



BOARD MEMORANDUM

DATE: November 15, 2018

TO: Board of Directors

FROM: Dirk Marks *DSM*
Director of Water Resources

SUBJECT: Approve a Resolution Authorizing the General Manager to Execute the Delta Conveyance Financing Authority Joint Powers Agreement

SUMMARY

If approved, this action establishes SCV Water's membership and participation in the Delta Conveyance Financing Joint Powers Authority (Finance Authority). Joining the Finance Authority at this time reaffirms SCV Water's June 5, 2018 Resolution to support and participate in the California WaterFix.

The Department of Water Resources (DWR) plans to issue a series of new California WaterFix Revenue Bonds to finance the State Water Project's (SWP) share of capital costs. Proceeds from the sales of these bonds would be used to fund construction, planning and other preconstruction costs of the California WaterFix. As judicial challenges to the project may affect the marketability of California WaterFix Revenue Bonds, the DWR has initiated a validation action to affirm its ability to issue these bonds. This and other legal process are not anticipated to be completed for several years. To allow the project to move forward during this process, DWR anticipates selling WaterFix Revenue Bonds to the Finance Authority. Upon purchase of these WaterFix Bonds, the Finance Authority is anticipated to issue bonds or other obligations backed by its participants.

Joining the Finance Authority at this time does not commit SCV Water to financially support future Finance Authority bond issuances or other instruments. Such participation would be considered by the SCV Water Board of Directors at a future date when the terms of these obligations are known. Participation does, however, allow SCV Water a voice in establishing the associated terms and conditions.

DISCUSSION

The Finance Authority was formed in July 2018. Membership is limited to those Public Water Agencies that adopt a resolution to commit to financially supporting any bonds issued by the Finance Authority or which express an intention to do so at a later date and approves execution of the Financing Authority Joint Powers Agreement (JPA Agreement). Those that adopt such a resolution prior to December 3, 2018 are members. Those that adopt a resolution after December 3, 2018 become members upon a unanimous vote by the Finance Authority Board of Directors. The Finance Authority's current members include Alameda County Water Agency, Alameda County Flood Control and Water Conservation District Zone 7, The Metropolitan Water District of Southern California, Mojave Water Agency, San Bernardino Valley Municipal Water District, Santa Clara Valley Water District, and San Geronio Pass Water Agency. Several other

water agencies are considering joining prior to the December 3, 2018 date, including Antelope Valley East Kern Water Agency, Coachella Valley Water District and Desert Water Agency.

Each member agency appoints either a staff member or an elected official as its Director to the Finance Authority's Board. Initially, voting is based on one agency one vote. Once member agencies have made financial commitments to back the Finance Authority's investments in the WaterFix, representation on the Board will be weighted in proportion to a member agency's financial commitment. The exception to weighted representation would be for certain administrative functions such as selection of Board Officers, Executive Committee Members, an Executive Director, adopting a budget, setting agendas and designating meeting times, which would continue to be based on one agency one vote. Unanimous votes are required to add a new members or to terminate the JPA Agreement.

The term of the JPA Agreement is 50 years or upon repayment of outstanding bonds issued by the Finance Authority. A member may withdraw from the Finance Authority if it has paid, or made arrangement satisfactory to the Finance Authority Board of Directors to repay, its pro rata share of Finance Authority obligations.

During its first months, the Finance Authority's focus has been on establishing necessary administrative functions such as hiring an interim executive director, appointment of a treasurer/controller, adopting a budget and determining debt management policy and investment policy. The Financing Authority's Fiscal Year 2018/19 Budget totals \$505,000 as shown on Attachment 1.

Joining the Finance Authority reaffirms SCV Water's June 5, 2018 Resolution to support and participate in the California WaterFix. Further, SCV Water will have a stronger position as one of the original members and will not be subject to any additional conditions that may be imposed upon members joining after December 3, 2018.

Joining the Finance Authority at this time does not commit SCV Water to financially support future Finance Authority bond issuances or other instruments. Such participation would be considered by the SCV Water Board of Directors at a future date when the terms of these obligations are known. Participation does, however, allow SCV Water a voice in establishing the associated terms and conditions.

On November 14, 2018, the Water Resources and Watershed Committee considered staff's recommendation to adopt a resolution authorizing the General Manager to execute the Delta Conveyance Financing Authority Joint Powers Agreement.

FINANCIAL CONSIDERATIONS

If no additional members join the Finance Authority, SCV Water's proportionate share of the Finance Authority's Budget, excluding bond related fees, would be approximately \$72,000. Should the Finance Authority issue bonds or take out loans associated with the WaterFix, it is anticipated that SCV Water's costs would be proportionate to its Table A amount. Such a commitment would, however, be the subject of a subsequent action by the SCV Water Board.

CALIFORNIA ENVIRONMENTAL QUALITY ACT


On June 5, 2018, the Santa Clarita Valley Water Agency (SCV Water) Board of Directors passed Resolution No. SCV-42, thereby acting as a responsible agency, and resolved that:

having considered DWR's certified Final EIR and the impacts of the project as disclosed and analyzed in the Final EIR it, the SCV Water Board, adopted DWR's Finding of Fact with respect to each potentially significant impact of the project, adopted a Statement of Overriding Considerations in view of potentially significant and unavoidable impacts and adopted the Mitigation Monitoring and Reporting Program.

RECOMMENDATION

The Water Resources and Watershed Committee recommends that the Board of Directors adopt the attached resolution authorizing the General Manager to execute the Delta Conveyance Financing Authority Joint Powers Agreement.

DSM



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Attachment 1

Object	FY 2018/19 Budget
Executive Director Compensation	175,000
Professional Services	
General Counsel	75,000
Bond Counsel (1)	50,000
Disclosure Counsel (1)	50,000
Municipal Advisor (1)	50,000
Audit	10,000
Accounting /Treasury	35,000
Insurance	30,000
Travel and Meeting	10,000
Materials and supplies	10,000
Contingency	10,000
Total (2)	505,000

(1) To be paid out of bond or loan proceeds

(2) Total excluding bond proceeds = \$355,000

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RESOLUTION NO. SCV ____

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE
SANTA CLARITA VALLEY WATER AGENCY AUTHORIZING THE EXECUTION
AND DELIVERY OF THE DELTA CONVEYANCE FINANCE AUTHORITY
JOINT POWERS AGREEMENT**

WHEREAS, the California WaterFix (CWF) is a critical component of the California Water Action Plan, the State of California's blueprint for "a sustainable and resilient future"; and

WHEREAS, the CWF is essential to protecting and assuring the California State Water Project's (SWP) future reliability by addressing the Delta's ecosystem and levee system which are increasingly vulnerable to earthquakes, flooding, saltwater intrusion, climate change, and environmental degradation; and

WHEREAS, on July 21, 2017, the California Department of Water Resources (DWR), acting as Lead Agency, certified the final environmental analysis for the CWF and signed the Notice of Determination thereby approving CWF as the proposed project under the California Environmental Quality Act (DWR Approval); and

WHEREAS, on June 5, 2018, the Santa Clarita Valley Water Agency (SCV Water) Board of Directors passed Resolution No. SCV-42, thereby acting as a responsible agency, and resolved that having considered DWR's certified Final EIR and the impacts of the project as disclosed and analyzed in the Final EIR, the SCV Water Board, adopted DWR's Finding of Fact with respect to each potentially significant impact of the project, adopted a Statement of Overriding Considerations in view of potentially significant and unavoidable impacts, adopted the Mitigation Monitoring and Reporting Program, and authorized participation in California WaterFix and authorized the General Manager to negotiate, execute and deliver a Gap Funding agreement with DWR; and

WHEREAS, subsequently certain other state water contractors entered into a Delta Conveyance Finance Authority Joint Powers Agreement (the "Joint Powers Agreement"), dated July 3, 2018, pursuant to which the Delta Conveyance Finance Authority (the "Finance JPA") was created; and

WHEREAS, the Agency is a 2.35% participant in the State Water Project as it relates to CWF (the "Agency Share"); and

WHEREAS, the Agency has determined to become a member of the Finance JPA.

NOW THEREFORE BE IT RESOLVED, the Board of Directors of the Santa Clarita Valley Water Agency hereby finds, determines, declares and resolves as follows:

1. The Board of Directors hereby approves the form of the Joint Powers Agreement attached hereto as Exhibit A and authorizes the General Manager to execute and deliver the Joint Powers Agreement to the Finance JPA. Matthew G. Stone is hereby appointed to serve on the Board of Directors of the Finance JPA.

2. Pursuant to Section 15(a) of the Joint Powers Agreement and Section 4 thereof, the Agency confirms its intention to commit to supporting bonds issued by the Finance JPA.
3. The Agency shall not enter into any bond support agreement or installment sale agreement to support Finance JPA bonds (a) in excess of the Agency Share of CWF costs, and (b) without prior approval by this Board of Directors of the form of a bond support agreement and an installment sale agreement in form and substance acceptable to the Agency.
4. The Board finds that the approval of the Agreement: (1) further implements the Board's previous CEQA determinations and does not change the nature or description of WaterFix, such that no further environmental review is required under the California Environmental Quality Act ("CEQA") pursuant to State CEQA Guidelines § 15162; and (2) alternatively, is the mere creation of a governmental entity (i.e., the Delta Conveyance Finance Authority), which is an "organizational or administrative" government activity that does not propose, approve, or otherwise authorize any activities that may "result in direct or indirect physical changes in the environment," such that the execution of the Agreement is not a CEQA "project" subject to review under State CEQA Guidelines § 15378 (b)(5).
5. This resolution shall take effect immediately.

Exhibit A

DELTA CONVEYANCE FINANCE AUTHORITY

JOINT POWERS AGREEMENT

Dated as of July 3, 2018

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JOINT POWERS AGREEMENT

DELTA CONVEYANCE FINANCE AUTHORITY

THIS AGREEMENT, dated as of and effective on July 3, 2018, is made and entered into by and among Alameda County Water District, Alameda County Flood Control and Water Conservation District, Zone 7, and San Geronio Pass Water Agency. Additional Public Water Agencies may execute and become members as specified in Section 15 below.

W I T N E S S E T H :

WHEREAS, each Member is a Public Water Agency and is empowered by law to acquire, construct, finance, maintain and operate facilities for the delivery of water for public or private use and all rights, properties and improvements necessary therefor; and

WHEREAS, each Member desires to enter into an agreement to create a separate public entity pursuant to the provisions of the Joint Powers Act for the purpose set forth herein and desires that such separate public entity have the powers provided herein in connection with such purpose;

NOW, THEREFORE, the Members, for and in consideration of the mutual promises and agreements herein contained, do hereby agree as follows:

SECTION 1. PURPOSE. This Agreement is made pursuant to the provisions the Joint Powers Act, to create a separate public entity to: (1) exercise Common Powers, and (2) exercise Additional Powers; in each case as determined from time to time by the Board. It is explicitly recognized that it is intended that the Finance Authority, in exercising its powers, will serve as an issuer of Bonds for the benefit of a Member or Members in implementing the Conveyance Project in the public interest.

SECTION 2. DEFINITIONS. In addition to the other terms defined herein, the following terms, whether in the singular or in the plural, when used herein and initially capitalized, shall have the meanings specified.

(a) **Additional Powers.** Such powers, in addition to the Common Powers, as are granted or otherwise available to the Finance Authority pursuant to the Joint Powers Act or any other applicable law, whether currently in force or hereafter enacted. Such powers include those provided in the Marks-Roos Local Bond Pooling Act of 1985, as amended, constituting Article 4 of the Joint Powers Act, including but not limited to, the power to issue and purchase debt obligations issued by, or to make loans to, the Members or other agencies or enter into various other financing arrangements as authorized under the Joint Powers Act, and to sell bonds so issued or purchased to public or private purchasers at public or negotiated sale. To the extent not already constituting Common Powers, the Additional Powers shall include without limitation, the Powers described in Section 6 hereof.

(b) **Additional Project Amounts.** The term “Additional Project Amounts” means the amount of payments made by a Member to the California Department of Water Resources for the construction of California WaterFix “CWF”) in exchange for a right to use capacity in CWF

("CWF Capacity Right") (other than any payments made under a State Water Contract relating to the State Water Project); provided, however, if any Member is assigned any CWF Capacity Right from another Member and the assignee Member makes payments to the assignor Member for such CWF Capacity Right, then the amount of such payments shall constitute the Member Support Amount of solely the assignee Member.

(c) **Bonds.** Bonds, notes and any other evidence of indebtedness issued or incurred by the Finance Authority pursuant to any applicable provision of the Joint Powers Act or any other lawful authority.

(d) **Central Valley Project.** The term "Central Valley Project" means the federal reclamation project operated by the United States Bureau of Reclamation pursuant to federal reclamation law (Act of June 17, 1902 (32 Stat. 388)) and acts amendatory or supplementary thereto.

(e) **Common Powers.** The legal powers which are common to the Members under applicable laws of the State, including but not limited to, those powers of the Members in connections with the issuance of Bonds, the expenditure of proceeds of Bonds and the borrowing and lending of money.

(f) **Conveyance Project.** The term "Conveyance Project" shall mean the project described in Section 2(a) of the JEPA, including facilities for conveying and delivering water for public or private uses and all rights, properties and improvements necessary therefor, including fuel and energy facilities and resources, and buildings, structures, improvements and facilities appurtenant thereto or provided therefor together with land necessary therefor

(g) **DCA Agreement.** The term "DCA Agreement" shall mean the Joint Powers Agreement, dated May 14, 2018, which formed the Delta Conveyance Design and Construction Joint Powers Authority.

(h) **DCA.** The term "DCA" shall mean the joint exercise of powers agency formed by the DCA Agreement.

(i) **Finance Authority.** The term "Finance Authority" shall mean the separate public entity created by this Agreement.

(j) **Financial Commitment Amount.** The term "Financial Commitment Amount" shall mean, initially, one (1), and from and after the first issuance of Bonds by the Finance Authority, a fraction, the numerator of which is the total Member Support Amount of the Member selecting the applicable Director, and the denominator of which is the sum of the total principal amount of Bonds then outstanding and the aggregate amount of all Additional Project Amounts of all Members.

(k) **Fiscal Year.** The term "Fiscal Year" shall mean the Fiscal Year of the Finance Authority as established from time to time by the Board of Directors, being at the date of this Agreement the period from July 1 to and including the following June 30.

(l) **JEPA.** The term “JEPA” shall mean the Joint Exercise of Powers Agreement, between the Department of Water Resources, State of California and the DCA to design and construct the California WaterFix conveyance facilities.

(m) **Joint Powers Act.** The Joint Exercise of Powers Act, constituting Articles 1 through 4 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the California Government Code as in effect on the effective date of this Agreement, as the same may be amended and supplemented.

(n) **Member.** The term “Member” shall mean (1) the Public Water Agencies that execute this Agreement on or before the date first above written; (2) a Public Water Agency which shall have met the requirements of Section 15 hereof; or (3) a successor of a Public Water Agency referred to in Section 21. The term “Member” shall, however, exclude any Public Water Agency which shall have withdrawn or been excluded from the Finance Authority pursuant to Section 16 hereof.

(o) **Member Support Amount.** The term “Member Support Amount” shall mean, with respect to any Member, the sum of (1) the original principal amount of Bonds that a Member has undertaken by agreement to pay by installment purchase agreement, and (2) without duplication with amounts described in clause 1 of this definition, any Additional Project Amounts of such Member.

(p) **Powers.** Collectively, the Common Powers and the Additional Powers.

(q) **Public Water Agency.** The term “Public Water Agency” shall mean (1) a public agency that has entered into an agreement with the California Department of Water Resources for water supply from the State Water Project or an agreement with the Federal Bureau of Reclamation for water supply from the Central Valley Project or (2) a member unit of Kern County Water Agency.

(r) **State Water Project.** The term “State Water Project” means the State Water Facilities, as defined in California Water Code section 12934(d).

SECTION 3. CREATION OF AUTHORITY. Pursuant to the Joint Powers Act, there is hereby created a public entity, to be known as the “Finance Authority”, and said Finance Authority shall be a public entity separate and apart from the Members. The effective date of this Agreement shall be July 3, 2018.

Within 30 days after the effective date of this Agreement or any amendment hereto, the Secretary shall cause a notice of this Agreement or amendment hereto to be prepared and filed with the office of the Secretary of State of the State of California in the manner set forth in Section 6503.5 of the Joint Powers Act.

SECTION 4. PLACE OF BUSINESS. The business office of the Finance Authority shall be at 1121 L Street, Suite 1045, Sacramento, CA 95814, Sacramento, CA 95814, or at such other place as may later be designated by the Board of Directors.

SECTION 5. TERM. This Agreement shall become effective as of the date hereof and, subject to the right to rescind provided by Section 9 hereof, shall continue in full force and effect for a period of fifty (50) years from the date hereof or until such later date as all bonds and notes of the Finance Authority and the interest thereon shall have been paid in full or adequate provision for such payment shall have been made in accordance with the instruments governing such bonds and notes.

SECTION 6. POWERS. The Finance Authority has all Powers necessary or convenient, specified or implied, to the accomplishment of the purposes of this Agreement, subject to the restrictions set for in this Section. The enumeration of any Powers herein shall not limit the generality or scope of the Powers granted to the Authority pursuant to this Section, the definition of Common Powers, the definition of Additional Powers, or the grant of any other powers otherwise available to the Authority as a separate public entity pursuant to the Joint Powers Act or any other applicable law whether currently in force or hereafter enacted. Without limiting the generality of the Powers conferred in this Section, the Finance Authority is hereby authorized, in its own name, to do all acts necessary or convenient to the accomplishment of the purposes of this Agreement and the full exercise of the Powers conferred in this Section, including, but not limited to, any or all of the following:

(a) To finance or assist in the financing of the planning, development, acquisition, construction, improvement, management, maintenance or operation of the Conveyance Project, or any interest therein, to act as agent, and to sell, deliver, exchange, and otherwise dispose of any interest the Authority may have or acquire in the Conveyance Project, including without limitation, any capacity or other interest in the Conveyance Project; and to purchase, lease or otherwise acquire and equip, maintain, operate, sell, assign, convey, lease and otherwise dispose of facilities or systems, or interests therein, together with all lands, buildings, equipment, and all other real or personal property, tangible or intangible, necessary or incidental thereto.

(b) To acquire (by exercise of the power of eminent domain or otherwise), hold, lease (as lessor or lessee), sell, or otherwise dispose of any real or personal property, commodity, or service including, without limitation, to buy, lease, construct, appropriate, contract for, invest in, and otherwise acquire, and to own, hold, maintain, equip, operate, manage, improve, develop, and deal in and with, and to sell, lease, exchange, transfer, convey and otherwise dispose of, real and personal property of every kind, tangible and intangible, commodities (including fuel and water) and services; provided that the power to acquire property shall not include the power of condemnation of property owned or otherwise subject to use or control by any public utility within the State of California.

(c) To make and enter into contracts with any Member or Members, or any other entity, public or private, with respect to the planning, design, ownership, location, acquisition, financing, construction, operation or disposal of the Conveyance Project or any interest therein, and with respect to any other matters relating to the Conveyance Project, or the financing thereof, on such terms and conditions as shall be determined by the Board of Directors.

(d) To establish or agree to establish, pursuant to any contract with respect to the Conveyance Project, management or other committees composed of representatives of

participating entities and to agree to the powers, duties, procedures and responsibilities of any such committee.

(e) To make and enter into other contracts of every kind with the Members, the United States, any state or political subdivision thereof, and any individual, firm, association, partnership, corporation or any other organization of any kind.

(f) To apply for, accept, receive and disburse state, federal or local licenses, permits, grants, loans, or other aid from any agency of the United States, the State or other public or private entities as the Finance Authority deems necessary for the full exercise of its powers.

(g) To employ full-time and part-time employees, assistants and independent contractors that may be necessary from time to time to accomplish the purpose of the Finance JPA, including interagency agreements with Members.

(h) To issue Bonds and otherwise to incur debts, liabilities or obligations provided that no such Bond, debt, liability or obligation shall constitute a debt, liability or obligation of any Member.

(i) To sue and be sued in its own name.

(j) To purchase for investment or otherwise such bonds, notes, commercial paper or other evidences of indebtedness issued by the Department of Water Resources of the State of California or any other governmental agency or entity as may be legal investments for the Finance Authority and to pledge any such indebtedness to the payment of any debts, liabilities or obligations of the Finance Authority.

(k) To apply for letters of credit or other forms of financial guarantees in order to secure the repayment of Bonds and enter into agreements in connection therewith.

(l) To engage the services of private consultants to render professional and technical assistance and advice in carrying out the purposes of the Finance Authority.

(m) To employ and compensate counsel including general counsel, bond counsel and disclosure counsel, as well as financial consultants, municipal advisors and other advisers, in each case as determined appropriate by the Finance Authority in the accomplishment of the purposes of the Authority, including without limitation in connection with the issuance and sale of any Bonds.

(n) To contract for engineering, construction, architectural, accounting, environmental, land use, or other services determined necessary or convenient by the Finance Authority in connection with the accomplishment of the purposes of the Finance Authority.

(o) To take title to, and transfer, sell by installment sale or otherwise, lands, structures, real or personal property, rights, capacity interests, rights-of-way, easements, and other interests in real or personal property which the Finance Authority determines are necessary or convenient in connection with the accomplishment of the purposes of the Finance Authority.

(p) To exercise any other power permitted by the Joint Powers Act.

To the extent required under Government Code section 6509, in the event that the Metropolitan Water District of Southern California becomes a party to this Agreement, and upon approval of the Board, the Finance Authority shall exercise its powers in the manner and according to the methods provided under the laws applicable to the Metropolitan Water District of Southern California. Prior to such event, to the extent required under Government Code section 6509, the Finance Authority shall exercise its powers in the manner and according to the methods provided under the laws applicable to the San Geronio Pass Water Agency.

SECTION 7. BONDS AND NOTES. The Finance Authority shall also have the power to issue, sell and deliver, in accordance with the provisions of the Joint Powers Act, (1) bonds, notes or other obligations to provide funds for the acquisition, construction and/or financing of the Conveyance Project, including, without limitation, the financing of the purchase, lease or other acquisition by one or more Members of an interest in the Conveyance Project, and (2) refunding bonds for the purpose of redeeming or retiring any bonds issued by the Finance Authority and any other indebtedness incurred by the Finance Authority. The terms and conditions of the issuance of any such bonds, refunding bonds or notes shall be set forth in such resolution, indenture or other instrument, shall include such security provisions and shall specify such source or sources of payment, as in accordance with law shall be determined by the Board of Directors.

SECTION 8. LIMITATIONS AND CONTRIBUTION.

(a) Bonds or notes issued by the Finance Authority under Section 6, and contracts or obligations which are entered into by the Finance Authority to carry out the purposes for which such bonds or notes are issued and which are payable in whole or in part from the proceeds of said bonds or notes, shall not constitute a debt, liability or obligation of any Member. Pursuant to Section 6508.1 of the Government Code of the State of California, as amended, no debt, liability or obligation of the Finance Authority shall be a debt, liability or obligation of any Member except as provided by Section 895.2 of the Government Code of the State of California in the case of injury caused by a negligent or wrongful act or omission occurring in the performance of this Agreement.

(b) Nothing in this Section contained shall in any way diminish the liability of any Member or other party with respect to any contract between such Member or other party and the Finance Authority

SECTION 9. TERMINATION OF POWERS; LIQUIDATION; DISTRIBUTION. This Agreement shall continue in full force and effect, and the Finance Authority shall continue to possess the powers herein conferred upon it, until the expiration (pursuant to Section 5 of this Agreement) of the term of this Agreement or until the Members shall have rescinded this Agreement (pursuant to this Section 9). Rescission of this Agreement may only be accomplished by a writing or writings executed by each Member and approved by resolution of each Member's governing body. In no event shall this Agreement or the powers herein granted to the Authority be rescinded until (1) all bonds and notes of the Finance Authority and the interest thereon shall have been paid or adequate provision for such payment shall have been made in accordance with the instruments governing such bonds and notes and (2) all other obligations and liabilities of the Finance Authority shall have been met or adequately provided for.

Upon any such expiration or rescission, the Board of Directors shall liquidate the business and assets and property of the Finance Authority as expeditiously as possible, and distribute any net proceeds to any Members in such manner in accordance with law as shall be determined by the Board of Directors.

SECTION 10. BOARD OF DIRECTORS.

(a) The Finance Authority shall be administered by a governing board (the “Board of Directors”) which shall consist of one Director representing each Member. The Director representing each Member shall be a director, officer or employee of such Member. Each Director will serve in his individual capacity as a member of the Board of Directors. The Board of Directors shall have the general management of the affairs, property and business of the Authority and may adopt and modify from time to time such by-laws and other rules and regulations for that purpose and for the conduct of its meetings as it may deem proper. The Board of Directors may exercise and shall be vested with all powers of the Finance Authority insofar as not inconsistent with law or this Agreement.

(b) The Board of Directors may adopt an annual budget for administrative expenses, which shall include all expenses not included in any financing issue or Conveyance Project Matter of the Finance Authority, on or about July 1st of each year.

(c) Directors may receive reasonable compensation for serving as a Director, and shall be entitled to reimbursement for any expenses actually incurred in connection with serving as such, if the Board of Directors determines that such expenses shall be reimbursed and there are unencumbered funds available for such purpose.

SECTION 11. EXECUTIVE COMMITTEE AND EXECUTIVE DIRECTOR

(a) The Board of Directors shall establish an Executive Committee comprised of the President, Vice President, and Secretary of the Board of Directors and shall serve at the pleasure of the Board. The Board of Directors by majority vote may appoint additional Members to the Executive Committee.

(b) The Executive Committee shall be responsible and is delegated authority to manage the administration of the affairs, property and business of the Authority, and shall carry out such other responsibilities as are delegated to it by the Board of Directors. The Executive Committee shall study and recommend to the Board of Directors changes in procedures, plans, and programs as appropriate. Notwithstanding the foregoing, the Executive Committee shall have no authority to approve any matter that requires the unanimous vote of the Directors under Section 12(g) of this Agreement.

(c) The Executive Committee shall hold at least one regular meeting quarterly. The date, time and place upon which such regular meetings shall be held, shall be fixed by the Executive Committee, and notice of such meetings shall be provided to each Member of the Authority.

(d) The presence of a majority of the Members of the Executive Committee shall constitute a quorum, except that less than a quorum may adjourn from time to time. An affirmative vote of three (3) Members of the Executive Committee shall be necessary to constitute action and to transact business.

(e) The Executive Committee shall develop or cause to be developed and recommend to the Board of Directors for approval an annual budget for the Finance Authority.

(f) Recommendations of the Executive Committee to the Board of Directors shall be established upon a majority vote of the Executive Committee Members.

(g) The Board may hire an Executive Director to assist the Executive Committee in carrying out its responsibilities, and/or other duties and responsibilities as delegated by the Board of Directors. The Executive Director shall serve at the pleasure of the Board of Directors, and shall be compensated for his/her services, as determined by the Board of Directors.

SECTION 12. MEETINGS OF BOARD OF DIRECTORS.

(a) **Regular Meetings.** The Board of Directors shall hold a regular meeting not less than once each calendar year. The date upon which, and the hour and place at which, each regular meeting shall be held shall be set by the Board of Directors.

(b) **Special Meetings.** Special meetings of the Board of Directors may be called in accordance with the provisions of Section 54956 of the Government Code of the State of California, as amended.

(c) **Legal Notice.** All meetings of the Board of Directors shall be held subject to the provisions of the laws of the State of California requiring notice of meetings of public bodies to be given in the manner in such laws provided.

(d) **Minutes.** The Secretary of the Finance Authority shall cause to be kept minutes of the meetings of the Board of Directors, both regular and special, and shall, as soon as possible after each meeting, cause a copy of the minutes to be forwarded to each Director.

(e) **Quorum.** Those Directors representing a majority of the votes of the Board of Directors for all non-administrative matters, as calculated under subsection (f) below, shall constitute a quorum for the transaction of business, except that, if less than a majority of votes is present at a meeting, Directors representing a majority of votes that are present may adjourn the meeting from time to time. At no time shall a quorum consist of fewer than two Directors.

(f) **Voting.** When a quorum is present at a meeting of the Board of Directors, the vote of the Directors present at such meeting shall decide any question brought before such meeting and such decision shall be deemed to be the action of the Board. Each Director shall have the number of votes equal to 1,000 multiplied by its Financial Commitment Amount. Except as provided in subsections (g) and (h) of this Section 12 and in Section 15(c) of this Agreement, the majority of votes shall decide any question. Notwithstanding any other provision of this Agreement, all administrative matters shall be decided by a majority vote, with each Director having one vote. Administrative matters include, but are not limited to, actions such as, selecting

Board Officers, selecting additional Executive Committee Members, selecting an Executive Director, setting agendas, designating meeting times and places and other general matters related to the basic functions of the Finance Authority.

(g) **Super Majority Voting Provisions.** Any of the following matters shall require a vote of not less than all of the Directors:

(i) The addition of any Public Water Agency as a new Member under Section 15(c) of this Agreement;

(ii) The termination of this Agreement; and

(iii) Any action, the taking of which would cause the Finance Authority to breach its obligations under the contractual arrangements among the Members relating to the issuance of Bonds and the Conveyance Project.

(h) **Other Voting Arrangements.** No provision of this Agreement shall in any way restrict the ability of the Finance Authority to make and enter into from time to time contracts providing for representation on management or other committees with respect to the Conveyance Project and/or voting by the parties to such contracts on matters related thereto, on the terms provided therein.

SECTION 13. OFFICERS.

(a) At its first meeting in each calendar year, the Board of Directors shall elect a President, Vice President and Secretary, and appoint or reappoint a Treasurer/Controller who may, but need not, be selected from among the Directors. In the event that the President, Vice President, Secretary or Treasurer/Controller so elected or appointed ceases (in the case of the President or the Vice President) to be a Director, resigns from such office or is otherwise unable to perform the duties of such office, the resulting vacancy shall be filled at the next regular meeting of the Board of Directors held after such vacancy occurs. In the absence or inability of the President to act, the Vice President shall act as President. The President, or in his absence the Vice President, shall preside at and conduct all meetings of the Board of Directors.

(b) The Treasurer/Controller is designated as the treasurer and the controller of the Finance Authority and as such (1) shall be the depository of the Finance Authority to have custody of all the money of the Finance Authority, from whatever source, (2) shall draw warrants to pay demands against the Finance Authority when the demands have been approved by the President or the Vice President of the Finance Authority, and (3) shall have the other powers, duties and responsibilities of such officers as specified in Section 6505.5 of the Government Code of the State of California, as amended, except insofar as such powers, duties and responsibilities are assigned to a trustee appointed, as is provided for and authorized by Section 6558 of the Government Code of the State of California, as amended, pursuant to any resolution, indenture or other instrument providing for the issuance of bonds or notes of the Finance Authority pursuant to Section 6 of this Agreement.

(c) The President, the Vice President and (to the extent such officer's duties and responsibilities pursuant to the Joint Powers Act require) the Treasurer/Controller are designated

as the public officers or persons who have charge of, handle, or have access to any property of the Finance Authority, and each such officer shall file an official bond with the Secretary of the Finance Authority in the amount of \$100,000.

(d) In addition to the powers, duties and responsibilities provided herein or by law, the President, the Vice President and the Secretary shall have such powers, duties and responsibilities as are provided in the by-laws of the Finance Authority. The Treasurer/Controller shall have such powers, duties and responsibilities as are provided herein or by law.

(e) The Board of Directors shall have the power to appoint an Executive Director, who shall have such powers, duties and responsibilities as may be provided in the by-laws of the Finance Authority and as specified in section 11(g) of this Agreement.

(f) The Board of Directors shall have the power to appoint a General Counsel. The General Counsel will report to the Board of Directors.

(g) The Board of Directors shall have the power to appoint such other officers and employees as it may deem necessary, any of whom may be employees of a Member, and who shall have such powers, duties and responsibilities as are determined by the Board of Directors.

SECTION 14. CONTRIBUTIONS; PAYMENTS; ADVANCES. In accordance with Section 6504 of the Government Code of the State of California, as amended, the Members shall make such contributions, payments and advances to the Finance Authority as are approved from time to time by the Board of Directors, provided that only Members who vote to approve such contribution, payment and advance by a Member shall be obligated to make any such contribution, payment or advance. The Finance Authority may make such arrangements relative to the repayment or return to the Members of such contributions, payments and advances as are approved from time to time by the Board of Directors. Notwithstanding this section, any administrative action taken under section 12(f) that would require the Finance Authority to incur costs will be allocated equally amongst the Members. Costs of non-administrative matters, which include, but are not limited to, costs related to financing such as costs of bond counsel, financial advisors, underwriting costs, custodian costs, rating agency costs, and arbitrage consultant costs, shall be apportioned based on the Members' Financial Commitment Amount.

Any Member which fails to make or pay when due any required contribution, payment or advance to the Finance Authority, may have its rights under this Agreement terminated and may be excluded from participation in the Authority as provided in Section 16 of this Agreement.

SECTION 15. ADDITIONAL MEMBERS. Any Public Water Agency may become a Member as follows:

(a) Within five months of the effective date of this Agreement, any Public Water Agency may execute this Agreement and become a Member if the governing body of the Public Water Agency adopts a resolution (at or before the time of its execution of this Agreement) which, (1) authorizes such Public Water Agency to commit to financially supporting any Bonds issued by the Finance Authority or which expresses an intention to do so at later date, and (2) approves the execution by such Public Water Agency of this Agreement.

(b) Except for Public Water Agencies that become Members pursuant to the provisions of subparagraph (a) above, a Public Water Agency may become a Member by filing with the Board of Directors a certified copy of a resolution of its governing body whereby the Public Water Agency (1) agrees to the provisions of this Agreement and (2) requests to become a Member.

(c) Except for Public Water Agencies that become Members pursuant to the provisions of subparagraph (a) above, if a Public Water Agency requests to be a Member under subparagraph (b), such Public Water Agency will not become a Member until its admission is approved at a regular or special meeting of the Board of Directors by unanimous vote.

(d) Upon satisfying the requirements of subparagraph (a) or the requirements of subparagraph (b) and (c), the Public Water Agency shall become a Member for all purposes of this Agreement.

SECTION 16. WITHDRAWAL OR EXCLUSION OF MEMBER

(a) Any Member may withdraw from the Finance Authority upon the following conditions: (1) the Member shall have filed with the Board of Directors a certified copy of a resolution of its governing body expressing its desire to so withdraw and (2) if the Finance Authority, prior to the filing of such resolution, shall have incurred any obligation payable from contributions, payments or advances in accordance with Section 14 hereof which obligation matures after the date of such filing, the withdrawing Member shall have paid, or made arrangements satisfactory to the Board of Directors to pay, to the Finance Authority its *pro rata* portion of such obligation.

(b) Upon compliance with the conditions specified in subsection (a) of this Section 16, the withdrawing Member shall no longer be considered a Member for any reason or purpose under this Agreement and its rights and obligations under this Agreement shall terminate. The withdrawal of a Member shall not affect any obligations of such Member under any contract between the withdrawing Member and the Finance Authority.

SECTION 17. ACCOUNTS AND REPORTS. There shall be strict accountability of all funds and reporting of all receipts and disbursements of the Finance Authority. The Finance Authority shall establish and maintain such funds and accounts as may be required by good accounting practice or by any provision of any resolution, indenture or other instrument of the Finance Authority securing its bonds or notes, except insofar as such powers, duties and responsibilities are assigned to a trustee appointed pursuant to such resolution, indenture or other instrument. The books and records of the Finance Authority shall be open to inspection at all reasonable times to each Member and its representatives. The Finance Authority, within 180 days after the close of each Fiscal Year, shall give a complete written report of all financial activities for such Fiscal Year to the Members.

The Board of Directors shall cause an annual independent audit of the accounts and records of the Finance Authority to be made by a certified public accountant or public accountant, all in accordance with, and at the time or times required by, law.

All the books, records, accounts and files referred to in this Section 17 shall be open to the inspection of holders of bonds or notes of the Finance Authority to the extent and in the manner

provided in the resolution, indenture or other instrument providing for the issuance of such bonds or notes.

SECTION 18. BREACH. If default shall be made by any Member in any undertaking contained in this Agreement, such default shall not excuse such Member or any other Member from fulfilling its obligations under this Agreement and each Member shall continue to be liable for the payment of contributions, payments and advances pursuant to Section 14 hereof and the performance of all conditions herein contained. Each Member hereby declares that this Agreement is entered into for the benefit of the Finance Authority created hereby and each Member hereby grants to the Finance Authority the right to enforce by whatever lawful means the Finance Authority deems appropriate all of the obligations of each of the Members hereunder. Each and all of the remedies given to the Finance Authority hereunder or by any law now or hereafter enacted are cumulative and the exercise of one right or remedy shall not impair the right of the Finance Authority to any or all other remedies.

SECTION 19. INDEMNITY

(a) Indemnity by Finance Authority for Litigation Expenses of Officer, Director or Employee. To the extent permitted by law, the Board of Directors may authorize indemnification by the Finance Authority of any person who is or was a member of the Board of Directors, or an officer, employee or other agent of the Finance Authority, and who was or is a party or is threatened to be made a party to a proceeding by reason of the fact that such person is or was such a member of the Board, or officer employee or other agent of the Authority, against expenses, judgments, fines, settlements and other amounts actually and reasonably incurred in connection with such proceedings

(b) Indemnity by Finance Authority for Litigation Expenses of a Member. To the full extent permitted by law, the Board of Directors may authorize indemnification by the Finance Authority of a Member who was or is a party or is threatened to be made a party to a proceeding by reason of the fact that such entity is or was a Member of the Finance Authority against expenses, judgments, fines settlements and other amounts and reasonably incurred in connection with such proceedings. Any obligations pursuant to this Section shall be borne by the Finance Authority and shall be a charge against any unencumbered funds of the Finance Authority available for the purpose.

SECTION 20. SEVERABILITY. In the event that any term, covenant or condition of this Agreement or the application of such term, covenant or condition, shall be held invalid as to any person or circumstance by any court having jurisdiction in the premises, all other terms, covenants or conditions of this Agreement and their application shall not be affected thereby, but shall remain in force and effect unless a court holds that the provisions are not separable from all other provisions of this Agreement.

SECTION 21. SUCCESSORS AND ASSIGNS; AMENDMENTS. This Agreement shall be binding upon and shall inure to the benefit of the successors and assigns of the Members. No Member may assign its rights or obligations as a Member of the Finance Authority without the consent of all other Members. The immediately preceding sentence shall not affect, in any respect, any right of assignment under any contract between any Member and the Finance

Authority. Subject to any requirements of law (including Section 6573 of the Government Code of the State of California, as amended), this Agreement may be amended at any time and from time to time by a writing or writings executed by each Member and approved by resolution of each Member's governing body.

SECTION 22. NOTICES.

(a) Any notice, demand or request provided for in this Agreement shall be in writing and shall be deemed properly served, given, or made if delivered in person or sent by registered or certified mail, postage prepaid, to the persons specified below:

if to the Finance Authority:	c/o Executive Director 1121 L Street, Suite 1045 Sacramento, CA 95814
if to Alameda County Water Agency:	c/o General Manager 43885 S Grimmer Blvd. Fremont, CA 94538
if to Alameda County Flood Control and Water Conservation District, Zone 7	c/o General Manager 100 N. Canyons Parkway Livermore, CA 94551
if to San Geronio Pass Water Agency:	c/o General Manager 1210 Beaumont Ave Beaumont, CA 92223

(b) A Member may, at any time, by written notice to each other Member and the Finance Authority, designate different or additional persons or different addresses for giving of notices, demands or requests to it hereunder.

(c) The Finance Authority may, at any time, by written notice to each Member, designate a different or additional person or a different address for giving of notices, demands or requests to it hereunder.

SECTION 23. OTHER OBLIGATIONS. The Members acknowledge that contractual arrangements outside of this Agreement, but not inconsistent to the terms of this Agreement, may be made among the Members relating to the assignment and disposition of any security or assignable interests in the Conveyance Project and the study, planning, development, acquisition, construction, reconstruction, improvement, or betterment of the Conveyance Project.

SECTION 24. EXECUTION OF COUNTERPARTS. This Agreement may be executed in any number of counterparts. All such counterparts shall be deemed to be originals and shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the Members hereto have caused this Agreement to be executed and attested by their proper officers thereunto duly authorized, and their official seals to be hereto affixed, as of the day and year first above written.

Date	Alameda County Water Agency 43885 S Grimmer Blvd. Fremont, CA 94538
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Date	Alameda County Flood Control and Water Conservation District, Zone 7 100 N. Canyons Parkway Livermore, CA 94551
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Date	San Geronio Pass Water Agency 1210 Beaumont Ave Beaumont, CA 92223
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