessment rate increase.
- Issued the District's third annual report pursuant to requirements of SGMA on March 31, 2021.
- Closed nine cases in the Groundwater Protection Program as part of its efforts to protect the quality of the District's groundwater resources.
- Conducted 621 inspections of drilling operations to ensure compliance with the District's Ordinance "to Regulate Wells, Exploratory Holes, and Other Excavations within the Cities of Fremont, Newark, and Union City."
- Was designated as a Groundwater Guardian Affiliate by the Groundwater Foundation for the 23<sup>rd</sup> consecutive year.

### ***Productivity and Efficiency***

The District has been impacted in many ways by the Pandemic. In order to keep employees safe and to continue providing essential services, the District began adjusting its operations on March 12, 2020 and remains in the same operating environment today. Approximately 40% of District staff continue to work-from-home regularly. Several adjustments to working conditions for staff reporting to District facilities remain in place, including: daily self-screening; access to COVID-19 testing; encouraging all staff to be vaccinated; continuing various on-site workplace safety protocols and hygiene procedures; continuing contact tracing of known-employee exposures, and other procedures. The District continues to comply with all federal, State, local and Cal/OSHA COVID-19 regulations, recommendations, and best practices.

In order to support relatively large numbers of staff securely working remotely, the District implemented improvements to its information technology systems, including updates to, and expansion of, its virtual private networking (VPN) systems, security systems (e.g. new Information Systems policies and Administrative Guidelines, multi-factor authentication, firewall upgrades, etc.), internet connection redundancy, and significantly expanded its teleconference and web conferencing capabilities.

The District continued with improvements and upgrades to its information technology programs and practices in accordance with its Information Technology Master Plan which identifies several technology improvement projects to be implemented over the next four years. The District's Information Technology Division received the Excellence in Information Technology Practices award for 2020, the second time in a row, from the Municipal Information Systems Association of California (MISAC) for best practices that make efficient and effective use of technology resources in local government.

During FY 2020/21, the District made significant enhancements and additions to SharePoint, the District's content management and collaboration platform. Several additional paper forms and related manual processes were replaced with electronic forms and these have resulted in increased operational efficiencies and improved workflows for remote work operations. The District made significant progress towards its cloud adoption strategy by completing the implementation of Microsoft Office 365 and SharePoint Online. The District finalized its records retention schedule as part of a comprehensive Records Management program. The program objectives are to increase workflow efficiencies and access to documents and records while ensuring transparency and compliance with regulations. The program is also expected to reduce ongoing costs related to maintenance and expansion of electronic storage systems, disaster recovery systems, and hard copy document infrastructure. In addition, the District continued with several IT infrastructure and cyber-security enhancements along with a major upgrade to its Enterprise Resource Planning (ERP) system.

To continue supporting a more mobile workforce and a secure work from home environment, the District escalated the adoption of mobile devices as part of its ongoing personal computer hardware renewal and replacement program, strengthened remote access security, and implemented additional District-wide collaboration tools such as Microsoft Teams.

The District completed a comprehensive District-wide Classification and Compensation Study to review all District job classifications for accuracy, consistency, and recruitment and retention impacts, as well as conduct a comprehensive total compensation market survey. The study was fully implemented for all unrepresented classifications. The compensation study was implemented for classifications represented by the ACWD Operators' Association and the District continues to meet and confer with the Association regarding the classification study portion. The District also continues to negotiate with the Operating Engineers Local No. 3 regarding implementation of the study for applicable represented classifications.

The District issued its second employee engagement survey in Spring 2021 and the results were presented in summer 2021. The District is currently evaluating the consultant's recommendations and is in the process of developing an Employee Engagement Action Plan for FYs 2021/22 and 2022/23.

Similarly, resulting from feedback from the previous employee engagement survey, the District is currently piloting an innovative employee performance and professional development review system with certain unrepresented positions. The District hopes to expand the pilot to additional unrepresented classifications in FY 2022/23.

The District continues to improve procurement efficiency and lower costs by utilizing cooperative agreements for items such as chemicals, uniform rentals, vehicles, and office supplies. Cooperative agreements allow smaller agencies to leverage their combined purchasing power to achieve bulk pricing that is on par with larger agencies. This can result in significant savings for select goods. The list of agreements the District currently participates in includes, but is not limited to, the California Multiple Award Schedules, Bay Area Chemical Consortium, U.S. General Services Administration, OMNIA Partners, and Sourcewell.

During FY 2020/21, the District completed the procurement process securing all of the needed contracts for implementation of its Advanced Metering Infrastructure (AMI) Project which will provide customers improved tools to track water use as well as increase the District's operational efficiencies. The AMI project is planned to be completed in three phases over five fiscal years. The scope of work includes: 1) replacement and/or upgrade of approximately 85,100 water meters as needed for compatibility with AMI; 2) implementation of a cellular communications network for the transmittal of data between AMI-compatible water meters and the District's information technology infrastructure; 3) upgrading information technology systems, including a Meter Data Management System (MDMS) for the collection, storage, management, and utilization of AMI data; 4) integration of the AMI system with the District's existing customer information system; and 5) development of additional business enhancements that can be leveraged through AMI.

The AMI Project will implement AMI technology throughout the District's service area. AMI will bring numerous benefits to the District and its customers, most notably access to leak detection and water use efficiency tools; improvements in the District's customer service; and improvements to the District's operational efficiencies related to metering, water supply, rate development, water use efficiency, infrastructure replacement, and demand management modeling. Financial analysis of the project concluded that the District's investment in AMI will have a 10-year payback period and a positive Return on Investment (ROI) of 148% over the life of the system.

As part of the project, online customer portal software will be implemented to provide District customers with safe and secure access to their AMI water consumption data, as well as enhanced customer service features and access to conservation tools. The customer portal, named "My Smart Water Connect," is being provided by Smart Energy Water (SEW) and will be integrated with the District's existing Customer Information System (CIS) system, Electronic Bill Payment and Presentment (EBPP) system, and the Badger AMI system.

#### ***Public Awareness of Water Issues and Water Use Efficiency***

The District's public information and education programs aim to provide customers and the community with important information related to water supply, emergency preparedness, water quality, infrastructure projects, and the importance of water use efficiency, along with other issues related to the District as a service provider. Specific District outreach and water use efficiency actions included the following:

- Hosted its first-ever Fish Passage Projects Virtual Tour in recognition of Imagine a Day Without Water. The tour was hosted via Zoom (291 attended) and Facebook Live (25 watched) and over 750 YouTube and over 650 Facebook views
- Issued 11 news releases to Bay Area media outlets
- Continued to provide weekly information pieces on water awareness, quality and conservation, and topics related to emergency preparedness and drought in a local Tri-City newspaper
- Continued its annual publication of the Water Quality Report and four issues of its newsletter, The ACWD Aqueduct, which is mailed to all residences and businesses in the service area
- Launched its Instagram page and increased its use of social media to expand outreach
- Launched outreach for its Advanced Metering Infrastructure project, including:
  - Door hangers
  - Infographic fact sheet
  - Meter installation letters
  - Frequently Asked Questions
  - "What to expect when your AMI meter is installed" video
- Launched "One Saves Water," a water conservation campaign to encourage customers to make a difference by taking one simple action to conserve water during a second critically dry year. The campaign includes the following:

- Development of a dedicated drought and water conservation resource webpage
- Multiple fact sheets for different customer classes
- Water conservation hacks (tips)
- Water use efficiency literature was distributed to all customers when requested
- Water efficient landscape planning and conversion workshops and Qualified Water Efficient Landscaper (QWEL) certification classes were held in partnership with other agencies, with many converted to an online format due to COVID-19
- Continued to monitor water waste reports and sent notices to customers when it was determined that water waste was occurring

The District's School Education Program provides local schools with educational resources that stress the various facets of water science and water management, with the objective of producing citizens capable of making informed decisions regarding state and local water resources. During the fiscal year ended June 30, 2021, the District continued its educational outreach within its service area by:

- Hosting the District's second annual ACWD WaterClips Student Video Contest
- Presenting student awards for the Alameda County Science and Engineering Fair's Excellence in Water, Wastewater and Recycled Water award
- Distributing over 512,931 pieces of printed educational material to teachers and students
- Sponsoring 41 live stream assemblies of a water conservation theater program reaching over 5,340 students and providing an additional 180 distance learning packages following school closures as a result of COVID-19
- Hosting three Wednesday Water Workout live stream events
- Hosting two Project WET, Water Education Teacher workshops

Water use efficiency extends water supplies, benefits the environment, continues to be the most cost-effective source of supply, and allows the District to "bank" water for dry years. To encourage customers to save water, the District continued and expanded upon the following water use efficiency measures during the fiscal year ended June 30, 2021, with some adjustments to account for safety concerns related to COVID-19 and to address the drought:

- Water use efficiency customer service assistance via phone and email correspondence
- Several of the District's rebate and survey offerings were streamlined and converted to online approval processes to account for COVID-19 precautions
- Virtual indoor and outdoor water use efficiency surveys were offered to residential, business, and industrial customers
- Rebates for replacing high volume/high flow toilets and urinals and rebates for water efficient clothes washers were offered to multifamily sites, businesses and organizations
- Rebates for rain barrels, irrigation controllers, and the replacement of turf grass with water efficient plants were offered to all customers
- The District's turf replacement rebate was increased on June 11, 2021, from \$1 to \$2 per square foot to incentivize customers to remove high water using turf during drought conditions
- Water efficient low-flow devices and measures (showerheads, faucet aerators, flappers, hose nozzle sprayers and leak detection tablets) were distributed directly to customers in the District's service area
- Water saving tips, drought related information, and other conservation-related information were distributed to customers through the District's customer newsletter, the ACWD Aqueduct, other community newsletters (Tri-City Ecology, Fremont Green Challenge, and LEAF newsletters), the District website, virtual workshops and through the District's Tri-City Voice weekly ad space
- Online landscape water use budgets were provided to customers with dedicated landscape accounts each billing period. Limited on-site landscape surveys for sites that were overbudget were offered.

- District staff worked with service area city parks to improve irrigation efficiency. Participants that demonstrated water use efficiency were recognized
- The District’s renovated Water-Efficient Landscape Demonstration Garden promoted efficient landscape design and techniques to customers
  - Leak detection through meter reader alerts was performed resulting in 1,788 customer notifications
  - District staff continued to track expenditures and work to identify and apply for grant opportunities
  - The District provided income-qualified residents in the District’s service area with measures to improve water and energy use efficiency in partnership with Pacific Gas and Electric. Water services include assessing water use, informing customers about water conservation tips and the District’s programs, and installing cold water saving measures. Activity halted from March-June 2020 due to COVID but resumed in July 2020 with additional safety precautions. Program services are planned to expand to include leak repair in FY 2021/22 to further assist the District’s income-qualified residents and to address drought concerns
  - A Water Efficiency Master Planning effort to identify strategies to meet the District’s short-term water use efficiency goals and long-term water supply needs was completed, and implementation began in April 2021. New and expanded water use efficiency measures identified in the Plan for FY 2021/22 include: Ultra-High Efficiency Toilet Incentive for multifamily customers, School Building Retrofit, Irrigation Hardware Rebates, and Retrofit on Resale or Water Account Change. An AMI Portal Data Analysis measure is also planned to be launched once AMI full deployment begins and the customer portal is live, scheduled for later in FY 2021/22
  - Beginning in April 2021, outreach and technical assistance related to drought, water conservation and water supply were communicated to customers in efforts to reduce water use

The District continued to follow the implementation of the statewide framework to improve water use efficiency, “Making Water Conservation a California Way of Life,” and the legislation to establish water use objectives (SB 606 and AB 1668) as part of achieving the framework. Several standards that the District’s new water use objectives will be based on are still to be determined, and the District continues to monitor and participate in workgroups formed by the agencies that are making these determinations. Once determined, the District’s outreach efforts and conservation programs will be based on ensuring the District can meet these new requirements.

### ***Environmental Stewardship***

The District recognizes that water agencies must balance the needs of people and the environment to be sustainable and resilient. To ensure the reliability of the District’s water supply from Alameda Creek and restore steelhead trout, a federally listed species, the District and a number of Bay Area agencies, including the Alameda County Flood Control District, have worked for more than two decades to make the creek a more fish-friendly waterway through the Fish Passage Improvements Program.

The Fish Passage Improvements Program consists of design, construction, and permit compliance for implementation of improvements at the District’s groundwater management facilities within the Alameda Creek Flood Control Channel. The goal of the Program is to restore the migratory fish passage corridor past facilities owned and operated by the District as well as Alameda County. The program features the construction of two new fishways, or fish ladders, around existing inflatable rubber dams in Alameda Creek to re-establish safe passage for federally listed Central California Coast Steelhead trout and other wildlife between the Alameda Creek watershed and San Francisco Bay. Construction of the first fishway, the District’s Rubber Dam No. 3 (RD3) Fishway, was completed in May 2019. The three-year project to construct the second fishway and associated improvements commenced May 2019 and will be completed during FY 2021/22. The program scope consists of construction of the following infrastructure and approximately two thirds of the work had been completed by end of FY 2020/21:

- New Rubber Dam No. 1/Drop Structure Fishway at the District’s existing Rubber Dam No. 1 and at the Alameda County Flood Control and Water Conservation District’s drop structure adjacent to Rubber Dam No. 1;
- New Shinn Pond Fish Screens facility with associated decommissioning of the existing unscreened diversion pipelines; and
- Rubber Dam No. 1 Control Building Modifications project to modify the dam foundation with a plunge pool for fish passage and replacement of the existing dam equipment and controls with new equipment and controls.

The District’s Clean Energy Program will implement solar photovoltaic systems at several District facilities and properties. The program will be implemented over several fiscal years under Power Purchase Agreements (PPAs) with a solar developer in order to maximize value to the District while enhancing the environmental sustainability of the District’s operations. In FY 2020/21, the District issued a Request For Proposal (RFP) and received proposals from solar developers to implement the Program. The District plans to execute six separate PPAs for photovoltaic systems which will be installed at Headquarters, Mayhew Reservoir, Newark Desalination Facility, and Whitfield Reservoir during Phase 1 of the Program implementation, and, depending upon potential energy cost savings, at Alameda and Decoto Reservoirs during Phase 2 implementation. Execution of the agreements will result in energy cost savings over the next 25 years.

***Commitment to Transparency***

It is the District’s goal to be transparent and operate prudently and ethically on behalf of its customers. On July 9, 2021, the District met all requirements to renew its Certificate of Transparency from the Special District Leadership Foundation in recognition of its outstanding efforts to promote transparency in its operations and governance to the public and other stakeholders. In order to receive this award, a special district must demonstrate the completion of eight essential governance transparency requirements, including conducting ethics training for all board members, properly conducting open and public meetings, and filing financial transactions and compensation reports to the State Controller in a timely manner.

The District has also been recognized by the California Special District’s Association as a Platinum Level District of Distinction. In addition to meeting the Certificate of Transparency standards, recognition as a District of Distinction requires: 1) successful completion of regular financial audits with no major findings and implementation of any recommendations; 2) maintaining a policies and procedures manual; and 3) having all directors and executive staff complete ethics, harassment prevention, and special district governance training.

The District video records all regular and special meetings of the Board including workshops. The recorded meetings are publicly accessible via the District website.

**FINANCIAL INFORMATION**

***Local Economy***

The local economy of the District’s service area has been a reflection of nearby Silicon Valley and the greater Bay Area. The Tri-City’s diverse base supports a mix of large and small businesses and in a normal environment provides for greater economic stability and less volatility than more specialized economies. The impacts of the Pandemic on employment and the economy have been unprecedented. Uncertainty remains as the labor market and economy begin to recover. As of February 2020, the unemployment rates for the United States and California were 3.5% and 3.9%, respectively. As of June 2021, the unemployment rates for the cities of Fremont, Newark and Union City were 5.3%, 6.1%, and 6.5% respectively, as compared to the State (8.0%) and the United States (5.9%). Assessed property values within the District increased 6.4% in FY 2020/21 and are anticipated to increase another 3.4% in FY 2021/22. The District’s

overall customer base is anticipated to change slightly in size and income. Last calendar year, population grew 0.5% to 234,239 for the City of Fremont, 0.5% to 48,859 for the City of Newark, and declined 0.6% to 72,779 for the City of Union City. The most recent five year Census estimates showed that median household income grew 4.7% to \$133,354 for the City of Fremont, 8.0% to \$116,856 for the City of Newark, and 8.8% to \$114,681 for the City of Union City compared to the prior five year estimates.

Robust development activity in the District's service area is anticipated to continue for the next few years. Fremont continues to grow rapidly, both with new residential developments, and improvements in existing commercial and industrial areas. In particular, the 850 acre Fremont Innovation District around the new Warm Springs BART station is undergoing significant transition with large-scale mixed-use developments, including commercial/employment, high-density residential and other public facilities with the majority of mixed-use developments completed or nearing completion. Located in this area is Tesla Motors, which continues to increase production and has expanded their portfolio of electric car models. Building programs in this area are projected to bring over 8,000 potential new jobs, 4,000 residential units, a new elementary school, and a new hotel to the area. As many as 20,000 new jobs are projected in this area. Another major initiative has been the development of a Fremont downtown area with an estimated build-out of 5.2 million square feet of new mixed-use buildings including the construction of 157 new residential units in the downtown State Street Center which is nearing completion and a 240 unit mixed-use development in the planning phase. With the City and BART currently in the planning phase for the construction of the new Irvington BART Station, construction of high-density residential development along Osgood Road, consistent with creating a pedestrian-friendly, transit-oriented neighborhood has begun. Additional high-density developments along Osgood Road, anticipated to total approximately 440 residential units, are planned to be constructed in the near future. In addition, the Pacific Commons area continues to be active and growing with new shops, restaurants, and commercial and industrial development. Residential development in and around the Centerville District has been very active as well, with several mixed-use developments in the planning and construction stages.

In Union City, there are plans to develop a 200-acre Station District, which would include high-density housing, retail shopping, commercial business, open space, and a major intermodal transportation station near the existing Union City BART station. There are 1,700 new apartment units either constructed or planned and additional plans to add 1.2 million square feet of office space. Construction of 33 new residential units near the Turk Island Landfill is anticipated to begin in FY 2021/22 and a mixed-use development with 81 new residential rental units along Mission Boulevard is currently being developed.

Similarly, in Newark, there are plans to develop the general area around NewPark Mall that could eventually include 200,000 square feet of retail/commercial space, 500,000 square feet of office buildings, 1,519 residential units, and 700 hotel rooms. A 319 unit mixed-use development and large retail building are currently in the planning phase. Additionally, a transit-oriented development, Bayside Newark, consisting of up to 2,500 residential units is currently under construction in Newark. Plans for the transit-oriented development include a potential new train station and other amenities to serve both the greater region as well as neighboring residents. In addition, construction of 378 new residential units in Newark General Plan Area 3 has been completed and plans to construct 469 new residential units in Area 4 are currently being developed.

### ***Rates and Charges***

Water rates and charges are reviewed regularly and reflect the District's overall cost-of-service requirements. The District's water rates are in the lower third of the 30 Bay Area retail water purveyors surveyed.

The Board of Directors convened two public financial workshops in August 2020 and October 2020 to comprehensively review the District's financial plan, operating costs, capital improvement plan, dedicated

fire service lines, miscellaneous fees, sources of revenue, water rates, and water rate structures. The District also reviewed the water shortage emergency stage rates to improve revenue stability during a water shortage emergency, such as a drought. As mentioned previously, at the conclusion of these workshops the Board declined to move forward with a rate adjustment.

### ***Internal Control***

The District's financial reporting system and business processes have been designed with an emphasis on the importance of strong internal financial controls, including the proper recording of revenues and expenses and maintenance of budgetary control for the allocation of available resources. Existing internal controls are monitored and changes are implemented as needed. These controls are designed to provide reasonable, but not absolute, assurance that (1) assets are safeguarded against waste, fraud and inefficient use, and (2) the District's financial records can be relied upon to produce financial statements in accordance with accounting principles generally accepted in the United States of America. The concept of reasonable assurance recognizes that the cost of maintaining the system of internal controls should not exceed benefits likely to be derived, and that the evaluation of costs and benefits requires estimates and judgments by management. We believe that the District's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

### ***Budgetary Control***

The District has a two-year budget cycle, and a detailed operating plan that identifies estimated costs in relation to estimated revenues over the budget period. The budget includes the projects, services and activities to be carried out during the two fiscal years and the estimated revenue available to finance these operating and capital costs. The District's operating and capital budgets are reviewed and approved by the Board of Directors. The budget represents a process wherein policy decisions made by the Board of Directors are adopted, implemented and controlled. Budget control is maintained by monitoring budget activity on a monthly basis and adjusting activities, if needed, to ensure that the annual budgeted amounts are not exceeded. The District has also implemented a budget management platform that enables improved end-user reporting and analysis capabilities.

### ***Long-Term Financial Planning***

The District utilizes three main comprehensive long range integrated planning models: the Integrated Resources Plan (IRP); Capital Improvement Program (CIP); and the Financial Planning Model (FPM). The IRP process evaluates a wide range of water supply and water conservation options as well as land use projections in the District's service area to develop the District's long range water supply strategy necessary to meet projected demands. The CIP includes project schedules and estimated costs for production facilities and other projects identified in the IRP needed to support and maintain water supply and system reliability, public health and water quality, and environmental compliance over a 25-year planning horizon. The FPM includes short and long range projections of the District's revenues, operating and maintenance expenses, capital expenditures, and reserves over a 25-year planning horizon. The District has implemented a financial planning cycle that typically includes:

- Overall review of the operating and capital plan in the first quarter of the calendar year;
- Budget development during late spring;
- Adoption of the operating and capital budgets in June;
- Rate design and review through the fall; and
- Rate adoption, if necessary, usually in the first quarter of the next calendar year.

## **OTHER INFORMATION**

### ***Independent Audit***

An independent audit by certified public accountants is important in determining the reliability of the District's financial statements. The importance of such verification has been recognized by the federal and state governments, the District's bond holders and the general public. The District contracted with the accounting firm of The Pun Group LLP for this audit. The audit was conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States. The firm's report has been included in the financial section of this report.

### ***Certificate of Achievement for Excellence in Financial Reporting Award***

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the District for its annual comprehensive financial report for the fiscal year ended June 30, 2020. This was the 22<sup>nd</sup> consecutive year that the District achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current annual comprehensive financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

### ***Achievement of Excellence in Procurement Award***

The District has been awarded the prestigious Annual Achievement of Excellence in Procurement® (AEP) for 2021 from the National Procurement Institute, Inc. (NPI). The AEP Award is earned by public and non-profit agencies that demonstrate a commitment to procurement excellence. This annual program recognizes procurement organizations that embrace Innovation, Professionalism, Productivity, Leadership and e-Procurement. The AEP program encourages the development of excellence as well as continued organizational improvement to earn the award annually.

### ***Acknowledgments***

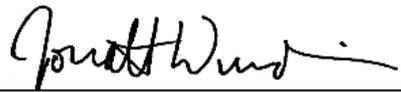
The preparation of this report has been accomplished due to the dedicated and professional efforts of the staff of the Finance Department along with the cooperation of staff from the District's other departments, and guidance from the accounting firm of The Pun Group LLP. We would also like to thank the Board of Directors for their continued support in planning and conducting the District's financial affairs in a responsible and progressive manner.

Respectfully submitted,



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Ed Stevenson  
General Manager



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Jonathan Wunderlich  
Director of Finance



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**Alameda County Water District  
California**

For its Comprehensive Annual  
Financial Report  
For the Fiscal Year Ended

June 30, 2020

*Christopher P. Morill*

Executive Director/CEO

***Alameda County Water District***

***Board of Directors***

*Aziz Akbari*  
President

*John H. Weed*  
Vice President

*Paul Sethy*  
Director

*Judy C. Huang*  
Director

*James G. Gunther*  
Director

***Principal Management Personnel***

*Ed Stevenson*  
General Manager

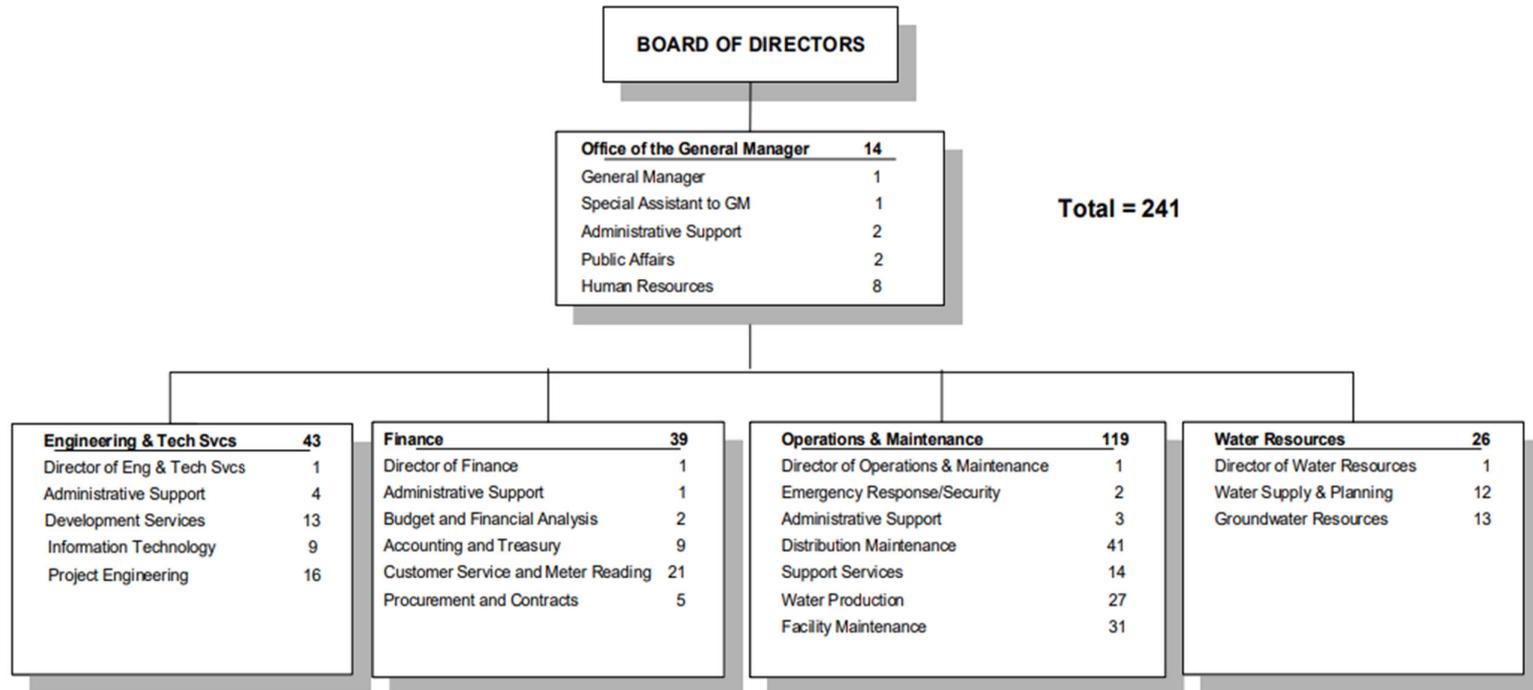
*Jonathan Wunderlich*  
Director of Finance

*Laura Hidas*  
Director of Water Resources

*Kurt Arends*  
Director of Operations & Maintenance

*Girum Awoke*  
Director of Engineering & Technology Services

**ALAMEDA COUNTY WATER DISTRICT  
FUNCTIONAL ORGANIZATIONAL CHART  
FY 21/22**





## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the  
Alameda County Water District  
Fremont, California

### *Report on the Financial Statements*

We have audited the accompanying financial statements of Alameda County Water District ("District") as of and for the years ended June 30, 2021 and 2020 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District, as of June 30, 2021 and 2020, and the respective changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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Tel: 925-974-3394 • Fax: 949-777-8850  
[www.pungroup.cpa](http://www.pungroup.cpa)

To the Board of Directors of the  
Alameda County Water District  
Fremont, California  
Page 2

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedules of changes in the net pension liability and related ratios, the schedules of employer pension contributions, the schedules of changes in net OPEB liability and related ratios – retiree health care, the schedules of employer OPEB contributions – retiree health care, the schedules of changes in the net OPEB liability and related ratios – MCP bonus program, and the schedules of employer OPEB contributions – MCP bonus program identified in the accompanying table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audits of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2021 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Walnut Creek, California  
November 10, 2021

## **FINANCIAL SECTION**

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**Alameda County Water District**  
**Management's Discussion and Analysis (Unaudited)**  
**For the Fiscal Years Ended June 30, 2021 and 2020**

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This section of the Alameda County Water District's (District) annual comprehensive financial report presents an analysis of the District's financial performance during the years ended June 30, 2021 and 2020. This information is presented in conjunction with the audited basic financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS FOR THE YEAR ENDED JUNE 30, 2021**

- The District's net position increased by \$45.5 million or 9.2 percent from \$496.8 million to \$542.3 million mainly due to increases in capital assets of \$38.6 million for the fiscal year ended June 30, 2021.
- Nonoperating revenues decreased by \$8.2 million or 38.1 percent from \$21.5 million to \$13.3 million primarily due to decreases in investment income caused by a decrease in the value of investments for the fiscal year ended June 30, 2021.
- Operating expenses increased by \$11.7 million or 11.0 percent from \$106.1 million to \$117.8 million mainly due to a increase of \$6.1 million in sources of supply expenses, \$2.5 million in administration of customer accounts, and \$2.8 million in administrative and general expenses for the fiscal year ended June 30, 2021.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The financial section consists of the following three parts: Management's Discussion and Analysis, Basic Financial Statements and Required Supplementary Information. The basic financial statements include notes, which explain in detail some of the information included in the financial statements.

**BASIC FINANCIAL STATEMENTS**

The financial statements of the District report information utilizing the full accrual basis of accounting. The financial statements conform to accounting principles generally accepted in the United States of America. The Statements of Net Position include information on the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position and provide information about the nature and amounts of investments in resources (assets) and the obligations to District creditors (liabilities). The Statements of Revenues, Expenses and Changes in Net Position identify the District's revenues, expenses, and capital contributions for the fiscal years ended June 30, 2021 and 2020. This statement provides information on the District's operations over the past two fiscal years and can be used to determine whether the District has recovered all of its actual and projected costs through user fees and other charges. The third financial statement is the Statements of Cash Flows. This statement provides information on the District's cash receipts, cash payments and changes in cash resulting from operations, investing and financing activities. From the Statements of Cash Flows, the reader can obtain comparative information on the sources and uses of cash and the changes in the cash and cash equivalents balance for each of the last two fiscal years.

**FINANCIAL ANALYSIS OF THE DISTRICT**

The Statements of Net Position (pages 11-12) and the Statements of Revenues, Expenses and Changes in Net Position (page 13) provide an indication of the District's financial condition and also indicate whether the financial condition of the District improved during the last fiscal year. The District's net position reflects the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. An increase in net position over time typically indicates an improvement in financial condition.

**Alameda County Water District**  
**Management's Discussion and Analysis (Unaudited) (Continued)**  
**For the Fiscal Years Ended June 30, 2021 and 2020**

**FINANCIAL ANALYSIS OF THE DISTRICT (Continued)**

A summary of the District's Statements of Net Position is presented below.

Table 1  
Condensed Statements of Net Position  
(In millions of dollars)

	2021	2020	2021 vs. 2020		2019	2020 vs. 2019	
			\$ Change	% Change		\$ Change	% Change
Current and other assets	\$ 235.1	\$ 235.9	\$ (0.8)	-0.3%	\$ 204.8	\$ 31.1	15.2%
Capital assets	480.6	442.0	38.6	8.7%	422.3	19.7	4.7%
<b>Total assets</b>	<b>715.7</b>	<b>677.9</b>	<b>37.8</b>	<b>5.6%</b>	<b>627.1</b>	<b>50.8</b>	<b>8.1%</b>
<b>Deferred outflows of resources</b>	<b>24.5</b>	<b>28.5</b>	<b>(4.0)</b>	<b>-14.0%</b>	<b>29.0</b>	<b>(0.5)</b>	<b>-1.7%</b>
Long-term debt	69.6	72.7	(3.1)	-4.3%	76.6	(3.9)	-5.1%
Net pension liability	66.3	69.8	(3.5)	-5.0%	74.5	(4.7)	-6.3%
Net OPEB liability	25.2	27.7	(2.5)	-9.0%	29.3	(1.6)	-5.5%
Other liabilities	32.8	31.0	1.8	5.8%	27.7	3.3	11.9%
<b>Total liabilities</b>	<b>193.9</b>	<b>201.2</b>	<b>(7.3)</b>	<b>-3.6%</b>	<b>208.1</b>	<b>(6.9)</b>	<b>-3.3%</b>
<b>Deferred inflows of resources</b>	<b>4.0</b>	<b>8.4</b>	<b>(4.4)</b>	<b>-52.4%</b>	<b>8.9</b>	<b>(0.5)</b>	<b>-5.6%</b>
Net investment in capital assets	411.8	370.3	41.5	11.2%	346.9	23.4	6.7%
Restricted for debt service	-	-	-	-	2.7	(2.7)	-100.0%
Unrestricted	130.5	126.5	4.0	3.2%	89.5	37.0	41.3%
<b>Total net position</b>	<b>\$ 542.3</b>	<b>\$ 496.8</b>	<b>\$ 45.5</b>	<b>9.2%</b>	<b>\$ 439.1</b>	<b>\$ 57.7</b>	<b>13.1%</b>

As the above table indicates, total assets increased by \$37.8 million from \$677.9 million to \$715.7 million during the fiscal year ended June 30, 2021. This increase is due to a \$38.6 million increase in capital assets at the end of the fiscal year. For the fiscal year ended June 30, 2020, total assets increased by \$50.8 million from \$627.1 million to \$677.9 million. This increase is due to a \$31.1 million increase in current assets due mainly to increases in cash and investments from operations and an increase of \$19.7 million in capital assets at the end of the fiscal year.

Deferred outflows of resources is the amount of the unamortized deferred charge on debt refunding and the effect of pension and other post employment benefits (OPEB) accounting that defers the contributions made after the measurement date until the next fiscal year as a subsequent offset to the net pension and OPEB liability among other pension and OPEB related deferrals. The deferred outflows of resources due to the unamortized deferred charge on refunding at June 30, 2021 and 2020 were \$0.8 million and \$0.9 million, respectively. The deferred outflows of resources due to pension benefits (GASB Statement No. 68) at June 30, 2021 and 2020 were \$16.7 million and \$18.6 million, respectively. The deferred outflows of resources due to OPEB (GASB Statement No. 75) at June 30, 2021 and 2020 were \$7.0 million and \$8.9 million, respectively.

**Alameda County Water District**  
**Management's Discussion and Analysis (Unaudited) (Continued)**  
**For the Fiscal Years Ended June 30, 2021 and 2020**

**FINANCIAL ANALYSIS OF THE DISTRICT (Continued)**

For the fiscal year ended June 30, 2021, total liabilities reflect a decrease of \$7.3 million due to several factors including decreases in net pension liabilities of \$3.5 million, net OPEB liabilities of \$2.5 million and scheduled debt service payments of \$3.1 million. The decrease was partially offset by an increase of \$1.8 million in other liabilities. For fiscal year ended June 30, 2020, total liabilities reflect a decrease of \$6.9 million due to several factors including decreases in net pension liabilities of \$4.7 million, net OPEB liabilities of \$1.6 million and scheduled debt service payments of \$3.9 million. The decrease was partially offset by an increase of \$3.3 million in other liabilities.

Deferred inflows of resources is the result of pension and OPEB accounting and is comprised of changes in assumptions, the difference between expected and actual earnings, and difference between expected and actual experiences in the CalPERS pension plan and the OPEB plan, which will be amortized as a component of pension and OPEB expense in future years. The deferred inflows of resources for June 30, 2021 and 2020 were \$4.0 million and \$8.4 million, respectively.

Total net position increased by \$45.5 million from \$496.8 million to \$542.3 million, mainly due an increase in capital assets of \$38.6 million or 8.7 percent for the fiscal year ended June 30, 2021. Total net position increased by \$57.7 million from \$439.1 million to \$496.8 million in the fiscal year ended June 30, 2020, mainly due to a combination of increased income during the year due to increased water revenues, property taxes and facility connection charges. Net position also increased due to investment in capital assets and a decrease in total liabilities as a result of additional payments made towards pension and OPEB liabilities and scheduled debt service payments including the payoff of the 2009 Water System Revenue bonds at June 30, 2020.

Table 2  
Condensed Statements of Revenues, Expenses  
and Changes in Net Position  
(In millions of dollars)

	2021	2020	2021 vs. 2020		2019	2020 vs. 2019	
			\$ Change	% Change		\$ Change	% Change
<b>Operating revenues</b>							
Water sales	\$ 122.4	\$ 116.2	\$ 6.2	5.3%	\$ 108.6	\$ 7.6	7.0%
Other operating revenues	8.0	14.7	(6.7)	-45.6%	12.0	2.7	22.5%
<b>Total operating revenues</b>	<u>130.4</u>	<u>130.9</u>	<u>(0.5)</u>	<u>-0.4%</u>	<u>120.6</u>	<u>10.3</u>	<u>8.5%</u>
<b>Nonoperating revenues</b>							
Property taxes	12.5	12.0	0.5	4.2%	9.7	2.3	23.7%
Investment income	0.2	8.9	(8.7)	-97.8%	7.3	1.6	21.9%
Other nonoperating revenues	0.6	0.6	-	0.0%	0.7	(0.1)	-14.3%
<b>Total nonoperating revenues</b>	<u>13.3</u>	<u>21.5</u>	<u>(8.2)</u>	<u>-38.1%</u>	<u>17.7</u>	<u>3.8</u>	<u>21.5%</u>
<b>TOTAL REVENUES</b>	<u>143.7</u>	<u>152.4</u>	<u>(8.7)</u>	<u>-5.7%</u>	<u>138.3</u>	<u>14.1</u>	<u>10.2%</u>
<b>Depreciation and amortization expense</b>	14.7	14.5	0.2	1.4%	14.0	0.5	3.6%
<b>Other operating expenses</b>	103.1	91.6	11.5	12.6%	83.5	8.1	9.7%
<b>Nonoperating expenses</b>	1.5	2.2	(0.7)	-31.8%	2.5	(0.3)	-12.0%
<b>TOTAL EXPENSES</b>	<u>119.3</u>	<u>108.3</u>	<u>11.0</u>	<u>10.2%</u>	<u>100.0</u>	<u>8.3</u>	<u>8.3%</u>
<b>Income before capital contributions</b>	24.4	44.1	(19.7)	-44.7%	38.3	5.8	15.1%
Capital contributions	21.1	13.6	7.5	55.1%	8.3	5.3	63.9%
<b>Changes in net position</b>	<u>45.5</u>	<u>57.7</u>	<u>(12.2)</u>	<u>-21.1%</u>	<u>46.6</u>	<u>11.1</u>	<u>23.8%</u>
Beginning net position	496.8	439.1	57.7	13.1%	392.5	46.6	11.9%
<b>Ending net position</b>	<u>\$ 542.3</u>	<u>\$ 496.8</u>	<u>\$ 45.5</u>	<u>9.2%</u>	<u>\$ 439.1</u>	<u>\$ 57.7</u>	<u>13.1%</u>

**Alameda County Water District**  
**Management's Discussion and Analysis (Unaudited) (Continued)**  
**For the Fiscal Years Ended June 30, 2021 and 2020**

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**FINANCIAL ANALYSIS OF THE DISTRICT (Continued)**

The Statements of Revenues, Expenses and Changes in Net Position identify the various revenue and expense items which impact the change in net position. As the information in Table 2 indicates, income before capital contributions of \$24.4 million and capital contributions of \$21.1 million resulted in an overall increase of \$45.5 million in net position for the fiscal year ended June 30, 2021.

In fiscal year ended June 30, 2020, income before capital contributions of \$44.1 million and capital contributions of \$13.6 million resulted in an overall increase of \$57.7 million in net position.

For fiscal year ended June 30, 2021, Table 2 indicates that the District's total revenues decreased by \$8.7 million or 5.7 percent to \$143.7 million from \$152.4 million in the prior year. Nonoperating revenues decreased by \$8.2 million or 38.1 percent to \$13.3 million from \$21.5 million. This was due to a \$8.7 million decrease in investment income due to an increase in interest rates which resulted in a decrease in the value of the investments held by the District at June 30, 2021.

Total expenses increased by \$11.0 million or 10.2 percent to \$119.3 million from \$108.3 million in the prior year due to increases of \$6.1 million in source of supply expenses, \$2.5 million in administration of customer accounts costs and \$2.8 million in administration and general costs.

For fiscal year ended June 30, 2020, Table 2 indicates that the District's total revenues increased by \$14.1 million or 10.2 percent to \$152.4 million from \$138.3 million in the prior year. Operating revenues increased by \$10.3 million or 8.5 percent due to an increase in water sales as a result of increased water consumption and two 4% rate increases, which became effective March 1, 2019 and March 1, 2020, and an increase of \$2.7 million in other operating revenues. Nonoperating revenues increased by \$3.8 million or 21.5 percent, which was mainly due to an increase in property tax revenue of \$2.3 million and an increase of \$1.5 million in other nonoperating revenues.

For fiscal year ended June 30, 2020, total expenses increased by \$8.3 million or 8.3 percent partially due to an increase of \$3.7 million in source of supply expenses, and a \$4.3 million increase in administration and general costs, along with slight increases in administration of customer accounts costs and depreciation.

**CAPITAL ASSETS**

As of June 30, 2021, the District's investment in capital assets totaled \$480.6 million, which is an increase of \$38.6 million or 8.7 percent over the capital asset balance of \$442.0 million at June 30, 2020. The net increase in capital assets was primarily due to increases in construction in progress of \$30.1 million and capitalized assets in the amount of \$22.8 million less \$14.3 million net increase in accumulated depreciation.

As of June 30, 2020, the District's investment in capital assets totaled \$442.0 million, which is an increase of \$19.7 million or 4.7 percent over the capital asset balance of \$422.3 million at June 30, 2019. The increase in capital assets was primarily due to a net increase in capitalized assets in the amount of \$33.9 million less a net increase in accumulated depreciation of \$14.2 million.

**Alameda County Water District**  
**Management's Discussion and Analysis (Unaudited) (Continued)**  
**For the Fiscal Years Ended June 30, 2021 and 2020**

**CAPITAL ASSETS (Continued)**

A comparison of the District's capital assets over the past three fiscal years is presented in Table 3.

Table 3  
Capital Assets  
(In millions of dollars)

	2021	2020	2021 vs. 2020		2019	2020 vs. 2019	
			\$ Change	% Change		\$ Change	% Change
Land	\$ 9.6	\$ 9.6	\$ -	0.0%	\$ 9.6	\$ -	0.0%
Construction in progress	75.5	45.4	30.1	66.3%	23.9	21.5	90.0%
Source of supply	85.7	81.6	4.1	5.0%	81.6	-	0.0%
Pumping plant	26.4	25.6	0.8	3.1%	25.4	0.2	0.8%
Water treatment	167.5	166.7	0.8	0.5%	166.2	0.5	0.3%
Transmission and distribution	373.6	358.3	15.3	4.3%	347.9	10.4	3.0%
General	56.0	54.2	1.8	3.3%	52.9	1.3	2.5%
Supplemental water supply storage	20.9	20.9	-	0.0%	20.9	-	0.0%
Subtotal	815.2	762.3	52.9	6.9%	728.4	33.9	4.7%
Less accumulated depreciation/amortization	(334.6)	(320.3)	(14.3)	4.5%	(306.1)	(14.2)	4.6%
Capital assets, net	\$ 480.6	\$ 442.0	\$ 38.6	8.7%	\$ 422.3	\$ 19.7	4.7%

There were several capital projects completed during the fiscal year ended June 30, 2021. These include the Rubber Dam #1 Control Building Modifications, Canyon Heights Tank Improvements, Headquarter Roof Improvements, Emergency Service Line and Main replacements and various other capital projects related to water mains, and customer installations. In addition to these and other completed projects, there were also major capital projects that were under construction or in progress as of June 30, 2021. These projects include Rubber Dam #1 Fish Ladder, Shinn Pond Fish Screen, Alvarado-Niles Spine Main, Advance Metering Infrastructure, Water Treatment Plant No. 2 Programmable Logic Controller Upgrade Phase 2, Vallecitos Channel Betterments, Driscroll Road Pipeline Rehabilitation, Canyon Heights Booster Station Upgrade, Central Newark Pipeline Improvements, Newark Desal Reverse Osmosis Membrane Replacement, and various other capital projects.

There were several capital projects completed during the fiscal year ended June 30, 2020. These include the Headquarter building renovations, Avalon Slope Stability Improvements, Emergency Service Line and Main replacements and various other capital projects related to water mains, and customer installations. In addition to these and other completed projects, there were also major capital projects that were under construction or in progress as of June 30, 2020. These projects include Rubber Dam #1 Fish Ladder, Shinn Pond Fish Screen, Alvarado-Niles Spine Main, Canyon Heights Tank Improvements, Rubber Dam #1 Control Building Modifications, Water Treatment Plant No. 2 Programmable Logic Controller Upgrade Phase 2, Vallecitos Channel Betterments, Driscroll Road Pipeline Rehabilitation, and various other capital projects.

At June 30, 2021, the District had construction commitments in the amount of \$57.4 million of which \$38.7 million were for the Advance Metering Infrastructure project, \$5.9 million for the Rubber Dam #1 Fish Ladder project, and \$4.3 million were for the Shinn Pond Screen project. Additional information on the District's capital assets and construction commitments is provided in Note 5 starting on page 33 of the financial statements.

**Alameda County Water District**  
**Management's Discussion and Analysis (Unaudited) (Continued)**  
**For the Fiscal Years Ended June 30, 2021 and 2020**

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**LONG-TERM DEBT**

As of June 30, 2021, the District had \$69.6 million in outstanding debt compared to \$72.7 million on June 30, 2020 and \$76.6 million on June 30, 2019. The decreases in fiscal years ended June 30, 2021 and 2020 were the results of scheduled debt service payments.

Additional information on the District's long-term debt is provided in Note 7 starting on page 37 of the financial statements.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The Board of Directors (Board) adopted the District's two-year budget on June 10, 2021. The approval of a two-year budget provides funding for the District's operating, capital and debt service costs for fiscal years ending June 30, 2022 and 2023.

The District's water rates are periodically reviewed by the Board of Directors and typically adjusted annually. In recognition of the financial hardship many customers were facing as a result of the pandemic, the Board declined to increase water rates during their annual review process in the fiscal year ended June 30, 2021. The District's rates remain in the lower third of thirty Bay Area water agencies surveyed.

**ADDITIONAL FINANCIAL INFORMATION**

This financial report is designed to provide the District's customers, investors and other interested parties with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the Alameda County Water District's Director of Finance at 43885 South Grimmer Boulevard, Fremont, CA 94538.

## **BASIC FINANCIAL STATEMENTS**

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**Alameda County Water District**  
**Statements of Net Position**  
**June 30, 2021 and 2020**  
**(In thousands)**

	2021	2020
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and investments (Note 3)	\$ 202,857	\$ 205,126
Customer and other accounts receivable, net (Note 4)	14,953	12,858
Accrued unbilled revenue	11,506	12,106
Taxes receivable	116	1,274
Grants receivable	2,309	1,010
Interest receivable	722	898
Material and supplies	2,577	2,518
Prepaid expenses	72	151
Total current assets	235,112	235,941
<b>Noncurrent assets:</b>		
Capital assets: (Note 5)		
Nondepreciable	85,119	55,045
Depreciable, net	395,485	386,997
Total capital assets, net	480,604	442,042
Total noncurrent assets	480,604	442,042
<b>Total assets</b>	<b>715,716</b>	<b>677,983</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred charge on refunding	765	874
Deferred items related to pensions (Note 10)	16,757	18,647
Deferred items related to OPEB (Notes 11 and 12)	7,034	8,991
<b>Total deferred outflows of resources</b>	<b>24,556</b>	<b>28,512</b>

(Continued)

**Alameda County Water District**  
**Statements of Net Position (Continued)**  
**June 30, 2021 and 2020**  
**(In thousands)**

	2021	2020
<b>LIABILITIES</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued expenses (Note 6)	17,556	13,610
Accrued payroll and related liabilities (Note 6)	4,179	4,003
Contractor and customer deposits	9,761	12,642
Interest payable	206	218
Unearned revenue	10	-
Long-term debt - due within one year (Note 7)	3,197	3,102
Total current liabilities	34,909	33,575
<b>Noncurrent liabilities:</b>		
Accrued payroll and related liabilities (Note 6)	1,082	563
Long-term debt - due in more than one year (Note 7)	66,361	69,558
Net pension liability (Note 10)	66,344	69,755
Net OPEB liability (Notes 11 and 12)	25,183	27,738
Total noncurrent liabilities	158,970	167,614
<b>Total liabilities</b>	193,879	201,189
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred items related to pensions (Note 10)	2,474	5,973
Deferred items related to OPEB (Notes 11 and 12)	1,570	2,525
<b>Total deferred inflows of resources</b>	4,044	8,498
<b>NET POSITION</b>		
Net investment in capital assets	411,811	370,256
Unrestricted	130,538	126,552
<b>Total net position</b>	\$ 542,349	\$ 496,808

See accompanying Notes to the Basic Financial Statements.

**Alameda County Water District**  
**Statements of Revenues, Expenses and Changes in Net Position**  
**For the Fiscal Years Ended June 30, 2021 and 2020**  
**(In thousands)**

	2021	2020
<b>OPERATING REVENUES:</b>		
Water sales	\$ 122,388	\$ 116,230
Facilities connection charges	6,154	13,952
Fees and rental	1,231	559
Other	617	173
<b>Total operating revenues</b>	<b>130,390</b>	<b>130,914</b>
<b>OPERATING EXPENSES:</b>		
Sources of supply:		
Water purchases	34,408	29,579
Pumping	1,863	1,613
Other	10,074	9,041
<b>Total sources of supply</b>	<b>46,345</b>	<b>40,233</b>
Water treatment	15,123	15,777
Transmission and distribution	16,687	15,990
Administration of customer accounts	4,573	2,029
Administration and general	20,368	17,534
Depreciation and amortization	14,734	14,499
<b>Total operating expenses</b>	<b>117,830</b>	<b>106,062</b>
<b>Operating income</b>	<b>12,560</b>	<b>24,852</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>		
Investment income	187	8,971
Property taxes	12,542	12,023
Other nonoperating revenues	520	432
Gain on disposal of capital assets	121	63
Cost of issuance expense	(35)	(30)
Interest expense	(1,483)	(2,208)
<b>Total nonoperating revenues (expenses)</b>	<b>11,852</b>	<b>19,251</b>
<b>Income before capital contributions</b>	<b>24,412</b>	<b>44,103</b>
Capital contributions	21,129	13,569
<b>Changes in net position</b>	<b>45,541</b>	<b>57,672</b>
<b>NET POSITION:</b>		
Beginning of year	496,808	439,136
End of year	<b>\$ 542,349</b>	<b>\$ 496,808</b>

See accompanying Notes to the Basic Financial Statements.

**Alameda County Water District**  
**Statements of Cash Flows**  
**For the Fiscal Years Ended June 30, 2021 and 2020**  
**(In thousands)**

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash receipts from customers	\$ 126,014	\$ 126,546
Cash receipts from others	530	435
Cash payments to suppliers for goods and services	(54,475)	(41,971)
Cash payments for employees pension benefits	(14,672)	(14,748)
Cash payments for employees OPEB benefits	(3,407)	(6,460)
Cash payments to employees for salaries and other benefits	(37,034)	(33,229)
<b>Net cash provided by operating activities</b>	<b>16,956</b>	<b>30,573</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Property taxes received	13,700	11,314
<b>Net cash provided by noncapital financing activities</b>	<b>13,700</b>	<b>11,314</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Acquisitions of capital assets	(28,858)	(23,996)
Capital grants received restricted for capital purposes	1,000	7,565
Proceeds from sale of capital assets	134	70
Letter of credit issuance costs paid	(35)	(30)
Principal paid on debt	(2,915)	(3,634)
Interest paid on debt	(2,614)	(2,743)
<b>Net cash (used in) capital and related financing activities</b>	<b>(33,288)</b>	<b>(22,768)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sale of investments	46,954	41,008
Purchases of investments	(50,182)	(62,944)
Investment income received	3,041	3,862
<b>Net cash (used in) investing activities</b>	<b>(187)</b>	<b>(18,074)</b>
<b>Net change in cash and cash equivalents</b>	<b>(2,819)</b>	<b>1,045</b>
<b>CASH AND CASH EQUIVALENTS:</b>		
Beginning of year	35,964	34,919
End of year	<u>\$ 33,145</u>	<u>\$ 35,964</u>
<b>RECONCILIATION TO STATEMENTS OF NET POSITION:</b>		
Cash and investments	\$ 202,857	\$ 205,126
Less investments not meeting the definition of cash equivalents (Note 2B)	(169,712)	(169,162)
<b>Total cash and cash equivalents</b>	<b>\$ 33,145</b>	<b>\$ 35,964</b>

(Continued)

**Alameda County Water District**  
**Statements of Cash Flows (Continued)**  
**For the Fiscal Years Ended June 30, 2021 and 2020**  
**(In thousands)**

	2021	2020
<b>RECONCILIATION OF OPERATING INCOME TO</b>		
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Operating income	\$ 12,560	\$ 24,852
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	14,734	14,499
Other nonoperating revenues	520	435
Changes in operating assets, deferred outflows of resources, liabilities, and deferred inflows of resources:		
Customer and other accounts receivable	(2,095)	(969)
Accrued unbilled receivable	600	(1,319)
Materials and supplies	(59)	(26)
Prepaid expenses	79	(72)
Accounts payable and accrued expenses	(636)	1,195
Accrued payroll and related liabilities	695	624
Contractor and customer deposits	(2,881)	(2,080)
Unearned revenue	10	-
Net pension liability and related pension deferred outflows/inflows of resources	(6,170)	(4,654)
Net OPEB liability and related OPEB deferred outflows/inflows of resources	(401)	(1,912)
Net cash provided by operating activities	\$ 16,956	\$ 30,573
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</b>		
<b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Amortization of premiums and loss on debt refunding	\$ (78)	\$ 1
Capital contributions	18,830	6,087
Capitalized interest	1,041	525
Changes in capital related assets and liabilities:		
Grants receivable	1,299	(83)
Accounts payable and retention payable	4,578	3,642
<b>NONCASH INVESTING ACTIVITIES:</b>		
Change in fair value of investments	2,678	(5,151)

See accompanying Notes to the Basic Financial Statements.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS**

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**Alameda County Water District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Years Ended June 30, 2021 and 2020**  
**(Dollars in thousands)**

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**Note 1 – Description of the Reporting Entity**

**A. Description of Operations**

The Alameda County Water District (the “District”) was organized under the California County Water District Act of 1913 and is governed by a five-person Board of Directors. Principal functions of the District include the importation, conservation, and distribution of water. District operations are conducted under the State Water Code of California.

**B. Reporting Entity**

The financial reporting entity consists of the District (the primary government) and its component unit, which is discussed below. A component unit is a legally separate organization for which the Board of Directors is financially accountable, or an organization whose nature and significant relationship with the District is such that exclusion would cause the District’s financial statements to be misleading or incomplete.

As required by accounting principles generally accepted in the United States (“U.S. GAAP”), these basic financial statements present the District and its component unit, an entity for which the District is considered to be financially accountable. A blended component unit, although a legally separate entity is, in substance, part of the District’s operations and data from this unit is combined with data of the District. The following entity is reported as a blended component unit:

- The Alameda County Water District Financing Authority (the “Authority”) is a joint powers authority with the Union Sanitary District and was established in 2011 for the sole purpose of issuing debt for the benefit of the District. The 2012 and 2015 Water System Revenue Bonds were enabled by the formation of this entity.

Additional financial data and the debt compliance letters for the Authority may be obtained from the District office at 43885 South Grimmer Boulevard, Fremont, California, 94538.

**Note 2 – Summary of Significant Accounting Policies**

**A. Basis of Presentation and Measurement Focus**

The basic financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Under the accrual basis, revenues from operating activities are recognized in the fiscal year that the operations were provided; revenues from property taxes are recognized in the fiscal year for which the taxes are levied and revenue from investments is recognized when earned, while expenses are recognized in the period in which the liability is incurred.

The accounts of the District are reported in a proprietary fund type, specifically, an enterprise fund. The activities of this fund are accounted for with a separate set of self-balancing accounts that comprise the District’s assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, expenses, and capital contributions. Enterprise Funds account for activities (i) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; or (ii) that are required by laws or regulations that the activity’s costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues; or (iii) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

**Alameda County Water District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Fiscal Years Ended June 30, 2021 and 2020**  
**(Dollars in thousands)**

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**Note 2 – Summary of Significant Accounting Policies (Continued)**

***B. Cash and Investments***

The District's cash equivalents are considered to be cash on hand, demand deposits, and highly liquid investments with original maturity of three months or less from the date of acquisition.

The District's highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Quoted market price is used as fair value for those securities for which market quotations are readily available.

The District measures its investments at fair value and categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. Refer to Note 3 for more information on the fair value measurements.

***C. Accrued Unbilled Revenue***

During the year, customer water meters are read and billed on monthly or bi-monthly periods. Because not every meter is read on the same date, revenue for water distributed but not yet billed is accrued at fiscal year-end since the earning process has been completed.

***D. Materials and Supplies***

Materials and supplies inventory consisted principally of spare parts that are recorded when purchased and expensed when used and is recorded at weighted average cost.

***E. Capital Assets***

The cost of additions to the utility plant and major replacements of retired units of property is capitalized. The District defines capital assets as assets with an initial, individual cost of more than \$5 thousand and an estimated useful life of more than one year. Cost includes direct labor, outside services, materials and transportation, employee fringe benefits and overhead. For the years ended June 30, 2021 and 2020, the District financed certain capital projects and interest in the amount of \$1,041 and \$525 were capitalized, respectively, in relation to these tax-exempt bond funded capital expenditures. The cost and accumulated depreciation of property sold or retired is deducted from capital assets, and any profit or loss resulting from the disposal is credited or charged in the nonoperating section of the statements of revenues, expenses and changes in net position. The cost of current repairs, maintenance, and minor replacements is charged to expense. Construction in progress primarily relates to upgrades of existing facilities or construction of new facilities.

Depreciation has been provided over estimated useful lives of the assets using the straight-line method. The estimated useful lives are as follows:

Structures, reservoirs, pumps and other improvements	5-50 years
Office furniture, software, tools, shop furniture, lab furniture and equipment	10 years
Motor vehicles	5 years

**Alameda County Water District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Fiscal Years Ended June 30, 2021 and 2020**  
**(Dollars in thousands)**

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**Note 2 – Summary of Significant Accounting Policies (Continued)**

***F. Customer Deposits***

Customer deposits for new customer installation jobs are retained by the District and are reported as a current liability. The customer deposit is applied to the cost of the job when the job is complete.

***G. Long-Term Debt and Related Costs***

Long-term debt is reported at face value, net of applicable premium and discounts. Costs related to the issuance of debt are reported as an expense, except prepaid bond insurance costs. Deferred charge on refunding from advance refundings of debt are classified as a deferred outflows of resources and are amortized as interest expense over the remaining life of the old bonds, or the life of the new bonds, whichever is shorter.

***H. Operating Revenues and Expenses***

Operating revenues and expenses consisted of those revenues and expenses that result from the ongoing principal operations of the District. Operating revenues consisted primarily of charges for services. Nonoperating revenues and expenses consisted of those revenues and expenses that are related to financing and investing type of activities and resulted from non-exchange transactions or ancillary activities. When an expense is incurred for purposes for which there are both restricted and unrestricted net position available, it is the District's policy to apply those expenses to restricted net position to the extent such are available and then to unrestricted net position.

***I. Property Tax Revenue***

Assessed values are determined annually by the Alameda County Assessor (the County) as of January 1, and become a lien on real property as of January 1. Taxes are due November 1 and February 1 and are delinquent if not paid by December 10 and April 10, respectively. The District receives two different types of property tax revenue from the County.

The County is permitted by State Law (Proposition 13) to levy taxes at 1% of the full market value of the property (at the time of purchase) and can only increase the property's assessed valuation by reappraisals of property due to new construction or change. The County can also increase the property's assessed valuation for cost of living increases up to a maximum of 2% per year. A share of this base 1% property tax is allocated to the District. Property taxes collected by the taxing authority, but not remitted to the District at year-end, are accrued as revenue and included as taxes receivable. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. For the years ended June 30, 2021 and 2020, the District recognized \$6,937 and \$6,580 of this 1% property tax allocation levy.

The District also receives an override property tax amount that helps pay for the groundwater portion of both the fixed and variable costs of State water purchased by the District. The District projects such costs annually and requests that the County collect that amount. The annual request to the County is adjusted for prior year over or under collections of tax revenue, and actual prior year's State water purchase cost. For the years ended June 30, 2021 and 2020, the District recognized \$5,605 and \$5,443 of this State water property tax.

**Alameda County Water District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Fiscal Years Ended June 30, 2021 and 2020**  
**(Dollars in thousands)**

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**Note 2 – Summary of Significant Accounting Policies (Continued)**

***J. Capital Contributions***

Transmission and distribution system assets contributed to the District by installers are capitalized at the installers' costs, which is the value at the time of the District's acquisition, and recorded as capital contributions when received. Customers also provide funds for capital projects to install and repair service lines to their premises. In addition, the District, at various times, receives federal and State grants and other funds from external sources for construction and/or rehabilitation of its facilities. These contributed assets and cash funds are reported as capital contributions on the statement of revenues, expenses and changes in net position.

***K. Net Position***

In the statements of net position, net position is classified in the following categories:

*Net Investment in Capital Assets* – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt and deferred outflows of resources that is attributed to the acquisition, construction, or improvement of the assets.

*Restricted* – This amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments.

*Unrestricted* – This amount is all remaining amounts in net position that do not meet the definition of “net investment in capital assets” or “restricted net position”.

***L. Pensions and OPEB***

For purposes of measuring the net pension liability and net OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the fiduciary net position of the District's Pension and OPEB Plans (Plans) and additions to/deductions from the Plans fiduciary net position have been determined on the same basis as they are reported by the California Public Employees' Retirement System (CalPERS) and the California Employer's Retiree Benefit Trust Fund Program (CERBT). For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms.

***M. Use of Estimates***

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and the disclosure of contingent assets and liabilities. In addition, estimates affect the reported amount of expenses. Actual results could differ from these estimates and assumptions.

**Alameda County Water District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Fiscal Years Ended June 30, 2021 and 2020**  
**(Dollars in thousands)**

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**Note 2 – Summary of Significant Accounting Policies (Continued)**

***N. New GASB Pronouncements Adopted***

During the fiscal year ended June 30, 2021, the District implemented the following accounting standards:

- In January 2017, GASB issued Statement No. 84, *Fiduciary Activities* (GASB Statement No. 84), to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The statement establishes criteria for identifying fiduciary activities of all state and local governments. It also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. The implementation of this statement did not have a significant impact to the District's financial statements.
- In August 2018, GASB issued Statement No. 90, *Majority Equity Interests – an Amendment of GASB Statements No. 14 and No. 61* (GASB Statement No. 90), to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. This statement defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. The implementation of this statement did not have a significant impact to the District's financial statements.

***O. Upcoming New GASB Pronouncements***

The District is currently evaluating its accounting practices to determine the potential impact on the financial statements for the following GASB Statements:

- In June 2017, GASB issued Statement No. 87, *Leases* (GASB Statement No. 87), to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It also establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. GASB Statement No. 87, originally effective for the District's fiscal year ending June 30, 2021, has been postponed to fiscal year ending June 30, 2022.

**Alameda County Water District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Fiscal Years Ended June 30, 2021 and 2020**  
**(Dollars in thousands)**

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**Note 2 – Summary of Significant Accounting Policies (Continued)**

***O. Upcoming New GASB Pronouncements (Continued)***

- In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* (GASB Statement No. 89), to (1) enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period, and (2) simplify accounting for interest cost incurred before the end of a construction period. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. GASB Statement No. 89, originally effective for the District’s fiscal year ending June 30, 2021, has been postponed to fiscal year ending June 30, 2022.
- In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations* (GASB Statement No. 91), to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. GASB Statement No. 91, originally effective for the District’s fiscal year ending June 30, 2022, has been postponed to fiscal year ending June 30, 2023.
- In January 2020, GASB issued Statement No. 92, *Omnibus 2020* (GASB Statement No. 92), to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics. GASB Statement No. 92 originally effective for the District’s fiscal year ending June 30, 2021, has been postponed to fiscal year ending June 30, 2022.
- In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates* (GASB Statement No. 93), to address those and other accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR) – most notably, the London Interbank Offered Rate (LIBOR) which is expected to cease to exist in its current form at the end of 2021. GASB Statement No. 93 originally effective for the District’s fiscal year ending June 30, 2022, has been postponed to fiscal year ending June 30, 2022.
- In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* (GASB Statement No. 94) to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). GASB Statement No. 94 is effective for the District’s fiscal year ending June 30, 2023.

**Alameda County Water District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Fiscal Years Ended June 30, 2021 and 2020**  
**(Dollars in thousands)**

**Note 2 – Summary of Significant Accounting Policies (Continued)**

***O. Upcoming New GASB Pronouncements (Continued)***

- In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements* (GASB Statement No. 96), to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. GASB Statement No. 96 is effective for the District’s fiscal year ending June 30, 2023.
- In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - An Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32* (GASB Statement No. 97), to (1) increase consistency and comparability related to the reporting of fiduciary component units; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. GASB Statement No. 97 is effective for the District’s fiscal year ending June 30, 2022.

***P. Reclassification and Presentation***

Certain reclassifications of prior year’s balances have been made to conform with the current year presentation. The reclassifications have no effect on the total net position, change in net position or net changes in cash equivalents.

**Note 3 – Cash and Investments**

The District maintains an internal cash and investment pool in a single enterprise fund. Certain restricted funds that are held and invested by independent outside custodians through contractual agreements are not pooled, and are reported as restricted investments. For the years ended June 30, 2021 and 2020, the District did not have funds reported as restricted investments.

***A. Summary of Cash and Investments***

	2021	2020
Unrestricted cash and bank deposits	\$ 14,012	\$ 13,368
Unrestricted investments	188,845	191,758
Total cash and investments	\$ 202,857	\$ 205,126

**Alameda County Water District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Fiscal Years Ended June 30, 2021 and 2020**  
**(Dollars in thousands)**

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**Note 3 – Cash and Investments (Continued)**

**B. Authorized Investments**

The District's investment policy is adopted by the District's Board, in accordance with California Government Code Section 53601. The investment policy, which was last updated in June 2021, is reviewed for changes annually by the Board. The investment policy has the following objectives (in order of priority):

- **Safety:** Safety of principal is the foremost objective of the investment program. Investments of the District shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, diversification by issuer and type and maturity of securities will be made to avoid or minimize loss on individual securities.
- **Liquidity:** The portfolio will remain sufficiently liquid to enable the District to meet all operating and capital cash requirements, which might be reasonably anticipated.
- **Yield:** The portfolio shall be designed with the objective of providing a market rate of return while conforming to the safety and liquidity criteria above.

Under provisions of the District's investment policy, the District may invest in the following types of investments:

- Certificates of deposit that are FDIC-insured or fully collateralized time certificates of deposit in a financial institution issued by federally chartered or state-chartered banks or associations.
- United States Treasury notes, bonds, bills or other obligations for which full faith and credit of the United States are pledged for payment of principal and interest.
- Obligations issued by agencies or instrumentalities of the U.S. Government.
- Obligations issued by State of California or any agency within the State.
- Registered treasury notes or bonds of any of the other 49 United States in addition to California.
- Bankers' acceptances with a term not to exceed 180 days.
- Prime commercial paper with a term not to exceed 270 days and the highest rating issued by Moody's Investors Service or Standard & Poor's Corporation on the date of purchase.
- Negotiable certificates of deposit or deposit notes issued by a nationally or state-chartered bank, a savings association or a federal association, a state or federal credit union, or a federally licensed or state-licensed branch of a foreign bank; provided that the senior debt obligations of the issuing institution are rated with one of the three highest ratings categories of a nationally recognized statistical ratings organization (NRSRO).
- Medium-term notes issued by corporations organized and operating in the United States.
- The Local Agency Investment Fund (LAIF) maintained by the State of California.
- The California Asset Management Program (CAMP).
- Shares of beneficial interest issued by diversified management companies that are money market fund registered with the Securities and Exchange Commission under the Investment Company Act of 1940.
- Asset-Backed, mortgage-backed, mortgage pass-through securities and collateralized mortgage obligations.
- Supranationals, provided that issues are US dollar denominated senior unsecured unsubordinated obligations or unconditionally guaranteed by the International Bank of Reconstructions and Development, International Finance Corporation, or Inter-American Development Bank.

**Alameda County Water District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Fiscal Years Ended June 30, 2021 and 2020**  
**(Dollars in thousands)**

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**Note 3 – Cash and Investments (Continued)**

***B. Authorized Investments (Continued)***

A five year maximum maturity for each investment is allowed with the exception of those securities for which the California Government Code does not specify a maximum maturity limit, the District may purchase securities whose maturities do not exceed ten years. In addition, the investment policy requires that no more than 5% of the District's surplus funds may be deposited with or invested in securities issued by any one corporate, financial, or municipal issuer with the exception of the U.S. Treasury, federal agency institutions, and government sponsored enterprises.

In accordance with Section 53651 of the California Government Code, the District cannot invest in inverse floaters, range notes, or interest-only strips that are derived from a pool of mortgages, or in any security that could result in zero interest accrual if held to maturity, except as authorized by the California Government Code. The limitation does not apply to investments in shares of beneficial interest issued under the Investment Company Act of 1940 that are authorized investments under Section 53601 of the California Government Code.

***C. Deposits***

The carrying amount of the District's demand and time deposits balances were \$14,012 and \$13,368 and the bank balances were \$14,240 and \$15,668 at June 30, 2021 and 2020, respectively. The difference between the bank balance and the carrying amount represents outstanding checks and deposits in transit. The District's bank balances (demand deposits and non-negotiable certificates of deposit) were insured by the Federal Deposit Insurance Corporation (FDIC) and if over the FDIC limit collateralized by the pledging financial institutions as required by California Government Code at June 30, 2021 and 2020.

The California Government Code requires California banks and savings and loans associations to secure the District's deposits not covered by federal depository insurance by pledging government securities as collateral. The fair value of pledged securities must equal at least 110% of the District's deposits or 150% of mortgage-backed collateral. The collateral must be held at the pledging bank's trust department or other bank, acting as the pledging bank's agent, in the District's name.

***D. Investments***

The District's cash and investments are invested pursuant to investment policy guidelines established by the Board of Directors. The policy addresses the soundness of financial institutions in which the District deposits funds and the types of investment instruments as permitted by the California Government Code.

**Alameda County Water District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Fiscal Years Ended June 30, 2021 and 2020**  
**(Dollars in thousands)**

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**Note 3 – Cash and Investments (Continued)**

**D. Investments (Continued)**

The District is a voluntary participant in the Local Agency Investment Fund (LAIF), which is regulated by California Government Code and is under the oversight of the Treasurer of the State of California. The value of the pool shares in LAIF, which may be withdrawn at anytime, is determined on an amortized cost basis, which is different from the fair value of the District's position in the pool. The District's investments with LAIF at June 30, 2021 and 2020 included a portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments included the following:

- **Structured Notes** are debt securities (other than asset-backed securities) whose cash-flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.
- **Asset-Backed Securities, the bulk of which are mortgage-backed securities**, entitle their purchasers to receive a share of the cash flows from a pool of assets, such as principal and interest repayments from a pool of mortgages (such as CMO's) or credit card receivables.

As of June 30, 2021 and 2020, the District had unrestricted cash and investments of \$18,637 and \$19,602, respectively, invested in LAIF, which had invested 2.31% and 3.37% of the pooled investment funds in Structured Notes and Asset-Backed Securities. LAIF is part of the State's Pooled Money Investment Account (PMIA). PMIA has a total of \$193.3 billion and \$100.9 billion in its investment portfolio as of June 30, 2021 and 2020, respectively. The District valued its investments in LAIF as of June 30, 2021 and 2020, by multiplying its account balance with LAIF times a fair value factor determined by LAIF. This fair value factor was determined by dividing all LAIF participants' total aggregate fair value by total aggregate amortized cost resulting in a factor of 1.00008297 and 1.004912795 as of June 30, 2021 and 2020, respectively.

As of June 30, 2021 and 2020, the District had unrestricted cash and investments in the CAMP pool of \$496 and \$2,994, respectively. The total amount invested by all public agencies in CAMP at June 30, 2021 and 2020 was \$6.5 billion and \$6.6 billion, respectively. A board of five trustees who are officials or employees of public agencies has oversight responsibility for CAMP. The value of the pool shares in CAMP, which may be withdrawn at anytime, is determined on an amortized cost basis, which is different from the fair value of the District's position in the pool.

**Alameda County Water District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Fiscal Years Ended June 30, 2021 and 2020**  
**(Dollars in thousands)**

**Note 3 – Cash and Investments (Continued)**

**D. Investments (Continued)**

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The District does not have any of its investments using Level 1 and 3 inputs.

The following is a summary of the fair value hierarchy of investments held by District as of June 30, 2021 and 2020:

<b>Investments by Fair Value Level</b>	<b>June 30, 2021</b>	<b>Fair Value Measurements Using Significant Other Observable Inputs (Level 2)</b>
U.S. Treasury securities	\$ 59,108	\$ 59,108
U.S. Government agency obligations	49,052	49,052
Medium-term notes	38,243	38,243
Municipal bonds	1,703	1,703
Asset-Backed securities	8,243	8,243
Supranational securities	10,547	10,547
Negotiable certificates of deposit	2,816	2,816
Total investments by fair value level	<u>169,712</u>	<u>\$ 169,712</u>
Investments not subject to fair value hierarchy:		
Local Agency Investment Fund	18,637	
California Asset Management Program	496	
Total investments not subject to fair value hierarchy	<u>19,133</u>	
Total investments	<u>\$ 188,845</u>	

**Alameda County Water District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Fiscal Years Ended June 30, 2021 and 2020**  
**(Dollars in thousands)**

**Note 3 – Cash and Investments (Continued)**

**D. Investments (Continued)**

	<b>June 30, 2020</b>	<b>Fair Value Measurements Using Significant Other Observable Inputs (Level 2)</b>
<b>Investments by Fair Value Level</b>		
U.S. Treasury securities	\$ 82,829	\$ 82,829
U.S. Government agency obligations	35,121	35,121
Medium-term notes	34,484	34,484
Municipal bonds	2,365	2,365
Asset-Backed securities	2,695	2,695
Supranational securities	1,794	1,794
Negotiable certificates of deposit	9,874	9,874
Total investments by fair value level	<u>169,162</u>	<u>\$ 169,162</u>
<b>Investments not subject to fair value hierarchy:</b>		
Local Agency Investment Fund	19,602	
California Asset Management Program	2,994	
Total investments not subject to fair value hierarchy	<u>22,596</u>	
Total investments	<u>\$ 191,758</u>	

Investments securities classified in Level 2 of the fair value hierarchy are valued using prices determined by the use of matrix pricing techniques maintained by the pricing vendors for these securities. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

**Alameda County Water District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Fiscal Years Ended June 30, 2021 and 2020**  
**(Dollars in thousands)**

**Note 3 – Cash and Investments (Continued)**

**E. Investment Risks**

*Interest Rate Risk.* As a means of limiting its exposure to fair value losses arising from rising interest rates, the District’s investment policy provides that final maturities of securities cannot exceed five years, except in limited circumstances. At June 30, 2021 and 2020, the District’s investment pool had a weighted average maturity of 2.74 years and 2.69 years, respectively. The District invested \$38,243 and \$34,484 in corporate medium-term notes at June 30, 2021 and 2020, respectively and of this amount \$23,485 and \$19,678 were in callable notes. These investments are highly sensitive to interest rate changes and are callable at par prior to maturity based on these rate changes.

*Credit Risk.* 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. According to the District’s investment policy and under a provision sunsetting on January 1, 2026, no more than 40% of the total portfolio may be invested in commercial paper. Additionally, no more than 30% of the total portfolio may be invested in medium-term corporate notes and no more than 40% of the total portfolio may be invested in bankers’ acceptances other than the U.S. Government, its agencies and instrumentalities and LAIF. If a security is downgraded by either Moody’s or S&P to a level below the minimum quality required by the District, the District will determine whether to retain or liquidate the security based upon criteria set forth in the District’s Investment Policy.

*Concentration of Credit Risk.* The District’s Investment Policy does not contain limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code and/or its investment policy. U.S. Treasury and agency securities explicitly guaranteed by the U.S. Government are not subject to single issuer limitation. See Note 3F for the District’s concentration of credit risk details.

*Custodial Credit Risk.* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District’s investments, with the exception of the money market funds, LAIF and CAMP, are held by a third-party custodian in the District’s name, which is U.S. Bank.

**F. Cash and Investments Composition**

As of June 30, 2021, the District had the following investments and maturities:

Investment Type	Credit Ratings Moody's/S&P	Fair Value	Maturities (in years)		
			Less than 1	1-3 years	3-5 years
Unrestricted investments:					
U.S. Treasury securities	Aaa / AA+	\$ 59,108	\$ 1,920	\$ 40,066	\$ 17,122
U.S. Government agency obligations	Aaa / AA+	49,052	5,606	19,929	23,517
Medium-term notes	Baa1 to Aaa/BBB+ to AAA	38,243	5,268	13,769	19,206
Municipal bonds	Aa3 / AA-	1,703	-	1,567	136
Asset-Backed securities	Aaa / AAA	8,243	-	2,829	5,414
Supranational	Aaa / AAA	10,547	-	-	10,547
Negotiable certificates of deposit	A1 to P-1/A+ to A-1	2,816	-	2,816	-
Local Agency Investment Fund	Not Rated	18,637	18,637	-	-
California Asset Management Program	Not Rated / AAAM	496	496	-	-
Total unrestricted investments		<u>188,845</u>	<u>31,927</u>	<u>80,976</u>	<u>75,942</u>
Total investments		<u>\$ 188,845</u>	<u>\$ 31,927</u>	<u>\$ 80,976</u>	<u>\$ 75,942</u>

As of June 30, 2021, the District does not have investments in a single issuer, excluding those backed by the U.S. Government, that represent 5% or more of the District’s unrestricted and restricted investment portfolios.

**Alameda County Water District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Fiscal Years Ended June 30, 2021 and 2020**  
**(Dollars in thousands)**

**Note 3 – Cash and Investments (Continued)**

**F. Cash and Investments Composition (Continued)**

As of June 30, 2020, the District had the following investments and maturities:

Investment Type	Credit Ratings Moody's/S&P	Fair Value	Maturities (in years)		
			Less than 1	1-3 years	3-5 years
Unrestricted investments:					
U.S. Treasury securities	Aaa / AA+	\$ 82,829	\$ 3,758	\$ 48,224	\$ 30,847
U.S. Government agency obligations	Aaa / AA+	35,121	-	13,335	21,786
Medium-term notes	Baa1 to Aaa/BBB+ to AAA	34,484	10,366	12,073	12,045
Municipal bonds	Aa3 / AA-	2,365	656	-	1,709
Asset-Backed securities	Aaa / AAA	2,695	579	-	2,116
Supranational	Aaa / AAA	1,794	-	-	1,794
Negotiable certificates of deposit	A1 to P-1/A+ to A-1	9,874	7,017	2,857	-
Local Agency Investment Funds	Not Rated	19,602	19,602	-	-
California Asset Management Program	Not Rated / AAAm	2,994	2,994	-	-
Total unrestricted investments		<u>191,758</u>	<u>44,972</u>	<u>76,489</u>	<u>70,297</u>
Total investments		<u>\$ 191,758</u>	<u>\$ 44,972</u>	<u>\$ 76,489</u>	<u>\$ 70,297</u>

As of June 30, 2020, the District did not have investments in a single issuer, excluding those backed by the U.S Government, that represented 5% or more of the District's unrestricted and restricted investment portfolios.

**Note 4 – Customer and Other Accounts Receivable**

Customer and other accounts receivable were as follows:

	2021	2020
Utility service	\$ 8,035	\$ 7,040
Groundwater replenishment	8	67
Other	6,950	5,784
Allowance for doubtful accounts	(40)	(33)
Total customer and other accounts receivable, net	<u>\$ 14,953</u>	<u>\$ 12,858</u>

Other accounts receivable balance of \$6,950 and \$5,784 for June 30, 2021 and 2020, respectively, represents accrued receivables for customer installation jobs and other miscellaneous receivables.

**Alameda County Water District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Fiscal Years Ended June 30, 2021 and 2020**  
**(Dollars in thousands)**

**Note 5 – Capital Assets**

**A. Summary of Capital Asset Activity**

Capital asset activity for the fiscal year ended June 30, 2021 was as follows:

	Balance July 1, 2020	Additions	Retirements	Transfers	Balance June 30, 2021
Capital assets, not being depreciated:					
Land	\$ 9,609	\$ -	\$ (8)	\$ -	\$ 9,601
Construction in progress	45,436	46,676	-	(16,594)	75,518
Capital assets, not being depreciated	<u>55,045</u>	<u>46,676</u>	<u>(8)</u>	<u>(16,594)</u>	<u>85,119</u>
Capital assets, being depreciated					
Source of supply	81,630	-	-	4,055	85,685
Pumping plant	25,585	-	-	816	26,401
Water treatment	166,705	-	-	850	167,555
Transmission and distribution	358,378	6,633	(23)	8,577	373,565
General	54,180	-	(475)	2,296	56,001
Supplemental water supply storage	20,860	-	-	-	20,860
Capital assets, being depreciated	<u>707,338</u>	<u>6,633</u>	<u>(498)</u>	<u>16,594</u>	<u>730,067</u>
Less accumulated depreciation					
Source of supply	(46,035)	(1,456)	-	-	(47,491)
Pumping plant	(18,977)	(545)	-	-	(19,522)
Water treatment	(66,041)	(3,301)	-	-	(69,342)
Transmission and distribution	(147,312)	(6,776)	18	-	(154,070)
General	(31,271)	(2,020)	475	-	(32,816)
Supplemental water supply storage	(10,705)	(636)	-	-	(11,341)
Less accumulated depreciation	<u>(320,341)</u>	<u>(14,734)</u>	<u>493</u>	<u>-</u>	<u>(334,582)</u>
Capital assets, being depreciated, net	<u>386,997</u>	<u>(8,101)</u>	<u>(5)</u>	<u>16,594</u>	<u>395,485</u>
Total capital assets, net	<u>\$ 442,042</u>	<u>\$ 38,575</u>	<u>\$ (13)</u>	<u>\$ -</u>	<u>\$ 480,604</u>

**Alameda County Water District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Fiscal Years Ended June 30, 2021 and 2020**  
**(Dollars in thousands)**

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**Note 5 – Capital Assets (Continued)**

**A. Summary of Capital Asset Activity (Continued)**

The District had various active construction projects as of June 30, 2021 including the following:

Rubber Dam #1 Fish Ladder	\$ 29,960
Alvarado-Niles Spine Main	16,571
Shinn Pond Fish Screen	11,022
Various Other Active Projects (individually less than \$700)	4,020
Advance Metering Infrastructure	2,471
Vallecitos Channel Improvement	2,045
Distribution PLC Replacement - Phase 2	1,723
Customer Installation Jobs	1,684
Driscoll Road Pipeline Rehabilitation	1,520
Canyon Heights Booster Station	1,417
Central Newark Pipeline Improvements	1,169
Newark Desal Reverse Osmosis	1,129
Kaiser Pond Diversion Pipeline Improvement	787
Total	<u>\$ 75,518</u>

At June 30, 2021, the District had construction commitments for the acquisition and construction of capital assets in the amount of \$57,435.

**Alameda County Water District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Fiscal Years Ended June 30, 2021 and 2020**  
**(Dollars in thousands)**

**Note 5 – Capital Assets (Continued)**

**A. Summary of Capital Asset Activity (Continued)**

Capital asset activity for the fiscal year ended June 30, 2020 was as follows:

	Balance July 1, 2019	Additions	Retirements	Transfers	Balance June 30, 2020
Capital assets, not being depreciated:					
Land	\$ 9,610	\$ -	\$ (1)	\$ -	\$ 9,609
Construction in progress	23,982	31,430	-	(9,976)	45,436
Capital assets, not being depreciated	33,592	31,430	(1)	(9,976)	55,045
Capital assets, being depreciated					
Source of supply	81,563	-	-	67	81,630
Pumping plant	25,353	-	-	232	25,585
Water treatment	166,153	-	-	552	166,705
Transmission and distribution	347,969	2,822	(21)	7,608	358,378
General	52,910	-	(247)	1,517	54,180
Supplemental water supply storage	20,860	-	-	-	20,860
Capital assets, being depreciated	694,808	2,822	(268)	9,976	707,338
Less accumulated depreciation					
Source of supply	(44,650)	(1,385)	-	-	(46,035)
Pumping plant	(18,451)	(526)	-	-	(18,977)
Water treatment	(62,738)	(3,303)	-	-	(66,041)
Transmission and distribution	(140,745)	(6,582)	15	-	(147,312)
General	(29,451)	(2,067)	247	-	(31,271)
Supplemental water supply storage	(10,069)	(636)	-	-	(10,705)
Less accumulated depreciation	(306,104)	(14,499)	262	-	(320,341)
Capital assets, being depreciated, net	388,704	(11,677)	(6)	9,976	386,997
Total capital assets, net	\$ 422,296	\$ 19,753	\$ (7)	\$ -	\$ 442,042

Depreciation and amortization expense for capital assets for the years ended June 30, 2021 and 2020 were \$14,734 and \$14,499, respectively.

**Alameda County Water District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Fiscal Years Ended June 30, 2021 and 2020**  
**(Dollars in thousands)**

**Note 5 – Capital Assets (Continued)**

**B. Supplemental Water Supply Storage**

In 1996 and in 2001, the District entered into two agreements for a water banking and exchange program with Semitropic Water Storage District and its Improvement District (Semitropic). The entities are used for storage, withdrawal, and exchange rights for the District's State Water Project supplies. Under the 1996 agreement (for 5% of the Semitropic program capacity), the District pays the capital component when storing and recovering water. Under the 2001 agreement (for an additional 10% of the program capacity), the District has paid for the capital costs through fixed annual payments. Payments used for the construction of capital assets, such as pipelines, pumping facilities, storage facilities, etc., are capitalized and amortized over the life of the agreements.

The agreements terminate in November 2035. The historical costs of the District's water storage in the amount of \$20,860 as of June 30, 2021 and 2020 are amortized over the remaining life of the agreement. The District recognized amortization expense in the amount of \$636 for the years ended June 30, 2021 and 2020.

The District has a storage allocation of 150,000 acre-feet and had stored approximately 130,507 and 143,826 acre-feet of water at June 30, 2021 and 2020, respectively.

**C. Mission San Jose Water Treatment Plant**

On July 30, 2015, the Board approved to temporarily decommission the Mission San Jose Water Treatment Plant (MSJ Plant). This temporary decommission is a result of the positive customer response for water conservation that reduced water demands and production needs. The District will continue to monitor the water demands and plans to re-open the MSJ Plant once the water demands increase to suitable levels.

**Note 6 – Accounts Payable, Accrued Expenses and Accrued Payroll**

Accounts payable and accrued expenses were as follows:

	2021	2020
Vendors	\$ 10,788	\$ 7,986
Retention payable	789	770
Installer's reimbursement	3,931	3,422
Other	2,048	1,432
Total	\$ 17,556	\$ 13,610

Installers' reimbursement funds are designated to reimburse certain developers for a portion of the cost as defined by the District, of oversized mains, main extensions, storage tanks, and other facilities constructed or installed by them at the request of the District. The terms of the agreements provide that such costs are reimbursable over a period of up to ten years out of certain cash receipts collected from contractors subsequently connecting to those previously installed mains. Such receipts are deposited in a cash deposits account separately for transmittal to the developers. The amount of such receipts, which had not been remitted as of June 30, 2021 and 2020, were \$3,931 and \$3,422, respectively. In the event that the designated future cash receipts from contractors are not adequate to fully reimburse the developers for the eligible construction cost incurred by the end of the ten-year period, the District will have no future obligation to the developers. On May 1, 2019, the District discontinued the Facilities Reimbursement Charge which is the fee that funds the installer's reimbursement fund.

**Alameda County Water District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Fiscal Years Ended June 30, 2021 and 2020**  
**(Dollars in thousands)**

**Note 6 – Accounts Payable, Accrued Expenses and Accrued Payroll (Continued)**

Accrued payroll and related liabilities were as follows:

	2021	2020
Accrued payroll	\$ 1,549	\$ 1,367
Accrued vacation	2,300	1,899
Accrued leave and other	1,412	1,300
Total	5,261	4,566
Less current portion	(4,179)	(4,003)
Long-term portion	<u>\$ 1,082</u>	<u>\$ 563</u>

Accrued vacation activity is as follows:

	2021	2020
Balance, beginning of year	\$ 1,899	\$ 1,737
Additions	1,982	1,860
Reduction	(1,581)	(1,698)
Balance, end of year	<u>\$ 2,300</u>	<u>\$ 1,899</u>

Current portion of accrued vacation, leave and other is approximated by averaging the compensation balances paid out over the past three fiscal years.

**Note 7 – Long-Term Debt**

Long-term debt activities for the fiscal year ended June 30, 2021 were as follows:

Description	Interest Rate	Fiscal Year Maturity	Original Amount	Beginning Balance July 1, 2020	Additions	Reductions	Ending Balance June 30, 2021	Current	Noncurrent
2012 Water System Revenue Bonds	3.00 to 5.00%	2041	\$ 45,240	\$ 43,085	\$ -	\$ (2,335)	\$ 40,750	\$ 2,400	\$ 38,350
Unamortized premium				2,024	-	(96)	1,928	96	1,832
2015 Water System Revenue Bonds	4.00 to 5.00	2045	27,810	25,295	-	(580)	24,715	610	24,105
Unamortized premium				2,256	-	(91)	2,165	91	2,074
Total Long-term Debt			<u>\$ 73,050</u>	<u>\$ 72,660</u>	<u>\$ -</u>	<u>\$ (3,102)</u>	<u>\$ 69,558</u>	<u>\$ 3,197</u>	<u>\$ 66,361</u>

**Alameda County Water District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Fiscal Years Ended June 30, 2021 and 2020**  
**(Dollars in thousands)**

**Note 7 – Long-Term Debt (Continued)**

Long-term debt activities for the fiscal year ended June 30, 2020 were as follows:

Description	Interest Rate	Fiscal Year Maturity	Original Amount	Beginning Balance July 1, 2019	Additions	Reductions	Ending Balance June 30, 2020	Current	Noncurrent
2009 Water System Refunding									
Revenue Bonds	2.00 to 5.00%	2020	\$ 26,340	\$ 2,780	\$ -	\$ (2,780)	\$ -	\$ -	\$ -
Unamortized premium				119	-	(119)	-	-	-
2012 Water System Revenue Bonds	3.00 to 5.00	2041	45,240	43,385	-	(300)	43,085	2,335	40,750
Unamortized premium				2,119	-	(96)	2,024	96	1,928
2015 Water System Revenue Bonds	4.00 to 5.00	2045	27,810	25,850	-	(555)	25,295	580	24,715
Unamortized premium				2,347	-	(91)	2,256	91	2,165
Total Long-term Debt			<u>\$ 99,390</u>	<u>\$ 76,600</u>	<u>\$ -</u>	<u>\$ (3,941)</u>	<u>\$ 72,660</u>	<u>\$ 3,102</u>	<u>\$ 69,558</u>

**Water System Revenue Bonds**

The Water System Revenue Bonds are issued primarily to finance the construction of capital improvements related to the District’s water system. The bonds are payable solely from and secured by the revenues received from the operation of the District’s water system. The District has covenanted that it will fix, prescribe and collect rates, fees and charges for use of the District’s water system during each fiscal year, which are least sufficient to yield in each fiscal year net revenues equal to 125% of the debt service for such fiscal year, plus any amount necessary to restore the bond reserve fund to the reserve requirement. The total principal and interest remaining to be paid on the bonds is \$93,379. Principal and interest paid for the year ended June 30, 2021 and total net revenues as defined in the bond indentures were \$5,529 and \$34,418, respectively. Principal and interest paid for the year ended, June 30, 2020 and total net revenues as defined in the bond indentures were \$6,377 and \$55,337 respectively.

Events of default under the Installment Purchase Contract include, but are not limited to, a failure to pay principal or interest, or a failure to pay the purchase price of a bond when due upon an optional or mandatory tender date. District bankruptcy, reorganization, receivership, etc., are also considered default events, as is the failure to observe any covenant, provision or condition of the Installment Purchase Contract or the Trust Agreement, which continues for a period of 60 days after notice.

The debt service requirements for the Water System Revenue Bonds at June 30, 2021 were as follows:

Year Ending June 30,	Principal	Interest	Total
2022	\$ 3,010	\$ 2,469	\$ 5,479
2023	3,105	2,318	5,423
2024	3,220	2,162	5,382
2025	3,340	2,028	5,368
2026	3,465	1,886	5,351
2027-2031	14,190	7,829	22,019
2032-2036	13,260	5,622	18,882
2037-2041	15,970	2,995	18,965
2042-2045	5,905	605	6,510
Total	<u>\$ 65,465</u>	<u>\$ 27,914</u>	<u>\$ 93,379</u>

**Alameda County Water District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Fiscal Years Ended June 30, 2021 and 2020**  
**(Dollars in thousands)**

**Note 7 – Long-Term Debt (Continued)**

**Letter of Credit**

The District entered into a one-year, unsecured \$10.0 million revolving credit agreement with JP Morgan Chase Bank on December 27, 2017 for the purpose of borrowing funds when needed to respond to a declared emergency. The agreement has subsequently been amended three times with the most recent amendment on December 8, 2020. With the third amendment, the commitment fee rate assessed against any unused portion of the line of credit remained at 0.35%. Any funds borrowed must be repaid by December 23, 2021 unless a later date is negotiated. Interest will be assessed on any funds borrowed under the line of credit at 70 percent of the London interbank offered rate (LIBOR) plus 0.55% for taxable loans. The District did not borrow against the line of credit as of June 30, 2021 and 2020.

**Arbitrage**

Under U.S. Treasury Department regulations, all governmental tax-exempt debt issued after August 31, 1986 is subject to arbitrage rebate requirements. The requirements stipulate, in general, that the earnings from the investment of tax-exempt bond proceeds that exceed related interest expenditures on the bonds must be remitted to the federal government on every fifth anniversary of each bond issue. The District has evaluated each debt issue subject to the arbitrage rebate requirements and does not have a rebatable arbitrage liability as of June 30, 2021 and 2020.

**Note 8 – Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The District participates in the Association of California Water Agencies Joint Powers Insurance Authority Worker’s Compensation, Property and Liability Insurance Programs for risk of loss. These programs provide worker’s compensation, general liability, property, auto, boiler and machinery, employment practices liability, employee and public official’s dishonesty coverage, employment benefits liability, cyber liability, employee and public official errors and omissions and public official personal liability insurance coverage.

The District did not have settled claims that exceeded the District’s insurance coverage in any of the past three years.

The District’s deductibles and maximum coverage as of June 30, 2021 are as follows:

Coverage Description	Deductibles	Coverage
General, Auto & Public Officials Errors & Omissions Liability	\$ -	\$ 55,000
Cyber	\$ -	\$ 5,000
Property	\$ 100	\$ 500,000
Workers' Compensation	\$ -	Statutory
Employee Dishonesty	\$ 1	\$ 1,000
Underground Storage Tank Liability	\$ 10	\$ 3,000

**Alameda County Water District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Fiscal Years Ended June 30, 2021 and 2020**  
**(Dollars in thousands)**

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**Note 9 – Commitments**

**State of California** - In 1961, the District entered into a contract with the State of California (the “State”) to purchase water through the year 2035. A contract amendment to extend the term of the contract through 2085 is in process. The District’s actual State Water Project water purchases for the fiscal years ended June 30, 2021 and 2020 were approximately 20,803 and 22,062 acre-feet, respectively. Since 2012, the maximum annual Table A Allocation has been 42,000 acre-feet. In any year when the Table A Allocation is in excess of the District’s needs, the State will attempt to sell such excess and credit the District or store the water for future use. The costs to the District for water purchased under this contract for the fiscal years ended June 30, 2021 and 2020 were approximately \$9,873 and \$9,567, respectively, and were charged to operations as incurred.

The District’s water is delivered through facilities constructed and operated by the State. The cost of the water is determined annually by the State and includes reimbursement to the State for the District’s portion of the costs of construction and operation of these facilities. The District’s commitment under the State water contract will remain in effect until 2036 or until the cost of the State’s facilities is recovered, whichever is longer. The commitment is subject to increase in future years as a result of additional improvements and higher-than-anticipated operating costs, and is projected by the State to be \$167,639 as of June 30, 2021.

Year Ending June 30,	State Water Purchase Commitment
2022	\$ 11,174
2023	11,117
2024	11,418
2025	11,609
2026	11,596
2027 - 2031	58,107
2032 - 2036	52,618
Total Water Purchase	<u>\$ 167,639</u>

**Alameda County Water District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Fiscal Years Ended June 30, 2021 and 2020**  
**(Dollars in thousands)**

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**Note 9 – Commitments (Continued)**

**City and County of San Francisco** - The District entered into a water sales contract with the City and County of San Francisco in June 1984. That contract was renewed in July 2009 to purchase certain minimum amounts of water over a 25-year period and is administered by the San Francisco Public Utilities Commission (“SFPUC”). The costs to the District for water purchased under this contract for the fiscal years ended June 30, 2021 and 2020 were approximately \$21,195 and \$17,733, respectively, and were charged to operations as incurred. The District is obligated under the term of the agreement to make a minimum purchase of 8,567 acre-feet of water per year through 2034 at the then-current cost of water. In the event that the SFPUC is unable to supply sufficient water to all users, the available water will be ratably apportioned among contractors with the District liable only for actual water delivered. The District purchased 10,650 and 8,747 acre-feet of water for the fiscal years ended June 30, 2021 and 2020, respectively. For the fiscal year ending June 30, 2022, the District expects to purchase 10,311 acre-feet (1,744 acre-feet above the required minimum of 8,567 acre-feet) at an estimated cost of \$20,164.

**Bay Area Water Supply and Conservation Agency** - The District belongs to the Bay Area Water Supply and Conservation Agency (“BAWSCA”), which represents the interests of 24 cities and water districts, and two private utilities that purchase water wholesale from the San Francisco regional water system. On January 31, 2013, BAWSCA issued bonds in the amount of \$335.8 million to raise the funds necessary to prepay capital commitments owed to the City and County of San Francisco by BAWSCA member agencies and thereby realizing a present value savings of approximately \$62.3 million for all member agencies. For the District, this translates into an annual net savings for purchased water cost of approximately \$197.

Prior to the bond issuance, there were \$356 million in capital cost recovery payments that were outstanding and being repaid as a part of the SFPUC’s wholesale commodity charge. The capital cost recovery payments were being repaid at a fixed interest rate of 5.13% and were part of the Wholesale Revenue Requirement to the Water Supply Agreement negotiated with SFPUC in 2009. The bonds refinanced this debt at an average interest rate of 3.14%.

The BAWSCA issued revenue bonds are secured by a surcharge on BAWSCA member agencies. SFPUC will collect the surcharge and send the amount to BAWSCA for payment to bond holders. The surcharge would be in place for the term of the bonds, which will end in 2034. The surcharge is on the SFPUC wholesale water bill and is accounted for by the District as water purchases expense.

BAWSCA’s annual debt service amount for the fiscal year ended June 30, 2021 is \$24,674. The annual surcharge for each agency will be based on the actual wholesale water purchase percentage from the last full year for which data is available with an annual reconciliation based on the actual water purchased. A true-up adjustment based on the actual fiscal year ended June 30, 2021 water use will be included in the fiscal year ending June 30, 2023 bond surcharge. The District’s fiscal year ended June 30, 2021 bond surcharge was \$2,773, which includes a true-up adjustment of \$13. The District’s estimated bond surcharge for fiscal year ending June 30, 2022 is \$2,522, which includes a true-up adjustment of \$130. Audited financial statements for BAWSCA may be obtained from BAWSCA at 155 Bovet Road Suite 650, San Mateo, California, 94402.

**Alameda County Water District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Fiscal Years Ended June 30, 2021 and 2020**  
**(Dollars in thousands)**

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**Note 9 – Commitments (Continued)**

**Delta Conveyance Finance Authority** - On July 3, 2018, the District along with two other agencies formed the Delta Conveyance Finance Authority (“DCFA”). Subsequently, eight additional agencies have joined the DCFA. The DCFA was formed with the intent of issuing debt to fund a delta conveyance project. Each member agency shares equally in DCFA administrative costs, but obligations from any future debt issuance will be split according to water allocations. The District has a 1% share of State Water Project Table A allocations, but the District’s actual cost share for delta conveyance may vary depending on project participation. To-date no debt has been issued by the DCFA and it is unknown when debt will be issued. On April 29, 2019, California Governor Gavin Newsom signed executive order N-10-19, directing State agencies to develop a comprehensive statewide strategy to build a climate-resilient water system, including modernization of conveyance through the California Bay-Delta through a single-tunnel project. Accordingly, on May 2, 2019 the California Department of Water Resources (“DWR”) withdrew proposed permits for the California WaterFix project in order to pursue a new environmental review and planning process for a Delta conveyance project aligned with the Governor’s vision. DWR initiated the State environmental review process for the revised project by issuing a Notice of Preparation on January 15, 2020 and the U.S. Army Corps of Engineers initiated the federal environmental review process by issuing a Notice of Intent August 20, 2020. State and federal permitting processes are currently expected to be completed in mid-2024.

**Litigation** – In the normal course of business, the agencies to which the District has financial commitments may be subject to various lawsuits related to their operations to provide water to the District and their other customers. From time-to-time damages may be sought in those lawsuits. Neither the ultimate outcome of these lawsuits nor the potential financial responsibility of the District should there be an adverse outcome are presently determinable.

**Note 10 – Pension Plans**

**A. General Information about the Pension Plans**

**Plan Descriptions** - All qualified permanent and probationary employees are eligible to participate in the District’s Pension Plan (Plan) administered by CalPERS, which acts as a common investment and administrative agent for its participating member employers. The plan is an agent multiple-employer defined benefit pension plan. Benefit provisions under the Plan are established by State statute and District resolution. CalPERS issues a separate publicly available annual comprehensive financial report that includes a full description of the Pension Plan benefit provisions, assumptions and membership information. Copies of the annual financial report are available on the CalPERS website at [www.calpers.ca.gov/](http://www.calpers.ca.gov/) under Forms and Publications or may be obtained from the CalPERS Executive Office, 400 Q Street, Sacramento, California 95811.

Effective January 1, 2009, the District implemented an employer paid member contribution (EPMC) agreement for employees in its Management, Confidential and Professional group that are CalPERS classic members. Under this agreement, the District pays 2.5% of the eligible employees normal contribution to CalPERS (8%) and reports it as an additional contribution. For the fiscal years ended June 30, 2021 and 2020, the District’s EPMC was \$270 and \$263, respectively.

The State passed the California Public Employees’ Pension Reform Act (PEPRA), which became effective on January 1, 2013. PEPRA changes included the classification of active employees into two distinct classifications: classic members and new members. Classic members represent active members hired before January 1, 2013, and retain the pension plan benefits then in effect. New members are active members hired on or after January 1, 2013, and are subject to PEPRA. The employees normal contribution to CalPERS for PEPRA members is 7%

**Alameda County Water District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Fiscal Years Ended June 30, 2021 and 2020**  
**(Dollars in thousands)**

**Note 10 – Pension Plans (Continued)**

**A. General Information about the Pension Plans (Continued)**

**Benefits Provided** – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Classic and new members with five years of total service are eligible to retire, with statutorily reduced benefits, at age 50 and 52, respectively. The death benefit is one of the following: the Basic Death Benefit, the 1959 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustment for the plan is applied as specified by the Public Employees’ Retirement Law.

The Plan’s provisions and benefits in effect for the fiscal years ended June 30, 2021 and 2020 are summarized as follows:

Hire date	Prior to January 1, 2013	On or after January 1, 2013 <sup>(1)</sup>
Benefit formula	2.5% @ 55	2% @ 62
Benefit vesting schedule	5 Years Service	5 Years Service
Benefit payments	Monthly for Life	Monthly for Life
Earliest retirement age	50	52
Monthly benefits as a % of eligible compensation	2.0% to 2.5%	1.0% to 2.0%
Required employer contribution rates	8.00%	7.00%
Required employer contribution rates, June 30, 2021 <sup>(2)</sup>	21.558%	14.850%
Required employer contribution rates, June 30, 2020 <sup>(2)</sup>	20.448%	14.433%

(1) For "new members" as defined by the Public Employee's Pension Reform Act (PEPRA)

(2) Excludes contribution payments for unfunded liability

At June 30, 2021 and 2020, the following employees were covered by the benefit terms:

	2021	2020
Inactive employees receiving benefits	217	222
Inactive employees entitled to but not yet receiving benefits	101	96
Active members	319	253
Total	<u>637</u>	<u>571</u>

**Contributions** – Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan is determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

**Alameda County Water District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Fiscal Years Ended June 30, 2021 and 2020**  
**(Dollars in thousands)**

**Note 10 – Pension Plans (Continued)**

**B. Net Pension Liability**

Active plan members are required by state statute to contribute 8% of their annual covered salary for classic members and 7% for new members. The District actuarially determined rate for the fiscal years ended June 30, 2021 and 2020 was 21.558% and 20.448% for classic members, and 14.850% and 14.433% for new members, of annual covered payroll for the District’s employees, which amounted to \$9,166 and \$8,773, respectively. In addition to the required contributions, the District made supplementary payments in the fiscal years ended June 30, 2021 and 2020 of \$5,506 and \$5,975, respectively. These supplementary contributions were made to finance the unfunded accrued liability.

The District net pension liability for the Plan is measured as the total pension liability, less the pension plan’s fiduciary net position. The Plan’s net pension liability as of June 30, 2021 and 2020 were measured as of June 30, 2020 and 2019 (measurement date), using an annual actuarial valuation of June 30, 2019 and 2018, respectively.

**Actuarial Assumptions** – For the years ended June 30, 2021 and 2020, the pension liability was determined by rolling forward the total pension liability from the valuation date to the measurement date. The total pension liability was determined using the following actuarial assumptions:

	2021	2020
Measurement Date	June 30, 2020	June 30, 2019
Valuation Date	June 30, 2019	June 30, 2018
Actuarial Cost Method	Entry Age Normal Cost	Entry Age Normal Cost
Actuarial Assumptions:		
Discount Rate	7.15%	7.15%
Inflation	2.50%	2.50%
Payroll Growth	2.75%	2.75%
Projected Salary Increase	Varies depending on Age and Service	Varies depending on Age and Service
Mortality*	Based on the 2017 CalPERS Experience Study from 1997 to 2015	Based on the 2017 CalPERS Experience Study from 1997 to 2015
Post Retirement Benefit Increase	The lesser of contract cost of living adjustment or 2.5% until Purchasing Power Allowance Floor on Purchasing Power applies, 2.5% thereafter.	The lesser of contract cost of living adjustment or 2.5% until Purchasing Power Allowance Floor on Purchasing Power applies, 2.5% thereafter.

\*The mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using the Society of Actuaries 90% of Scale MP 2016.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2019 and 2018 valuations were based on the results of an actuarial experience study for the period from 1997 to 2015 including updates to salary, increased mortality and retirement date. Further details of the experience study can be found on the CalPERS website at [www.calpers.ca.gov](http://www.calpers.ca.gov) under Forms and Publications.

**Alameda County Water District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Fiscal Years Ended June 30, 2021 and 2020**  
**(Dollars in thousands)**

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**Note 10 – Pension Plans (Continued)**

**B. Net Pension Liability (Continued)**

**Discount Rate** – The discount rate used to measure the total pension liability at June 30, 2020 and 2019 was 7.15 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the discount rate is adequate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.15 percent is applied to all plans in the Public Employees Retirement Fund agent multiple-employer plan for the June 30, 2020 and 2019 measurement dates, respectively. The stress test results are presented in a detailed report named “GASB Crossover Testing Report” that can be obtained from the CalPERS website under the GASB Statement No. 68 section.

According to GASB Statement No. 68, the long-term discount rate should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. Administrative expenses are assumed to be 15 basis points. The discount rate of 7.15 percent used for the June 30, 2020 and June 30, 2019 measurement date, respectively, is without a reduction for pension plan administrative expense.

CalPERS reviews all actuarial assumptions as part of its regular Asset Liability Management review cycle. Any changes to the discount rate will require CalPERS Board action and proper stakeholder outreach. CalPERS will continue to check the materiality of the difference in calculation until such time as it changes its methodology.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds’ asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

**Alameda County Water District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Fiscal Years Ended June 30, 2021 and 2020**  
**(Dollars in thousands)**

**Note 10 – Pension Plans (Continued)**

**B. Net Pension Liability (Continued)**

The assumed asset allocation and expected real rates of return by asset class for the June 30, 2020 and 2019 measurement dates were as follows:

Asset Class	Assumed Asset Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Estate	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
Total	<u>100.00%</u>		

(a) An expected inflation of 2.00% used for this period

(b) An expected inflation of 2.92% used for this period

**C. Changes in the Net Pension Liability**

The following table shows the changes in the net pension liability for the fiscal year ended June 30, 2021:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
<b>Balance at July 1, 2020</b>	\$ 272,809	\$ 203,054	\$ 69,755
<b>Changes in the year:</b>			
Service cost	5,071	-	5,071
Interest on the total pension liability	19,152	-	19,152
Differences between expected and actual experience	(548)	-	(548)
Contributions from the employer	-	14,718	(14,718)
Contributions from employees	-	2,227	(2,227)
Net investment income	-	10,427	(10,427)
Benefit payments, including refunds of employee contributions	(13,864)	(13,864)	-
Administrative expense	-	(286)	286
<b>Net changes</b>	<u>9,811</u>	<u>13,222</u>	<u>(3,411)</u>
<b>Balance at June 30, 2021</b>	<u>\$ 282,620</u>	<u>\$ 216,276</u>	<u>\$ 66,344</u>

**Alameda County Water District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Fiscal Years Ended June 30, 2021 and 2020**  
**(Dollars in thousands)**

**Note 10 – Pension Plans (Continued)**

**C. Changes in the Net Pension Liability (Continued)**

The following table shows the changes in the net pension liability for the year ended June 30, 2020:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
<b>Balance at July 1, 2019</b>	\$ 260,359	\$ 185,825	\$ 74,534
<b>Changes in the year:</b>			
Service cost	5,298	-	5,298
Interest on the total pension liability	18,437	-	18,437
Changes in assumptions	-	-	-
Differences between expected and actual experience	999	-	999
Contributions from the employer	-	14,935	(14,935)
Contributions from employees	-	2,140	(2,140)
Net investment income	-	12,570	(12,570)
Benefit payments, including refunds of employee contributions	(12,284)	(12,284)	-
Administrative expense	-	(132)	132
Other miscellaneous income/expense	-	-	-
<b>Net changes</b>	<b>12,450</b>	<b>17,229</b>	<b>(4,779)</b>
<b>Balance at June 30, 2020</b>	<b>\$ 272,809</b>	<b>\$ 203,054</b>	<b>\$ 69,755</b>

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate** - The following presents the net pension liability of the Plan as of the June 30, 2020 and 2019 measurement dates, calculated using the discount rate of 7.15 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current rate:

	Discount Rate - 1%	Current Discount	Discount Rate + 1%
<u>Net Pension Liability</u>	<u>6.15%</u>	<u>7.15%</u>	<u>8.15%</u>
June 30, 2020 measurement date	\$ 104,530	\$ 66,344	\$ 34,850
June 30, 2019 measurement date	\$ 107,120	\$ 69,755	\$ 38,968

**Pension Plan Fiduciary Net Position** – Detailed information about the Plan’s fiduciary net position is available in the separately issued CalPERS financial report.

**Alameda County Water District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Fiscal Years Ended June 30, 2021 and 2020**  
**(Dollars in thousands)**

**Note 10 – Pension Plans (Continued)**

***D. Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions***

For the fiscal years ended June 30, 2021 and 2020, the District recognized a pension expense of \$9,652 and \$11,310 for the Plan, respectively. At June 30, 2021 and 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

June 30, 2021	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 14,672	\$ -
Changes of assumptions	-	(2,009)
Differences between expected and actual experience	500	(465)
Net differences between projected and actual earnings on plan investments	1,585	-
Total	<u>\$ 16,757</u>	<u>\$ (2,474)</u>

June 30, 2020	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 14,748	\$ -
Changes of assumptions	3,150	(4,018)
Differences between expected and actual experience	749	(790)
Net differences between projected and actual earnings on plan investments	-	(1,165)
Total	<u>\$ 18,647</u>	<u>\$ (5,973)</u>

The \$14,672 and \$14,748 reported as deferred outflows of resources at June 30, 2021 and 2020, respectively, relates to contributions made subsequent to the measurement date. The District will recognize these amounts as a reduction of the net pension liability in the fiscal years ended June 30, 2022 and 2021, respectively. The other amounts reported as deferred outflows or inflows of resources will be amortized annually and recognized as an increase or reduction to pension expense, for the years ending June 30 as follows:

Measurement Periods Ending June 30,	Deferred Outflows/(Inflows) of Resources
2021	\$ (2,740)
2022	604
2023	909
2024	838
Total	<u>\$ (389)</u>

**Alameda County Water District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Fiscal Years Ended June 30, 2021 and 2020**  
**(Dollars in thousands)**

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**Note 10 – Pension Plans (Continued)**

***E. Internal Revenue Code Section 401(a) Plan***

Effective January 1, 1997, the District established and administered the Alameda County Water District 401(a) Plan (the “Plan”), a defined contribution plan. The Plan provides retirement benefits to District employees. The employees vest upon joining the Plan. The District has agreed to contribute to the employee’s accounts to match the employees’ Internal Revenue Code Section 457 contributions up to a specified amount.

The District contributed \$189 and \$232 in the fiscal years ended June 30, 2021 and 2020, respectively, as required under the District’s Management, Confidential and Professional (“MCP”) employee compensation schedule. Effective January 1, 2004, the District’s matching calendar year contribution to the 401(a) plan was discontinued in accordance with the Memorandum of Understanding (“MOU”) for United Public Employees Local 1021, AFL-CIO employees.

**Note 11 – Other Postemployment Benefits – Retiree Health Care**

***A. General Information about the Other Postemployment Benefits Plan***

**Plan Descriptions** - In addition to the pension benefits described in Note 10, the District provides health plan coverage for eligible retirees and their dependents pursuant to CalPERS Health Benefit Program eligibility requirements. In May 2012, the District entered into an agreement with CalPERS to participate in the California Employer’s Retiree Benefit Trust Fund Program (“CERBT”), an agent multiple-employer postemployment defined benefits plan, to prefund the District’s other postemployment benefits (“OPEB”). CalPERS and CERBT issue publicly available financial reports that can be obtained at <https://www.calpers.ca.gov/page/employers/benefit-programs/cerbt> and at [www.calpers.ca.gov/](http://www.calpers.ca.gov/).

For employees hired before August 1, 2002, the District’s contribution for each retired employee and all eligible dependents and survivors shall be equal to the greater of the full cost of his/her enrollment, including the enrollment of his/her family members, in the highest cost HMO medical plan with a traditional network or PERS Choice Plan offered by the CalPERS Health Benefits Program in the Bay Area/Sacramento Region.

For employees hired on or after August 1, 2002, the percentage of employer contribution payable for postretirement health benefits for each retired employee shall be based on the employee’s completed years of credited service with the District and CalPERS as described below. The credited service for purposes of determining the percentage of employer contributions shall mean a minimum of ten years of service with a CalPERS participating agency, and a minimum of five years of the ten years of service must be performed exclusively for the District. The District contributes the minimum employer contribution (“MEC”) required amounts under the Public Employee’s Medical and Hospital Care Act Minimum Employer Contribution rules as determined by CalPERS on an annual basis.

**Alameda County Water District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Fiscal Years Ended June 30, 2021 and 2020**  
**(Dollars in thousands)**

**Note 11 – Other Postemployment Benefits – Retiree Health Care (Continued)**

**A. General Information about the Other Postemployment Benefits Plan (Continued)**

Credited Years of Service	Percentage of Employer Contributions
1-9	MEC
10	50
11	55
12	60
13	65
14	70
15	75
16	80
17	85
18	90
19	95
20+years	100

For employees hired on or after January 1, 2009, the District’s contribution for each retired employee and all eligible dependents and survivors shall be equal to the lesser of the full cost of his/her enrollment, including the enrollment of his/her family members, in the lowest cost HMO medical plan with a traditional network or PERS Choice Plan offered by the CalPERS Health Benefit Program in the Bay Area/Sacramento Region. The percentage of employer contribution payable for postemployment health benefits shall be based on the employee’s completed years of service exclusively with the District as described below.

Credited Years of Service	Percentage of Employer Contributions
0-9	MEC
10-14	25
15-19	50
20-24	75
25+years	100

On January 1, 2019, the District implemented a Defined Contribution Retiree Health Benefit Plan effective for all employees hired on or after January 1, 2019. The District will utilize a Retiree Health Reimbursement Arrangement (“RHRA”) to contribute up to 2 percent of \$120 annually into each eligible employee’s account. Employees are eligible to participate in the RHRA after completion of probation, which is generally six months after the date of hire, and through separation from the District. Employees are not required or allowed to contribute to the RHRA. As of June 30, 2021 and 2020, the District contributed \$96 and \$60 to the RHRA, respectively.

**Alameda County Water District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Fiscal Years Ended June 30, 2021 and 2020**  
**(Dollars in thousands)**

**Note 11 – Other Postemployment Benefits – Retiree Health Care (Continued)**

**A. General Information about the Other Postemployment Benefits Plan (Continued)**

**Benefits Provided** - The District provides dental benefits to employees who retired from District service and their eligible dependents at the same cost as for active employees. Benefits related costs are not shared with inactive employees. Union employees hired after April 1, 1984 must have at least 10 years of service with the District and be at minimum age 50 at retirement to receive this benefit. Union employees hired after April 1, 1988 must have 15 years of service with the District and be at minimum age 50 at retirement to receive this benefit. MCP employees hired on or after August 1, 2002, must have 15 years of service with the District and be at minimum age 50 at retirement in order to receive this retiree benefit. Benefit provisions under OPEB are established or may be amended by State statute and District resolution.

Union employees hired on or after January 1, 2009 shall not be eligible to participate in the District’s retiree dental plan upon their retirement from the District. MCP employees hired on or after April 1, 2009 shall not be eligible to participate in the District’s retiree dental plan upon their retirement from the District.

The District provides vision benefits to employees who retire from District service and their eligible dependents at the same cost as for active employees. Union employees hired after April 2, 1984 must have at least 10 years of service with the District and be at minimum age 50 at retirement to receive this benefit. Union employees hired after April 1, 1988 must have 15 years of service with the District and be at minimum age 50 at retirement to receive this benefit. MCP employees hired on or after August 1, 2002 must have 15 years of service with the District and be at minimum age 50 at retirement in order to receive this retiree benefit. All employees hired on or after April 1, 2009, shall not be eligible to participate in the District’s retiree vision plan upon retirement from the District.

The District provides health care benefits as described above for the surviving spouse and eligible dependents of a retiree so long as they meet the eligibility requirements. The District provides life insurance at a flat \$2 benefit for union retirees and a flat \$4 benefit for MCP retirees. All employees hired on or after April 1, 2009 shall not be eligible for retiree life insurance.

At June 30, 2021, the following employees were covered by the benefit terms:

	2021	2020
Inactive employees or beneficiaries receiving benefits	205	203
Inactive employees entitled to but not yet receiving benefits	6	6
Active members	210	199
Total	421	408

**Contributions** – The District makes contributions on an actuarial basis, funding the full Actuarially Determined Contributions (ADC). For the fiscal years ended June 30, 2021 and June 30, 2020, the District contributed \$3,407 and \$5,057, respectively. District employees are not required to contribute to the plan. In addition to the required contributions, the District made supplementary payments in the fiscal years ended June 30, 2021 and 2020 of \$1,150 and \$1,217, respectively. These supplementary contributions were made to finance the unfunded accrued liability

**Alameda County Water District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Fiscal Years Ended June 30, 2021 and 2020**  
**(Dollars in thousands)**

**Note 11 – Other Postemployment Benefits – Retiree Health Care (Continued)**

**B. Net OPEB Liability**

The District's net OPEB liability is measured as the total OPEB liability, less the OPEB plan's fiduciary net position. The net OPEB liability as of June 30, 2021 and 2020 were measured as of June 30, 2020 and 2019 (measurement date), using a bi-annual actuarial valuation as of June 30, 2019. A summary of principal actuarial assumptions and methods used to determine the total OPEB liability is as follows:

**Actuarial Assumptions** – The total OPEB liability was determined using the following actuarial assumptions:

	2021	2020
Valuation Date	June 30, 2019	June 30, 2019
Measurement Date	June 30, 2020	June 30, 2019
Actuarial Assumptions:		
Discount Rate	6.75%	6.75%
Inflation	2.50%	2.50%
Medical trend	6.5% for 2021, decreasing to an ultimate rate of 4.0% in 2076 and later years	6.5% for 2021, decreasing to an ultimate rate of 4.0% in 2076 and later years
Investment Rate of Return <sup>(1)</sup>	6.75%	6.75%
Mortality <sup>(2)</sup>	Derived using the MacLeod Watts Scale 2018	Derived using the MacLeod Watts Scale 2018

<sup>(1)</sup> Net of plan investment expenses

<sup>(2)</sup> The MacLeod Watts Scale 2018 was developed from a blending of data and methodologies from two published sources: 1) the Society of Actuaries Mortality Improvement Scale MP-2017, and 2) the 2017 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds.

**Discount Rate** - The discount rate used to measure the total OPEB liability at June 30, 2020 and June 30, 2019 was 6.75%. The projection of cash flows used to determine the discount rate assumed that District contributions will be made equal to the actuarially determined contribution. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**Alameda County Water District**  
**Notes to Basic Financial Statements (Continued)**  
**For the Fiscal Years Ended June 30, 2021 and 2020**  
**(Dollars in thousands)**

**Note 11 – Other Postemployment Benefits – Retiree Health Care (Continued)**

**B. Net OPEB Liability (Continued)**

The long-term expected rate of return on OPEB plan investments was 6.75% for fiscal years ended June 30, 2021 and 2020. The asset class target allocation and geometric real rates of return for each major asset class as of June 30, 2020 and 2019 measurement date are summarized in the following table.

Asset Class	Assumed Asset Allocation	Real Return Years 1 - 10*	Real Return Years 11+*
Global Equity	59.00%	4.80%	5.98%
Fixed Income	25.00%	1.10%	2.62%
TIPS	5.00%	0.25%	1.46%
Commodities	3.00%	1.50%	2.87%
REITs	8.00%	3.20%	5.00%
Total	<u>100.00%</u>		

\*An assumed inflation of 2.00% used for this period

**C. Changes in the Net OPEB Liability**

The following table shows the changes in the net OPEB liability for the fiscal year ended June 30, 2021.

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
<b>Balance at July 1, 2020</b>	\$ 57,400	\$ 30,819	\$ 26,581
<b>Changes in the year:</b>			
Service cost	1,169	-	1,169
Interest on the total OPEB liability	3,850	-	3,850
Contributions from the employer	-	6,274	(6,274)
Net investment income	-	1,240	(1,240)
Benefit payments, including refunds of employee contributions	(3,052)	(3,052)	-
Administrative expense	-	(18)	18
<b>Net changes</b>	<u>1,967</u>	<u>4,444</u>	<u>(2,477)</u>
<b>Balance at June 30, 2021</b>	<u>\$ 59,367</u>	<u>\$ 35,263</u>	<u>\$ 24,104</u>

**Alameda County Water District**  
**Notes to Basic Financial Statements (Continued)**  
**For the Fiscal Years Ended June 30, 2021 and 2020**  
**(Dollars in thousands)**

**Note 11 – Other Postemployment Benefits – Retiree Health Care (Continued)**

**C. Changes in the Net OPEB Liability (Continued)**

The following table shows the changes in the net OPEB liability for the fiscal year ended June 30, 2020:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
<b>Balance at July 1, 2019</b>	\$ 54,127	\$ 26,466	\$ 27,661
<b>Changes in the year:</b>			
Service cost	1,539	-	1,539
Interest on the total OPEB liability	3,669	-	3,669
Contributions from the employer	-	5,134	(5,134)
Net investment income	-	1,841	(1,841)
Benefit payments, including refunds of employee contributions	(1,935)	(2,616)	681
Administrative expense	-	(6)	6
<b>Net changes</b>	<b>3,273</b>	<b>4,353</b>	<b>(1,080)</b>
<b>Balance at June 30, 2020</b>	<b>\$ 57,400</b>	<b>\$ 30,819</b>	<b>\$ 26,581</b>

**Sensitivity of the Net OPEB Liability to Changes in the Discount Rate** - The following presents the net OPEB liability of the District as of the measurement date, calculated using the discount rate of 6.75 percent, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower (5.75 percent) or 1 percentage-point higher (7.75 percent) than the current discount rate:

Net OPEB Liability	Discount Rate - 1% 5.75%	Current Discount 6.75%	Discount Rate + 1% 7.75%
June 30, 2020 measurement date	\$ 31,652	\$ 24,105	\$ 17,874
June 30, 2019 measurement date	\$ 33,954	\$ 26,581	\$ 20,503

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower or 1% higher than the current healthcare cost trend rates.

Net OPEB Liability	Healthcare Trend Rate - 1%	Healthcare Cost Trend Rate	Healthcare Trend Rate + 1%
June 30, 2020 measurement date	\$ 17,355	\$ 24,105	\$ 32,364
June 30, 2019 measurement date	\$ 20,056	\$ 26,581	\$ 34,567

**OPEB Plan Fiduciary Net Position** - Detailed information about the OPEB plan's fiduciary net position is available in the separately issued CalPERS financial report.

**Alameda County Water District**  
**Notes to Basic Financial Statements (Continued)**  
**For the Fiscal Years Ended June 30, 2021 and 2020**  
**(Dollars in thousands)**

**Note 11 – Other Postemployment Benefits – Retiree Health Care (Continued)**

**D. OPEB Expenses and Deferred Outflows/Inflows of Resources Related to OPEB**

For the fiscal years ended June 30, 2021 and 2020, the District recognized OPEB expense of \$2,941 and \$3,247 for the Retiree Health Care OPEB plan, and \$64 and \$82 for the MCP Bonus Program, respectively. Total OPEB expense for all plans for fiscal years ended June 30, 2021 and 2020 was \$3,005 and \$3,329, respectively. Refer to Note 12 for more information on the MCP Bonus Program.

At June 30, 2021 and 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

June 30, 2021	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 4,558	\$ -
Changes of Assumptions	1,951	
Differences between expected and actual experiences	-	(1,524)
Net differences between projected and actual earnings on plan investments	495	-
Total	<u>\$ 7,004</u>	<u>\$ (1,524)</u>
June 30, 2020	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 6,274	\$ -
Changes of Assumptions	2,531	
Differences between expected and actual experiences	-	(1,977)
Differences between expected and actual experiences Net differences between projected and actual earnings on plan investments	-	(487)
Total	<u>\$ 8,805</u>	<u>\$ (2,464)</u>

The \$4,558 and \$6,274 reported as deferred outflows of resources at June 30, 2021 and 2020, respectively, relates to contributions made subsequent to the District's measurement date. This amount will be recognized as a reduction of the net OPEB liability in the fiscal years ended June 30, 2022 and 2021, respectively. The other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in future OPEB expense as follows:

Measurement Periods Ending June 30,	Deferred Outflows/(Inflows) of Resources
2022	\$ 93
2023	271
2024	322
2025	236
Total	<u>\$ 922</u>

**Alameda County Water District**  
**Notes to Basic Financial Statements (Continued)**  
**For the Fiscal Years Ended June 30, 2021 and 2020**  
**(Dollars in thousands)**

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**Note 12 – Other Postemployment Benefits – MCP Bonus Program**

**A. General Information about the MCP Bonus Program**

**Plan Description** - The MCP Bonus Program (the Program) is a single-employer defined benefit plan, which provides a bonus to eligible employees in the Management/ Confidential/ Professional (MCP) group hired by the District before 2001. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

**Benefits Provided** - The bonus is paid upon termination of the employee’s District employment, but only if one of the following conditions is satisfied: (1) the employee retires from service under CalPERS; (2) the termination is due to the employee’s death; or (3) upon terminating, the employee retires under CalPERS due to disability. The program is a deferred compensation arrangement subject to Internal Revenue Code sections 457(f) and 409A.

At retirement, members of the MCP group that were hired before July 1, 1994 are eligible for a retirement bonus calculated at the rate of 3 working days per each full 6 months of continuous service to the District. The bonus is based on the employee’s pay rate at the time of retirement. If an employee who is eligible for service retirement dies, his/her designated beneficiary will receive the employee’s retirement bonus. Employees hired on or after July 1, 1994, shall receive the retirement bonus based on the following: 2 days per year after 10 years of service; 4 days per year after 15 years of service; and 6 days per year after 20 years of service. On January 1, 2001, the District closed the MCP bonus program to new participants. Employees hired or promoted to MCP classifications prior to December 31, 2000 are still eligible for the MCP bonus. At June 30, 2021 and 2020, the District had 10 and 15 eligible members, respectively, in this closed program.

**Contributions** - The District makes contributions on a pay-as-you-go basis, funding the full amount of the bonus to the employee upon termination of employment with the District. For the fiscal years ended June 30, 2021 and June 30, 2020, the District contributed \$0 and \$186, respectively. District employees are not required to contribute to the plan.

**B. Net OPEB Liability for the MCP Bonus Program**

The District’s total OPEB liability for the Program is measured as the total OPEB liability, less the Program’s fiduciary net position. The Program’s net OPEB liability as of June 30, 2021 and 2020 were measured as of June 30, 2020 and 2019 (measurement date), using a bi-annual actuarial valuation of June 30, 2019. A summary of principal assumptions and methods used to determine the net OPEB liability for the Program is as follows:

**Actuarial Assumptions** - The total OPEB liability for the Program was determined using the following actuarial assumptions:

	2021	2020
Valuation Date	June 30, 2019	June 30, 2019
Measurement Date	June 30, 2020	June 30, 2019
Actuarial Assumptions:		
Discount Rate	2.21%	3.51%
Inflation	2.50%	2.50%
Mortality	Lump sum payable at retirement	Lump sum payable at retirement

**Discount Rate** - The discount rate was based on the Bond Buyer 20-Bond General Obligation Index.

**Alameda County Water District**  
**Notes to Basic Financial Statements (Continued)**  
**For the Fiscal Years Ended June 30, 2021 and 2020**  
**(Dollars in thousands)**

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**Note 12 – Other Postemployment Benefits – MCP Bonus Program (Continued)**

**B. Net OPEB Liability for the MCP Bonus Program (Continued)**

The demographic actuarial assumptions used in the June 30, 2020 valuation were based on the CalPERS actuarial experience study for the period of 1997-2015. Mortality rates were adjusted for post-retirement mortality improvement based on Scale MP-2018.

**C. Changes in the Net OPEB Liability for the MCP Bonus Program**

The following table shows the changes in the net OPEB liability for the Program for the fiscal year ended June 30, 2021.

	Net OPEB Liability
<b>Balance at July 1, 2020</b>	<b>\$ 1,157</b>
<b>Changes in the year:</b>	
Service cost	33
Interest on the total OPEB liability	39
Changes in assumptions	36
Benefit payments	(186)
<b>Net changes</b>	<b>(78)</b>
<b>Balance at June 30, 2021</b>	<b>\$ 1,079</b>

The following table shows the changes in the net OPEB liability for the Program for the fiscal year ended June 30, 2020.

	Net OPEB Liability
<b>Balance at July 1, 2019</b>	<b>\$ 1,598</b>
<b>Changes in the year:</b>	
Service cost	42
Interest on the total OPEB liability	54
Changes in assumptions	(36)
Benefit payments	(501)
<b>Net changes</b>	<b>(441)</b>
<b>Balance at June 30, 2020</b>	<b>\$ 1,157</b>

Change of assumptions reflect a change in the discount rate from 3.51% in 2020 to 2.21% in 2021.

**Alameda County Water District**  
**Notes to Basic Financial Statements (Continued)**  
**For the Fiscal Years Ended June 30, 2021 and 2020**  
**(Dollars in thousands)**

**Note 12 – Other Postemployment Benefits – MCP Bonus Program (Continued)**

**C. Changes in the Net OPEB Liability for the MCP Bonus Program (Continued)**

**Sensitivity of the Net OPEB Liability to Changes in the Discount Rate** - The following presents the net OPEB liability of the District as of June 30, 2020 and 2019 measurement dates, calculated using the discount rate of 2.21 and 3.51 percent, respectively. As well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the discount rate at the measurement date:

	Discount Rate - 1%	Current Discount	Discount Rate + 1%
Net OPEB Liability	1.21%	2.21%	3.21%
June 30, 2020 measurement date	\$ 1,104	\$ 1,079	\$ 1,052
	Discount Rate - 1%	Current Discount	Discount Rate + 1%
Net OPEB Liability	2.51%	3.51%	4.51%
June 30, 2019 measurement date	\$ 1,190	\$ 1,157	\$ 1,122

The total OPEB liability of the Program is not dependent on healthcare trend.

**D. MCP Bonus Program OPEB Expense and Deferred Outflows/Inflows of Resources**

For the fiscal years ended June 30, 2021 and 2020, the District recognized an OPEB expense of \$64 and \$82, respectively, for the OPEB plan. At June 30, 2021 and 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

June 30, 2021	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 30	\$ (46)
Total	\$ 30	\$ (46)
June 30, 2020	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 186	\$ -
Changes of assumptions	-	(61)
Total	\$ 186	\$ (61)

The \$186 reported as deferred outflows at June 30, 2020, relate to contributions made subsequent to the District's measurement date. This amount will be recognized as a reduction of the net OPEB liability in the fiscal year ended June 30, 2021. The District did not make contributions in the fiscal year ended June 30, 2021.

**Alameda County Water District**  
**Notes to Basic Financial Statements (Continued)**  
**For the Fiscal Years Ended June 30, 2021 and 2020**  
**(Dollars in thousands)**

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**Note 12 – Other Postemployment Benefits – MCP Bonus Program (Continued)**

***D. MCP Bonus Program OPEB Expense and Deferred Outflows/Inflows of Resources (Continued)***

The changes in assumption reported as deferred inflows of resources related to the Program will be recognized in future OPEB expense as follows:

Measurement Periods Ending June 30,	Deferred Inflows of Resources
2022	(9)
2023	(9)
2024	(5)
2025	(1)
2026	4
Thereafter	2
Total	<u>\$ (16)</u>

**Note 13 – Litigation**

In the normal course of business, the District is a defendant in various lawsuits. Defense of the lawsuits is being handled by the District’s insurance carriers and most losses are expected to be covered by insurance. The District does not have any outstanding claims, which are covered by insurance, that have a deductible amount. There are a few cases currently in progress for which the potential losses would not be covered by the District’s insurance provisions. However, the existence of such losses and possible ranges of exposure are not determinable for these cases at this time.

**Note 14 – Contingencies**

In December 2019, a novel strain of coronavirus spread around the world resulting in business and social disruption. The coronavirus was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2020.

On March 16, 2020, the District halted all collection activities in accordance with California’s Governor Executive Order N-40-42, which suspended the authority of water utility agencies to disconnect customer for non-payment until further notice. On September 23, 2021, Chapter 258 of Senate Bill No. 155, extended the prohibition on disconnecting water service for non-payment through December 31, 2021. The District anticipates reinstating collections activities in 2022 and that accumulated past due customer balances will be paid through a combination of state funding and customer payments.

**Alameda County Water District**  
**Notes to Basic Financial Statements (Continued)**  
**For the Fiscal Years Ended June 30, 2021 and 2020**  
**(Dollars in thousands)**

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**Note 15 – Subsequent Events**

On August 12, 2021, the District voted to join the Los Vaqueros Reservoir Joint Powers Authority (Authority). The District, along with seven other water agencies in the region, established the Authority for the purpose of enhancing regional water conveyance and storage, providing for public benefits by expanding existing conveyance facilities, constructing new conveyance facilities serving Los Vaqueros Reservoir, and expanding the Los Vaqueros Reservoir. Development and construction of new and expanded facilities is expected to cost about one billion dollars with over \$600 million expected to be funded by state and federal programs with remaining costs funded by project partners, including the District. All new and expanded facilities are expected to be constructed and operational by 2030. District costs will be dependent on its project benefits which will be negotiated with the Authority as part of a Service Agreement. The Authority is authorized to issue bonds and levy charges on its members in accordance with the terms of their Service Agreement. Until it signs a Service Agreement, which is expected to occur sometime in fiscal year ended June 30, 2023, the District may withdraw from the Authority with no obligation to participate in or fund the project.

The Memorandum of Understanding (“MOU”) for the Operating Engineers Local No. 3 AFL-CIO (OE3) expired on March 31, 2021. The union ratified a tentative agreement on October 29, 2021. The Board of Directors will consider approval at its November 17, 2021 meeting.

**REQUIRED SUPPLEMENTARY INFORMATION**  
**(Unaudited)**

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**Alameda County Water District**  
**Required Supplementary Information (Unaudited)**  
**Schedules of Changes in Net Pension Liability and Related Ratios\***  
**(Dollars in thousands)**

**Defined Benefit Plan**

Fiscal Year	2021	2020	2019	2018	2017	2016	2015
Measurement Date	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014
<b>Total pension liability</b>							
Service cost	\$ 5,071	\$ 5,298	\$ 4,994	\$ 4,965	\$ 4,373	\$ 4,405	\$ 4,362
Interest on total pension liability	19,152	18,437	17,594	17,393	16,868	16,216	15,453
Changes in assumptions	-	-	(8,036)	14,961	-	(4,141)	-
Differences between expected and actual experience	(548)	999	(263)	(3,129)	(2,173)	(377)	-
Benefit payments, including refunds of employee contributions	(13,864)	(12,284)	(11,608)	(10,939)	(10,267)	(9,527)	(9,246)
<b>Net change in total pension liability</b>	<b>9,811</b>	<b>12,450</b>	<b>2,681</b>	<b>23,251</b>	<b>8,801</b>	<b>6,576</b>	<b>10,569</b>
<b>Total pension liability - beginning</b>	<b>272,809</b>	<b>260,359</b>	<b>257,678</b>	<b>234,427</b>	<b>225,626</b>	<b>219,050</b>	<b>208,481</b>
<b>Total pension liability - ending</b>	<b>\$ 282,620</b>	<b>\$ 272,809</b>	<b>\$ 260,359</b>	<b>\$ 257,678</b>	<b>\$ 234,427</b>	<b>\$ 225,626</b>	<b>\$ 219,050</b>
<b>Plan fiduciary net position</b>							
Contributions - Employer	\$ 14,718	\$ 14,935	\$ 10,882	\$ 7,130	\$ 6,518	\$ 6,023	\$ 5,747
Contributions - Employee	2,227	2,140	2,142	2,009	1,938	1,955	2,587
Net investment income	10,427	12,570	14,754	17,349	837	3,485	23,005
Benefit payments, including refunds of employee contributions	(13,864)	(12,284)	(11,608)	(10,939)	(10,267)	(9,527)	(9,246)
Administrative expense	(286)	(132)	(266)	(229)	(95)	(176)	-
Other miscellaneous expense	-	-	(504)	-	-	-	-
<b>Net change in plan fiduciary net position</b>	<b>13,222</b>	<b>17,229</b>	<b>15,400</b>	<b>15,320</b>	<b>(1,069)</b>	<b>1,760</b>	<b>22,093</b>
<b>Plan fiduciary net position - beginning</b>	<b>203,054</b>	<b>185,825</b>	<b>170,425</b>	<b>155,105</b>	<b>156,174</b>	<b>154,414</b>	<b>132,321</b>
<b>Plan fiduciary net position - ending</b>	<b>\$ 216,276</b>	<b>\$ 203,054</b>	<b>\$ 185,825</b>	<b>\$ 170,425</b>	<b>\$ 155,105</b>	<b>\$ 156,174</b>	<b>\$ 154,414</b>
<b>Plan net pension liability - ending</b>	<b>\$ 66,344</b>	<b>\$ 69,755</b>	<b>\$ 74,534</b>	<b>\$ 87,253</b>	<b>\$ 79,322</b>	<b>\$ 69,452</b>	<b>\$ 64,636</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>76.53%</b>	<b>74.43%</b>	<b>71.37%</b>	<b>66.14%</b>	<b>66.16%</b>	<b>69.22%</b>	<b>70.49%</b>
<b>Covered payroll</b>	<b>\$ 26,451</b>	<b>\$ 27,249</b>	<b>\$ 25,856</b>	<b>\$ 24,682</b>	<b>\$ 24,306</b>	<b>\$ 24,347</b>	<b>\$ 22,948</b>
<b>Plan net pension liability as a percentage of covered payroll</b>	<b>250.82%</b>	<b>255.99%</b>	<b>288.27%</b>	<b>353.51%</b>	<b>326.35%</b>	<b>285.26%</b>	<b>281.66%</b>

**Notes to Schedule:**

**Benefit changes** – The figures above do not include any liability impact that may have resulted from plan changes, which occurred after the measurement dates. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a Golden Handshakes).

**Changes in assumptions** – None for fiscal year 2021 and 2020. In fiscal year 2019, demographic assumptions and inflation rates were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. Discount rate was changed as follows: fiscal year 2015 - 7.50 percent (net of administrative expense) fiscal years 2016 and 2017 - 7.65 percent (without a reduction for pension plan administrative expense), and fiscal years 2018 to 2021 - 7.15 percent.

\* Historical information is required only for measurement periods for which GASB Statement No. 68 is applicable. Fiscal year ended June 30, 2015 was the first year of implementation. Future years' information, up to ten years, will be displayed as information becomes available.

**Alameda County Water District**  
**Required Supplementary Information (Unaudited)**  
**Schedules of Employer Pension Contributions\***  
**(Dollars in thousands)**

**Defined Benefit Plan**

Fiscal Year	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution (ADC)	\$ 9,166	\$ 8,773	\$ 8,059	\$ 7,861	\$ 7,130	\$ 6,518	\$ 6,023
Contributions in relation to the ADC	(14,672)	(14,748)	(14,935)	(10,882)	(7,130)	(6,518)	(6,023)
Contribution deficiency (excess)	\$ (5,506)	\$ (5,975)	\$ (6,876)	\$ (3,021)	\$ -	\$ -	\$ -
Covered payroll	\$ 28,665	\$ 26,451	\$ 27,249	\$ 25,856	\$ 24,682	\$ 24,306	\$ 24,347
Contributions as a percentage of covered payroll	51.185%	55.757%	54.810%	42.088%	28.888%	26.817%	24.739%

**Methods and assumptions used to determine contributions:**

ADC for each fiscal year was established by an actuarial valuation report for the fiscal years as follows:

ADC for fiscal year	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Actuarial valuation date:	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013	June 30, 2012
Actuarial cost method	Entry Age Normal Cost Method						
Asset valuation method	15 year smoothed market						
Inflation	In fiscal year 2021, 2.5 percent, fiscal year 2020, 2.625 percent and in fiscal years 2015 to 2019, 2.75 percent.						
Salary increases	0.40% to 8.50% depending on Age, Service, and Type of Employment						
Investment rate of return	7.00% in fiscal year 2021, 7.25% in fiscal year 2020, 7.375 in fiscal year 2019, and 7.5% in fiscal years 2015 to 2018. All net of pension plan investment and administrative expenses.						
Retirement age	The probabilities of Retirement are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015.						
Mortality	The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include annual projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries.						

\* Historical information is required only for measurement periods for which GASB Statement No. 68 is applicable. Fiscal year ended June 30, 2015 was the first year of implementation. Future years' information, up to ten years, will be displayed as information becomes available.

**Alameda County Water District**  
**Required Supplementary Information (Unaudited)**  
**Schedules of Changes in Net OPEB Liability and Related Ratios\***  
**(Dollars in thousands)**

**Other Postemployment Benefits – Retiree Health Care**

Fiscal Year	2021	2020	2019	2018
Measurement Date	6/30/2020	6/30/2019	6/30/2018	6/30/2017
<b>Total OPEB liability</b>				
Service cost	\$ 1,169	\$ 1,539	\$ 1,393	\$ 1,353
Interest on total OPEB liability	3,850	3,669	3,506	3,361
Benefit payments, including refunds of employee contributions	(3,052)	(1,935)	(2,633)	(2,581)
<b>Net change in total OPEB liability</b>	<b>1,967</b>	<b>3,273</b>	<b>2,266</b>	<b>2,133</b>
<b>Total OPEB liability - beginning</b>	<b>57,400</b>	<b>54,127</b>	<b>51,861</b>	<b>49,728</b>
<b>Total OPEB liability - ending</b>	<b>\$ 59,367</b>	<b>\$ 57,400</b>	<b>\$ 54,127</b>	<b>\$ 51,861</b>
<b>Plan fiduciary net position</b>				
Contributions - Employer	\$ 6,274	\$ 5,134	\$ 6,617	\$ 4,319
Net investment income	1,240	1,841	2,020	2,077
Benefit payments, including refunds of employee contributions	(3,052)	(2,616)	(2,633)	(2,581)
Administrative expense	(18)	(6)	(41)	(11)
<b>Net change in plan fiduciary net position</b>	<b>4,444</b>	<b>4,353</b>	<b>5,963</b>	<b>3,804</b>
<b>Plan fiduciary net position - beginning</b>	<b>30,819</b>	<b>26,466</b>	<b>20,503</b>	<b>16,699</b>
<b>Plan fiduciary net position - ending</b>	<b>\$ 35,263</b>	<b>\$ 30,819</b>	<b>\$ 26,466</b>	<b>\$ 20,503</b>
<b>Plan net OPEB liability - ending</b>	<b>\$ 24,104</b>	<b>\$ 26,581</b>	<b>\$ 27,661</b>	<b>\$ 31,358</b>
<b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	<b>59.40%</b>	<b>53.69%</b>	<b>48.90%</b>	<b>39.53%</b>
<b>Covered-employee payroll</b>	<b>\$ 34,876</b>	<b>\$ 36,032</b>	<b>\$ 32,481</b>	<b>\$ 32,825</b>
<b>Plan net OPEB liability as a percentage of covered-employee payroll</b>	<b>69.11%</b>	<b>73.77%</b>	<b>85.16%</b>	<b>95.53%</b>

**Notes to Schedule:**

**Benefit changes** – The figures above do not include any liability impact that may have resulted from plan changes, which occurred after the measurement dates.

**Changes in assumptions** – In 2020, the mortality assumption was updated to MacLeod Watts Scale 2018 from the Scale MP-2017 used in 2019. There were no changes in assumptions in 2019 and 2018

\* Historical information is required only for measurement periods for which GASB Statement No 75 is applicable. The fiscal year ended June 30, 2018 was the first year of implementation. For future years' information, up to ten years, will be displayed as information becomes available.

**Alameda County Water District**  
**Required Supplementary Information (Unaudited)**  
**Schedules of Changes in Net OPEB Liability and Related Ratios (Continued)\***  
**(Dollars in thousands)**

**Other Postemployment Benefits – MCP Bonus Program**

Fiscal Year	2021	2020	2019	2018
Measurement Date	6/30/2020	6/30/2019	6/30/2018	6/30/2017
<b>Total OPEB liability</b>				
Service cost	\$ 33	\$ 42	\$ 50	\$ 54
Interest on total OPEB liability	39	54	56	46
Changes in assumptions	36	(36)	(13)	(38)
Benefit payments, including refunds of employee contributions	(186)	(501)	-	(255)
<b>Net change in total OPEB liability</b>	<b>(78)</b>	<b>(441)</b>	<b>93</b>	<b>(193)</b>
<b>Total OPEB liability - beginning</b>	<b>1,157</b>	<b>1,598</b>	<b>1,505</b>	<b>1,698</b>
<b>Total OPEB liability - ending</b>	<b>\$ 1,079</b>	<b>\$ 1,157</b>	<b>\$ 1,598</b>	<b>\$ 1,505</b>
<b>Covered-employee payroll</b>	<b>\$ 1,871</b>	<b>\$ 2,092</b>	<b>\$ 3,269</b>	<b>\$ 3,335</b>
<b>Plan net OPEB liability as a percentage of covered-employee payroll</b>	<b>57.67%</b>	<b>55.31%</b>	<b>48.88%</b>	<b>45.13%</b>

**Notes to Schedule:**

**Changes in assumptions** – The change in assumptions reflect the effects of changes in the discount rate from 3.87 percent in 2019 to 3.51 percent in 2020. The discount rate changed from 3.58 percent in 2018 to 3.87 percent in 2019 and from 2.85 percent in 2017 to 3.58 in 2018. In addition, the inflation rate decreased from 2.75 percent in 2019 to 2.5 percent in 2020.

\* Historical information is required only for measurement periods for which GASB Statement No 75 is applicable. The fiscal year ended June 30, 2018 was the first year of implementation. For future years' information, up to ten years, will be displayed as information becomes available.

**Alameda County Water District**  
**Required Supplementary Information (Unaudited)**  
**Schedules of Employer OPEB Contributions\***  
**(Dollars in thousands)**

**Other Postemployment Benefits – Retiree Health Care**

Fiscal Year	2021	2020	2019	2018	2017
Actuarially determined contribution (ADC)	\$ 3,408	\$ 3,308	\$ 3,503	\$ 4,101	\$ 3,972
Contributions in relation to the ADC	(4,558)	(6,274)	(5,134)	(6,617)	(4,319)
Contribution deficiency (excess)	<u>\$ (1,150)</u>	<u>\$ (2,966)</u>	<u>\$ (1,631)</u>	<u>\$ (2,516)</u>	<u>\$ (347)</u>
Covered-employee payroll	\$ 36,831	\$ 34,876	\$ 36,032	\$ 32,481	\$ 23,688
Contributions as a percentage of covered-employee payroll	9.254%	9.486%	9.723%	12.627%	18.234%

**Methods and assumptions used to determine contributions:**

ADC for each fiscal year was established by an actuarial valuation report for the fiscal years as follows:

ADC for fiscal year	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Valuation date:	June 30, 2019	June 30, 2019	June 30, 2017	June 30, 2015	June 30, 2015
Actuarial cost method	Entry Age Normal Cost Method				
Asset valuation method	15 year smoothed market in 2018 to 2021 and 20 year fixed period in 2017				
Discount rate	6.50% in fiscal year 2021, 6.75% in fiscal years 2019 and 2020, and 7.25% in fiscal years 2017 and 2018.				
Inflation	2.50% in fiscal year 2021, 2.75% in fiscal years 2019 and 2020, and 3.00% in fiscal years 2017 and 2018.				
Payroll increases	Aggregate increases of 3.00% in fiscal years 2019 to 2021, 3.25% in fiscal years 2017 and 2018.				
Mortality	Based on CalPERS 1997-2015 experience study since 2018. In 2017, mortality was based on CalPERS 1997-2011 experience study				
Mortality improvement	Post-retirement mortality improvement Scale MP-2017 since 2018. In 2017, mortality was projected with Scale MP-14 with 15 year convergence in 2022.				

\* Historical information is required only for measurement periods for which GASB Statement No 75 is applicable. The fiscal year ended June 30, 2018 was the first year of implementation. For future years' information, up to ten years, will be displayed as information becomes available.

**Alameda County Water District**  
**Required Supplementary Information (Unaudited)**  
**Schedules of Employer OPEB Contributions (Continued)\***  
**(Dollars in thousands)**

**Other Postemployment Benefits – MCP Bonus Program**

Fiscal Year	2021	2020	2019	2018
Actuarially determined contribution (ADC)	\$ -	\$ 186	\$ 501	\$ -
Contributions in relation to the ADC	-	(186)	(501)	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 1,953	\$ 1,871	\$ 2,092	\$ 3,269
Contributions as a percentage of covered-employee payroll	0.000%	9.942%	23.949%	0.000%

**Methods and assumptions used to determine contributions:**

ADC for each fiscal year was established by an actuarial valuation report for the fiscal years as follows:

ADC for fiscal year	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Valuation date:	June 30, 2019	June 30, 2019	June 30, 2017	June 30, 2016
Discount rate	2.75%			
Inflation	2.75%			
Payroll increases	Aggregate 3.00%			
Mortality	Derived using CalPERS' Membership data for all Funds			

\* Historical information is required only for measurement periods for which GASB Statement No 75 is applicable. The fiscal year ended June 30, 2018 was the first year of implementation. For future years' information, up to ten years, will be displayed as information becomes available.

**STATISTICAL SECTION**

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# STATISTICAL SECTION

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This part of the Alameda County Water District's annual comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

## Index

Page

### Financial Trends

72

These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.

### Revenue Capacity

79

These schedules contain information to help the reader assess the District's most significant local revenues source, the water revenues. Also included in this section is information on the District's second significant source of local revenues, the property tax.

### Debt Capacity

84

These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.

### Demographic and Economic Information

87

These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.

### Operating Information

89

These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.

# Alameda County Water District

## Table 1

### Ten Year Summary of Revenues, Expenses and Rate Increases (Unaudited) (in thousands)

	2011/12	2012/13	2013/14	2014/15	2015/16
<b>OPERATING REVENUES:</b>					
Water Sales	\$ 70,098	\$ 76,903	\$ 81,081	\$ 80,135	\$ 81,776
Facilities Connection Charges	2,118	1,977	3,494	1,920	5,186
Other Revenue	1,662	1,914	2,109	749	840
<b>TOTAL OPERATING REVENUES</b>	<u>73,878</u>	<u>80,794</u>	<u>86,684</u>	<u>82,804</u>	<u>87,802</u>
<b>OPERATING EXPENSES:</b>					
Source of Supply:					
Water Purchases	18,747	21,367	23,427	23,659	24,659
Pumping	3,338	2,954	2,763	1,876	1,588
Other	8,875	8,828	10,215	8,189	8,304
Water Treatment	12,119	12,586	12,584	15,646	13,884
Transmission and Distribution	10,953	10,650	10,934	13,552	15,365
Administration of Customer Accounts	1,390	1,680	1,832	1,793	1,473
Administration and General	9,679	11,965	13,090	10,551	11,063
Depreciation and Amortization	12,262	12,845	12,624	13,417	13,974
<b>TOTAL OPERATING EXPENSES</b>	<u>77,363</u>	<u>82,875</u>	<u>87,469</u>	<u>88,683</u>	<u>90,310</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>					
Investment Income	672	(46)	1,217	1,098	2,521
Property Taxes	7,936	7,917	7,654	9,547	9,295
Other Revenues	215	68	47	11	310
Other Expenses/Loss on Disposal	(3,879)	(2,133)	(1,624)	(2,682)	(2,311)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>4,944</u>	<u>5,806</u>	<u>7,294</u>	<u>7,974</u>	<u>9,815</u>
<b>Capital Contributions</b>	<u>2,849</u>	<u>5,529</u>	<u>2,767</u>	<u>3,023</u>	<u>5,194</u>
<b>Increase in Net Position</b>	<u>\$ 4,308</u>	<u>\$ 9,254</u>	<u>\$ 9,276</u>	<u>\$ 5,118</u>	<u>\$ 12,501</u>
% Water Rate Increase (of latter FY)	8.00*	17.1*	7.00	8.00*	-
<b>Number of Employees (1)</b>	225	229	238	230	230

(1) Employees as of the end of the corresponding fiscal year.

Source: Alameda County Water District Finance Department

\*Average residential customer increase (represents blended commodity and service charge adjustments and applicable surcharges). Refer to Table 8 - Historical Water Rates.

**Alameda County Water District**  
**Table 1 (Continued)**  
**Ten Year Summary of Revenues, Expenses and Rate Increases (Unaudited)**  
**(in thousands)**

	2016/17	2017/18	2018/19	2019/20	2020/21
<b>OPERATING REVENUES:</b>					
Water Sales	\$ 86,263	\$ 104,447	\$ 108,576	\$ 116,230	\$ 122,388
Facilities Connection Charges	11,467	10,428	11,359	13,952	6,154
Other Revenue	1,099	736	652	732	1,848
<b>TOTAL OPERATING REVENUES</b>	<b>98,829</b>	<b>115,611</b>	<b>120,587</b>	<b>130,914</b>	<b>130,390</b>
<b>OPERATING EXPENSES:</b>					
Source of Supply:					
Water Purchases	23,833	25,559	26,219	29,579	34,408
Pumping	1,389	1,266	1,600	1,613	1,863
Other	8,861	8,615	8,693	9,041	10,074
Water Treatment	14,369	14,885	15,366	15,777	15,123
Transmission and Distribution	15,905	16,223	16,427	15,990	16,687
Administration of Customer Accounts	1,503	1,454	1,895	2,029	4,573
Administration and General	11,988	15,817	13,276	17,534	20,368
Depreciation and Amortization	14,479	13,950	14,060	14,499	14,734
<b>TOTAL OPERATING EXPENSES</b>	<b>92,327</b>	<b>97,769</b>	<b>97,536</b>	<b>106,062</b>	<b>117,830</b>
Investment Income	145	179	7,367	8,971	187
Property Taxes	10,472	11,289	9,746	12,023	12,542
Other Revenues	1,038	413	660	495	641
Other Expenses/Loss on Disposal	(2,512)	(2,725)	(2,520)	(2,238)	(1,518)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>9,143</b>	<b>9,156</b>	<b>15,253</b>	<b>19,251</b>	<b>11,852</b>
<b>Capital Contributions</b>	<b>4,112</b>	<b>4,089</b>	<b>8,313</b>	<b>13,569</b>	<b>21,129</b>
<b>Increase in Net Position</b>	<b>\$ 19,757</b>	<b>\$ 31,087</b>	<b>\$ 46,617</b>	<b>\$ 57,672</b>	<b>\$ 45,541</b>
% Water Rate Increase (of latter FY)	10.4*	5.00	4.00	4.00	-
<b>Number of Employees (1)</b>	<b>230</b>	<b>230</b>	<b>233</b>	<b>236</b>	<b>236</b>

(1) Employees as of the end of the corresponding fiscal year.

Source: Alameda County Water District Finance Department

\*Average residential customer increase (represents blended commodity and service charge adjustments and applicable surcharges). Refer to Table 8 - Historical Water Rates.

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**Alameda County Water District**  
**Table 2**  
**Ten Year Summary of Connection Fees (Unaudited)**  
**(in thousands)**

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<b>Fiscal Year</b> <b>Ending June 30</b>	<b>Connection Fees</b> <b>(000's)</b>
2012	2,118
2013	1,977
2014	3,494
2015	1,920
2016	5,186
2017	11,467
2018	10,428
2019	11,359
2020	13,952
2021	6,154

Source: Alameda County Water District Finance Department

**Alameda County Water District**  
**Table 3**  
**Ten Year Summary of Net Position (Unaudited)**  
**(in thousands)**

	2011/12 <sup>(1)</sup>	2012/13	2013/14	2014/15 <sup>(2)</sup>	2015/16
<b>NET POSITION:</b>					
Net investment in capital assets	\$ 304,983	\$ 310,757	\$ 325,497	\$ 329,084	\$ 325,051
Restricted for debt service	2,639	2,656	2,669	2,585	2,688
Unrestricted	98,757	102,220	96,743	27,945	44,376
<b>TOTAL</b>	<u>\$ 406,379</u>	<u>\$ 415,633</u>	<u>\$ 424,909</u>	<u>\$ 359,614</u>	<u>\$ 372,115</u>

Note: <sup>(1)</sup> The District restated its 2011/12 net position balances to record its obligation related to the Management, Confidential and Professional Bonus Program and the impact of the GASB Statement No. 65 implementation.

<sup>(2)</sup> The District restated its 2014/15 net position balances to record the impact of the implementation of GASB Statement No. 68.

Source: Alameda County Water District Finance Department

**Alameda County Water District**  
**Table 3 (Continued)**  
**Ten Year Summary of Net Position (Unaudited)**  
**(in thousands)**

	2016/17	2017/18 <sup>(3)</sup>	2018/19	2019/20	2020/21
<b>NET POSITION:</b>					
Net investment in capital assets	\$ 324,383	\$ 333,274	\$ 346,877	\$ 370,256	\$ 411,811
Restricted for debt service	2,623	2,628	2,721	-	-
Unrestricted	64,866	56,617	89,538	126,552	130,538
<b>TOTAL</b>	<u>\$ 391,872</u>	<u>\$ 392,519</u>	<u>\$ 439,136</u>	<u>\$ 496,808</u>	<u>\$ 542,349</u>

Note: <sup>(3)</sup> The District restated its 2017/18 net position balances to record the impact of the implementation of GASB Statement No. 75.

Source: Alameda County Water District Finance Department

**Alameda County Water District**  
**Table 4**  
**Ten Year Summary of Property Tax Levies/Collections (Unaudited)**  
**(in thousands)**

	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
<b>Levies:</b>										
1% Tax Allocation	\$ 3,500	\$ 3,569	\$ 3,769	\$ 4,034	\$ 4,611	\$ 5,007	\$ 5,372	\$ 5,763	\$ 6,162	\$ 6,530
State Water Contract Tax	3,010	3,189	3,194	4,717	4,271	4,884	5,373	3,502	5,268	5,327
<b>Total</b>	<b>\$ 6,510</b>	<b>\$ 6,758</b>	<b>\$ 6,963</b>	<b>\$ 8,751</b>	<b>\$ 8,882</b>	<b>\$ 9,891</b>	<b>\$ 10,745</b>	<b>\$ 9,264</b>	<b>\$ 11,430</b>	<b>\$ 11,857</b>
<b>Collections*:</b>										
Collections in the First Period	\$ 8,317	\$ 8,050	\$ 8,400	\$ 9,535	\$ 9,300	\$ 10,332	\$ 10,630	\$ 10,080	\$ 12,478	\$ 12,534
Collection in the First Period Percentage of Levies (%)	128%	119%	121%	109%	105%	104%	99%	109%	109%	106%
<b>Total Collections</b>	<b>\$ 8,317</b>	<b>\$ 8,050</b>	<b>\$ 8,400</b>	<b>\$ 9,535</b>	<b>\$ 9,300</b>	<b>\$ 10,332</b>	<b>\$ 10,630</b>	<b>\$ 10,080</b>	<b>\$ 12,478</b>	<b>\$ 12,534</b>
<b>Total Collections Percentage of Levies</b>	<b>128%</b>	<b>119%</b>	<b>121%</b>	<b>109%</b>	<b>105%</b>	<b>104%</b>	<b>99%</b>	<b>109%</b>	<b>109%</b>	<b>106%</b>

Source: Alameda County Water District Finance Department

\*Collections during the fiscal year include interest, penalties and collections from taxes levied in prior years.

**Alameda County Water District**  
**Table 5**  
**Ten Year Summary of Assessed Valuation (Unaudited)**  
**(in thousands)**

Fiscal Year	Local Secured	Utility	Unsecured	Total
2011/12	43,072,743	5,755	2,975,251	46,053,748
2012/13	43,846,946	70,042	3,053,241	46,970,229
2013/14	46,275,494	61,871	2,950,912	49,288,277
2014/15	49,570,672	54,995	3,040,221	52,665,889
2015/16	53,069,367	54,995	3,583,125	56,707,487
2016 /17	58,389,837	6,180	3,137,408	61,533,425
2017 /18	62,474,273	12,332	3,373,572	65,860,178
2018/19	67,212,187	12,332	3,346,586	70,571,105
2019/20	71,895,590	12,332	3,621,653	75,529,575
2020/21	76,254,891	11,297	4,075,303	80,341,491

Source: California Municipal Statistics, Inc. and Alameda County Auditor-Controller's Office.  
Total may not add up due to rounding.

**Alameda County Water District**  
**Table 6**  
**Ten Year Summary of Secured Tax Charges and Delinquencies (Unaudited)**  
**(in thousands)**

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<u>Fiscal Year</u>	<u>Secured Tax Charge (1)</u>	<u>Amount Delinquent June 30</u>	<u>Percent Delinquent June 30</u>
2011/12	3,180	59	1.87
2012/13	3,048	29	0.95
2013/14	3,071	22	0.72
2014/15	4,642	35	0.76
2015/16	4,012	33	0.82
2016/17	5,151	29	0.57
2017/18	5,609	24	0.42
2018/19	5,409	48	0.89
2019/20	5,074	35	0.69
2020/21	5,088	29	0.57

(1) The figures above include only information provided by the County, which is the State Water Project override “debt service” levy.

Source: Alameda County Auditor-Controller

**Alameda County Water District**  
**Table 7**  
**Ten Year Summary of Schedule of Base Water Rates**  
**BiMonthly Readings and Billings (Unaudited)**

	Eff. 2/1 2012	Eff. 2/1 2013	Eff. 2/1 2014	Eff. 5/1 2015	Eff. 4/1 2016	Eff. 3/1 2017	Eff. 3/1 2018	Eff. 3/1 2019	Eff. 3/1 2020	Eff. 3/1 2021
<b>COMMODITY CHARGE/HCF:</b>										
Inside District	\$ 3.152	\$ 3.152	\$ 3.373	\$ 3.373	\$ 3.373	\$ 4.047	\$ 4.249	\$ 4.419	\$ 4.596	\$ 4.596
Outside District	3.624	3.624	3.878	3.878	3.878	4.653	4.885	\$ 5.081	\$ 5.285	\$ 5.285
San Francisco	3.673	-*	-	-	-	-	-	-	-	-
<b>BIMONTHLY METER SERVICE CHARGE:</b>										
Inside District & SF Water Service										
5/8" & 3/4 "	\$ 14.93	\$ 29.86	\$ 31.95	\$ 41.54	\$ 41.54	\$ 49.84	\$ 52.33	\$ 54.43	\$ 56.61	\$ 56.61
1	21.41	42.82	45.82	64.05	64.05	76.86	80.70	83.93	87.29	87.29
1-1/2	37.82	75.64	80.93	120.32	120.32	144.38	151.59	157.66	163.97	163.97
2	54.24	108.48	116.07	187.84	187.84	225.40	236.67	246.14	255.99	255.99
3	205.67	411.34	440.13	401.66	401.66	481.99	506.08	526.33	547.39	547.39
4	297.88	595.76	637.46	716.76	716.76	860.11	903.11	939.24	976.81	976.81
6	719.02	1,438.04	1,538.70	1,808.37	1,808.37	2,170.04	2,278.54	2,369.69	2,464.48	2,464.48
8	1,052.85	2,105.70	2,253.10	3,158.81	3,158.81	3,790.57	3,980.09	4,139.30	4,304.88	4,304.88
10	1,881.57	3,763.14	4,026.56	4,734.31	4,734.31	5,681.17	5,965.22	6,203.83	6,451.99	6,451.99
Outside District Water Service										
5/8" & 3/4 " or less	\$ 17.17	\$ 34.34	\$ 36.74	\$ 41.54	\$ 41.54	\$ 49.84	\$ 52.33	\$ 54.43	\$ 56.61	\$ 56.61
1	24.62	49.24	52.69	64.05	64.05	76.86	80.70	83.93	87.29	87.29
1-1/2	43.49	86.99	93.07	120.32	120.32	144.38	151.59	157.66	163.97	163.97
2	62.37	124.75	133.48	187.84	187.84	225.40	236.67	246.14	255.99	255.99
3	236.52	473.04	506.15	401.66	401.66	481.99	506.08	526.33	547.39	547.39
4	342.56	685.12	733.08	716.76	716.76	860.11	903.11	939.24	976.81	976.81
6	826.87	1,653.75	1,769.51	1,808.37	1,808.37	2,170.04	2,278.54	2,369.69	2,464.48	2,464.48
8	1,210.78	2,421.56	2,591.07	3,158.81	3,158.81	3,790.57	3,980.09	4,139.30	4,304.88	4,304.88
10	2,163.81	4,327.61	4,630.54	4,734.31	4,734.31	5,681.17	5,965.22	6,203.83	6,451.99	6,451.99
<b>BIMONTHLY CHARGE FOR PRIVATE FIRE</b>										
4 " or less	\$ 14.40	\$ 14.40	\$ 14.40	\$ 14.40	\$ 14.40	\$ 14.40	\$ 14.40	\$ 14.40	\$ 14.40	\$ 14.40
6	19.20	19.20	19.20	19.20	19.20	19.20	19.20	19.20	19.20	19.20
8	24.00	24.00	24.00	24.00	24.00	24.00	24.00	24.00	24.00	24.00
10	28.80	28.80	28.80	28.80	28.80	28.80	28.80	28.80	28.80	28.80
12	33.60	33.60	33.60	33.60	33.60	33.60	33.60	33.60	33.60	33.60
16	43.20	43.20	43.20	43.20	43.20	43.20	43.20	43.20	43.20	43.20

Source: Alameda County Water

Note: \* The District approved a 100% increase on bi-monthly meter service charge and stopped offering special rate for water purchased from San Francisco to customers effective February 1, 2013.

**Alameda County Water District**  
**Table 8**  
**Historical Water Rates<sup>1</sup> (Unaudited)**

Effective Date	Actual/Approved									
	2/1/2013	2/1/2014	7/21/2014	5/1/2015	4/1/2016	3/1/2017	3/1/2018	3/1/2019	3/1/2020	3/1/2021
Bi-monthly Commodity Charge	\$72.50	\$77.58	\$77.58	\$77.58	\$77.58	\$93.08	\$97.73	\$101.64	\$105.71	\$105.71
Bi-monthly Service Charge	29.86	31.95	31.95	41.54	41.54	49.84	52.33	54.43	56.61	56.61
Drought Surcharge	-	-	10.36	10.36	10.36	-	-	-	-	-
<b>TOTAL</b>	<b>\$102.36</b>	<b>\$109.53</b>	<b>\$119.89</b>	<b>\$129.48</b>	<b>\$129.48</b>	<b>\$142.92</b>	<b>\$150.06</b>	<b>\$156.07</b>	<b>\$162.32</b>	<b>\$162.32</b>

Note: <sup>(1)</sup> For the average residential customer using 23 hundred cubic feet (HCF) bimonthly.  
Totals may not add up due to rounding.

Source: Alameda County Water District Finance Department

**Alameda County Water District**  
**Table 9**  
**Ten Year Summary of Ten Largest Distribution Water Revenue Account (Unaudited)**  
**Ten Year History**

(1=Highest to 10=Lowest)

	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	FY 2021 Water Revenues (000's)
Tesla Motors, Inc.	-	-	7	3	2	3	2	3	3	1	\$ 1,436
City of Fremont	2	1	1	1	1	1	1	1	1	2	1,434
Fremont Unified School District	3	2	2	2	3	2	3	2	2	3	1,129
Western Digital Technologies	1	4	4	5	4	5	5	4	4	4	771
Lam Research Corporation	-	-	-	-	-	9	8	5	5	5	704
City of Union City	6	6	5	6	6	6	6	6	7	6	648
Prologis Trust	4	3	3	4	5	4	4	7	6	7	612
Ardenwood Forest Apartments	-	8	8	9	8	7	7	8	8	8	570
Contempo Homeowners Association	8	7	6	7	7	8	9	9	9	9	529
Cargill Salt	-	-	-	-	-	-	-	-	10	10	450
City of Newark	-	10	-	-	10	10	-	10	-	-	n/a
New Haven School District	10	9	9	10	-	-	10	-	-	-	n/a
Equity Residential Properties Trust	-	-	-	-	-	-	-	-	-	-	n/a
Newark Unified School District	5	5	10	-	-	-	-	-	-	-	n/a
School for the Deaf	7	-	-	-	-	-	-	-	-	-	n/a
Seagate Magnetics	9	-	-	-	9	-	-	-	-	-	n/a
Cook Engineering Inc.	-	-	-	8	-	-	-	-	-	-	n/a

Source: Alameda County Water District Finance Department

## Alameda County Water District

### Table 10

#### Ten Year Summary of Historical Net Revenues and Debt Service Coverage (Unaudited) (in thousands)

	2011/12	2012/13	2013/14	2014/15	2015/16
<b>Revenues</b>					
Water Sales	\$ 70,098	\$ 76,903	\$ 81,081	\$ 80,135	\$ 81,776
Investment Income (1)	672	(46)	1,217	1,098	2,521
Property Taxes (2)	4,207	4,529	4,138	4,678	4,807
Facilities Connection Charges	2,118	1,977	3,494	1,920	5,186
Other Revenue (3)	1,877	1,982	2,156	759	978
Total Revenues	<u>78,972</u>	<u>85,345</u>	<u>92,086</u>	<u>88,590</u>	<u>95,268</u>
<b>Maintenance and Operation Costs</b>					
Pumping Power Costs	3,338	2,954	2,763	1,876	1,588
Other Operating Expenses	7,272	7,841	10,252	8,079	7,689
Labor Costs	35,744	37,868	38,403	41,255	42,401
Purchased Water (2)	15,018	17,979	19,911	19,187	19,906
Total Expenses	<u>61,372</u>	<u>66,642</u>	<u>71,329</u>	<u>70,397</u>	<u>71,584</u>
Net Revenues	<u>\$ 17,600</u>	<u>\$ 18,703</u>	<u>\$ 20,757</u>	<u>\$ 18,193</u>	<u>\$ 23,684</u>
<b>Annual Debt Service on Revenue Certificates and Bond</b>					
2003 Certificates of Participation	\$ 822	\$ -	\$ -	\$ -	-
2009 Refunding Revenue Bonds	2,664	2,669	2,866	2,868	2,863
2012 Revenue Bonds	523	1,891	1,893	1,891	1,893
2015 Revenue Bonds	-	-	-	240	1,625
Total Debt Service	<u>\$ 4,009</u>	<u>\$ 4,560</u>	<u>\$ 4,759</u>	<u>\$ 4,999</u>	<u>\$ 6,381</u>
<b>Ratio of Net Revenues to Annual Debt Service on Revenue Certificates</b>					
	4.39x	4.10x	4.36x	3.64x	3.71x

Notes:

- (1) Investment loss in FY2012/13 due to one-time portfolio restructuring.
- (2) In accordance with the provisions of the 2015 Installment Purchase Contract, "Property Taxes" exclude the State Water Project property taxes collected by the Water District, and the equal amount in expenses paid from such taxes.
- (3) Excludes certain one-time grants, reimbursements of shared projects, property sales, and a mitigation payment.

Source: Alameda County Water District Finance Department. Total may not add up due to rounding.

**Alameda County Water District**  
**Table 10 (Continued)**  
**Ten Year Summary of Historical Net Revenues and Debt Service Coverage (Unaudited)**  
(in thousands)

	2016/17	2017/18	2018/19	2019/20	2020/21
<b>Revenues</b>					
Water Sales	\$ 86,263	\$ 104,447	\$ 108,576	\$ 116,230	\$ 122,388
Investment Income (1)	145	179	7,367	8,971	187
Property Taxes (2)	5,350	5,704	6,131	6,580	6,937
Facilities Connection Charges	11,467	10,428	11,359	13,952	6,154
Other Revenue (3)	1,993	1,101	1,275	1,167	1,848
<b>Total Revenues</b>	<b>105,218</b>	<b>121,859</b>	<b>134,708</b>	<b>146,900</b>	<b>137,514</b>
<b>Maintenance and Operation Costs</b>					
Pumping Power Costs	1,389	1,266	1,600	1,613	1,863
Other Operating Expenses	8,470	14,901	11,978	18,344	23,802
Labor Costs	44,156	46,098	48,052	47,869	49,152
Purchased Water (2)	19,190	21,554	21,846	23,737	28,279
<b>Total Expenses</b>	<b>73,205</b>	<b>83,819</b>	<b>83,476</b>	<b>91,563</b>	<b>103,096</b>
<b>Net Revenues</b>	<b>\$ 32,013</b>	<b>\$ 38,040</b>	<b>\$ 51,232</b>	<b>\$ 55,337</b>	<b>\$ 34,418</b>
<b>Annual Debt Service on Revenue Certificates and Bond</b>					
2003 Certificates of Participation	\$ -	\$ -	\$ -	\$ -	\$ -
2009 Refunding Revenue Bonds	2,867	2,864	2,863	2,866	-
2012 Revenue Bonds	1,892	1,887	1,885	1,884	3,905
2015 Revenue Bonds	1,628	1,622	1,623	1,627	1,624
<b>Total Debt Service</b>	<b>\$ 6,387</b>	<b>\$ 6,373</b>	<b>\$ 6,371</b>	<b>\$ 6,377</b>	<b>\$ 5,529</b>
<b>Ratio of Net Revenues to Annual Debt Service on Revenue Certificates</b>					
	5.01x	5.97x	8.04x	8.68x	6.22x

Notes:

- (1) Investment loss in FY2012/13 due to one-time portfolio restructuring.
- (2) In accordance with the provisions of the 2015 Installment Purchase Contract, "Property Taxes" exclude the State Water Project property taxes collected by the Water District, and the equal amount in expenses paid from such taxes.
- (3) Excludes certain one-time grants, reimbursements of shared projects, property sales, and a mitigation payment.

Source: Alameda County Water District Finance Department. Total may not add up due to rounding.

**Alameda County Water District**  
**Table 11**  
**Ten Year Summary of Outstanding Debt (Unaudited)**  
(in thousands)

	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
<b>Revenue Bonds</b>										
2009 Refunding Revenue Bonds 2.0% - 5.0% Maturity: FY 2019-20	\$ 20,801	\$ 18,608	\$ 16,154	\$ 13,641	\$ 11,068	\$ 8,425	\$ 5,707	\$ 2,899	\$ -	\$ -
2012 Revenue Bonds 3.0% - 5.0% Maturity: FY 2040-41	\$ 48,032	\$ 47,696	\$ 47,349	\$ 46,998	\$ 46,637	\$ 46,266	\$ 45,890	\$ 45,504	\$ 45,108	\$ 42,678
2015 Revenue Bonds 4.0% - 5.0% Maturity: FY 2044-45	-	-	-	\$ 30,521	\$ 29,975	\$ 29,404	\$ 28,813	\$ 28,197	\$ 27,551	\$ 26,880
<b>Total</b>	<b>\$ 68,833</b>	<b>\$ 66,304</b>	<b>\$ 63,503</b>	<b>\$ 91,160</b>	<b>\$ 87,680</b>	<b>\$ 84,095</b>	<b>\$ 80,410</b>	<b>\$ 76,600</b>	<b>\$ 72,659</b>	<b>\$ 69,558</b>
<b>Total Outstanding Debt to</b>										
<b>Personal Income (1)</b>	61.04%	80.96%	80.96%	N/A						
<b>Total Debt Per Capita</b>	\$ 211.14	\$ 202.15	\$ 191.85	\$ 272.12	\$ 257.88	\$ 244.46	\$ 231.73	\$ 217.00	\$ 205.83	\$ 195.94

Sources: Alameda County Water District Finance Department

(1) U.S. Department of Commerce, Bureau of Economic Analysis. Most recent data is for 2013.

**Alameda County Water District**  
**Table 12**  
**Largest Employers Within the District (Unaudited)**  
**Comparison with Ten Years Ago**

CITY OF FREMONT <sup>(1)</sup>					
2020*			2011		
Employer	Number of Employees	Percent of Total Employment	Employer	Number of Employees	Percent of Total Employment
Tesla Motors, Inc.	13,000	12.12 %	Fremont Unified School District	3,000	3.27 %
Fremont Unified School District	3,000	2.80	Washington Hospital	1,817	1.98
LAM Research	2,500	2.33	Boston Scientific	1,200	1.31
Washington Hospital	2,200	2.05	Western Digital	1,200	1.20
Kaiser Permanente Medical Group	1,700	1.58	Seagate Magnetics	1,060	1.16
Synnex Corporation	1,250	1.17	AXT Incorporated	972	1.06
Western Digital	1,000	0.93	LAM Research	920	1.00
City of Fremont	956	0.89	City of Fremont	848	0.93
Boston Scientific	800	0.75	DMS Facility Services, Inc	800	0.87
Ohlone College	750	0.70	Solyndra	800	0.87
Total City Employment	<u>107,758</u>		Total City Employment	<u>100,669</u>	

CITY OF UNION CITY <sup>(2)</sup>					
2019 *			2010		
Employer	Number of Employees	Percent of Total Employment	Employer	Number of Employees	Percent of Total Employment
New Haven Unified School District	1,196	3.23 %	Axygen Bioscience Inc	1,200	3.96 %
Southern Glazer's Wine & Spirits	600	1.62	New Haven Unified School District	1,139	3.76
Wal-Mart	534	1.44	Wal-Mart	500	1.65
Masonic Home For Adults	498	1.35	Young's Market Co LLC	400	1.32
Abaxis Inc	400	1.08	City of Union City	353	1.17
Mizuho OSI, Inc.	400	1.08	American Licorice	350	1.16
Sterling Foods	400	1.08	Southern Wine & Spirits	350	1.16
City of Union City	313	0.85	Hearst Corp	300	0.99
Emerald Packaging	245	0.66	Rapid Displays	300	0.99
American Licorice	239	0.65	Hearst Communications Inc	300	0.99
Total City Employment	<u>37,000</u>		Total City Employment	<u>30,300</u>	

CITY OF NEWARK <sup>(3)</sup>					
2020*			2017		
Employer	Number of Employees	Percent of Total Employment	Employer	Number of Employees	Percent of Total Employment
Newark Unified School District	889	3.72 %	Newark Unified School District	953	3.99 %
Logitech	606	2.54	Logitech	634	2.65
Risk Management Solutions	290	1.21	Risk Management Solutions	285	1.19
WorldPac, Inc	251	1.05	VM Services, Inc.	270	1.13
VM Services, Inc.	241	1.01	Amazon Fulfillment Center	250	1.05
Nordstrom Distribution Center	220	0.92	WorldPac	218	0.91
Cargill Salt	217	0.91	Smart Modular Technologies	212	0.89
Smart Modular Technologies, Inc	214	0.90	Cargill Salt	210	0.88
Amazon Fulfillment Center	200	0.84		n/a	n/a
Valassis Direct Mall Inc (formerly ADVO)	148	0.62		n/a	n/a
Total City Employment	<u>23,900</u>		Total City Employment	<u>23,900</u>	

Note: \* Number of Employees and Percent of Total Employment unavailable for 2021.

\*\* City of Newark ten year comparison was not available. The city only provided data for the last three years.

Source: (1) Year 2020 - City of Fremont, Comprehensive Annual Financial Report FY 2019/20; U.S. Dept of Labor, Bureau of Labor Statistics

(2) City of Union City, Comprehensive Annual Financial Report FY 2018/2019

(3) City of Newark, Comprehensive Annual Financial Report FY 2019/20

**Alameda County Water District**  
**Table 13**  
**Ten Year Summary of Demographic and Economics Statistics (Unaudited)**  
(in thousands)

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Calendar Year	Population As of 1/1 (1)	Personal Income (2)	Per Capita Personal Income (2)	Unemployment Rate (3)
2011	328	76	50	8.3
2012	331	85	55	7.2
2013	335	87	55	5.9
2014	340	91	56	4.8
2015	344	101	62	3.9
2016	347	109	66	3.5
2017	353	119	71	3.5
2018	352	128	77	2.7
2019	345	135	81	2.3
2020	355	N/A*	N/A*	7.4

\* Personal income and per capita personal income shown are for Alameda County.  
Data for Alameda County Water District's service area is not available.

- Sources: (1) State of California, Department of Finance  
(2) U.S. Department of Commerce, Bureau of Economic Analysis  
(3) U.S. Department of Labor, Bureau of Labor Statistics

**Alameda County Water District**  
**Table 14**  
**Ten Years Summary of Property, Plant & Equipment (Unaudited)**  
**(in thousands)**

	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
<b>UTILITY PLANT:</b>										
Land	\$ 9,727	\$ 9,727	\$ 9,610	\$ 9,610	\$ 9,610	\$ 9,610	\$ 9,610	\$ 9,610	\$ 9,609	\$ 9,601
Source of Supply	51,092	51,092	57,782	64,229	68,993	68,050	68,404	81,563	81,630	85,685
Pumping Plant	21,324	21,469	24,152	24,217	24,549	24,983	25,130	25,353	25,585	26,401
Water Treatment	152,302	152,296	157,393	160,238	160,610	160,735	161,192	166,153	166,705	167,555
Transmission and Distribution	253,908	262,957	275,001	300,836	320,721	329,208	337,274	347,969	358,378	373,565
General	46,075	48,114	48,172	49,684	50,836	52,005	52,682	52,910	54,180	56,001
Construction in Progress	10,282	21,612	31,930	18,938	16,320	19,793	29,305	23,982	45,436	75,518
	544,710	567,267	604,040	627,752	651,639	664,384	683,597	707,540	741,523	794,326
Less Accumulated Depreciation	211,110	223,098	231,715	244,254	257,356	269,759	282,826	296,035	309,636	323,241
<b>NET UTILITY PLANT</b>	<b>\$ 333,600</b>	<b>\$ 344,169</b>	<b>\$ 372,325</b>	<b>\$ 383,498</b>	<b>\$ 394,283</b>	<b>\$ 394,625</b>	<b>\$ 400,771</b>	<b>\$ 411,505</b>	<b>\$ 431,887</b>	<b>\$ 471,085</b>

Note:

Land: District owned land including easements and rights of way.

Source of Supply: covers all costs of plant used in connection with the source of water supply.

Pumping Plant: covers all costs of plant and equipment in connection with pumping operations.

Water Treatment: covers all costs of plant and equipment used in connection with water treatment operations.

Transmission and Distribution: includes all costs of plant and equipment used in connection with the transmission and distribution of water such as reservoirs, pipelines, meters and fire hydrants.

General: includes all costs of general plant and equipment used for general water utility purposes.

Construction in Progress: includes all costs incurred during construction for capital projects not yet completed or placed in service.

Source: Alameda County Water District Finance Department

**Alameda County Water District**  
**Table 15**  
**Ten Year Summary of Water Demand (Unaudited)**

---

Fiscal Year	Million Gallons Per Day (MGD)
2011/12	39.23
2012/13	41.68
2013/14	40.52
2014/15	31.94
2015/16	28.47
2016/17	32.55
2017/18	33.96
2018/19	33.48
2019/20	34.58
2020/21	36.45

Source: Alameda County Water District Finance Department

**Alameda County Water District**  
**Table 16**  
**Ten Year Summary of Metered Accounts (Unaudited)**

---

Fiscal Year Ended June 30	Number of Meters
2012	81,005
2013	81,432
2014	81,700
2015	82,049
2016	82,492
2017	83,398
2018	84,255
2019	85,108
2020	85,959
2021	86,468

Source: Alameda County Water District Finance Department

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## APPENDIX C

### FORM OF CONTINUING DISCLOSURE CERTIFICATE

#### ALAMEDA COUNTY WATER DISTRICT FINANCING AUTHORITY WATER SYSTEM REVENUE BONDS, SERIES 2022

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the Alameda County Water District (the “Water District”) in connection with the issuance of the above-named bonds (the “Bonds”). The Bonds are being issued pursuant to that certain Trust Agreement dated as of March 1, 2022 (the “Trust Agreement”), by and between the Authority and U.S. Bank Trust Company, National Association, as trustee (the “Trustee”). The Water District covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Water District for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with Securities and Exchange Commission (“S.E.C.”) Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Trust Agreement, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the Water District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

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

“Financial Obligation” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term Financial Obligation shall not include municipal securities (as defined in the Rule) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

“Holder” shall mean the person in whose name any Bond shall be registered.

“Listed Events” shall mean any of the events listed in Section 5(a) or (b) of this Disclosure Certificate.

“MSRB” shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>.

“Official Statement” means the Official Statement, dated March 22, 2022, executed and delivered by the Authority and the Water District in connection with the initial offering of the Bonds.

“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(b)(5) 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 3. Provision of Annual Reports.

(a) The Water District shall, not later than nine months after the end of the Water District's fiscal year (which shall be April 1 of each year, so long as the Water District's fiscal year ends on June 30), commencing with the report for the 2021-22 fiscal year (which is due not later than February 1, 2023) provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided, that the audited financial statements of the Water 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. If the Water District's fiscal year changes, it shall give notice of such change in a filing with the MSRB. The Annual Report shall be submitted on a standard form in use by industry participants or other appropriate form and shall identify the Bonds by name and CUSIP number.

(b) If the Water District is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the Water District shall, in a timely manner, send or cause to be sent to the MSRB a notice in substantially the form attached as Exhibit A.

SECTION 4. Content of Annual Reports. The Water District's Annual Report shall contain or include by reference the following:

(a) Audited financial statements of the Water District for the preceding fiscal year, prepared in accordance with the laws of the State of California. If the Water District's audited financial statements are not available by the time the Annual Report is required to be provided to the MSRB 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 provided to the MSRB in the same manner as the Annual Report when they become available.

To the extent not included in the audited financial statement of the Water District, the Annual Report shall also include the following:

(b) The total number of accounts during the previous fiscal year (as measured by meters installed) in the form of Table 2 of the Official Statement.

(c) The ten largest distribution water accounts during the previous fiscal year estimated according to annualized billings based on the most recent calendar year end or fiscal year end in the form of Table 3 of the Official Statement.

(d) The Water District's current bi-monthly water charge in the form of Table 4 of the Official Statement.

6. (e) Revenues from connection fees during the most recent fiscal year in the form of Table

(f) Total Net Revenues received by the Water District during the prior fiscal year, and the amount of debt service coverage provided thereby (expressed as a percentage of total Net Revenues to total debt service on the Bonds and any parity debt in such fiscal year).

SECTION 5. Reporting of Significant Events.

(a) The Water District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not later than ten business days after the occurrence of the event:

1. Principal and interest payment delinquencies;
2. Unscheduled draws on debt service reserves reflecting financial difficulties;
3. Unscheduled draws on credit enhancements reflecting financial difficulties;
4. Substitution of credit or liquidity providers, or their failure to perform;
5. Adverse tax opinions or issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);
6. Tender offers;
7. Defeasances;
8. Rating changes;
9. Bankruptcy, insolvency, receivership or similar event of the obligated person; or
10. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation, any of which reflect financial difficulties.

Note: for the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) The Water 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, in a timely manner not later than ten business days after the occurrence of the event:

1. Unless described in paragraph 5(a)(5), other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
2. Modifications to rights of Bond holders;
3. Optional, unscheduled or contingent Bond calls;
4. Release, substitution, or sale of property securing repayment of the Bonds;
5. Non-payment related defaults;
6. The consummation of a merger, consolidation, or acquisition involving 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;
7. Appointment of a successor or additional trustee or the change of name of a trustee; or
8. Incurrence of a Financial Obligation, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation, any of which affect Bond holders.

(c) Whenever the Water District obtains knowledge of the occurrence of a Listed Event described in subsection (b), the Water District shall as soon as possible determine if such event would be material under applicable federal securities laws. If the Water District determines that knowledge of the occurrence of a Listed Event under Section 5(b) would be material under applicable federal securities laws, the Water District shall file a notice of such occurrence with EMMA in a timely manner not more than ten (10) business days after the event. Notwithstanding the foregoing, notice of the Listed Event described in subsections (a)(7) or (b)(3) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Trust Agreement.

SECTION 6. CUSIP Numbers. Whenever providing information pursuant to the MSRB pursuant to this Certificate, including but not limited to Annual Reports, documents incorporated by reference to the Annual Reports, Audited Financial Statements, notices of Notice Events, and voluntary reports filed pursuant to Section 11, the Water District shall indicate the full name of the Bonds and the 9-digit CUSIP numbers for the Bonds as to which the provided information relates.

SECTION 7. Format for Filings with MSRB. Any report or filing with the MSRB pursuant to this Disclosure Certificate must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB.

SECTION 8. Termination of Reporting Obligation. The Water District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Water District shall give notice of such termination in a filing with the MSRB.

SECTION 9. Dissemination Agent. The Water 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 Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Water District pursuant to this Disclosure Certificate. The Dissemination Agent may resign by providing thirty (30) days written notice to the Water District. The Dissemination Agent shall not be responsible for the content of any report or notice prepared by the Water District. The Dissemination Agent shall have no duty to prepare any information report nor shall the Dissemination Agent be responsible for filing any report not provided to it by the Water District in a timely manner.

SECTION 10. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Water District may amend this Disclosure Certificate and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) 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) The undertaking, as amended or taking into account such waiver, would, in the opinion of 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; and

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the Water District shall describe such amendment in the next 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 Water 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 a filing with the MSRB, 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 11. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Water 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 required to be filed pursuant to this Disclosure Certificate, in addition to that which is required by this Disclosure Certificate. If the Water District chooses to include any information in any Annual Report or notice in addition to that which is specifically required by this Disclosure Certificate, the Water District shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event or any other event required to be reported.

SECTION 12. Default. In the event of a failure of the Water District to comply with any provision of this Disclosure Certificate, any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Water District to comply with its obligations under this Disclosure Certificate; provided, that any such action may be instituted only in Superior Court of the State of California in and for the County of Alameda or in U.S. District Court in or nearest to the County. The sole remedy under this Disclosure Certificate in the event of any failure of the Water District to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 13. Authority Not an Obligated Person. The Authority is not an “obligated person” (as defined in the Rule) with respect to the Bonds.

IN WITNESS WHEREOF, the undersigned has executed and delivered this CONTINUING DISCLOSURE CERTIFICATE as of the date hereof.

Date: April 5, 2022

ALAMEDA COUNTY WATER DISTRICT

By: \_\_\_\_\_  
Director of Finance

**CONTINUING DISCLOSURE EXHIBIT A**

**FORM OF NOTICE TO THE MUNICIPAL SECURITIES RULEMAKING BOARD OF FAILURE  
TO FILE ANNUAL REPORT**

Name of Issuer: Alameda County Water District Financing Authority  
Name of Bond Issue: Alameda County Water District Financing Authority Water System  
Revenue Bonds, Series 2022  
Date of Issuance: April 5, 2022  
Name of Obligated Party: Alameda County Water District

NOTICE IS HEREBY GIVEN that the Water District has not provided an Annual Report with respect to the above-named Bonds as required by Section 4 of the Continuing Disclosure Certificate, dated the Date of Issuance, by the Alameda County Water District [The Water District anticipates that the Annual Report will be filed by \_\_\_\_\_.]

Dated: \_\_\_\_\_

ALAMEDA COUNTY WATER DISTRICT

By: \_\_\_\_\_  
[to be signed only if filed]

cc: Alameda County Water District

## APPENDIX D

### PROPOSED FORM OF OPINION OF BOND COUNSEL

April 5, 2022

Alameda County Water District Financing Authority  
Fremont, California

*Re: Alameda County Water District Financing Authority Water System Revenue Bonds, Series 2022*

Ladies and Gentlemen:

We have acted as bond counsel to the Alameda County Water District Financing Authority (the “Agency”) in connection with the issuance of \$43,575,000 aggregate principal amount of Alameda County Water District Financing Authority Water System Revenue Bonds, Series 2022 (the “Bonds”), issued pursuant to the Trust Agreement, dated as of April 1, 2022 (the “Trust Agreement”), between the Authority and U.S. Bank National Association, as trustee (the “Trustee”). The Bonds are secured by a pledge of Authority Revenues, consisting primarily of installment payments to be made by the Alameda County Water District (the “Water District”), pursuant to the 2022 Installment Purchase Contract, dated as of April 1, 2022 (the “2022 Installment Purchase Contract”), by and between the Water District and the Authority. Capitalized terms not otherwise defined herein shall have the meanings set forth in the Trust Agreement.

In such connection, we have reviewed the Trust Agreement, the 2022 Installment Purchase Contract, the Tax Certificate of the Authority, dated the date hereof (the “Tax Certificate”), opinions of counsel to the Authority, the Water District, and the Trustee, certificates of the Authority, the Water District, the Trustee and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Authority or the Water District. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute the valid and binding limited obligations of the Authority.
2. The Trust Agreement has been duly executed and delivered by, and constitutes the valid and binding obligation of, the Authority. The Trust Agreement creates a valid pledge, to secure the payment of the principal of and interest on the Bonds, of the Authority Revenues and any other amounts held by the Trustee in any fund or account established pursuant to the Trust Agreement (other than amounts on deposit in the Rebate Fund), subject to the provisions of the Trust Agreement permitting the application thereof for the purposes and on the terms and conditions set forth in the Trust Agreement.
3. The 2022 Installment Purchase Contract has been duly executed and delivered by the Water District and the Authority, and constitutes the valid and binding obligation of the Water District and the

Authority. The obligation of the Water District to make the 2022 Installment Payments (as that term is defined in the 2022 Installment Purchase Contract) in accordance with the terms of the 2022 Installment Purchase Contract is a valid and binding special obligation of the Water District, payable solely from Net Revenues (as that term is defined in the 2022 Installment Purchase Contract).

4. Under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals.

5. Interest (and original issue discount) on the Bonds is exempt from State of California personal income tax.

6. The excess of the stated redemption price at maturity over the issue price of a Bond (the first price at which a substantial amount of the Bond of a maturity is to be sold to the public) constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bond Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Bond Owner will increase the Owner's basis in the applicable Bond. Original issue discount that accrues to the 2022A Bond Owner is excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and is exempt from State of California personal income tax.

7. The amount by which a Bond Owner's original basis for determining gain or loss on sale or exchange of the applicable Bond (generally the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes "amortizable bond premium" which must be amortized under Section 171 of the Internal Revenue Code of 1986, as amended (the "Code"); such amortizable bond premium reduces the Bond Owner's basis in the applicable Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of bond premium may result in a Bond Owner realizing a taxable gain when a 2022A Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Owner. Purchasers of the Bond should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable bond premium.

The opinions expressed herein as to the exclusion from gross income of interest (and original issue discount) on the Bonds are based upon certain representations of fact and certifications made by the District and are subject to the condition that the District comply with all requirements of the Code, that must be satisfied subsequent to the issuance of the Bonds to assure that such interest (and original issue discount) on the Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest (and original issue discount) the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The District has covenanted to comply with all such requirements.

The opinions expressed herein may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. Our engagement with respect to the Bonds terminates on the date of their issuance. The Trust Agreement and the Tax Certificate permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. No opinion is expressed herein as to the effect on the exclusion from gross income of from gross income of interest (and original issue discount) on the Bonds for federal income tax purposes with respect to any Bond if any such action is taken or omitted based upon the opinion or advice of counsel other than ourselves. Other than expressly stated herein, we express no other opinion regarding tax consequences with respect to the Bonds.

The opinions expressed herein are based upon our analysis and interpretation of existing laws, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter.

We call attention to the fact that the rights and obligations under the 2022 Installment Purchase Contract, the Tax Certificate, the Indenture and the Bonds and their enforceability are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights, to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State of California. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the assets described in or as subject to the lien of the Trust Agreement or the 2022 Installment Purchase Contract or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such assets. Our services did not include financial or other non-legal advice.

Our opinion is limited to matters governed by the laws of the State of California and federal law. We assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction.

We express no opinion herein as to the accuracy, completeness or sufficiency of the Official Statement relating to the Bonds or other offering material relating to the Bonds and expressly disclaim any duty to advise the owners of the Bonds with respect to matters contained in the Official Statement.

Respectfully submitted,

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## APPENDIX E

### BOOK-ENTRY ONLY SYSTEM

*The information in this Appendix concerning The Depository Trust Company (“DTC”), New York, New York, and DTC's book entry system has been obtained from DTC and the Authority and the initial Purchaser take no responsibility for the completeness or accuracy thereof. The Authority and the initial Purchaser cannot and do not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Holders (a) payments of interest, principal or premium, if any, with respect to the 2022 Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the 2022 Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the 2022 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. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.*

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the 2022 Bonds. The 2022 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered 2022 Bond will be issued for each maturity of the 2022 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest 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, corporate and municipal debt issues, and money market instrument 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. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of the 2022 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2022 Bonds on DTC’s records. The ownership interest of each actual purchaser of each 2022 Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2022 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in 2022 Bonds, except in the event that use of the book-entry system for the 2022 Bonds is discontinued.

To facilitate subsequent transfers, all 2022 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of 2022 Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2022 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2022 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the 2022 Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the 2022 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of 2022 Bonds may wish to ascertain that the nominee holding the 2022 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2022 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the 2022 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority 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 2022 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the 2022 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Trustee, or the Authority, 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 Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the 2022 Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Security certificates are required to be printed and delivered.

The Authority 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.



