



The City of San Diego

Staff Report

DATE ISSUED: 10/19/2021

TO: Public Facilities Financing Authority

FROM: Office of the City Attorney, as General Counsel to the Public Facilities Financing Authority of the City of San Diego

SUBJECT: Authorization of Certain Legal Documents in Connection with the Public Facilities Financing Authority of the City of San Diego Water Revenue Commercial Paper Notes Program.

Primary Contact: David Powell Phone: (619) 235-5894

Council District(s): Citywide

OVERVIEW:

These actions will authorize the Public Facilities Financing Authority of the City of San Diego (Authority) to extend the Water Revenue Commercial Paper Program by approving an Offering Memorandum to finance additional capital improvements to the water system; approve a Letter of Representations; authorize the appointment of additional or replacement dealers or issuing and paying agents; and approve certain other agreements and actions in connection therewith.

PROPOSED ACTIONS:

A resolution of the Authority to approve the form of and authorize the distribution of the Offering Memorandum in connection with the issuance and sale by the Authority of commercial paper notes in an aggregate principal amount not to exceed \$250,000,000 to finance additional capital improvements to the water system; approve the form of and authorize the delivery of a Letter of Representations; authorize the appointment of additional or replacement dealers or issuing and paying agents from time to time; and approving certain other agreements and actions in connection therewith.

DISCUSSION OF ITEM:

Please see attached Staff Report to City Council dated September 23, 2021.

Previous San Diego City Council and/or Committee Actions:

City Council previously authorized the Subordinated Water Commercial Paper Note Program in December 2016 with Resolution R-310860 and the second installment in June 2019 with R-312496.

David Powell
Deputy General Counsel



The City of San Diego

Staff Report

DATE ISSUED: 9/23/2021
TO: City Council
FROM: Debt Management
SUBJECT: Water Revenue Commercial Paper Program Extension and Letter of Credit Extension

Primary Contact: Allison Falkenstein Phone: (619) 533-4516
Secondary Contact: Jyothi Pantulu Phone: (619) 236-6917

Council District(s): Citywide

OVERVIEW:

This item requests the authorization to extend the Water Commercial Paper Program by approving the Reimbursement Agreement between the Public Facilities Financing Authority of the City of San Diego (the "Authority") and Bank of America, National Association (the "LOC Provider") to provide direct-pay Letter of Credit ("LOC") services; extending the outside counsel contract with Hawkins, Delafield & Wood LLP as Note Counsel, ratifying the prior approval of the issuance of Water Revenue commercial paper notes and the prior approval of initial financing documents , and approving the continued administration of the Water Commercial Paper program by delegation of authority.

PROPOSED ACTIONS:

Request approval to forward to City Council to authorize via ordinance:

1. Authorize the Mayor or his designee to execute the Reimbursement Agreement with Bank of America, National Association (the "LOC Provider") to provide Direct-Pay Letter of Credit services for the City's Water Revenue Commercial Paper Notes Program for a period of approximately three years; and
2. Authorize the Mayor or his designee to execute the amendment to the existing as-needed contract with Hawkins Delafield & Wood LLP as Note Counsel for an amount not to exceed \$30,000 per year beginning Fiscal Year 2023; and

3. Ratify, reauthorize and reapprove the prior request of the Authority to issue tax-exempt Commercial Paper Notes from time to time, and the form and content of the Initial Financing Documents; and
4. Authorize the Mayor or his designee to take all actions for the continued administration of the Water Commercial Paper Notes Program; and

Budgetary Actions:

5. Authorize the Chief Financial Officer to expend an amount estimated to be \$2.77 million over the approximate three year term, which includes an estimated \$490,000 for Fiscal Year 2022 from the Water Utility Operating Fund, Fund 700011, for the purpose of executing the Reimbursement Agreement with Bank of America, National Association, with any expenses in future fiscal years (Fiscal Year 2023 through the end of the contract) contingent upon the adoption of the Appropriation Ordinance for the applicable Fiscal Year and contingent upon the Chief Financial Officer first furnishing one or more certificates certifying that funds necessary for expenditure are, or will be, on deposit with the City Treasurer; and
6. Authorize the Chief Financial Officer to expend an amount not to exceed \$30,000 each Fiscal Year for the life of the amendment from the Water Utility Operating Fund 700011, for the purpose of executing the amendment via ordinance to the existing as-needed contract with Hawkins, Delafield & Wood LLP with any expenses in future Fiscal Years contingent upon the adoption of the Appropriation Ordinance for the applicable Fiscal Year and contingent upon the Chief Financial Officer first furnishing one or more certificates certifying that funds necessary for expenditure are, or will be, on deposit with the City Treasurer.

DISCUSSION OF ITEM:

I. Background

Water Utility Commercial Paper Program

The City Council authorized the Water Commercial Paper Notes Program (“Commercial Paper Program”) in December 2016 to finance Water System Capital Improvement Program (“CIP”) projects via Resolution R-310860, which has provided an authorization for the program for the last five years. The program is administered by the Debt Management Department in coordination with the Public Utilities Department and the Department of Finance.

The Commercial Paper Program has served as a cash management tool to provide interim funding for capital expenditures for the following critical Water System project categories: Pure Water Program Phase 1, pipeline projects, pipeline transmission projects, water pump station projects, water storage projects, water treatment plants, recycled water, and miscellaneous projects. Staff expects to continue to use the program for the same project categories.

By issuing Commercial Paper notes on an interim basis, the City has been able to achieve interest rate savings by borrowing smaller amounts as needed based on short-term interest rates. During the last four and a half-year period, the City issued 30 new money notes totaling \$419 million. In January 2019 and in May 2020, the outstanding notes were taken out by long-term Revenue Bonds which renewed

capacity for the program to its size of up to \$250 million, thereby allowing the City to continue issuing more Commercial Paper notes.

Currently, the Commercial Paper Program has \$99 million outstanding from notes issued between FY 2021-present. It is anticipated that grant and loan proceeds will pay down certain outstanding amounts that were issued for the Pure Water Program Phase 1 expenditures. Per projections from the Public Utilities Department as of September 2021, the remaining \$151 million capacity of the program will be used by mid- to late- 2022. Debt Management will conduct a bond take-out of outstanding notes to replenish program capacity in anticipation of expending the current capacity by that time.

Letter of Credit ("LOC")

A direct-pay LOC provides credit enhancement and liquidity support for the Commercial Paper notes and represents the LOC Provider's promise to pay principal and interest on such Commercial Paper notes when due for a specified period of time and subject to certain conditions. A LOC provided by an external bank is essential for the ability to issue commercial paper notes.

The agreements with two existing LOC Providers, Bank of America N.A. and Bank of the West, which have provided combined liquidity support for the \$250 million program, are in place through December 31, 2021.

With the pending expiration of these two LOCs, a replacement process was undertaken. The City issued a Request for Proposals for LOC Providers in September 2021; and has selected Bank of America, N.A. based on the facility proposal for the full \$250 million program size, the competitive fee of 0.33% for an approximate 3-year term, and extensive experience providing LOC to municipal commercial paper programs. The fiscal considerations are described below.

II. City Council Authorizations

The Ordinance authorizes the Reimbursement Agreement with Bank of America, N.A. for the full \$250 million program size until January 31, 2025. Additionally, it will approve the continued administration of the Water Commercial Paper Program and ratify the Initial Financing Documents which were previously authorized via Resolution. The legal framework of the Commercial Paper Program will remain the same, supporting a Commercial Paper Program for up to \$250 million outstanding at any time. The Initial Financing Documents include the 2017 Commercial Paper Supplement to the Master Installment Purchase Agreement, the Assignment Agreement, the Fifth Supplemental Indenture, the Issuing and Paying Agency Agreement, the Dealer Agreements, the initial Reimbursement Agreements, and the Offering Memorandum.

The Program currently utilizes an Issuing and Paying Agent (U.S. Bank National Association) and the Commercial Paper Dealers (Citigroup, BofA Securities Inc., and RBC Capital Markets LLC). An Offering Memorandum, the disclosure document used to market the notes, will be amended from time to time with oversight from the Disclosure Practices Working Group ("DPWG") as described below.

The ordinance delegates the Mayor or designee to administratively execute and deliver any amendments, supplements, restatements, appoint replacements, and extensions to any agreements in the forms substantially authorized or reauthorized by City Council in consultation with the City's Municipal Advisor and Note Counsel.

In addition, the ordinance will authorize an amendment to the existing contract with Note Counsel, Hawkins, Delafield & Wood LLP, to include the not-to-exceed amount of \$30,000 per year beginning in Fiscal Year 2023.

III. Public Facilities Financing Authority authorizations

A companion item for the Public Facilities Financing Authority of the City of San Diego (the "Authority") will be presented on November 2, 2021 to seek the same authorizations as the City Council Ordinance and the approval of the form of the Offering Memorandum. The Offering Memorandum is the disclosure document used by Dealers to market the Commercial Paper notes and provides the information and ratings of the LOC Provider, which is the source of repayment for Commercial Paper notes to investors. The Offering Memorandum will be filed upon approval from DPWG and PFFA, after execution of the ordinance.

Due to ratification of actions and Initial Financing Documents of the prior Resolution R-310860 in December 2016, the City Council does not need to reauthorize the form of the Offering Memorandum.

City Strategic Plan Goal(s)/Objective(s):

Goal #1: Provide high quality public service

Objective #1: Promote a customer-focused culture that prizes accessible, consistent, and predictable delivery of services

Fiscal Considerations:

The new agreement with the LOC Provider Bank of America, National Association is based on a fee of 0.33% per annum for the amount of the Letter of Credit.

The estimated cost for Fiscal Year 2022 in connection with this Reimbursement Agreement is \$490,000 for December 2021-June 2022. The estimated costs for Fiscal Year 2023 is \$880,000; Fiscal Year 2024: \$880,000, and Fiscal Year 2025 (partial year): \$520,000, for an estimated total cost of \$2,770,000. These costs will be paid out of the Water Utility Operating Fund, Fund 700011. Expenses occurring in Fiscal Year 2023 and future Fiscal Years will be contingent upon the adoption of the Appropriation Ordinance for the applicable Fiscal Year and contingent upon the Chief Financial Officer first furnishing one or more certificates certifying that funds necessary for expenditure are, or will be, on deposit with the City Treasurer.

Compensation for as-needed services described in the contract with Hawkins, Delafield & Wood LLP will not exceed \$30,000 per Fiscal Year. Contract costs will be paid out of the Water Utility Operating Fund, Fund 700011. Expenses occurring in Fiscal Year 2023 and future fiscal years will be contingent upon the adoption of the Appropriation Ordinance for the applicable Fiscal Year and contingent upon the Chief Financial Officer first furnishing one or more certificates certifying that funds necessary for expenditure are, or will be, on deposit with the City Treasurer.

Projected financing activity and costs are included in future Water Utility Cost of Service studies.

Charter Section 225 Disclosure of Business Interests:

N/A for Hawkins Delafield & Wood LLP; there is no individual that owns more than 10% of the

contracting entity or who will receive more than 10% of the contracted amount.
N/A for Bank of America, National Association, which is a wholly owned subsidiary of Bank of America Corporation, which is a publicly-traded entity.

Environmental Impact:

This activity, authorizing the Mayor or his designee to via ordinance to execute the Reimbursement Agreement with the LOC Provider to provide Direct-Pay Letter of Credit services for the City's Water Revenue Commercial Paper Notes Program, authorize the Mayor or his designee to execute the amendment to the existing as-needed contract with Hawkins Delafield & Wood LLP as Note Counsel, and authorize the Chief Financial Officer to expend funds, and approve other discretionary actions to provide interim funding for capital expenditures for the following critical Water System project categories: Pure Water Program Phase 1, pipeline projects, pipeline transmission projects, water pump station projects, water storage projects, water treatment plants, recycled water, and miscellaneous projects is adequately addressed in the PEIR for the Pure Water San Diego Program (Project No. 438188/SCH No. 2014111068) certified on October 25, 2016, by City Council Resolution R-310760, and the Pure Water San Diego Program, North City Project FEIR No. 499621, certified on April 10, 2018 by City Council Resolution R-311671. This activity is a subsequent discretionary action, and therefore not a separate project for the purposes of CEQA pursuant to State CEQA Guidelines Section 15378(c), and there is no change in circumstance, additional information, or project changes to warrant additional environmental review.

Equal Opportunity Contracting Information (if applicable):

This agreement is subject to the City's Equal Employment Opportunity Outreach Program (San Diego Ordinance No. 18173, Municipal Code Sections 22.2701 through 22.2708) and Non-Discrimination in Contracting Ordinance (San Diego Municipal Code Sections 22.3501 through 22.3517).

Previous Council and/or Committee Actions:

Council previously authorized the Subordinated Water Commercial Paper Note Program in December 2016 with Resolution R-310860 and the second installment in June 2019 with R-312496.

This item will be heard at Budget and Government Efficiency Committee prior to Council.

Key Stakeholders and Community Outreach Efforts:

N/A

Lakshmi Kommi

Matthew Vespi

Debt Management Director

Chief Financial Officer

PUBLIC FACILITIES FINANCING AUTHORITY
OF THE CITY OF SAN DIEGO

RESOLUTION NUMBER FA-2021-4

ADOPTED ON NOVEMBER 2, 2021

A RESOLUTION OF THE BOARD OF COMMISSIONERS OF THE PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO (I) APPROVING THE FORM OF AND AUTHORIZING THE DISTRIBUTION OF THE OFFERING MEMORANDUM IN CONNECTION WITH THE ISSUANCE AND SALE BY THE PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO OF ONE OR MORE SERIES OR SUBSERIES OF COMMERCIAL PAPER NOTES FROM TIME TO TIME IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$250,000,000 TO FINANCE ADDITIONAL CAPITAL IMPROVEMENTS TO THE WATER SYSTEM; (II) APPROVING THE FORM AND AUTHORIZING THE EXECUTION AND DELIVERY OF A LETTER OF REPRESENTATIONS; (III) AUTHORIZING THE APPOINTMENT OF ADDITIONAL OR REPLACEMENT DEALERS OR ISSUING AND PAYING AGENT FROM TIME TO TIME IN CONNECTION THEREWITH; AND (IV) APPROVING CERTAIN OTHER AGREEMENTS AND ACTIONS IN CONNECTION THEREWITH.

WHEREAS, the City of San Diego, California (City), the City solely in its capacity as the designated Successor Agency to the former Redevelopment Agency of the City of San Diego, and the Housing Authority of the City of San Diego, are parties to a Joint Exercise of Powers Agreement establishing the Public Facilities Financing Authority of the City of San Diego (Authority), a California joint exercise of powers authority duly organized and established to finance, acquire, construct, maintain, repair, operate, and control certain capital facilities improvements for the City; and

WHEREAS, the San Diego Facilities and Equipment Leasing Corporation (Corporation) is a nonprofit public benefit corporation duly organized and existing under and by virtue of the laws of the State of California (State) that was incorporated to acquire and lease and/or sell to the City real and personal property to be used in the municipal operations of the City; and

WHEREAS, the City has provided for the issuance of subordinated water revenue bonds in the form of tax-exempt governmental subordinated water revenue commercial paper notes from time to time in one or more series or subseries, in an aggregate principal amount not to exceed \$250,000,000 at any time (Commercial Paper Notes) that are payable from subordinated installment payments secured by Net System Revenues (as defined in the herein referenced Installment Purchase Agreement) of the City's Water Utility Fund (Water Utility Fund) to (i) provide short-term financing for the design, acquisition, construction, installation, and improvement of components of the City's water system (Water System), (ii) reimburse the City for eligible expenditures in accordance with the then applicable reimbursement resolution and (iii) pay costs of issuance incurred in connection with the issuance of Commercial Paper Notes; and

WHEREAS, the City requested the Authority's assistance in effecting the financing of design, acquisition, construction and installation of improvements (Projects) to the Water System from time to time, which Commercial Paper Notes are secured by a subordinate pledge of Net System Revenues, in each case if economical or otherwise on terms beneficial to the City and its residents; and

WHEREAS, in order to effect the design, acquisition, construction and installation of improvements to the Water System, the Corporation has sold and will continue to sell components of the Water System improvement project to the City pursuant to an Amended and Restated Master Installment Purchase Agreement, dated as of January 1, 2009, as amended and supplemented, including as amended by the First Amendment to Amended and Restated Master Installment Purchase Agreement, dated as of November 14, 2018, each by and between the City and the Corporation, as supplemented by the Collateral Agency, Account and Assignment

Agreement, dated as of November 14, 2018, by and among the City, the Corporation, the Authority, the United States Environmental Protection Agency, acting by and through the Administrator of the Environmental Protection Agency, and U.S. Bank National Association as collateral agent under the Collateral Agency Agreement and as Trustee under the Indenture (as defined below), and as supplemented by the 2017 Commercial Paper Supplement and as also supplemented by a 2009 Supplement to Amended and Restated Master Installment Purchase Agreement, dated as of January 1, 2009, a 2009B Supplement to Amended and Restated Master Installment Purchase Agreement, dated as of June 1, 2009, a 2010A Supplement to Amended and Restated Master Installment Purchase Agreement, dated as of June 1, 2010, a 2012A Supplement to Amended and Restated Master Installment Purchase Agreement, dated as of April 1, 2012, a 2016 Supplement to Amended and Restated Master Installment Purchase Agreement, dated as of June 1, 2016, a 2018 Supplement, dated as of December 1, 2018 and a 2020 Supplement, dated as of May 1, 2020, each by and between the City and the Corporation, and as further amended and supplemented from time to time in accordance with the terms thereof (collectively, the Installment Purchase Agreement), pursuant to which the Corporation has agreed to sell from time to time certain improvements and additions (comprised of various components, each, a Component) to the Water System and the City has agreed to purchase from time to time certain Components as specified in certain supplements to the Installment Purchase Agreement; and

WHEREAS, in connection with the execution and delivery of each prior supplement, the Authority issued a series of its Water Revenue Bonds under an Indenture, dated as of January 1, 2009, as supplemented and amended by that certain First Supplemental Indenture, dated as of June 1, 2009, that certain Second Supplemental Indenture, dated as of June 1, 2010, that certain

Third Supplemental Indenture, dated as of April 1, 2012, that certain Fourth Supplemental Indenture, dated as of June 1, 2016, that certain Sixth Supplemental Indenture, dated as of December 1, 2018 and that certain Seventh Supplemental Indenture, dated as of May 1, 2020 (as so amended and supplemented and as amended and supplemented by the Fifth Supplemental Indenture as defined below, the Indenture), each by and between the Authority and U.S. Bank National Association, or any successor or substitute trust company or bank having trust powers, as trustee (Trustee), each with an appropriate series, lien, and purpose designation (as currently outstanding, the Outstanding Subordinated Water Revenue Bonds); and

WHEREAS, by Resolution No. 310860 adopted on December 16, 2016 (Original City Authorizing Resolution), the City authorized the issuance by the Authority of tax-exempt governmental Subordinated Water Revenue Commercial Paper Notes from time to time, in one or more series or subseries, in an aggregate principal amount not to exceed \$250,000,000 to provide funds for financing capital improvements to the Water System and pay costs of issuance incurred in connection with the issuance of the Commercial Paper Notes, from time to time, and the City approved the forms of a 2017 Commercial Paper Supplement to Amended and Restated Installment Purchase Agreement (2017 Commercial Paper Supplement) by and between the City and the Corporation, pursuant to which the Corporation agreed to sell certain Components of the Water System to the City and the City agreed to purchase such Components, an Assignment Agreement (Assignment Agreement) by and between the Corporation and the Authority, pursuant to which the Corporation assigned all of its right, title and interest in and to the 2017 Commercial Paper Supplement to the Authority to support payment of debt service on the Commercial Paper Notes, a Fifth Supplemental Indenture (Fifth Supplemental Indenture) by and between the Authority and U.S. Bank National Association (Trustee), an Issuing and Paying

Agency Agreement (Issuing and Paying Agency Agreement) by and between the Authority and U.S. Bank National Association (Issuing and Paying Agent), one or more dealer agreements (each, a Dealer Agreement) with a dealer (Dealer), the initial ones being Citigroup Global Markets Inc., BofA Securities, Inc. (as successor to Merrill Lynch, Pierce, Fenner & Smith Incorporated) and RBC Capital Markets, LLC, and one or more reimbursement agreements (each, together with the related fee letter agreement, a Reimbursement Agreement) with, and deliver bank notes (each, a Bank Note) to, each Credit Provider (Credit Provider), the initial ones being Bank of the West and Bank of America, N.A., pursuant to which the Credit Provider each issued an irrevocable direct-pay letter of credit to provide credit enhancement and liquidity support for any authorized series or subseries of the Commercial Paper Notes (each, a Commercial Paper Notes Credit Support Instrument) (collectively, the Initial Financing Documents) and authorized the execution and delivery by the City of the Initial Financing Documents to which the City is a party, and the City approved the execution, delivery and performance by the Authority of the Initial Financing Documents to which the Authority is a party, and the distribution of an Offering Memorandum (Offering Memorandum) in conjunction with the issuance from time to time of Commercial Paper Notes, in one or more series or subseries, which Commercial Paper Notes are secured by a subordinate pledge of Net System Revenues; and

WHEREAS, pursuant to the Original Authorizing Resolution, the City also authorized the amendment or supplement of the Offering Memorandum from time to time and the distribution thereof, subject to the prior review and approval of the Offering Memorandum, as amended or supplemented, by the City's Disclosure Practices Working Group; and

WHEREAS, by Resolution No. FA-2016-9 adopted on December 16, 2016, the Authority authorized the issuance of its tax-exempt Commercial Paper Notes from time to time, in one or more series or subseries, in an aggregate principal amount not to exceed \$250,000,000 to provide funds for the financing improvements to the Water System and pay costs of issuance incurred in connection with the issuance of the Commercial Paper Notes, from time to time, and in connection therewith authorized the execution and delivery by the Authority of the Initial Financing Documents to which the Authority is a party and the distribution of the Offering Memorandum in connection with the issuance of the Commercial Paper Notes from time to time; and

WHEREAS, pursuant to Resolution No. FELC-2016-2 adopted on November 29, 2016, the Corporation authorized the execution and delivery of the Initial Financing Documents to which the Corporation is a party; and

WHEREAS, in order to secure the payment of the Commercial Paper Notes, the City entered into the 2017 Commercial Paper Supplement with the Corporation and the Corporation entered into the Assignment Agreement with the Authority; and

WHEREAS, in furtherance of the issuance of the Commercial Paper Notes under the Indenture, the City caused the Authority to enter into the Fifth Supplemental Indenture with the Trustee, the Issuing and Paying Agency Agreement with the Issuing and Paying Agent, and one or more dealer agreements (each, an Initial Dealer Agreement and a Dealer Agreement) with Citigroup Global Markets Inc., BofA Securities, Inc. (as successor to Merrill Lynch, Pierce, Fenner & Smith Incorporated) and RBC Capital Markets, LLC (each, an Initial Dealer and a Dealer), to serve as the Initial Dealers for the Commercial Paper Notes; and

WHEREAS, in order to provide additional security for the Commercial Paper Notes, the City entered into two reimbursement agreements (each, together with the related fee letter agreement, an Initial Reimbursement Agreement and a Reimbursement Agreement) with, and delivered bank notes (each, an Initial Bank Note and a Bank Note) to, Bank of the West and Bank of America, N.A. (each, an Initial Credit Provider and a Credit Provider), pursuant to which the Initial Credit Providers each issued an irrevocable direct-pay letter of credit to provide credit enhancement and liquidity support for any authorized series or subseries of the Commercial Paper Notes (each, an Initial Commercial Paper Notes Credit Support Instrument); and

WHEREAS, pursuant to an Ordinance (City Ordinance) introduced at a meeting of the City Council of the City of San Diego on October 26, 2021, the City is ratifying its prior request of the Authority that the Authority issue and sell its Commercial Paper Notes from time to time in one or more series or subseries, in an aggregate principal amount not to exceed \$250,000,000 at any time to provide funds for financing capital improvements to the Water System and pay costs of issuance incurred in connection with the issuance of the Commercial Paper Notes, from time to time, and to ratify and reauthorize the execution and delivery of the Initial Financing Documents to which the Authority is a party; and

WHEREAS, the City has determined that it is in the best interests of the City to enter into a new reimbursement agreement (together with the related fee letter agreement, the New Reimbursement Agreement and a Reimbursement Agreement) with, and deliver a bank note (the New Bank Note and a Bank Note) to, the new Credit Provider (the New Credit Provider and a Credit Provider), the new one being Bank of America, N.A., pursuant to which the New Credit Provider will issue an irrevocable direct-pay letter of credit to provide credit enhancement and

liquidity support for any authorized series or subseries of the Commercial Paper Notes (the New Commercial Paper Notes Credit Support Instrument); and

WHEREAS, the Authority proposes to execute a Letter of Representations (Letter of Representations), a form of which is contained in the New Reimbursement Agreement as Exhibit C thereto, to induce the New Credit Provider to provide the New Commercial Paper Notes Credit Support Instrument; and

WHEREAS, there has been presented to this meeting the following documents:

a. A proposed form of the Letter of Representations, contained as Exhibit C to the proposed form of the New Reimbursement Agreement, by and between the City and the New Credit Provider, to be executed by the Authority to induce the New Credit Provider to provide the New Commercial Paper Notes Credit Support Instrument; and

b. A proposed form of Offering Memorandum (Offering Memorandum) relating to the issuance by the Authority of its Commercial Paper Notes, which will be used in marketing the Commercial Paper Notes; and

WHEREAS, the Authority is authorized to undertake the actions described in this Resolution pursuant to its Joint Exercise of Powers Agreement and the Constitution and applicable laws of the State; NOW, THEREFORE,

BE IT RESOLVED by the Board of Commissioners of the Public Facilities Financing Authority of the City of San Diego (Board of Commissioners), as follows:

Section 1. The Board of Commissioners hereby finds and determines that the statements set forth above in the recitals to this Resolution are true and correct.

Section 2. The form and content of the proposed Offering Memorandum substantially in the form presented to and considered at this meeting, are hereby approved, with such changes thereto as the Chair or Vice-Chair of the Board of Commissioners of the Authority or the

Treasurer of the Authority (each, an Authorized Officer) shall determine are necessary or desirable and may require or approve, such approval to be conclusively evidenced by the delivery of the Offering Memorandum for release to prospective purchasers of the Commercial Paper Notes. The distribution of electronic or physical copies of the Offering Memorandum to persons who may be interested in the purchase of the Commercial Paper Notes is hereby authorized and approved. The Authorized Officers are hereby authorized and directed, jointly and severally, for and in the name of and on behalf of the Authority, to amend or supplement the Offering Memorandum from time to time and cause the distribution thereof, subject to the prior review and approval of the Offering Memorandum, as amended or supplemented, by the City's Disclosure Practices Working Group.

Section 3. The form and content of the Letter of Representations, as submitted to this meeting and on file in the office of the Office of the Secretary, is hereby approved. The Authorized Officers, and each of them, acting alone, are hereby authorized and directed, for and in the name and on behalf of the Authority, to execute and deliver the Letter of Representations in conjunction with the issuance of the New Commercial Paper Notes Credit Support Instrument by the New Credit Provider, in substantially the form submitted to this meeting, with such additions and changes therein as any Authorized Officer shall determine are necessary or desirable and approve as being in the best interests of the Authority, and as approved as to form by the City Attorney of the City of San Diego (City Attorney), as counsel to the Authority, or his or her specified designee, and with such other changes that may be required or requested by Hawkins Delafield & Wood LLP, as Note Counsel (Note Counsel), such approval to be conclusively evidenced by the execution and delivery thereof.

Section 4. The Authorized Officers, in consultation with the City and the City's municipal advisor, without further action of the Board of Commissioners, are hereby authorized and directed, jointly and severally, for and in the name of and on behalf of the Authority, to execute any and all documents (including letters of representation) which they may deem necessary or advisable in connection with any amendments, supplements, restatements and replacements of the Reimbursement Agreements to extend the term of or increase or decrease the maximum principal amount of Commercial Paper Notes supported by any Commercial Paper Notes Credit Support Instrument, any reimbursement agreements, fee letter agreements, revolving notes, direct placement revolving credit agreements or direct placement revolving notes to provide for the delivery of additional Commercial Paper Notes Credit Support Instrument, any amendments, supplements, restatements or replacements of any such reimbursement agreements, fee letter agreements or revolving notes to extend the term of or increase or decrease the maximum principal amount of Commercial Paper Notes supported by such additional Commercial Paper Note Credit Support Instrument, in each case to the extent authorized to be executed and delivered by the City pursuant to the City Ordinance, and the Authorized Officers, in consultation with the City and the City's municipal advisor, without further action of the Board of Commissioners, are hereby authorized and directed, jointly and severally, for and in the name of and on behalf of the Authority, to execute and deliver any amendments, supplements, restatements or replacements of the Initial Financing Documents, the New Reimbursement Agreement and the Letter of Representations (collectively, the Financing Documents) to facilitate such delivery or amendment. The Authorized Officers, in consultation with the City and the City's municipal advisor, without further action of the Board of Commissioners, are hereby authorized and directed, jointly and severally, for and in the name of

and on behalf of the Authority, to amend, supplement or restate any Dealer Agreement or to appoint additional or replacement Dealers from time to time and to execute and deliver any additional, replacement or successor Dealer Agreement in connection therewith as such Authorized Officer shall determine is necessary or desirable and in the best interests of the City and the Authority, such determination shall be conclusively evidenced by the execution and delivery of such amendment, supplement or restatement of, or additional, replacement or successor, Dealer Agreement by the Authority; provided that any such Dealer or Dealers shall be selected from the City's "Investment Banking Services – Underwriter and Commercial Paper Dealer Pool." In addition, Authorized Officers, in consultation with the City and the City's municipal advisor, without further action of the Board of Commissioners, are hereby authorized and directed, jointly and severally, for and in the name of and on behalf of the Authority, to appoint a replacement Issuing and Paying Agent from time to time and to amend, supplement or restate the Issuing and Paying Agency Agreement in connection therewith as such Authorized Officer shall determine is necessary or desirable and in the best interests of the City and the Authority, such determination shall be conclusively evidenced by the execution and delivery of such amendment, supplement or restatement of the Issuing and Paying Agency Agreement by the Authority.

Section 5. The Authorized Officers, and each of them, acting alone, are hereby authorized and directed to take all actions and execute any and all documents which they may deem necessary or advisable in order to consummate, carry out, give effect to and comply with the terms and intent of this Resolution and the consummation of the transactions contemplated hereby. Any actions heretofore taken by such officers in furtherance of any of the transactions authorized herein are hereby ratified, confirmed, and approved.

Section 6. The Authorized Officers, and each of them, acting alone, are hereby authorized and directed, for and in the name of and on behalf of the Authority, to do any and all things and take any and all actions, from time to time, consistent with this Resolution and the documents approved herein and other documents authorized by this Resolution, including, without limitation, payment of necessary and appropriate fees and expenses of note counsel, disclosure counsel, municipal advisor and other professionals retained by the Authority, and execute and deliver any and all certificates, agreements and other documents (including, but not limited to, the tax compliance certificate) which they, or any of them, may deem necessary or advisable to consummate the transactions evidenced by the documents referenced herein in accordance with this Resolution.

Section 7. This Resolution shall take effect immediately upon its adoption.

ADOPTED, SIGNED AND APPROVED this 2nd day of November, 2021, by the following vote:

AYES:

NAYS:

ABSENT:

VACANT:

ABSTAIN:

PUBLIC FACILITIES FINANCING AUTHORITY
OF THE CITY OF SAN DIEGO

Chair, Board of Commissioners

Attest:

Secretary to Board of Commissioners

REIMBURSEMENT AGREEMENT

between

THE CITY OF SAN DIEGO

and

BANK OF AMERICA, N.A.

dated as of December 1, 2021

Relating to

\$250,000,000

Public Facilities Financing Authority of the City of San Diego
Subordinated Water Revenue Commercial Paper Notes, Series A
(Payable Solely from Subordinated Installment Payments Secured
by Net System Revenues of the Water Utility Fund)

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REIMBURSEMENT AGREEMENT

THIS REIMBURSEMENT AGREEMENT dated as of December 1, 2021 (as amended, modified and supplemented, the “Reimbursement Agreement”), is by and between THE CITY OF SAN DIEGO, a municipal corporation organized and existing under a charter duly adopted pursuant to the provisions of the Constitution of the State of California (the “City”), and BANK OF AMERICA, N.A. (the “Bank”).

WITNESSETH

WHEREAS, the Public Facilities Financing Authority of the City of San Diego, a joint exercise of powers authority duly organizing and existing under the laws of the State of California (the “Authority”) intends to issue its Subordinated Water Revenue Commercial Paper Notes, Series A (Payable Solely from Subordinated Installment Payments Secured by Net System Revenues of the Water Utility Fund) (the “Commercial Paper Notes”) which may be issued from time to time in an aggregate principal amount of up to \$250,000,000 for purposes as permitted by the Indenture hereinafter mentioned;

WHEREAS, the Commercial Paper Notes will be issued from time to time pursuant to the Marks-Roos Local Bond Pooling Act of 1985, as amended, being Section 6584 et seq. of the Government Code of the State, as amended (the “Act”), and the Fifth Supplemental Indenture, dated as of January 1, 2017 (the “Fifth Supplemental Indenture”), by and between the Authority and U.S. Bank National Association, as trustee (the “Trustee”), amending that certain Indenture, dated as of January 1, 2009, as also supplemented and amended by that certain First Supplemental Indenture, dated as of June 1, 2009, that certain Second Supplemental Indenture, dated as of June 1, 2010, that certain Third Supplemental Indenture, dated as of April 1, 2012, that certain Fourth Supplemental Indenture, dated as of June 1, 2016, that certain Sixth Supplemental Indenture, dated as of December 1, 2018, and that certain Seventh Supplemental Indenture, dated as of May 1, 2020, each by and between the Authority and the Trustee;

WHEREAS, in order to support the payment of the Commercial Paper Notes as the same shall become due and payable pursuant to the provisions of the Indenture, the City has requested that the Bank issue in favor of the Issuing and Paying Agent (as hereinafter defined), for the account of the City and for the benefit of the holders from time to time of the Commercial Paper Notes, an irrevocable transferable letter of credit substantially in the form attached hereto as Exhibit A in the initial stated amount of \$259,041,096 (as completed, executed and issued, the “Letter of Credit”);

WHEREAS, in order to induce the Bank to issue the Letter of Credit, the City has agreed to reimburse the Bank for all amounts advanced by it under the Letter of Credit and to pay interest on such amounts as well as certain costs, fees and expenses, all as provided herein;

NOW, THEREFORE, in consideration of the foregoing recitals and the covenants contained herein, and in order to induce the Bank to issue the Letter of Credit, the parties agree as follows:

ARTICLE I

DEFINITIONS

Section 1.1. Definitions. For purposes of this Reimbursement Agreement, capitalized terms used herein which are not defined herein shall have the meanings set forth in the Indenture. In addition, the following terms shall have the following meanings:

“Act” has the meaning set forth in the recitals hereto.

“Agreement” means, collectively, the Amended and Restated Master Installment Purchase Agreement, dated as of January 1, 2009, as amended and supplemented, including as amended by the First Amendment to Amended and Restated Master Installment Purchase Agreement, dated as of November 14, 2018, each by and between the City and the Corporation, as supplemented by the Collateral Agency, Account and Assignment Agreement, dated as of November 14, 2018, by and among the City, the Corporation, the Authority, the United States Environmental Protection Agency, acting by and through the Administrator of the Environmental Protection Agency, and U.S. Bank National Association as collateral agent under the Collateral Agency Agreement and as Trustee under the Indenture, and as supplemented by the 2017 Commercial Paper Supplement and as also supplemented by a 2009 Supplement to Amended and Restated Master Installment Purchase Agreement, dated as of January 1, 2009, a 2009B Supplement to Amended and Restated Master Installment Purchase Agreement, dated as of June 1, 2009, a 2010A Supplement to Amended and Restated Master Installment Purchase Agreement, dated as of June 1, 2010, a 2012A Supplement to Amended and Restated Master Installment Purchase Agreement, dated as of April 1, 2012, a 2016 Supplement to Amended and Restated Master Installment Purchase Agreement, dated as of June 1, 2016, a 2018 Supplement, dated as of December 1, 2018 and a 2020 Supplement, dated as of May 1, 2020, each by and between the City and the Corporation, and as further amended and supplemented from time to time in accordance with the terms thereof.

“Alternate Subordinated Credit Support Instrument” means a policy of insurance, a letter of credit, a standby bond purchase agreement, revolving credit agreement or other credit arrangement pursuant to which a Subordinated Credit Provider provides credit support or liquidity with respect to the payment of principal of and interest on the Commercial Paper Notes when the same become due and payable during the term thereof and is issued in substitution for the Letter of Credit in accordance with, and pursuant to, Section 6.5 hereof, as amended or supplemented from time to time.

“Anti-Corruption Laws” means all laws, rules, and regulations of any jurisdiction applicable to the Borrower from time to time concerning or relating to bribery or corruption.

“Assignment Agreement” means that certain Assignment Agreement, dated as of January 1, 2017, by and between the Corporation and the Authority, as amended and supplemented from time to time in accordance with the terms thereof.

“Authority Letter of Representations” means the Letter of Representations of the Authority, substantially in the form attached hereto as Exhibit C.

“Bank” is defined in the introductory paragraph hereof.

“Bank Agreement” means any credit agreement, liquidity agreement, standby bond purchase agreement, reimbursement agreement, direct purchase agreement, bond purchase agreement, or other agreement or instrument (or any amendment, supplement or other modification thereof) under which, directly or indirectly, any Person or Persons undertake(s) to make or provide funds to make payment of, or to purchase or provide credit enhancement for, bonds or notes or commercial paper of the City or the Authority secured by or payable from Net System Revenues.

“Bank Documents” means (a) the Letter of Credit, (b) this Reimbursement Agreement, (c) the Fee Letter, and (d) the Bank Note, each as amended from time to time in accordance with their respective terms.

“Bank Loan” has the meaning set forth in Section 2.11(a) hereof.

“Bank Note” has the meaning set forth in Section 2.16 hereof.

“Bank Rate” means (a) with respect to an Unreimbursed Amount, on any particular date that is 90 days or less following the date on which the Drawing relating to such Unreimbursed Amount was made, a rate of interest calculated with respect to such Unreimbursed Amount equal to the Base Rate in effect for such date, (b) with respect to an Unreimbursed Amount, on any particular date that is more than 90 days following the date on which the Drawing relating to such Unreimbursed Amount was made and is 180 days or less following the date on which the Drawing relating to such Unreimbursed Amount was made, a rate of interest calculated with respect to such Unreimbursed Amount equal to the Base Rate in effect for such date plus 0.50% per annum or (c) with respect to a Bank Loan and on any particular date that is more than 180 days following the date on which the Drawing relating to such Bank Loan was made, a rate of interest calculated with respect to such Bank Loan equal to the Base Rate in effect for such date plus 1% per annum; *provided, however*, that immediately and upon the occurrence of an Event of Default (and without any notice given with respect thereto) and during the continuation of such Event of Default, “Bank Rate” shall mean the Default Rate; *provided, further*, that in no event shall the Bank Rate be less than the applicable rate on any Commercial Paper Notes.

“Base Rate” means, for any day, a fluctuating rate of interest per annum equal to the greatest of (a) the Prime Rate in effect at such time plus one percent (1.00%), (b) the Federal Funds Rate in effect at such time plus two percent (2.00%), and (c) seven percent (7.00%).

“Bond Counsel” means (i) Hawkins Delafield & Wood LLP or (ii) another attorney or firm of attorneys nationally recognized in the area of municipal bonds selected by the City.

“Business Day” means any day other than (i) a Saturday or Sunday or a day on which banking institutions are authorized or required by law or executive order to be closed in the State of California or in the State of New York for commercial banking purposes; (ii) a day on which the New York Stock Exchange is authorized or required by law or executive order to be closed; and (iii) a day upon which commercial banks are authorized or required by law or executive order to be closed in the cities and states in which demands for payment may be presented under the Letter of Credit.

“Change in Law” has the meaning set forth in Section 2.12(a) hereof.

“Charter” means the charter of the City as it now exists or may hereafter be amended, and any new or successor charter.

“City” is defined in the introductory paragraph hereof.

“City Documents” means (a) the Agreement, (b) this Reimbursement Agreement, (c) the Fee Letter, and (d) the Bank Note, each as amended from time to time in accordance with their respective terms.

“Closing Date” means the date on which the Letter of Credit is issued.

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

“Corporation” means the San Diego Facilities and Equipment Leasing Corporation, a nonprofit public benefit corporation organized and existing under and by virtue of the laws of the State.

“Commercial Paper Documents” means (a) the Relevant Indenture Provisions, (b) the Agreement, (c) the Assignment Agreement, (d) the Issuing and Paying Agency Agreement, (e) the Dealer Agreements, (f) the Commercial Paper Notes, (g) this Reimbursement Agreement, (h) the Fee Letter and (i) the Bank Note, each as amended from time to time in accordance with their respective terms.

“Corporation Letter of Representations” means the Letter of Representations of the Corporation, substantially in the form attached hereto as Exhibit D.

“Dealer” means a Person performing the functions of a commercial paper note dealer pursuant to a Dealer Agreement.

“Dealer Agreement” means an agreement between the Authority and a commercial paper note dealer relating to the sale of the Commercial Paper Notes, as amended and supplemented from time to time in accordance with the terms thereof.

“Default” means an event that with the giving of notice or passage of time, or both, shall constitute an Event of Default

“Default Rate” means, for any day, a rate of interest per annum equal to the sum of the Base Rate in effect on such day plus three percent (3.00%).

“Designated Jurisdiction” means any country or territory to the extent that such country or territory itself is the subject of any Sanction.

“Dodd-Frank Act” shall mean the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, as enacted by the United States Congress, and signed into law on July 21, 2010, and all statutes, rules, guidelines or directives promulgated thereunder.

“Drawing” shall mean a drawing under the Letter of Credit in accordance with its terms to pay the principal of and interest on the Commercial Paper Notes.

“EMMA” means the Electronic Municipal Market Access system and any successor thereto.

“Environmental Laws” means any and all federal, state, local and foreign statutes, laws, regulations, ordinances, rules, judgments, orders, decrees, permits, concessions, grants, franchises, licenses, agreements or other governmental restrictions relating to the environment or to emissions, discharges or releases of pollutants, contaminants, petroleum or petroleum products, chemicals or industrial, toxic or hazardous substances or wastes into the environment including, without limitation, ambient air, surface water, ground water, or land, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of pollutants, contaminants, petroleum or petroleum products, chemicals or industrial, toxic or hazardous substances or wastes or the clean up or other remediation thereof.

“ERISA” shall mean the Employee Retirement Income Security Act of 1974, as amended.

“Event of Default” shall have the meaning set forth in Section 7.1 hereof.

“Excluded Taxes” means any taxes measured by or based upon the overall net income of the Bank or any Participant and any franchise taxes or branch profits taxes imposed on the Bank or any Participant as a result of a present or future connection between the jurisdiction of the Governmental Authority imposing such tax and the Bank or such Participant.

“Federal Funds Rate” means, for any day, the rate per annum equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day; provided that (a) if such day is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day, and (b) if no such rate is so published on such next succeeding Business Day, the Federal Funds Rate for such day shall be the average rate (rounded upward, if necessary, to a whole multiple of 1/100 of 1%) charged to the Bank on such day on such transactions as determined by the Bank. Notwithstanding anything herein to the contrary, if the Federal Funds Rate determined as provided above would be less than zero percent (0.0%), then the Federal Funds Rate shall be deemed to be zero percent (0.0%).

“Fee Letter” means that certain Fee Agreement, dated December [], 2021, by and between the City and the Bank, as amended and supplemented from time to time in accordance with the terms thereof.

“Fifth Supplemental Indenture” means that certain Fifth Supplemental Indenture, dated as of January 1, 2017, by and between the Authority and the Trustee.

“Final Drawing” means a Drawing honored by the Bank under the Letter of Credit in connection with a Final Drawing Notice.

“Final Drawing Notice” shall mean a Final Drawing Notice in the form of the certificate attached to the Letter of Credit as Annex I.

“Fiscal Year” means the twelve month period commencing on July 1 of a calendar year and ending on June 30 of the following calendar year.

“Fitch” means Fitch Ratings, Inc., a corporation duly organized and existing under and by virtue of the laws of the State of Delaware and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term “Fitch” shall be deemed to refer to any other nationally recognized securities rating agency selected by the City.

“GAAP” means generally accepted accounting principles in the United States as in effect from time to time, applied on a basis consistent with those used in preparation of the audit report referred to in Section 5.2 hereof.

“Governmental Authority” means any federal, state or local government (whether domestic or foreign), any political subdivision thereof or any other governmental, quasi-governmental, judicial, administrative, public or statutory instrumentality, authority, body, agency, commission, bureau or other entity exercising executive, legislative, judicial, taxing, regulatory, fiscal, monetary or administrative powers or functions of or pertaining to government (including any zoning authority, the Federal Deposit Insurance Corporation or the Federal Reserve Board, any central bank or any comparable authority), or any arbitrator with authority to bind a party at law.

“Governmental Requirements” shall mean any law, ordinance, order, rule or regulation enacted, issued or promulgated by a Governmental Authority.

“Holders” shall mean the Holders of Commercial Paper Notes.

“Indemnitees” has the meaning given to that term in Section 8.3(a) hereof.

“Indenture” means that certain Indenture, dated as of January 1, 2009, as supplemented and amended by the Fifth Supplemental Indenture, and also as supplemented and amended by that certain First Supplemental Indenture, dated as of June 1, 2009, that certain Second Supplemental Indenture, dated as of June 1, 2010, that certain Third Supplemental Indenture, dated as of April 1, 2012, that certain Fourth Supplemental Indenture, dated as of June 1, 2016, that certain Sixth Supplemental Indenture, dated as of December 1, 2018, and that certain Seventh Supplemental Indenture, dated as of May 1, 2020, each by and between the Authority and the Trustee, and as further amended and supplemented from time to time in accordance with the terms thereof.

“Initial Stated Amount” has the meaning set forth in Section 2.1(a) hereof.

“Installment Payments” means the Installment Payments scheduled to be paid by the City under and pursuant to the Agreement and any Supplement.

“Interest Component” has the meaning set forth in the Letter of Credit.

“Issuing and Paying Agent” means the Person performing the functions of issuing and paying agent pursuant to the Issuing and Paying Agency Agreement and any successor thereto as shall be appointed pursuant to the Issuing and Paying Agency Agreement.

“Issuing and Paying Agency Agreement” means an agreement between the Authority and an issuing and paying agent relating to the issuance and payment of the Commercial Paper Notes, as amended and supplemented from time to time in accordance with the terms thereof.

“Legal Action” has the meaning given to that term in Section 4.3 of this Reimbursement Agreement.

“Legal Requirements” means, as to any Person, (a) all decisions, statutes, ordinances, rulings, directions, rules, regulations, orders, writs, decrees, injunctions, permits, certificates or other requirements of any court or other Governmental Authority in any way applicable to or affecting such Person, such Person’s assets, such Person’s business and operations or any transaction to which such Person is a party, as the case may be, (b) all governance documents applicable to such Person, including, without limitation, charters, codes, rules, regulations, bylaws, articles of incorporation, and partnership, limited partnership, joint venture, trust, or other forms of business association agreement, and (c) all other written contractual obligations of any nature applicable to or affecting such Person, such Person’s assets or such Person’s business and operations.

“Letter of Credit” has the meaning set forth in the recitals hereto.

“Lien” means any mortgage, deed of trust, lien, security interest, assignment, pledge, charge, hypothecation or encumbrance of any kind in respect of any Property, including the interests of a vendor or lessor under any conditional sale or other title retention arrangement.

“Liquidity Period End Date” has the meaning set forth in Section 2.11(a) hereof.

“Losses” shall mean liabilities, obligations, losses, damages, penalties, claims, actions, judgments, suits, costs, expenses and disbursements (including, without limitation, reasonable attorneys’ fees and expenses).

“Material Adverse Effect” means (a) a material adverse effect on the properties, assets, condition (financial or otherwise), results of operations or business prospects of the Water System or the conduct of the Water Service taken as a whole, (b) a material adverse effect upon the City’s ability to timely perform its obligations under the Commercial Paper Documents to which it is a party and/or (c) a material adverse effect upon the Bank’s rights and remedies under the Bank Documents.

“Maturity Date” shall mean, with respect to any Bank Loan, the earliest to occur of: (i) the third (3rd) anniversary of the date of the Drawing relating to such Bank Loan, (ii) the date on which an Alternate Subordinated Credit Support Instrument becomes effective in substitution of the Letter of Credit, (iii) the date on which the Stated Amount is permanently reduced to zero or the Letter of Credit is otherwise terminated (other than as a result of the Letter of Credit expiring on the Stated Expiration Date), including as a result of an Event of Default or (iv) the

Business Day on which commercial paper notes or bonds are sold to fund the repayment in full of any Bank Loan.

“Maximum Rate” means the lesser of (a) 11% per annum, and (b) the maximum non-usurious lawful rate of interest permitted by applicable law.

“Moody’s” means Moody’s Investors Service, Inc., a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term “Moody’s” shall be deemed to refer to any other nationally recognized securities rating agency selected by the City.

“Net System Revenues” has the meaning given to that term in the Agreement.

“Notice of No Issuance” shall mean a Notice of No Issuance in the form of the certificate attached to the Letter of Credit as Annex G.

“Obligations” has the meaning given to that term in the Agreement.

“Offering Memorandum” shall mean the offering memorandum relating to the issuance and sale of the Commercial Paper Notes, including any supplement or amendment to such offering memorandum.

“Other Taxes” has the meaning set forth in Section 5.12(b) hereof.

“Outstanding” has the meaning set forth in the Indenture.

“Parity Installment Obligation” has the meaning given to that term in the Agreement.

“Parity Obligations” has the meaning given to that term in the Agreement.

“Participant” means any financial institution or other Person now or hereafter directly or indirectly participating in the rights and obligations of the Bank pursuant to Section 8.17 hereof.

“Payment Obligations” means any and all obligations of the City to pay or reimburse the Bank contained in or evidenced by any City Document, including, without limitation, obligations to reimburse the Bank for all Drawings under the Letter of Credit, all obligations to repay the Bank for any Unreimbursed Amount and any Bank Loan, including all interest accrued thereon, all amounts owing under the Bank Note, the fees relating to the Letter of Credit and all other obligations of the City to the Bank arising under, or in relation to, or evidenced by, this Reimbursement Agreement, the Fee Letter and the Bank Note.

“Permitted Parity Obligations” means Obligations of the City payable from or secured by a lien on Net System Revenues that is on parity in right of payment to Parity Obligations permitted to be issued or created pursuant to Section 5.03(c) of the Agreement.

“Permitted Subordinated Obligations” means Obligations of the City payable from or secured by a lien on Net System Revenues that is subordinated in right of payment to Parity Obligations permitted to be issued or created pursuant to Section 5.03(f) of the Agreement.

“Person” means an individual, a corporation, a partnership, an association, a limited liability company, a trust or any other entity or organization, including a government or political subdivision or any agency or instrumentality thereof.

“Plan” means an employee pension benefit plan which is covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Code.

“Prime Rate” means the rate of interest announced by the Bank from time to time as its prime commercial rate or equivalent, as in effect on such day for United States dollar loans, with any change in the Prime Rate resulting from a change in said prime commercial rate to be automatically and immediately effective as of the date of the relevant change in said prime commercial rate, it being understood that such rate may not be the Bank’s best or lowest rate. Notwithstanding anything herein to the contrary, if the Prime Rate determined as provided above would be less than zero percent (0.0%), then the Prime Rate shall be deemed to be zero percent (0.0%).

“Principal Component” has the meaning set forth in the Letter of Credit.

“Project” shall mean the projects financed with the proceeds of the Commercial Paper Notes.

“Property” means any interest in any kind of property or asset, whether real, personal or mixed, or tangible or intangible, whether now owned or hereafter acquired.

“Quarterly Payment Date” shall mean the first Business Day of each January, April, July and October.

“Rating Agencies” means Fitch and Moody’s.

“Reimbursement Account” means the City of San Diego Commercial Paper Reimbursement Account created and held by the Issuing and Paying Agent pursuant to the Issuing and Paying Agency Agreement.

“Reimbursement Agreement” has the meaning set forth in the preamble and includes all of the Exhibits attached hereto, all of which are incorporated herein by this reference and made a part hereof.

“Relevant Indenture Provisions” means the provisions of Articles V, VI, IX, X and XVII of the Indenture and any other provisions of the Indenture applicable to the Commercial Paper Notes.

“Rescission of Notice of No Issuance” means a Rescission of Notice of No Issuance in substantially the form of the certificate attached to the Letter of Credit as Annex H.

“Sanctions” means economic or financial sanctions or trade embargoes imposed, administered or enforced from time to time by the U.S. government, including those administered by the Office of Foreign Assets Control of the U.S. Department of the Treasury or the U.S. Department of State.

“State” means the State of California.

“Stated Amount” shall mean the amount set forth in the Letter of Credit as the “Stated Amount,” as such amount is reduced and reinstated from time to time in accordance with the terms of the Letter of Credit.

“Stated Expiration Date” has the meaning set forth in the Letter of Credit. As of the Closing Date, the Stated Expiration Date is January 31, 2025.

“Subordinated Credit Provider” has the meaning given to that term in the Agreement.

“Subordinated Credit Provider Reimbursement Obligations” has the meaning given to that term in the Agreement.

“Subordinated Credit Support Instrument” has the meaning given to that term in the Agreement.

“Subordinated Obligation Rating” shall mean the long-term unenhanced, unsecured debt ratings assigned by the Rating Agencies to any Subordinated Obligations.

“Subordinated Obligations” has the meaning given to that term in the Agreement.

“Swap Contract” means (a) any and all rate swap transactions, basis swaps, credit derivative transactions, forward rate transactions, commodity swaps, commodity options, forward commodity contracts, equity or equity index swaps or options, bond or bond price or bond index swaps or options or forward bond or forward bond price or forward bond index transactions, interest rate options, forward foreign exchange transactions, cap transactions, floor transactions, collar transactions, currency swap transactions, cross-currency rate swap transactions, currency options, spot contracts, or any other similar transactions or any combination of any of the foregoing (including any options to enter into any of the foregoing), whether or not any such transaction is governed by or subject to any master agreement, and (b) any and all transactions of any kind, and the related confirmations, which are subject to the terms and conditions of, or governed by, any form of master agreement published by the International Swaps and Derivatives Association, Inc., any International Foreign Exchange Master Agreement, or any other master agreement (any such master agreement, together with any related schedules, a “Master Agreement”), including any such obligations or liabilities under any Master Agreement.

“System Revenues” has the meaning set forth in the Agreement.

“Taxes” has the meaning set forth in Section 5.12(a) hereof.

“Termination Date” means the earlier of (a) the Stated Expiration Date of the Letter of Credit or (b) the date on which the Letter of Credit shall terminate pursuant to its terms or otherwise be terminated prior to the Stated Expiration Date.

“Trustee” means U.S. Bank National Association, as trustee pursuant to the Indenture, its successors and assigns, and any successor trustee appointed thereunder.

“2017 Commercial Paper Supplement” means that certain 2017 Commercial Paper Supplement to Amended and Restated Master Installment Purchase Agreement, dated as of January 1, 2017, by and between the City and the Corporation.

“Unreimbursed Amount” shall mean with respect to the Letter of Credit, the amount of each Drawing on the Letter of Credit for which the Bank has not been reimbursed by or on behalf of the City, but not including the outstanding balance of all Bank Loans owing to the Bank.

“Water Service” has the meaning given to that term in the Agreement.

“Water System” has the meaning given to that term in the Agreement.

“Water Utility Fund” has the meaning given to that term in the Agreement.

Section 1.2. Accounting Terms. As used herein, all accounting terms not otherwise defined shall have the meanings assigned to them under GAAP.

Section 1.3. Terminology. References to “Articles,” “Sections,” “Subsections,” “Recitals,” and “Exhibits” shall be to articles, sections, subsections, recitals, and exhibits of this Reimbursement Agreement unless otherwise specifically provided. Any of the terms defined in this Reimbursement Agreement may be used in singular or plural form. As used herein, the singular includes the plural, and the masculine gender includes the feminine and neutral genders, and vice versa, unless the context clearly requires otherwise.

ARTICLE II

LETTER OF CREDIT; FEES

Section 2.1. Amount and Terms of Letter of Credit.

(a) The Bank agrees, on the terms and subject to the conditions hereinafter set forth and relying upon the representations and warranties set forth herein or incorporated herein by reference, to issue the Letter of Credit in an initial stated amount equal to \$259,041,096 (the “Initial Stated Amount”), representing the maximum principal amount of the Commercial Paper Notes in the amount of \$250,000,000 and interest thereon computed on the basis of an assumed interest rate of 11% per annum for a period of 120 days and a year of 365 days. The Letter of Credit shall be issued to the Issuing and Paying Agent on the Closing Date for the account of the City.

(b) The Stated Expiration Date for the Letter of Credit is set forth in the Letter of Credit; provided that such date shall be subject to extension upon the request of the City and with the written consent of the Bank in its sole discretion. Any request made by the City shall be made by written notice to the Bank no sooner than one hundred eighty (180) days prior to the then existing Stated Expiration Date and the Bank shall consent to or deny the request for extension within forty-five (45) days following its receipt of the City's request for extension. If for any reason the Bank fails to consent to or deny the City's request for an extension or fails to respond to the City's request for an extension, the request shall be deemed to be denied by the Bank.

Section 2.2. Fees. The City shall pay to the Bank fees and expenses in the amounts and on the dates and at the times set forth in the Fee Letter. Any reference herein or in any other document to fees and/or other amounts or obligations payable hereunder shall include, without limitation, all fees and other amounts or obligations payable pursuant to the Fee Letter. The terms of the Fee Letter are hereby incorporated herein by reference as if fully set forth herein. All fees paid under this Reimbursement Agreement and the Fee Letter will be fully earned when due and nonrefundable when paid.

Section 2.3. Expenses. The City shall pay to the Bank within thirty (30) days of demand by the Bank, all reasonable costs, charges, fees and expenses of the Bank (including, without limitation, taxes, if any, and the reasonable fees and expenses of counsel for the Bank as provided herein and in the Fee Letter) in connection with this Reimbursement Agreement, the Letter of Credit and the transactions contemplated hereby and thereby, including, without limitation, any such costs, charges, fees and expenses incurred in connection with: (a) the preparation and negotiation of this Reimbursement Agreement, any other Commercial Paper Documents or the Letter of Credit; (b) the closing of the transactions contemplated by this Reimbursement Agreement and the issuance of the Letter of Credit; (c) any amendment, waiver, consent or modification of, or with respect to, this Reimbursement Agreement, any other Commercial Paper Document or the Letter of Credit; (d) the perfection, protection, exercise or enforcement of any of the Bank's rights under this Reimbursement Agreement, any other Commercial Paper Document or the Letter of Credit; (e) any certificates required by the Bank from insurance specialists and other professionals; (f) any action or proceeding relating to a court order, injunction, or other process or decree restraining or seeking to restrain the Bank from paying any amount under the Letter of Credit; or (g) enforcement by the Bank of any obligations of, or in collecting any payments due from, the City hereunder, under any other Commercial Paper Document, under the Letter of Credit or in connection with any refinancing or restructuring of the credit arrangements provided under this Reimbursement Agreement in the nature of a "work out" or of any insolvency or bankruptcy proceedings. The obligation of the City to pay all reasonable costs and expenses of the Bank shall continue notwithstanding any failure to satisfy the conditions of Article III hereof and shall survive the termination of the Letter of Credit and this Reimbursement Agreement. Except with respect to clause (g) above, the Bank will furnish to the City upon request an itemized statement of all costs, charges, fees and expenses demanded by the Bank under this Section.

Section 2.4. Reduction and Reinstatement of the Stated Amount of the Letter of Credit. The Stated Amount of the Letter of Credit shall be reduced and reinstated as set forth in the Letter of Credit. The City hereby irrevocably approves of reductions and reinstatements set forth

in the Letter of Credit. Notwithstanding the foregoing and anything set forth herein to the contrary, the City agrees not to permanently reduce the Initial Stated Amount of the Letter of Credit except in accordance with the terms of the Commercial Paper Documents.

Section 2.5. Drawings under the Letter of Credit. The Issuing and Paying Agent is authorized to make Drawings under the Letter of Credit in accordance with its terms. If demand for payment under the Letter of Credit is properly presented as provided therein and in strict conformity with the requirements thereof, payment shall be made by the Bank, and the City hereby directs the Bank to make such payments, to the Issuing and Paying Agent, in immediately available funds, at such times as provided in and in accordance with the provisions of the Letter of Credit. All payments made by the Bank under the Letter of Credit shall be made with the Bank's own funds.

Section 2.6. Manner and Time of Payment. Except as otherwise expressly provided herein, all payments to the Bank by the City under this Reimbursement Agreement, the Fee Letter and the Bank Note shall be made to the Bank in immediately available funds by ACH or wire transfer to the account designated for that purpose pursuant to Section 8.1 hereof not later than 4:00 p.m. New York City time (1:00 p.m. San Diego time) on the date such payment is due. Funds received after such time shall be deemed to have been paid and received on the next succeeding Business Day and amounts not received on or before 4:00 p.m. New York City time (1:00 p.m. San Diego time) on the date due shall bear interest at the Default Rate. All amounts payable to the Bank by the City hereunder, under the Fee Letter or under the Bank Note shall be paid without demand, presentment or notice of any kind on the date due, provided, that payments to be made under (a) Sections 2.3 and 8.3 hereof shall be payable only upon written demand therefor by the Bank and shall be due thirty (30) days after receipt of notice by the City of such demand and (b) Sections 2.12 and 5.12 hereof shall be due and payable as provided respectively therein.

Section 2.7. Payment Due on Non-Business Day to Be Made on Next Business Day. If any sum becomes payable pursuant to this Reimbursement Agreement or the Fee Letter on a day which is not a Business Day, the date for payment thereof shall be extended, without penalty, to the next succeeding Business Day, and such extended time shall be included in the computation of interest and fees.

Section 2.8. Late Payments. If the principal amount of any Payment Obligation is not paid when due, or upon the occurrence and during the continuance of any Event of Default, all Payment Obligations shall bear interest until paid in full at a rate per annum equal to the Default Rate from time to time in effect, payable on demand.

Section 2.9. Replacement of Letter of Credit. Notwithstanding any provisions of this Reimbursement Agreement to the contrary, the City agrees not to replace the Letter of Credit prior to the Stated Expiration Date, except upon (i) the payment by the City to the Bank of any fee, including any termination fee, required by the terms of this Reimbursement Agreement or the Fee Letter, (ii) the payment to the Bank of all other Payment Obligations payable hereunder, and (iii) the City providing the Bank and the Issuing and Paying Agent with fifteen (15) days prior written notice of its intent to replace the Letter of Credit. Any such replacement of the Letter of Credit shall be in compliance with the terms and conditions of the Indenture and the

Issuing and Paying Agency Agreement. The City agrees that any replacement of the Letter of Credit as a result of the provision of any Alternate Subordinated Credit Support Instrument will require, as a condition thereto, that the City or the issuer of any Alternate Subordinated Credit Support Instrument will provide funds on the date of such replacement, which funds will be sufficient to pay in full at the time of replacement of the Letter of Credit all Payment Obligations due and owing to the Bank hereunder.

Section 2.10. Interest on Unreimbursed Amounts and Bank Loans.

(a) Interest. The City hereby agrees to pay interest (i) on Unreimbursed Amounts that are repaid in full prior to 4:00 p.m. New York City time (1:00 p.m. San Diego time) on the date which is the one hundred eightieth (180th) day immediately succeeding the date on which the Drawing relating to such Unreimbursed Amount was made at the Bank Rate from time to time in effect, (ii) on Unreimbursed Amounts that do not become Bank Loans and that are not paid when due at the Default Rate from time to time in effect, and (iii) on Bank Loans at the Bank Rate from time to time in effect from and after the date of payment of the related Drawing until paid in full. If any Unreimbursed Amount is repaid at or prior to 4:00 p.m. New York City time (1:00 p.m. San Diego time) on the same day on which the related Drawing is paid, no interest shall be payable on such Unreimbursed Amount.

(b) Payment of Interest. (i) Interest on Unreimbursed Amounts (A) at the rate specified in Section 2.10(a)(i) hereof shall be payable on each Quarterly Payment Date and the date of the payment in full of such Unreimbursed Amount and (B) at the rate specified in Section 2.10(a)(ii) hereof shall be payable on demand, (ii) interest on Bank Loans at the rate specified in Section 2.10(a)(iii) shall be payable quarterly in arrears on each Quarterly Payment Date until the Maturity Date and on the Termination Date and (iii) with respect to accrued interest on an amount to be prepaid by the City pursuant to Section 2.11(c) below, on the date of prepayment of such amount.

(c) Computation of Interest. All interest payable hereunder shall be computed on the basis of a 365-day year, and all fees and other amounts due and owing the Bank hereunder and under the Fee Letter shall be computed on the basis of a 360-day year, and, in each case, on the actual number of days elapsed in the period during which such interest or fee or other amounts due and owing hereunder and under the Fee Letter accrues as specifically provided herein or therein, on any amount outstanding hereunder or thereunder, the first date from which interest is stated to accrue hereunder shall be included and the date of payment of such amount to the Bank shall be excluded. Due but unpaid interest shall be compounded monthly and, to the extent permitted by law, shall bear interest at the Default Rate per annum from and after compounding until paid in full.

Section 2.11. Payment of Unreimbursed Amounts.

(a) Maturity Date of Unreimbursed Amount. The Unreimbursed Amount with respect to each Drawing shall be due and payable by the City by 4:00 p.m. New York City time (1:00 p.m. San Diego time) on the one hundred eightieth (180th) day immediately succeeding the date such Drawing was made (the "Liquidity Period End Date"); provided, that in the event that the conditions set forth in Section 3.2 hereof are satisfied on the Liquidity Period End Date, the

Unreimbursed Amount of such Drawing will be converted automatically to a term loan (each a “Bank Loan”) from the Bank to the City. Each Bank Loan shall be due and payable as provided in Sections 2.10 and 2.11 hereof, but in no event later than the applicable Maturity Date.

(b) Payment of Bank Loans. With respect to each Bank Loan, the City hereby agrees to pay the amount of such Bank Loan to the Bank in equal quarterly installments, such payments (together with the payment of interest accrued pursuant to Section 2.10) to be made on each Quarterly Payment Date commencing with the first Quarterly Payment Date following the Liquidity Period End Date to which such Bank Loan relates until paid in full with the final principal installment in an amount equal to the entire then outstanding principal amount of such Bank Loan being due and payable on the related Maturity Date.

(c) Prepayment. The City may prepay each Unreimbursed Amount or Bank Loan, in whole or in part in an amount not less than \$100,000 and increments of \$100,000 in excess thereof, at any time; provided, that such prepayment is accompanied by all interest accrued thereon. In the event that the Issuing and Paying Agent issues any Commercial Paper Notes while any Unreimbursed Amounts or Bank Loans remains unpaid, the City shall apply the proceeds of any such Commercial Paper Notes to the prepayment of such outstanding Unreimbursed Amounts and/or Bank Loans and such prepayment shall be applied first against Bank Loans in the order in which each such Bank Loan was made and second against Unreimbursed Amount in the order in which each such Unreimbursed Amount arose.

(d) Bank Rate Interest. The City hereby agrees to pay interest at the Bank Rate from time to time in effect on any and all amounts required to be paid under this Section 2.11 until paid in full.

Section 2.12. Increased Costs.

(a) If the Bank or any Participant shall have reasonably determined that the adoption or implementation of, or any change in, any law, rule, treaty or regulation, or any policy, guideline or directive of, or any change in the interpretation or administration thereof by any court, central bank or other administrative or Governmental Authority (in each case, whether or not having the force of law) in each case occurring after the Closing Date, or compliance by the Bank or any Participant with any request, guideline or directive of any such court, central bank or other administrative or Governmental Authority (whether or not having the force of law) (each a “Change in Law”), shall (i) subject the Bank or any Participant to any tax, charge, fee, deduction or withholding of any kind with respect to its loans, loan principal, commitments, letters of credit or other obligations, or its deposits, reserves other liabilities or capital attributable thereto (other than any Excluded Taxes), (ii) change the basis of taxation of payments to the Bank or any Participant of any amounts payable hereunder, under the Fee Letter or under the Bank Note (other than a change in the rate of any Excluded Tax), (iii) impose, modify or deem applicable any reserve, capital or liquidity ratio, special deposit, compulsory loan, insurance charge or similar requirement against issuing or honoring Drawings under the Letter of Credit, extending credit under this Reimbursement Agreement or assets held by or deposits with or for the account of, the Bank or any Participant, or (iv) impose on the Bank or any Participant any other condition regarding this Reimbursement Agreement, the Bank Note, or the Letter of Credit, and the result of any event referred to in clause (i), (ii), (iii) or (iv) above

shall be to increase the cost to the Bank or any such Participant of honoring Drawings under the Letter of Credit, or making or maintaining any Bank Loan (or the obligation to make Bank Loans) or to reduce the amount of any sum received or receivable by the Bank or any such Participant hereunder, under the Fee Letter or under the Bank Note, then the City shall pay to the Bank or such Participant at such time and in such amount as is set forth in paragraph (c) of this Section, such additional amount or amounts as will compensate the Bank or such Participant for such increased costs or reductions in amount.

(b) If the Bank or any Participant shall have determined that any Change in Law shall impose, modify or deem applicable any capital adequacy, liquidity or similar requirement (including, without limitation, a request or requirement that affects the manner in which the Bank, any corporation controlling the Bank, any Participant or any corporation controlling such Participant allocates capital resources or liquidity to its commitments, including its obligations under lines of credit and letters of credit) that either (i) affects or would affect the amount of capital or liquidity to be maintained by the Bank, any corporation controlling the Bank, such Participant or any corporation controlling such Participant as it relates to making or maintaining its obligations under this Reimbursement Agreement and the Letter of Credit or (ii) reduces or would reduce the rate of return on the Bank's capital or liquidity, or the capital or liquidity of any corporation controlling the Bank, or of any Participant or any corporation controlling any Participant, to a level below that which the Bank, any corporation controlling the Bank, such Participant or any corporation controlling such Participant could have achieved but for such Change in Law (taking into consideration the policies of the Bank, any corporation controlling the Bank, such Participant or any corporation controlling such Participant with respect to capital adequacy or liquidity as it relates to making or maintaining its obligations under this Reimbursement Agreement and the Letter of Credit), then the City shall pay to the Bank, any corporation controlling the Bank, such Participant or any corporation controlling such Participant at such time and in such amount as is set forth in paragraph (c) of this Section, such additional amount or amounts as will compensate the Bank, any corporation controlling the Bank, such Participant or any corporation controlling such Participant for such cost of maintaining such increased capital or liquidity or such reduction of the rate of return on the Bank's capital, or the capital of any corporation controlling the Bank, or of any Participant or any corporation controlling any Participant. The protection of this Section 2.12(b) shall be available to the Bank and any Participant regardless of any possible contention of invalidity or inapplicability of the Change in Law.

(c) Notwithstanding the foregoing, for purposes of this Reimbursement Agreement (i) all requests, rules, guidelines or directives in connection with the Dodd-Frank Act shall be deemed to be a Change in Law, regardless of the date enacted, adopted or issued, and (ii) all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Regulations and Supervisory Practices (or any successor or similar authority) or any Governmental Authority, in each case relating to Basel III or any successor Basel Accord, shall be deemed a Change in Law regardless of the date enacted, adopted or issued.

(d) The Bank or Participant will use commercially reasonable efforts to notify the City within 30 days of its obtaining actual knowledge of any Change in Law occurring after the Closing Date that will entitle the Bank or such Participant or the respective controlling

corporation of either, to compensation pursuant to this Section; provided that the failure of the Bank or Participant to notify the City within such 30-day period shall not relieve the City from any liability for payment of such compensation. Any request for payment pursuant to this Section 2.12 shall be accompanied by a certificate of the Bank or Participant claiming compensation under this Section and setting forth in reasonable detail the basis therefor; such certificate shall be conclusive in the absence of manifest error. In determining such amount, the Bank or Participant may use any reasonable average and attribution methods. The City shall not be required to compensate the Bank or any Participant pursuant to this Section 2.12 in respect of a period occurring more than six (6) months prior to the date the above-described written request is given to the City with respect thereto (the "Cut-Off Date"), except where (i) the Bank or Participant Bank, as applicable, had no actual knowledge of the action resulting in such request for compensation as of the Cut-Off Date or (ii) such increased costs, increased capital or reduction in return apply to the Bank or Participant Bank retroactively to a date prior to the Cut-Off Date.

(e) Notwithstanding anything to the contrary in this Section, in the event the Bank grants any participation to any Participant under this Reimbursement Agreement, the City shall not have any obligation to pay amounts pursuant to this Section in an amount greater than that which it would have been required to pay if the Bank had not granted such participation.

(f) The obligation of the City under this Section shall survive the termination of the Letter of Credit and this Reimbursement Agreement and the repayment of all amounts owing to the Bank hereunder and under the other Commercial Paper Documents.

Section 2.13. Security of the Payment Obligations. The Payment Obligations of the City hereunder are special obligations secured by a pledge of the Net System Revenues on a parity with the Subordinated Obligations.

Section 2.14. Absolute Obligations. Each Payment Obligation of the City shall be performed strictly in accordance with this Reimbursement Agreement (subject to any modifications, waivers or consents by the Bank in accordance with the terms hereof) under any and all circumstances, and shall not be affected by (a) any lack of validity or enforceability of this Reimbursement Agreement or any other Commercial Paper Document; (b) any amendment of, or any waiver or consent with respect to, this Reimbursement Agreement or any other Commercial Paper Document, not inconsistent with the foregoing; (c) the existence of any claim, set off, defense or other right which the City may have at any time against the Bank, the Dealer, the Issuing and Paying Agent, the Trustee or any other Person, whether in connection with this Reimbursement Agreement, the transactions described herein or any unrelated transaction; (d) any breach of contract or other dispute between the City or any other Person; (e) any statement, certificate, draft or other document presented under the Letter of Credit proving to be forged, fraudulent, untrue, inaccurate, invalid or insufficient in any respect; (f) any payment by the Bank under the Letter of Credit against presentation of a certificate which does not comply with the terms of the Letter of Credit; (g) any non-application or misapplication by the Trustee, the Issuing and Paying Agent, the Dealer or any other Person of the proceeds of any Drawing under the Letter of Credit or of the proceeds of the Commercial Paper Notes; (h) any delay, extension of time, renewal, compromise or other indulgence or modification (not inconsistent with the foregoing) agreed to by the Bank, with or without notice to or approval by the City, in

respect of any of the obligations of the City to the Bank under this Reimbursement Agreement or any other Commercial Paper Document; (i) any exchange, release, surrender, impairment or non-perfection of any Lien on any collateral pledged or otherwise provided to secure any of the obligations contemplated herein or in any other Commercial Paper Document; (j) the occurrence of an Event of Default; or (j) any invalidity of the Commercial Paper Notes. Nothing contained in this Section 2.14 shall operate to prevent the City from bringing a cause of action against the Bank in accordance with Section 8.4 hereof.

Section 2.15. Commercial Paper Notes Operations.

(a) Issuance Generally. The City will permit Commercial Paper Notes to be issued, and authorizes the Issuing and Paying Agent to issue Commercial Paper Notes, only in accordance with the terms of the Indenture and this Reimbursement Agreement.

(b) Notice of No Issuance; Final Drawing Notice. Commercial Paper Notes may be issued from time to time prior to the Stated Expiration Date in accordance with the Issuing and Paying Agency Agreement and the Indenture so long as (i) the Issuing and Paying Agent is not in receipt of a Notice of No Issuance delivered by the Bank pursuant to Section 7.2(c) hereof, which notice has not been rescinded by a Rescission of Notice of No Issuance, and (ii) the Issuing and Paying Agent is not in receipt of the Final Drawing Notice delivered by the Bank pursuant to Section 7.2(d) hereof. Pursuant to Sections 7.2(c) and (d) hereof, the Bank may deliver a Notice of No Issuance or a Final Drawing Notice at any time when an Event of Default shall have occurred and be continuing. A Notice of No Issuance or the Final Drawing Notice shall be effective when received by the Issuing and Paying Agent; provided, however, that a Notice of No Issuance or the Final Drawing Notice received by the Issuing and Paying Agent after 10:00 a.m. New York City time (7:00 a.m. San Diego time), on any day on which Commercial Paper Notes are being issued shall be effective on the next Business Day. A Notice of No Issuance or the Final Drawing Notice may be given by facsimile or electronic mail transmission, confirmed in writing within twenty-four (24) hours, but the failure to so confirm such Notice of No Issuance or the Final Drawing Notice in writing shall not render such Notice of No Issuance or the Final Drawing Notice ineffective. The Bank will furnish a copy of any Notice of No Issuance or the Final Drawing Notice to the City and the Dealers promptly following delivery thereof to the Issuing and Paying Agent, but the failure to furnish any such copy shall not render ineffective such Notice of No Issuance or the Final Drawing Notice.

Section 2.16. The Bank Note. All Unreimbursed Amounts and Bank Loans shall be made against and evidenced by a promissory note (the "Bank Note") issued by the City pursuant to the terms hereof to the Bank. The Bank Note shall be payable to the order of the Bank in an amount equal to the aggregate amount of all Unreimbursed Amounts and Bank Loans outstanding from time to time. The Bank Note shall be executed and delivered to the Bank on the Closing Date substantially in the form of Exhibit B attached hereto, with appropriate insertions. All Unreimbursed Amounts and Bank Loans and all payments and prepayments on account of the principal of and interest thereon shall be recorded by the Bank on its books and records, which books and records shall, absent manifest error, be conclusive as to amounts payable by the City hereunder and under the Bank Note. The Bank may, but shall not be required to, complete the schedule attached to the Bank Note to reflect the status of Unreimbursed Amounts and Bank Loans thereunder; provided, that the failure to make, or any

error in making, any such endorsement on such schedule shall not limit, extinguish or in any way modify the obligation of the City to repay the Unreimbursed Amounts and Bank Loans. The City shall pay principal and interest on the Bank Note on the dates and at the rates provided for in Sections 2.10 and 2.11 hereof with respect to Unreimbursed Amounts and Bank Loans.

Section 2.17. Failure to Extend. If the Stated Expiration Date of the Letter of Credit shall not be extended, the City agrees to use its best efforts to arrange for (i) the substitution of the Letter of Credit by an Alternate Subordinated Credit Support Instrument or (ii) the maturity of all of the Commercial Paper Notes supported by the Letter of Credit on or prior to the then existing Stated Expiration Date.

ARTICLE III

CONDITIONS PRECEDENT

Section 3.1. Conditions to Issuance of the Letter of Credit. The obligation of the Bank to issue the Letter of Credit is conditioned upon the satisfaction by the Bank on or before the Closing Date of the following conditions:

(a) On or before the Closing Date, the Bank shall have received and approved the following documents or materials, each of which shall be in form and substance satisfactory to the Bank and, where appropriate, duly executed (and acknowledged where necessary) and delivered by the appropriate parties thereto:

(i) executed original copies of the Bank Documents (other than the Letter of Credit), the Authority Letter of Representations and the Corporation Letter of Representations, and certified copies of each of the other Commercial Paper Documents which certification shall state that such documents are true, complete and in full force and effect;

(ii) a certificate of the Chief Financial Officer of the City, dated as of the Closing Date, stating that (A) the representations and warranties of the City contained in this Reimbursement Agreement and in each written document delivered by the City to the Bank in connection with this Reimbursement Agreement (I) which are not qualified by materiality (including, without limitation, Material Adverse Change and Material Adverse Effect) are true and correct in all material respects and (II) which are qualified by materiality (including, without limitation, Material Adverse Change and Material Adverse Effect) are true and correct in all respects, in each case on and as of the Closing Date to the same extent as though made on and as of the Closing Date; (B) no Default or Event of Default has occurred and is continuing and no Default or Event of Default will result from the issuance of the Letter of Credit; and (C) no event or circumstance or change has occurred since June 30, 2020, which could reasonably be expected to result in a Material Adverse Effect;

(iii) a certificate of the clerk of the City attaching the resolutions of the City approving the Commercial Paper Documents and the transactions contemplated thereby,

which certificate shall state that such resolutions have not been amended, rescinded and remain in full force and effect;

(iv) a certificate of the clerk of the City certifying the name, incumbency and signature of each individual authorized to sign the Commercial Paper Documents;

(v) a reliance letter addressed to the Bank authorizing the Bank to rely on the approving opinion of Bond Counsel dated as of the Closing Date;

(vi) an opinion of Counsel to the City, dated the Closing Date, and addressed to the Bank addressing such matters as the Bank may reasonably request;

(vii) an opinion of Counsel to the Authority, dated the Closing Date, and addressed to the Bank addressing such matters as the Bank may reasonably request;

(viii) an opinion of Counsel to the Issuing and Paying Agent, dated the Closing Date, and addressed to the Bank addressing such matters as the Bank may reasonably request;

(ix) (A) written evidence that, as of the Closing Date, the Commercial Paper Notes have been given a rating of not less than “P-1” by Moody’s and “F1” by Fitch; and (B) recent written evidence (which may be in the form of recent rating letters or a screen shot of such ratings) that the Subordinated Obligations have been given Subordinated Obligation Ratings of not less than “Aa3” by Moody’s and “AA-” by Fitch;

(x) satisfactory written evidence that (A) a separate CUSIP number has been assigned to the Bank Note and (B) Moody’s has assigned to the Bank Note a long-term rating equal to or higher than investment grade.

(xi) a copy of the Offering Memorandum; and

(xii) such other documents, agreements, instruments, certificates and opinions as the Bank may reasonably require.

(b) On or before the Closing Date:

(i) the Bank shall be satisfied that the representations and warranties of the City contained herein and in any other City Document, of the Authority in the Authority Letter of Representations and of the Corporation contained in the Corporation Letter of Representations (A) which are not qualified by materiality (including, without limitation, Material Adverse Change and Material Adverse Effect) shall be true and correct in all material respects to and (B) which are qualified by materiality (including, without limitation, Material Adverse Change and Material Adverse Effect) shall be true and correct in all respects, in each case as of the Closing Date to the same extent as though made on and as of such date, except to the extent that such representations and warranties specifically relate to an earlier date and to the extent that any such representation or warranty specifically relates to an earlier date, such representation or warranty shall be true and correct as of such date;

(ii) the Bank shall be satisfied that no Event of Default shall have occurred and be continuing and no Event of Default will result from the issuance of the Letter of Credit; and

(iii) the Bank and its counsel shall be satisfied that the Bank and its counsel will receive payment in full of all fees and expenses contemplated herein in accordance with Section 2.2 hereof and the Fee Letter not later than thirty (30) days following the Closing Date;

(iv) the Bank shall be satisfied that no action, suit, investigation or proceeding is pending or threatened (i) in connection with the Commercial Paper Notes or the other Commercial Paper Documents or any transactions contemplated thereby or (ii) against or affecting the City, the result of which could reasonably be expected to result in a Material Adverse Effect; and

(v) the Bank shall be satisfied that since June 30, 2020, no material adverse change has occurred in the status of the business, operations or condition (financial or otherwise) of the Water System or the ability of the City to perform its obligations under the Commercial Paper Documents.

Section 3.2. Conditions to Bank Loans. The obligation of the Bank to make a Bank Loan in payment of an Unreimbursed Amount on the Liquidity Period End Date therefor is conditioned upon satisfaction by the Bank of the following conditions:

(a) the representations and warranties of the City contained herein and in any other City Document, of the Authority contained in the Authority Letter of Representations and of the Corporation contained in the Corporation Letter of Representations (i) which are not qualified by materiality (including, without limitation, Material Adverse Change and Material Adverse Effect) shall be true and correct in all material respects to and (ii) which are qualified by materiality (including, without limitation, Material Adverse Change and Material Adverse Effect) shall be true and correct in all respects, in each case to the same extent as though made on and as of the Liquidity Period End Date, except to the extent that such representations and warranties specifically relate to an earlier date and to the extent that any such representation or warranty specifically relates to an earlier date, such representation or warranty shall be true and correct as of such date; and

(b) no Event of Default shall have occurred and be continuing and no Event of Default will result from the making of the Bank Loan.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF THE CITY

In order to induce the Bank to enter into this Reimbursement Agreement and to issue the Letter of Credit and to make Bank Loans hereunder, the City represents and warrants to the Bank that the following statements are true and correct:

Section 4.1. Organization. The City is a municipal corporation organized and existing under a charter duly adopted pursuant to the provisions of the Constitution of the State of California. The City has all requisite power and authority, rights and franchises to own and operate the Water System, to carry on the Water Service as now conducted and as proposed to be conducted, and to enter into and perform its obligations under the City Documents.

Section 4.2. Authorization, Conflicts, Binding Effect. The execution, delivery and performance of the City Documents by the City are within the City's powers and have been duly authorized by all necessary action by the City. The execution, delivery and performance of the City Documents by the City will not (i) violate the Act or its Charter or any other law, rule, regulation, order, writ, judgment, injunction, decree, determination, or award, (ii) require any consent or approval of any Person (other than those that have been obtained), (iii) conflict with, result in a breach of or constitute a default under any indenture, instrument or agreement to which the City is a party or is subject, or by which it, or its property, is bound, or (iv) except as provided by the Commercial Paper Documents, result in or require the creation or imposition of any Lien upon or with respect to the Water System or the Net System Revenues. The City is not in violation of or default under any such Legal Requirement, and no condition exists that would, with the giving of notice or lapse of time, or both, constitute such a violation or default. The City Documents have each been duly executed by the City and are legally valid and binding obligations of the City, enforceable against the City in accordance with their respective terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium, liquidation or similar laws affecting creditors' rights generally and by general principles of equity.

Section 4.3. Litigation. Except as set forth on Exhibit E attached hereto, there is no action, suit, investigation, proceeding or arbitration, at law or in equity or before or by any foreign or domestic court or other Governmental Authority (a "Legal Action") pending or, to the knowledge of the City, threatened against or affecting the City, the Water System or the Water Service which could reasonably be expected to result in a Material Adverse Effect. Except as set forth on Exhibit E attached hereto, there is no Legal Action pending or, to the knowledge of the City, threatened against or affecting the City questioning the validity or the enforceability of any City Documents.

Section 4.4. Compliance with Laws. The City is in compliance in all material respects with all Legal Requirements affecting the Water System and the Water Service, except in such instances in which (i) such Legal Requirement is being contested in good faith by appropriate proceedings diligently conducted and for which appropriate reserves have been established or (ii) the failure to comply therewith would not have a Material Adverse Effect.

Section 4.5. Payment of Taxes. All tax returns and reports of the City with respect to the Water System required to be filed with any Governmental Authority have been timely filed, and all taxes, assessments, fees and other governmental charges, upon the City and upon the properties, assets, income and franchises of the Water System which are due and payable have been paid when due and payable on a current basis, except to the extent that such taxes are being contested by the City in good faith by appropriate proceedings and for which appropriate reserves have been established.

Section 4.6. Offering Memorandum. The information contained in the Offering Memorandum under the caption “THE CITY” is correct in all material respects.

Section 4.7. City Documents; Commercial Paper Documents. Each of the City Documents is in full force and effect and represents a valid and binding obligation of the City, enforceable in accordance with its respective terms; no Event of Default or “event of default” presently exists under any of the City Documents; nor has the City or any other party thereto waived or deferred performance of any material obligation under any other City Document.

Section 4.8. Reaffirmation of Representations and Warranties. The City hereby makes to the Bank the same representations and warranties as are set forth by the City in the Agreement, which representations and warranties, as well as the related defined terms contained therein, are hereby incorporated by reference for the benefit of the Bank with the same effect as if each and every such representation and warranty and defined term were set forth herein in its entirety. No amendment to such representations and warranties or defined terms made pursuant to the Agreement shall be effective to amend such representations and warranties and defined terms as incorporated by reference herein without the prior written consent of the Bank.

Section 4.9. Regulatory Compliance. The City is not engaged in the business of extending credit for the purpose of purchasing or carrying margin stock (within the meaning of Regulation T, U or X of the Board of Governors of the Federal Reserve System), and no part of the proceeds of Drawings under the Letter of Credit will be used to purchase or carry any margin stock or to extend credit to others for the purpose of purchasing or carrying any margin stock or to violate Sanctions.

Section 4.10. Registration, Consent and Approval. The execution, delivery and performance by the City of this Reimbursement Agreement and the other City Documents do not and with respect to the execution and delivery will not require registration with, or the consent or approval of, or any other action by, any federal, State or other governmental authority or regulatory body other than those which have been made or given and are in full force and effect (except for any federal securities laws or Blue Sky regulations, as to which no representation is given).

Section 4.11. Liens. The Agreement creates, for the benefit and security of the Subordinated Credit Provider Reimbursement Obligations, including the Payment Obligations, the legally valid, binding and irrevocable subordinate lien on and pledge of the Net System Revenues. The Agreement does not permit the issuance of any debt secured by the Net System Revenues to rank senior to the Commercial Paper Notes or the Payment Obligations, other than Permitted Parity Obligations. The payment of Payment Obligations ranks on a parity with the

payment of principal of and interest on Commercial Paper Notes and other Subordinated Obligations and is not subordinate to any payment secured by a lien on the Net System Revenues or any other claim other than payments with respect to the principal of and interest on Permitted Parity Obligations, and is prior as against all other persons having claims of any kind in tort, contract or otherwise, whether or not such persons have notice of the lien. No filing, registering, recording or publication of the Agreement or any other instrument is required to establish the pledge under the Agreement or to perfect, protect or maintain the lien created thereby on the Net System Revenues.

Section 4.12. Sovereign Immunity. The defense of sovereign immunity is not available to the City in any proceeding by the Bank to enforce any of the obligations of the City under this Reimbursement Agreement or the City Documents and, to the fullest extent permitted by law, the City consents to the initiation of any such proceeding in any federal or state court of competent jurisdiction located in the State.

Section 4.13. No Default. No Event of Default exists on the date hereof.

Section 4.14. ERISA. The City does not maintain or contribute to, and has not maintained or contributed to, any Plan that is subject to Title IV of ERISA.

Section 4.15. Enforceability. This Reimbursement Agreement and the other City Documents are the legal, valid and binding agreements of the City, enforceable against it in accordance with their respective terms, except as may be limited by (a) bankruptcy, insolvency, reorganization, fraudulent transfer, moratorium or other similar laws or judicial decisions for the relief of debtors or the limitation of creditors' rights generally and (b) equitable principles of general applicability.

Section 4.16. Status under Certain Laws. The City is not an "investment company" or a person directly or indirectly controlled by or acting on behalf of an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

Section 4.17. Payment Obligations Constitute Subordinated Obligations. The Payment Obligations constitute "Subordinated Credit Provider Reimbursement Obligations" and "Subordinated Obligations" as defined in the Agreement.

Section 4.18. Interest. None of the Commercial Paper Documents provide for any payments that would violate any applicable law regarding permissible maximum rates of interest.

Section 4.19. Financial Information. The audited financial statements of the City with respect to the Water System for the Fiscal Year ended June 30, 2020, true and correct copies of which have heretofore been delivered or made available to the Bank, fairly present, in conformity with GAAP, the financial position of the Water System and its results of operations and changes in financial position at the dates and for the periods indicated. Since June 30, 2020, there has been no material adverse change in the business, financial position or results of operations of the Water System. Except as reflected in the financial statements referenced above or as otherwise disclosed by the City to the Bank in writing, there are as of the date hereof no liabilities or obligations with respect to the City of any nature whatsoever (whether absolute, accrued, contingent or otherwise and whether or not due) which, in the aggregate, would be

material to the Water System. The City does not know of any basis for the assertion against the City with respect to the Water System of any liability or obligation of any nature whatsoever that is not reflected in the financial statements referenced above or as otherwise disclosed by the City to the Bank in writing, which, in the aggregate, could be material to the Water System.

Section 4.20. Sanctions. The City (a) is not currently the subject of any Sanctions or in violation of any Anti-Corruption Laws, (b) is not located, organized or residing in any Designated Jurisdiction, or (c) is not nor has been (within the previous five (5) years) engaged in any transaction with any Person who is now or was then the subject of Sanctions or who is located, organized or residing in any Designated Jurisdiction.

Section 4.21. Swap Contracts. The City has not entered into any Swap Contract secured by Net System Revenues (a) wherein any termination payment thereunder is senior to or on a parity with the payment of the Payment Obligation or (b) which requires the City to post cash collateral to secure its obligations thereunder.

Section 4.22. Water System. The City owns all, right, title and interest in and to the assets of the Water System.

Section 4.23. Environmental Matters. In the ordinary course of its business, the City conducts an ongoing review of Environmental Laws on the business, operations and condition of the property of the Water System, in the course of which it identifies and evaluates associated liabilities and costs (including, but not limited to, any capital or operating expenditures required for clean-up or closure of properties currently or previously owned or operated, any capital or operating expenditures required to achieve or maintain compliance with environmental protection standards imposed by law or as a condition of any license, permit or contract, any related constraints on operating activities, including any periodic or permanent shutdown of any facility or reduction in the level of or change in the nature of operations conducted thereat and any actual or potential liabilities to third parties, including employees, and any related costs and expenses). On the basis of such review, the City has reasonably concluded that any non-compliance with Environmental Laws could not reasonably be expected to have a Material Adverse Effect.

Section 4.24. No Proposed Legal Changes. There is no amendment or, to the knowledge of the City, proposed amendment to the Constitution of the State, any State law or the Charter or any administrative interpretation of the Constitution of the State, any State law, or the Charter, the effect of which could reasonably be expected to have a Material Adverse Effect.

ARTICLE V

AFFIRMATIVE COVENANTS OF THE CITY

Until the later of the Termination Date or the date that all the Payment Obligations are paid in full, unless the Bank otherwise expressly consents in writing:

Section 5.1. Maintenance of Existence, Etc. The City will maintain and preserve its existence and all rights material to the Water System; maintain the Water System in good order and repair; and conduct the Water Service in an orderly manner without voluntary interruption.

The City shall maintain its legal existence as a municipal corporation organized and existing under a charter duly adopted pursuant to the provisions of the Constitution of the State of California. The City shall take all actions reasonable and within its power and authority to cause the Authority to maintain its legal existence as a joint powers agency organized and existing under the Constitution and the laws of the State and to cause the Corporation to maintain its legal existence as a non-profit public benefit corporation organized and existing under the Constitution and the laws of the State.

Section 5.2. Access and Reporting. The City shall permit the representatives of the Bank at any time or from time to time during normal business hours and upon reasonable notice (which shall be not less than five (5) Business Days) and as often as the Bank may reasonably request to inspect all of its properties, books and records of the Water System and make copies thereof or extracts therefrom (except copies or extracts of records and books of accounts containing information that is not otherwise publicly available), and to discuss from time to time the affairs, finances and accounts of the Water System with its officers and its independent public accountant. The City shall maintain a system of accounting established and administered in accordance with GAAP reflecting all financial transactions of the Water System and the Water Service. The City, at its expense, shall furnish or cause to be furnished to the Bank the following:

(a) By no later than each March 27th immediately following the end of each Fiscal Year, the complete annual audited financial statements of the City, certified as to the fairness of presentation and conformity with GAAP by a firm of independent public accountants of recognized national standing. Simultaneously with the delivery of the annual audited financial statements described in the preceding sentence, the City shall provide a letter from the Chief Financial Officer of the City addressed to the Bank stating that no Event of Default has come to his/her attention (after due inquiry) and was continuing at the end of such fiscal period or on the date of his/her letter or, if an Event of Default has occurred has come to his/her attention (after due inquiry) and was continuing as of such date, indicating the nature of such event and the action which the City proposed to take with respect thereto;

(b) As soon as practicable following publication, a copy of the Water System's operating budget for each Fiscal Year;

(c) As soon as practicable upon (and in any event not more than five Business Days following) the City becoming aware of the existence of any Event of Default, the City will give prompt notice in writing to the Bank of the occurrence of such event and the action, if determined, that the City proposes to take in regard to such occurrence;

(d) As soon as practicable but in any event within thirty (30) days after the issuance or incurrence thereof, copies of any prospectus, official statement, offering circular, placement memorandum, or similar or corresponding document, and any supplements thereto and updates and amendments thereof, that the City makes available in connection with the offering for sale of any securities secured by a pledge of Net System Revenues, or, in the case of any ordinance, indenture, contract or agreement by the City involving the creation of any indebtedness secured by Net System Revenues, but not involving the offering for sale of any securities related thereto, a copy of such ordinance, indenture, contract or agreement creating the related obligation;

(e) On the same day as the filing thereof, a copy of all continuing disclosure documents filed by the City with respect to indebtedness of the City secured by Net System Revenues in compliance with Securities and Exchange Commission rules codified at 17 C.F.R. Section 240.15c2-12;

(f) Promptly upon learning thereof, notice of the occurrence of any event, occurrence or change in circumstance that could reasonably be expected to result in a Material Adverse Effect;

(g) As promptly as practicable upon the City becoming aware thereof, written notice of (i) all actions, suits or proceedings pending or, to the knowledge of the City, threatened against the City, the Authority or the Corporation relating to the Water System or the Water Service before any arbitrator of any kind or before any court or other Governmental Authority relating to the Water System or the Water Service which if determined adversely to the City, the Authority or the Corporation could reasonably be expected to result in a Material Adverse Effect, (ii) any significant investigation or proceeding against the City relating to the Water System or any of its securities secured by Net System Revenues by the Securities and Exchange Commission, the Department of Justice or the Internal Revenue Service which if determined adversely to the City, could reasonably be expected to result in a Material Adverse Effect, and (iii) any significant criminal investigation or proceeding by a Governmental Authority relating to the Water System or the Water Service involving the City, the Authority or the Corporation or any officer or member of the governing board of the City, the Authority or the Corporation;

(h) As promptly as practicable upon the City becoming aware thereof, the City shall furnish, or cause to be furnished, to the Bank (i) notice of the occurrence of any “event of default” under the Issuing and Paying Agent Agreement, any other Commercial Paper Document to which it is a party or any other document pursuant to which indebtedness secured by Net System Revenues is issued, incurred, enhanced or purchased, and (ii) notice of the failure by any Dealer or the Issuing and the Paying Agent to perform any of their respective obligations under the applicable Dealer Agreement or the Issuing and Paying Agent Agreement, as applicable;

(i) As promptly as practicable upon the City becoming aware thereof (and in any event on the same day as the posting thereof on EMMA), notice of any change in, or the suspension, withdrawal or unavailability of, any unenhanced long-term rating on any indebtedness secured by Net System Revenues; and

(j) Such other information respecting the operations and properties, financial or otherwise, of the Water System as the Bank may from time to time reasonably request.

As and to the extent that the requirements described above can be satisfied by the posting of same on EMMA or the City’s website, the City shall be deemed to have satisfied the reporting requirements set forth above as long as posting occurs within the applicable time frame described above.

Section 5.3. Further Assurances. From time to time hereafter, the City will, and shall take all actions reasonable and within its power and authority to cause the Authority and the Corporation to, execute and deliver such additional instruments, certificates or documents, and

will take all such actions as the Bank may reasonably request, for the purposes of implementing or effectuating the provisions of this Reimbursement Agreement and the Commercial Paper Documents, or for the purpose of more fully perfecting or renewing the Bank's rights with respect to the rights, properties or assets subject to such Commercial Paper Documents (or with respect to any additions thereto or replacements or proceeds thereof or with respect to any other property or assets hereafter acquired by the City which are or become a part thereof) pursuant hereto or thereto. Without limiting the generality of the foregoing, upon the exercise by the Bank of any power, right, privilege or remedy pursuant to this Reimbursement Agreement or the other Commercial Paper Documents which requires any consent, approval, registration, qualification or authorization of any Governmental Authority, the City will, and shall take all actions reasonable and within its power and authority to cause the Authority and the Corporation to, execute and deliver all necessary applications, certifications, instruments and other documents and papers that may be required in order to obtain such governmental consent, approval, registration, qualification or authorization.

Section 5.4. Application of Proceeds. The City shall apply the proceeds of the Commercial Paper Notes solely and entirely to the purposes specified in the Indenture and the Agreement and not to acquire any "margin stock" (as defined in Regulation U promulgated by the Federal Reserve Bank) and not in violation of any Legal Requirement, including Sanctions.

Section 5.5. Compliance with Legal Requirements. The City will comply in all material respects with all Legal Requirements affecting the Water System and the Water Service, except where (i) such Legal Requirement is being contested in good faith by appropriate proceedings diligently conducted and for which appropriate reserves have been established or (ii) the failure to comply therewith would not have a Material Adverse Effect.

Section 5.6. Payment of Obligations. The City will duly and punctually pay or cause to be paid all principal of and interest on any and all Obligations of the Water System unless diligently contested in good faith and by appropriate proceedings by the City and for which appropriate reserves have been established, subject to the exceptions, limitations and waivers set forth in the documents under which such Obligation was incurred.

Section 5.7. Performance of Covenants. The City agrees that it will perform and comply with each and every covenant and agreement required to be performed or observed by it in the Agreement which provisions, as well as related defined terms contained therein, are hereby incorporated by reference herein with the same effect as if each and every such provision were set forth herein in its entirety all of which shall be deemed to be made for the benefit of the Bank and shall be enforceable by the Bank against the City, which covenants, agreements, definitions and provisions shall continue in effect with regard to the Bank without regard or giving effect to any amendment or modification of such provisions or any waiver of compliance therewith unless consented to in writing by the Bank.

Section 5.8. Rate Covenant. The City shall fix, prescribe and collect rates and charges for the Water System which will at least be sufficient to comply with the requirements of Section 6.08 of the Agreement.

Section 5.9. Maintenance of Insurance. The City shall procure and maintain or cause to be procured and maintained insurance on the Water System to the extent required by Section 6.11 of the Agreement.

Section 5.10. ERISA. The City will comply in all material respects with Title IV of ERISA, if, when and to the extent applicable.

Section 5.11. Compliance with Laws, Etc. The City will comply with all Governmental Requirements applicable to the Water System (including the assets thereof), the conduct of the business of the Water Service and applicable Legal Requirements, except where the failure to do so would not have a Material Adverse Effect.

Section 5.12. Taxes.

(a) Any and all payments by the City hereunder shall be made in accordance with Section 2.6 hereof without setoff, defense or claim and shall be made free and clear of and without deduction for any and all present or future taxes, levies, imposts, deductions, charges or withholdings (including backup withholding), assessments, fees or other charges imposed by any Governmental Authority, including any interest, fines, additions to tax or penalties applicable thereto, and all liabilities with respect thereto, excluding Excluded Taxes (all such non-excluded taxes, levies, imposts, deductions, charges, withholdings and liabilities being hereinafter referred to as "Taxes"). If the City shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder to the Bank, (i) the sum payable shall be increased as may be necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 5.12) the Bank receives an amount equal to the sum it would have received had no such deductions been made, (ii) the City shall make such deductions and (iii) the City shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law and shall provide the Bank with written evidence of the payment thereof as soon as practicable.

(b) In addition, the City agrees to pay any present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies which arise from any payment made hereunder, under the Fee Letter or under the Bank Note or from the execution, delivery or registration of, or otherwise with respect to, this Reimbursement Agreement, the Fee Letter and the Bank Note (hereinafter referred to as "Other Taxes").

(c) The City will indemnify the Bank for the full amount of Taxes or Other Taxes (including, without limitation, any Taxes or Other Taxes imposed by any jurisdiction on amounts payable under this Section 5.12) paid by the Bank and any liability (including penalties, interest and expenses, other than those penalties, interest and expenses arising from the gross negligence or willful misconduct of the Bank) arising therefrom or with respect thereto, whether or not such Taxes or Other Taxes were correctly or legally asserted. This indemnification shall be made within thirty (30) days from the date the Bank makes written demand therefor. The Bank shall notify the City in writing reasonably promptly after determining that Taxes or Other Taxes may be payable hereunder.

(d) If the City makes any additional payment to the Bank pursuant to this Section 5.12 in respect of any Taxes or Other Taxes, and the Bank in its sole discretion determines that it has received (i) a refund of such Taxes or Other Taxes or (ii) a credit against or relief or remission for, or a reduction in the amount of, any tax or other governmental charge solely as a result of any deduction or credit for any Taxes or Other Taxes with respect to which it has received payments under this Section 5.12, the Bank shall, to the extent that it can do so without prejudice to the retention of such refund, credit, relief, remission or reduction, pay to the City such amount as the Bank shall have reasonably determined in its sole discretion to be attributable to the deduction or withholding of such Taxes or Other Taxes (not to exceed the amount the Bank previously received from the City pursuant to this Section 5.12), without interest. If the Bank later determines that it was not entitled to such refund, credit, relief, remission or reduction to the full extent of any payment made pursuant to the first sentence of this Section 5.12(d), the City shall upon demand of the Bank promptly repay the amount of such overpayment. Any determination made by the Bank pursuant to this Section 5.12(d) shall in the absence of bad faith or manifest error be conclusive, and nothing in this Section 5.12(d) shall be construed as requiring the Bank to conduct its business or to arrange or alter in any respect its tax or financial affairs so that it is entitled to receive such a refund, credit or reduction or as allowing any person to inspect any records, including tax returns, of the Bank. Nothing contained in this Section 5.12 shall require the Bank to disclose to the City any tax return of the Bank or any tax return of the consolidated group of which the Bank is a party.

(e) Without prejudice to the survival of any other agreement of the City hereunder, the obligation of the City under this Section shall survive the termination of the Letter of Credit and the termination of this Reimbursement Agreement and the repayment of all amounts owing to the Bank hereunder and under the other Commercial Paper Documents.

Section 5.13. Sovereign Immunity. To the extent permitted by law, in the event the City has or hereafter acquires under any applicable law any right of immunity from set off or legal proceedings on grounds of sovereignty or otherwise, the City hereby waives such rights to immunity for itself in all disputes or legal actions brought by the Bank with respect to obligations of the City arising under this Reimbursement Agreement or any other Commercial Paper Document to which the City is a party.

Section 5.14. Maintenance of Ratings. The City shall cause to be maintained at least: (i) one Subordinated Obligation Rating at all times; provided, however, that in no event may the City terminate or request a withdrawal of a Subordinated Obligation Rating in order to cure a Default or an Event of Default or to reduce any amount payable or to become payable under the Fee Letter, and (ii) one long-term rating assigned to the Bank Note.

Section 5.15. Preservation of Security. The City shall, and shall take all actions reasonable and within its power and authority to cause the Authority and the Corporation to, take any and all actions necessary or reasonably requested by the Bank to defend and maintain the pledge of Net System Revenues to secure the Payment Obligations.

Section 5.16. Issuing and Paying Agent and Dealer.

(a) The City shall, and shall take all actions reasonable and within its power and authority to cause the Authority, at all times maintain a Dealer with respect to the Commercial Paper Notes. The City shall, and shall cause the Authority and the Corporation to, use its respective best efforts at all times to enforce the Dealer Agreement. The City shall, and shall cause the Authority and the Corporation to, cause the Dealer to use its best efforts to sell the Commercial Paper Notes up to the maximum rate applicable in order to repay maturing Commercial Paper Notes. Each Dealer Agreement shall provide that the related Dealer may not resign until the date which is at least sixty (60) days following the receipt by the City, the Authority, the Issuing and Paying Agent and the Bank of prior written notice of such resignation.

(b) The City shall, and shall take all actions reasonable and within its power and authority to cause the Authority to, at all times maintain an Issuing and Paying Agent pursuant to the terms of the Issuing and Paying Agent. Any successor Issuing and Paying Agent (or any parent or affiliate of such Issuing and Paying Agent) shall have capital of not less than \$500,000,000. The City shall, and shall cause the Authority and the Corporation to, use its respective best efforts at all times to enforce the Issuing and Paying Agency Agreement.

Section 5.17. Bank Agreements. In the event that City shall enter into or otherwise consent to any amendment, supplement or other modification of any Bank Agreement after the Closing Date which Bank Agreement contains additional or more restrictive covenants or additional or more restrictive events of default or additional collateral (“Improved Provisions,” which for the avoidance of doubt does not include pricing, termination fees and provisions related to interest rates) in each than the provisions of this Reimbursement Agreement, then the City shall provide the Bank with a copy of such Bank Agreement and the Improved Provisions shall automatically be deemed incorporated into this Reimbursement Agreement and the Bank shall have the benefit of the Improved Provisions until such time as the Bank Agreement containing such Improved Provisions terminates. The City shall promptly cooperate with the Bank to enter into an amendment of this Agreement to include such Improved Provisions.

ARTICLE VI

NEGATIVE COVENANTS OF THE CITY

Until the later of the Termination Date or the date that all Payment Obligations are paid in full, unless the Bank otherwise expressly consents in writing:

Section 6.1. Amendments to Commercial Paper Documents. The City shall not, and to the extent within its power and authority shall not permit the Authority or the Corporation to, enter into or consent to any amendment to, modification of or waiver of compliance with the provisions of any of the Commercial Paper Documents other than the Bank Documents, except that the City, the Authority or the Corporation, as the case may be, may amend, modify or waive any term or provision with respect to any Commercial Paper Document other than the Bank Documents in a manner (i) not relating to the duties, obligations or rights of the Bank under this Reimbursement Agreement, as determined in the Bank’s reasonable discretion, or (ii) not having an adverse effect, as determined in the Bank’s reasonable discretion, on (x) the ability of the

City, the Authority or the Corporation to timely pay when due the principal of or interest on the Commercial Paper Notes and the obligations of the City under Bank Documents or (y) the security, rights or remedies of the Bank hereunder or under any other Commercial Paper Document. In connection with any such amendment, modification or waiver, the City agrees to deliver to the Bank copies of all such amendments, modifications or waivers at least fifteen (15) calendar days prior to the effective date thereof. The Bank shall, within ten (10) calendar days after receiving such copies, inform the City in writing if, in the Bank's reasonable discretion, such amendment, modification or waiver requires the prior written consent of the Bank in accordance with this Section 6.1.

Section 6.2. Additional Obligations. The City shall not:

(a) Create any Obligations, the payments of which are senior or prior in right to the payment by the City of Parity Obligations.

(b) Create any Obligations, the payments of which are on a parity in right to the payment by the City of the Parity Obligations, except for Permitted Parity Obligations.

(c) Create any Obligations, the payments of which are on a parity in right to the payment by the City of the Subordinated Obligations, except for Permitted Subordinated Obligations.

Section 6.3. Sale or Other Disposition of Property. The City shall comply with the requirements of Section 6.04 of the Agreement.

Section 6.4. Encumbrances. The City shall comply with the requirements of Section 6.02 of the Agreement.

Section 6.5. Substitute Subordinated Credit Support Instrument. The City shall not substitute an Alternate Subordinated Credit Support Instrument for the Letter of Credit unless (i) the City shall have given the Bank and the Issuing and Paying Agent at least fifteen (15) days' prior written notice, (ii) contemporaneously with the effectiveness of such Alternate Subordinated Credit Support Instrument all obligations of the City owing to the Bank hereunder, under the Fee Letter and under the Bank Note are paid in full, including without limitation any Payment Obligations and any Unreimbursed Amounts and Bank Loans plus accrued and unpaid interest thereon and any termination fee due and owing hereunder or under the Fee Letter to but excluding the date such Alternate Subordinated Credit Support Instrument becomes effective and (iii) the City has complied with Section 2.9 hereof.

Section 6.6. Tax Covenant. The City shall comply with the requirements of Section 6.17 of the Agreement.

Section 6.7. Disclosure. The City shall not change any reference to the Bank in the Offering Memorandum without the Bank's prior written consent thereto. The City shall not make reference to any financial information relating to the Bank or the Bank's long or short-term debt ratings in any offering document other than the Offering Memorandum without the Bank's prior written consent thereto.

Section 6.8. Swap Contracts. The City shall not, and to the extent within its power and authority shall not permit the Authority or the Corporation to, enter into any Swap Contract secured by Net System Revenues (a) wherein any termination payments thereunder are senior to or on parity with the payment of the Commercial Paper Notes or the Payment Obligations or (b) which requires the City, the Authority or the Corporation to post cash collateral to secure its obligations thereunder.

Section 6.9. Water System. The City shall not, and to the extent within its power and authority shall not permit the Authority or the Corporation to, construct, operate or maintain, or permit any other public or private corporation, political subdivision, district or agency or any Person whatsoever to construct, operate or maintain, within the City or any part thereof, any system or utility competitive with the Water System. The City shall comply with the requirements of Section 6.15 of the Agreement.

ARTICLE VII

EVENTS OF DEFAULT AND REMEDIES

Section 7.1. Events of Default. “Event of Default” shall mean any of the following events:

(a) The City shall fail to pay to the Bank when due (whether upon demand or otherwise) (i) the principal of, or interest on, any Unreimbursed Amount or Bank Loan or (ii) any other Payment Obligation and such default shall remain unremedied for five (5) Business Days; or

(b) (i) the City fails to perform or observe any term, covenant or agreement contained in Section 5.1, 5.2(c), 5.4 and Article VI; or (ii) the City fails to perform or observe any other term, covenant or agreement contained in this Reimbursement Agreement (other than those referred to in Sections 7.1(a) and (b)(i)) or any other City Document and such failure shall not have been cured within thirty (30) days after the earlier to occur of (x) the date of delivery of written notice of such failure to the City by the Bank, and (y) the date on which the City has actual knowledge of such failure; or

(c) The City shall (i) apply for or consent to the appointment of, or the taking of possession by, a receiver, custodian, trustee or liquidator of the City or of all or a substantial part of its property, (ii) admit in writing its inability, or be generally unable, to pay its debts as such debts become due, (iii) make a general assignment for the benefit of its creditors, (iv) commence a voluntary case under the Federal Bankruptcy Code (as now or hereafter in effect), (v) file a petition seeking to take advantage of any other law relating to bankruptcy, insolvency, reorganization, winding up or composition or adjustment of debts, (vi) fail to controvert in a timely or appropriate manner, or acquiesce, any petition filed against the City in any involuntary case under said Federal Bankruptcy Code, or (viii) take any action for the purpose of effecting any of the foregoing; or

(d) A proceeding or case shall be commenced, without the application or consent of the City, in any court of competent jurisdiction, seeking (i) the liquidation, reorganization,

dissolution, winding up or composition or readjustment of debts of the City, (ii) the appointment of a trustee, receiver, custodian, liquidator or the like, of the City, or of all or any substantial part of the City's assets, or (iii) similar relief in respect of the City under any law relating to bankruptcy, insolvency, reorganization, winding up or composition, moratorium, repudiation or adjustment of debts, and such proceeding or case shall continue undismissed, or an order, judgment or decree approving or ordering any of the foregoing shall be entered and continue unstayed and in effect, for a period of sixty (60) days from commencement of such proceeding or case, or an order for relief against the City shall be entered in an involuntary case under said Federal Bankruptcy Code; or

(e) A debt moratorium, debt restructuring, debt adjustment or comparable extraordinary restriction is imposed by any Governmental Authority (including the City) on the repayment when due and payable of the principal of or interest on any indebtedness of the City payable from, and secured by, Net System Revenues or any portion thereof; or

(f) Any representation or warranty (i) made by the City in this Reimbursement Agreement or in any other City Document or in any certificate or statement delivered hereunder or thereunder that is not qualified by the concept of "materiality" shall be incorrect or untrue in any material respect when made or deemed to have been made or delivered or (ii) made by the City in this Reimbursement Agreement or in any other City Document or in any certificate or statement delivered hereunder or thereunder that is qualified by the concept of "materiality" shall be incorrect or untrue in any respect when made or deemed to have been made or delivered; or

(g) The independent certified public accountants retained by the City shall fail or refuse to deliver an opinion, unqualified in scope (other than an opinion qualified as a result of a change in application of GAAP, such change being one with which such accountants concur) with respect to the financial statements of the City; or

(h) (i) Any material provision of this Reimbursement Agreement or any other Commercial Paper Document (other than the Letter of Credit) (1) shall at any time for any reason cease to be valid and binding on the City, the Authority or the Corporation (with respect to those Commercial Paper Documents to which the City, the Authority or the Corporation, as the case may be, is a party), or (2) shall be declared to be null and void, or (ii) the validity or enforceability thereof shall be contested by the City, the Authority or the Corporation (with respect to those Commercial Paper Documents to which the City, the Authority or the Corporation, as the case may be, is a party), or (iii) the City, the Authority or the Corporation (with respect to those Commercial Paper Documents to which the City, the Authority or the Corporation, as the case may be, is a party) shall deny that it has any or further liability or obligation under this Reimbursement Agreement or any of the other Commercial Paper Documents to which it is a party; or

(i) (i) One or more final, non-appealable judgments against the City for the payment of money from System Revenues not covered by insurance (excluding any insured judgment if the insurer has disputed coverage thereof in writing), the operation and result of which, individually or in the aggregate, equal or exceed \$15,000,000 shall remain unpaid as and when due (i.e., if such judgment allows for payment over time), unstayed, undischarged, unbonded or undismissed for a period of forty-five (45) days; or (ii) any of the System Revenues shall become

subject to any stay, writ, judgment, warrant of attachment, execution or similar process by any of the creditors of the City and such stay, writ, judgment, warrant of attachment, execution or similar process shall not be released, vacated or stayed within sixty (60) calendar days after its issue or levy; or

(j) The occurrence of an “event of default” or an event which, with the passage of time or the giving of notice, or both, would be an “event of default” under the Agreement, if the result is to permit or cause any of the obligations thereunder to become immediately due and payable; or

(k) The City fails to make any payment with respect to any Parity Obligation, any Permitted Parity Obligations, any Subordinated Obligations or any Subordinated Credit Provider Reimbursement Obligations when due or any other event or condition shall occur which would permit or cause any such Parity Obligations, Permitted Parity Obligations, Subordinated Obligations or Subordinated Credit Provider Reimbursement Obligations to become immediately due and payable; or

(l) Any of the Subordinated Obligation Ratings by the Rating Agencies then rating the Subordinated Obligations shall be withdrawn or suspended for credit related reasons or shall be reduced below “Baa3” (or its equivalent) by Moody’s or “BBB-” (or its equivalent) by Fitch.

Section 7.2. Remedies. Upon the occurrence and continuance of an Event of Default, the Bank may, in its sole discretion, but shall not be obligated to:

(a) declare the unpaid principal amount of all outstanding Bank Loans and all Unreimbursed Amounts, all interest accrued and unpaid thereon, and all other amounts owing or payable hereunder or under any other Bank Document to be immediately due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived by the City; provided, however, that such acceleration shall occur immediately without any action upon the occurrence of an Event of Default set forth in Section 7.1(c) or 7.1(d) hereof; or

(b) terminate or suspend the authority of the City and the Issuing and Paying Agent to issue any further Commercial Paper Notes and reduce the Stated Amount of the Letter of Credit to an amount equal to the principal amount of Commercial Paper Notes then Outstanding supported by the Letter of Credit, plus interest payable thereon at maturity of the Commercial Paper Notes, by delivering to the Issuing and Paying Agent a Notice of No Issuance; or

(c) issue a Final Drawing Notice (the effect of which shall be to cause the Termination Date of the Letter of Credit to occur on the 15th day after the effective date of such Final Drawing Notice); or

(d) enforce the rights and obligations of the City under the Commercial Paper Documents as if the Bank were a party thereto; or

(e) exercise any other remedies available at law or in equity.

Upon the exercise by the Bank of any remedy contained in clauses (a), (b) or (c) of this Section 7.2, the Stated Amount of the Letter of Credit shall be immediately and permanently reduced by an amount equal to the amount of each subsequent Drawing. Upon the occurrence and during the continuance of an Event of Default all Payment Obligations shall bear interest at the Default Rate.

Section 7.3. Set-Off. The Bank hereby waives any rights now or hereafter granted under applicable law to set-off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by the Bank to or for the credit or the account of the City or the Water Utility Fund against and on account of any and all of the obligations of the City now or hereafter existing under this Reimbursement Agreement, the Bank Note, or the Letter of Credit.

Section 7.4. Remedies Cumulative. All remedies provided for in this Reimbursement Agreement are cumulative and shall be in addition to any and all other rights and remedies available under the Commercial Paper Documents or any other document or at law or equity. No exercise of any right or remedy shall in any way constitute a cure or waiver of any Event of Default hereunder, or invalidate any act done pursuant to any notice of default, or prejudice the exercise of any other right or remedy available to the Bank. No failure to exercise, and no delay in exercising, any right or remedy shall operate as a waiver or otherwise preclude enforcement of any of the Bank's rights and remedies; nor shall any single or partial exercise of any right or remedy preclude any further exercise thereof or of any other right or remedy. The Bank need not resort to any particular right or remedy before exercising or enforcing any other.

ARTICLE VIII

MISCELLANEOUS

Section 8.1. Notices. All notices and other communications hereunder shall be in writing and shall be delivered by personal delivery, facsimile transmission or other form of telecommunication, or by first class mail (postage prepaid), to the notice addresses set forth below or to such other addresses or payment instructions as the parties may provide to one another in accordance with this Section. Such notices and other communications shall, if sent by facsimile transmission or other form of telecommunication in accordance with this Section, be deemed given upon transmission thereof, confirmed by telephone, and if sent by any other method, shall be effective only if and when received by the addressee.

Address for notices to the City:

City of San Diego
Debt Management Department
[Address and Phone Number]

and copy to:

City of San Diego
Office of the City Attorney
[Address and Phone Number]

Address for notices to the Bank:

If to the Bank regarding credit matters:

Bank of America, N.A.
[Address and Phone Number]

If to the Bank regarding operational matters:

Bank of America, N.A.
[Address and Phone Number]

Wire instructions with respect to payment of Payment Obligations:

Bank of America, N.A., Scranton, PA
[Instructions]

ACH instructions with respect to payment of Payment Obligations:

[Instructions]

Section 8.2. Amendments, Waivers, Etc. No amendment or waiver of any provision of this Reimbursement Agreement or other Commercial Paper Document, nor consent to any departure by the City herefrom or therefrom, shall in any event be effective unless the same shall be in writing and signed by the Bank, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

Section 8.3. Indemnification. (a) To the extent permitted by law, the City hereby agrees to indemnify and hold harmless the Bank, its officers, directors, employees and agents (collectively, the "Indemnitees") from and against any and all suits, claims, damages, losses, liabilities, costs or expenses (including reasonable fees and expenses of counsel) that any Indemnitee may incur (or that may be claimed against the Indemnitees by any Person) in connection with the Offering Memorandum, the offering and sale of the Commercial Paper Notes, the issuance of the Bank Note, the issuance by the Bank of the Letter of Credit or any of the other transactions contemplated by the Commercial Paper Documents; provided, however, that the City shall not be required to indemnify the Bank for any suits, claims, damages, losses, liabilities, costs or expenses that are determined by a final order of a court of competent jurisdiction to have been caused by (i) the Bank's willful misconduct or gross negligence in determining whether documents presented under the Letter of Credit comply with the terms of the Letter of Credit, (ii) the Bank's willful failure to make lawful payment under the Letter of Credit after the presentation to it by the Issuing and Paying Agent of a certificate strictly complying with the terms and conditions of the Letter of Credit (as long as such certificate is properly presented prior to the termination or expiration of the Letter of Credit) or (iii) the inaccuracy of any description of the Bank provided in writing by the Bank for inclusion in the Offering Memorandum.

(b) Upon receiving knowledge of any suit, claim or demand asserted by a third party that any Indemnitee believes is covered by this indemnity, the Bank shall give the City notice of the matter; provided that failure to give such notice shall not relieve the City of any of its obligations hereunder, unless and solely to the extent that such failure shall have materially prejudiced the City's ability to defend against such suit, claim or demand. Notwithstanding anything else contained herein, each Indemnitee shall have the right to employ its own counsel and to determine its own defense of any such Liability, but the fees and expenses of such counsel shall be at the expense of such Indemnitee unless (i) the employment of such counsel shall have been authorized in writing by the City, (ii) the City, after due notice of the action, shall not have employed counsel satisfactory to and with the consent of such Indemnitee to have charge of such defense, in either of which events the reasonable fees and expenses of counsel for such Indemnitee shall be borne by the City, (iii) there are defenses available to such Indemnitee that are not available to the City and which cannot, in the reasonable opinion of such Indemnitee, be vigorously pursued by counsel selected by the City or (iv) such suit, claim or demand seeks injunctive relief against such Indemnitee, in which case the City shall pay the fees and expenses of counsel selected by such Indemnitee. The City shall not be liable for any settlement of any such action effected without its consent, which consent shall not be unreasonably withheld, delayed or conditioned. Should the City's consent be unreasonably withheld, delayed or conditioned, an Indemnitee shall have the right to file an action for breach of this Reimbursement Agreement against City for its unreasonable refusal to approve (or its delay in approving or conditioning of approval) such settlement, and City shall fully indemnify such Indemnitee for its costs and fees (including, but not limited to, attorneys' fees) for bringing such an action and for any and all liabilities, losses, fees and expenses sustained or incurred by such Indemnitee as a result of the City's unreasonable refusal to approve (or delay in approving or conditioning of approval) such settlement.

(c) Nothing in this Section is intended to limit the obligations of the City contained in Article 2. Without prejudice to the survival of any other obligation of the City hereunder, the indemnities and obligations of the City contained in this Section shall survive performance of all obligations hereunder and the termination of the Letter of Credit or the exercise by the Bank of any of its remedies under this Reimbursement Agreement or any other Commercial Paper Document and the repayment of all amounts owing to the Bank hereunder and under the other Commercial Paper Documents.

Section 8.4. Liability of the Bank. As to the Bank, the City assumes all risks of the acts or omissions of the Trustee, the Dealers and the Issuing and Paying Agent with respect to their use of the Letter of Credit and the proceeds thereof and the proceeds of the Commercial Paper Notes; provided, however, that this assumption is not intended to, and shall not, preclude the City from pursuing such rights and remedies as it may have against the Trustee or the Issuing and Paying Agent at law or under any other agreement. Neither the Bank nor any of its officers, directors, employees or agents shall be liable or responsible for:

(a) the use made of the Letter of Credit or any proceeds of the Letter of Credit or for any acts or omissions of the Trustee, the Dealers or the Issuing and Paying Agent;

(b) the validity, sufficiency or genuineness of any documents, or endorsements, even if such documents should in fact prove to be in any or all respects invalid, insufficient, fraudulent or forged;

(c) payment by the Bank against presentation of documents which do not comply with the terms of the Letter of Credit, including failure of any documents to bear adequate reference to the Letter of Credit; or

(d) any other circumstances in making or failing to make payment under the Letter of Credit;

provided, however, that the City shall have a claim against the Bank, and the Bank shall be liable to the City for direct, but not consequential, special, exemplary, indirect or punitive damages suffered by the City which were determined by a final order of a court of competent jurisdiction to have been caused solely by the willful misconduct or gross negligence of the Bank in connection with drawings under the Letter of Credit. By way of amplification, the Bank may accept documents that appear on their face to be in order, without responsibility for further investigation, regardless of any notice or information to the contrary. Subject to the foregoing, the determination of whether a Drawing has been presented under the Letter of Credit prior to the Termination Date or whether a Drawing under the Letter of Credit or any accompanying document or instrument is in proper and sufficient form shall be made by the Bank in its sole discretion, which determination shall be conclusive and binding upon the City. The City hereby waives any right to object to any payment made under the Letter of Credit against a Drawing with accompanying documents in the forms provided for in the Letter of Credit but varying in punctuation, capitalization, spelling or similar matters of form.

Section 8.5. Successors and Assigns. This Reimbursement Agreement and the Fee Letter are continuing obligations and shall be binding upon the Bank, the City, and their respective successors, transferees and assigns, and shall inure to the benefit of and be enforceable by the Bank, the City and their respective successors, transferees and assigns; provided, however, that the City shall not assign all or any part of this Reimbursement Agreement, the Fee Letter or the Bank Note without the prior written consent of the Bank.

Section 8.6. Governing Law. This Reimbursement Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State.

Section 8.7. Survival of Warranties. All agreements, representations and warranties made in this Reimbursement Agreement and in any related certificates shall survive the execution and delivery of this Reimbursement Agreement and the issuance and expiration of the Letter of Credit and the repayment of the Commercial Paper Notes, and shall continue until any and all the Payment Obligations shall have been paid and performed in full.

Section 8.8. Severability. Any provision of this Reimbursement Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions or affecting the validity or enforceability of such provision in any other jurisdiction.

Section 8.9. Counterparts. This Reimbursement Agreement may be executed in any number of counterparts and by different parties on separate counterparts, each of which counterparts, when so executed and delivered, shall be deemed to be an original, and all of which counterparts, taken together, shall constitute but one and the same agreement.

Section 8.10. Time of Essence. Time is of the essence of this Reimbursement Agreement and of each provision in which time is an element.

Section 8.11. Headings. Article, section and other headings in this Reimbursement Agreement are for convenience of reference only and shall not constitute a part of this Reimbursement Agreement for any other purpose.

Section 8.12. Independence of Covenants. All covenants hereunder shall be given independent effect so that if a particular action or condition is not permitted by any one of such covenants, the fact that it would be permitted by an exception to, or be otherwise within the limitations of, another covenant shall not avoid the occurrence of an Event of Default if such action is taken or condition exists.

Section 8.13. Entire Agreement. This Reimbursement Agreement, including Exhibits A-B, together with the other Bank Documents, integrates all of the terms and conditions mentioned herein and therein or incidental hereto or thereto, and supersedes all negotiations or prior or contemporaneous agreements, whether written or oral, between the parties hereto with respect to the subject matter hereof and thereof.

Section 8.14. No Personal Liability. Notwithstanding anything to the contrary contained herein or in any of the Commercial Paper Documents, no stipulation, covenant, agreement or obligation contained herein or therein shall be deemed or construed to be a stipulation, covenant, agreement or obligation of any present or future trustee, officer, employee or agent of the City or the Bank, or of any incorporator, trustor, member, director, trustee, officer, employee or agent of any successor to the City or the Bank, in any such Person's individual capacity, and no such Person, in his individual capacity, shall be liable personally for any breach or nonobservance of or for any failure to perform, fulfill or comply with any such stipulations, covenants, agreements or obligations, nor shall any recourse be had against any present or future trustee, officer, employee or agent of City for the performance or payment of the Payment Obligations or against any present or future trustee, officer, employee or agent of the City or the Bank for any claim based thereon or on any such stipulation, covenant, agreement or obligation, against any such Person, in his individual capacity, either directly or through the City or the Bank or any successor to the City or the Bank, under any rule of law or equity, statute or constitution or by the enforcement of any assessment or penalty or otherwise, and all such liability of any such Person, in his individual capacity, is hereby expressly waived and released.

Section 8.15. Maximum Rate. This Reimbursement Agreement is subject to the express condition that at no time shall the City be obligated or required to pay interest on any Payment Obligations at a rate that could subject the Bank to either civil or criminal liability as a result of such rate being in excess of the maximum interest rate that the City is permitted by law to contract or agree to pay. If the rate of interest payable on any Payment Obligation shall exceed the Maximum Rate for any period for which interest is payable, then (a) interest at the Maximum

Rate shall be due and payable with respect to such interest period, and, to the extent permitted by law, (b) interest at the rate equal to the difference between (i) the rate of interest calculated in accordance with the terms hereof and (ii) the Maximum Rate (the "Excess Interest"), shall be deferred until such date as the rate of interest calculated in accordance with the terms hereof ceases to exceed the Maximum Rate, at which time the City shall pay to the Bank, with respect to amounts then payable to the Bank that are required to accrue interest hereunder, such portion of the deferred Excess Interest as will cause the rate of interest then paid to the Bank to equal the Maximum Rate, which payments of deferred Excess Interest shall continue to apply to such unpaid amounts hereunder until all deferred Excess Interest is fully paid to the Bank. To the extent permitted by law, upon the date all Payment Obligations are payable hereunder following the termination of the Letter of Credit, in consideration for the limitation of the rate of interest otherwise payable hereunder, the City shall pay to the Bank a fee equal to the amount of all unpaid deferred Excess Interest. Any Excess Interest shall, to the extent permitted by law, bear interest at the Bank Rate until paid in full.

Section 8.16. Participations. The Bank may sell participations to one or more banks or other entities in or to all or a portion of its rights and obligations under this Reimbursement Agreement and the other Commercial Paper Documents (including, without limitation, all or a portion of the Letter of Credit and the Payment Obligations owing to it); provided, however, that (i) the Bank's obligations under this Reimbursement Agreement and the Letter of Credit shall remain unchanged, (ii) the Bank shall remain solely responsible to the other parties hereto for the performance of such obligations, and (iii) the City shall continue to deal solely and directly with the Bank in connection with the Bank's rights and obligations under this Reimbursement Agreement and the other Commercial Paper Documents. Each Participant shall be entitled to the benefits of Section 5.12 to the same extent as the Bank.

(a) The Bank may, in connection with any participation or proposed participation pursuant to this Section 8.17, disclose to the participant or proposed participant any information relating to the City, the Authority and the Corporation furnished to the Bank by or on behalf of the City, provided that the participant shall agree to maintain the confidentiality of any non-public information provided to the Bank.

(b) The City shall not be responsible for any cost or expense incurred by the Bank in connection with any participation in the Payment Obligations or the Letter of Credit.

Section 8.17. No Waiver, Remedies. No failure on the part of the Bank to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any such right preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

Section 8.18. USA Patriot Act. The Bank hereby notifies the City that pursuant to the requirements of the USA Patriot Act (Title III of Pub. L. 107-56, signed into law October 26, 2001) (the "Patriot Act"), it is required to obtain, verify and record information that identifies the City, which information includes the name and address of the City and other information that will allow the Bank to identify the City in accordance with the Patriot Act, and the City hereby

agrees to take any action necessary to enable the Bank to comply with the requirements of the Patriot Act.

Section 8.19. Anti-Money Laundering; OFAC; Patriot Act. The City hereby agrees to, and shall take all actions reasonable and within its power and authority to cause the Authority and the Corporation to, provide documentary and other evidence as may be reasonably requested by the Bank at any time to enable the Bank to verify the identity of the City, the Authority and the Corporation, as the case may be, or to comply with any applicable law or regulation, including, without limitation, regulations of the Office of Foreign Assets Control and Section 326 of the USA Patriot Act of 2001, 31 U.S.C. Section 5318.

Section 8.20. Assignment to Federal Reserve Bank. The City hereby consents and agrees that the Bank may at any time assign or pledge a security interest in all or any portion of its rights under this Reimbursement Agreement and the Bank Note to secure its obligations, including any pledge or assignment to secure obligations to a Federal Reserve Bank or the United States Treasury as collateral security pursuant to Regulation A of the Board of Governors of the Federal Reserve System and any Operating Circular issued by such Federal Reserve Bank, provided that any payment in respect of such assigned Payment Obligations made by the City to the Bank in accordance with the terms of this Reimbursement Agreement shall satisfy the City's Payment Obligations hereunder in respect of such assigned Payment Obligation to the extent of such payment. No such assignment shall release the Bank from its obligations hereunder or under the Letter of Credit.

Section 8.21. Waiver of Jury Trial. The City and the Bank hereby irrevocably waive, to the fullest extent permitted by law, any and all right to trial by jury in any legal proceeding arising out of or relating to this Reimbursement Agreement or any Commercial Paper Document or the transactions contemplated hereby or thereby. In the event the foregoing waiver is void or unenforceable, the parties agree that if any action or proceeding is filed in a court of the State by or against any party hereto in connection with any of the transactions contemplated by this Reimbursement Agreement or the Fee Letter, (i) the court shall, and is hereby directed to, make a general reference pursuant to California Code of Civil Procedure Section 638 to a referee (who shall be a single active or retired judge) to hear and determine all of the issues in such action or proceeding (whether of fact or of law) and to report a statement of decision, provided that at the option of any party to such proceeding, any such issues pertaining to a "provisional remedy" as defined in California Code of Civil Procedure Section 1281.8 shall be heard and determined by the court, and (ii) without limiting the generality of Section 2.3, the City shall be solely responsible to pay all fees and expenses of any referee appointed in such action or proceeding.

Section 8.22. No Advisory or Fiduciary Role. The City acknowledges and agrees that (a) the transactions contemplated by this Reimbursement Agreement, the Fee Letter and the Letter of Credit are arm's-length commercial transactions between the City and the Bank; (b) the Bank is acting solely as a principal (i.e., as a lender) in connection with the matters contemplated by and all communications under this Reimbursement Agreement, the Fee Letter and the Letter of Credit, and is not acting as the agent or fiduciary or Municipal Advisor (as defined in Section 15B of the Securities and Exchange Act of 1934, as amended, and the related final rules (the "Municipal Advisor Rules")) of the City and its advisors in connection with the matters contemplated by this Reimbursement Agreement, the Fee Letter and the Letter of Credit; (c) the

Bank is relying on the bank exemption in the Municipal Advisor Rules; and (d) the Bank has financial and other interests that differ from those of the City.

[Remainder of page intentionally left blank; signature pages follow.]

IN WITNESS WHEREOF, the parties hereto have caused this Reimbursement Agreement to be duly executed and delivered by their respective duly authorized officers as of the day and year first above written.

THE CITY OF SAN DIEGO

By: _____
Matthew Vespi
Chief Financial Officer

ATTEST:

By: _____
Elizabeth S. Maland
City Clerk

APPROVED AS TO FORM:

MARA W. ELLIOTT, City Attorney

By: _____
David L. Powell
Deputy City Attorney

[Signature Page to CP Reimbursement Agreement]

BANK OF AMERICA, N.A.

By: _____

Grace Barvin
Senior Vice President

[Signature Page to CP Reimbursement Agreement]

EXHIBIT A
FORM OF LETTER OF CREDIT

EXHIBIT B
FORM OF BANK NOTE

EXHIBIT C

FORM OF AUTHORITY LETTER OF REPRESENTATIONS

City of San Diego
\$250,000,000

Subordinated Water Revenue Commercial Paper Notes, Series A
(Payable Solely from Subordinated Installment Payments Secured by Net System Revenues of
the Water Utility Fund)

December [], 2021

City of San Diego
[Address]

Bank of America, N.A.
[Address]

Ladies and Gentlemen:

The City of San Diego, a municipal corporation and a charter city duly organized and existing under its Charter and the Constitution of the State of California (the “City”) desires to finance the acquisition, construction, installation and improvements to its water system (the “Water System”). In order to effect the acquisition, construction, installation and improvements to the Water System, the San Diego Facilities and Equipment Leasing Corporation (the “Corporation”) has agreed from time to time to sell certain improvements and additions (comprised of various components, each, a “Component”) to the Water System and the City has agreed from time to time to purchase certain Components as specified in certain supplements to the Amended and Restated Master Installment Purchase Agreement, dated as of January 1, 2009, as amended from time to time (collectively and as further supplemented from time to time, the “Agreement”), each by and between the City and the Corporation.

The Public Facilities Financing Authority of the City of San Diego, a joint exercise of powers authority duly organizing and existing under the laws of the State of California (the “Authority”) has agreed to provide assistance to the City by the financing of additional components of the acquisition, construction, installation and improvements to the Water System including the reimbursement of the City for eligible expenditures incurred to pay for such additional components of the acquisition, construction, installation and improvements to the Water System by the issuance of its Subordinated Water Revenue Commercial Paper Notes, Series A (Payable Solely from Subordinated Installment Payments Secured by Net System Revenues of the Water Utility Fund) (the “Commercial Paper Notes”) which may be issued from time to time in an aggregate principal amount of up to \$250,000,000 for purposes as permitted by the Indenture hereinafter mentioned.

The Commercial Paper Notes will be issued from time to time pursuant to the Marks-Roos Local Bond Pooling Act of 1985, as amended, being Section 6584 et seq. of the Government Code of the State, as amended (the “Act”), and the Fifth Supplemental Indenture, dated as of January 1, 2017 (the “Fifth Supplemental Indenture”), by and between the Authority

and U.S. Bank National Association, as trustee (the “Trustee”), amending that certain Indenture, dated as of January 1, 2009, as supplemented and amended from time to time.

In order to support the payment of the Commercial Paper Notes as the same shall become due and payable pursuant to the provisions of the Indenture, the City has requested that Bank of America, N.A. (the “Bank”) issue in favor of the Issuing and Paying Agent (as hereinafter defined), for the account of the City and for the benefit of the holders from time to time of the Commercial Paper Notes, an irrevocable transferable letter of credit in the initial stated amount of \$259,041,096 (as completed, executed and issued, the “Letter of Credit”).

In order to induce the Bank to issue the Letter of Credit and to make Bank Loans under the Reimbursement Agreement, dated as of December 1, 2021 (the “Reimbursement Agreement”), by and between the City and Bank of America, N.A., the City has agreed to reimburse the Bank for all amounts advanced by it under the Letter of Credit and to pay interest on such amounts as well as certain costs, fees and expenses, and to request the Authority to deliver this Letter of Representations to the Bank, all as provided in the Reimbursement Agreement. For purposes of this Letter of Representations, capitalized terms used herein which are not defined herein shall have the meanings set forth in the Reimbursement Agreement.

To induce the Bank to issue the Letter of Credit and to make Bank Loans under the Reimbursement Agreement, the Authority hereby represents, warrants and agrees with the Bank as follows as of the date hereof and as a condition to the making of a Bank Loan in payment of an Unreimbursed Amount on the Liquidity Period End Date therefor:

(a) The Authority is a joint powers agency organized and existing under the provisions of the Constitution of the State of California. The Authority has all requisite power and authority to enter into and perform its obligations under the Commercial Paper Documents to which it is a party.

(b) The execution, delivery and performance of the Commercial Paper Documents by the Authority are within the Authority’s powers and have been duly authorized by all necessary action by the Authority. The execution, delivery and performance of the Commercial Paper Documents by the Authority will not (i) violate the joint powers agreement of the Authority or any other law, rule, regulation, order, writ, judgment, injunction, decree, determination or award, (ii) require any consent or approval of any Person (other than those that have been obtained), or (iii) conflict with, result in a breach of or constitute a default under any indenture, instrument or agreement to which the Authority is a party or is subject, or by which the Authority or its property, is bound. The Authority is not in violation of or default under any such Legal Requirement, and no condition exists that would, with the giving of notice or lapse of time, or both, constitute such a violation or default.

(c) The Commercial Paper Documents to which the Authority is a party have each been duly executed by the Authority and are legally valid and binding obligations of the Authority, enforceable against the Authority in accordance with their respective terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium, liquidation or similar laws affecting creditors’ rights generally and by general principles of equity.

(d) Except as set forth on Schedule I attached hereto, there is no action, suit, investigation, proceeding or arbitration, at law or in equity or before or by any foreign or domestic court or other Governmental Authority (a “Legal Action”) pending or, to the knowledge of the Authority, threatened against or affecting the Authority which could reasonably be expected to result in a Material Adverse Effect. Except as set forth on Schedule I attached hereto, there is no Legal Action pending or, to the knowledge of the Authority, threatened against or affecting the Authority questioning the validity or the enforceability of any Commercial Paper Documents.

(e) The Authority is in compliance in all material respects with all applicable Legal Requirements, except in such instances in which (i) such Legal Requirement is being contested in good faith by appropriate proceedings diligently conducted or (ii) the failure to comply therewith would not have a Material Adverse Effect.

(f) The information contained in the Offering Memorandum is correct in all material respects and does not contain an untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided, that no representation is made with respect to information included in the Offering Memorandum concerning (i) the Bank, furnished in writing by the Bank expressly for inclusion therein, (ii) the Dealer, furnished in writing by the Dealer expressly for inclusion therein, or (iii) The Depository Trust Company, furnished in writing by The Depository Trust Company expressly for inclusion therein.

(g) No Event of Default or “event of default” presently exists under any of the Commercial Paper Documents; nor has the Authority or any other party thereto waived or deferred performance of any material obligation under any Commercial Paper Document.

(h) The execution, delivery and performance by the Authority of the Commercial Paper Documents to which it is a party do not and will not require registration with, or the consent or approval of, or any other action by, any federal, State or other governmental authority or regulatory body other than those which have been made or given and are in full force and effect (except for any federal securities laws or Blue Sky regulations, as to which no representation is given).

(i) Neither the Authority nor any member of the Authority (a) is currently the subject of any Sanctions or is in violation of any Anti-Corruption Laws, (b) is located, organized or residing in any Designated Jurisdiction, or (c) is or has been (within the previous five (5) years) engaged in any transaction with any Person who is now or was then the subject of Sanctions or who is located, organized or residing in any Designated Jurisdiction.

(j) The Authority shall not enter into or consent to any amendment to, modification of or waiver of compliance with the provisions of the Indenture or the Issuing and Paying Agency Agreement, except that the Authority may amend, modify or waive any term or provision of the Indenture or the Issuing and Paying Agent Agreement in a manner (a) not relating to the duties, obligations or rights of the Bank under the Reimbursement Agreement, as determined in the Bank’s reasonable discretion, or (b) not having an adverse effect, as determined in the Bank’s reasonable discretion, on (1) the ability of the City, the Authority or the

Corporation to timely pay when due the principal of or interest on the Commercial Paper Notes and the obligations of the City under Bank Documents or (2) the security, rights or remedies of the Bank under the Reimbursement Agreement or under any other Commercial Paper Document. In connection with any such amendment, modification or waiver, the Authority agrees to deliver to the Bank copies of all such amendments, modifications or waivers at least fifteen (15) calendar days prior to the effective date thereof. The Bank shall, within ten (10) calendar days after receiving such copies, inform the Authority in writing if, in the Bank's reasonable discretion, such amendment, modification or waiver requires the prior written consent of the Bank in accordance with this paragraph (j).

Very truly yours,

PUBLIC FACILITIES FINANCING AUTHORITY
OF THE CITY OF SAN DIEGO

By: _____
Jennifer Campbell
Chair

ATTEST:

By: _____
Elizabeth S. Maland
Secretary

APPROVED AS TO FORM:

GENERAL COUNSEL TO THE AUTHORITY

By: _____
David L. Powell
Deputy General Counsel

Schedule I to
Authority Letter of Representations

Litigation

[To be updated]

EXHIBIT D
FORM OF CORPORATION LETTER OF REPRESENTATIONS

EXHIBIT E
LITIGATION
[To be updated]

OFFERING MEMORANDUM DATED DECEMBER [], 2021

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the City and the Authority, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Commercial Paper Notes is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and (ii) interest on the Commercial Paper Notes is not treated as a preference item in calculating the alternative minimum tax under the Code. In addition, in the opinion of Bond Counsel to the City and the Authority, under existing statutes, interest on the Commercial Paper Notes is exempt from State of California personal income tax. See “TAX MATTERS.”

\$250,000,000
PUBLIC FACILITIES FINANCING AUTHORITY
OF THE CITY OF SAN DIEGO
SUBORDINATED WATER REVENUE COMMERCIAL PAPER NOTES,
SERIES A
(Payable Solely from Subordinated Installment Payments
Secured by Net System Revenues of the Water Utility Fund)

The Subordinated Water Revenue Commercial Paper Notes, Series A (Payable Solely from Subordinated Installment Payments Secured by Net System Revenues of the Water Utility Fund) (the “Series A Commercial Paper Notes” and on and after December [20], 2021, the only Series of the “Commercial Paper Notes”) of the Public Facilities Financing Authority of the City of San Diego (the “Authority”) are issued from time to time pursuant to Article 4 (commencing with Section 6584, known as the Marks-Roos Local Bond Pooling Act of 1985) of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California and the Indenture, dated as of January 1, 2009, as amended and supplemented, including as supplemented by the Fifth Supplemental Indenture, dated as of January 1, 2017, each by and between the Authority and U.S. Bank National Association, as successor trustee (the “Trustee”), and the Issuing and Paying Agency Agreement, dated as of January 1, 2017, by and between the Authority and U.S. Bank National Association, as the issuing and paying agent. The Commercial Paper Notes are limited obligations of the Authority secured by Subordinated Revenues consisting primarily of Subordinated Installment Payments to be made by the City to the San Diego Facilities and Equipment Leasing Corporation (the “Corporation”) under the Amended and Restated Master Installment Purchase Agreement, dated as of January 1, 2009 (as heretofore amended and supplemented, the “Agreement”), including as supplemented by the 2017 Commercial Paper Supplement to Amended and Restated Master Installment Purchase Agreement, dated as of January 1, 2017 (the “2017 Commercial Paper Supplement”), by and between the City and the Corporation. Under the circumstances described herein, the Commercial Paper Notes are subject to acceleration.

The principal of and interest on the Series A Commercial Paper Notes at maturity or upon acceleration (or face amount at maturity or accreted value upon acceleration of discount Series A Commercial Paper Notes) will be payable from draws made under an irrevocable transferable direct-pay letter of credit (the “Letter of Credit”) to be issued by Bank of America, N.A. (the “Bank” and on and after December [20], 2021, the only “Subordinated Credit Provider”). The Letter of Credit will have a stated expiration date of January 31, 2025. The Letter of Credit may be drawn upon solely to pay principal of and interest on the Series A Commercial Paper Notes. See “SECURITY AND SOURCES OF PAYMENT OF THE COMMERCIAL PAPER NOTES” and “THE BANK” herein. **The investment decision to purchase the Series A Commercial Paper Notes should be made solely on the basis of the creditworthiness of the Bank rather than the City. Prospective investors should not rely on any source other than proceeds of drawings under the Letter of Credit to pay such principal of and interest on the Series A Commercial Paper Notes.** The ratings assigned to the Series A Commercial Paper Notes are based on the creditworthiness of the Bank. See “RATINGS” and “CERTAIN RISK FACTORS” herein.

The Commercial Paper Notes are issued only as fully registered notes in denominations of \$100,000 or any integral multiple of \$1,000 in excess thereof. The Commercial Paper Notes are registered in the name of Cede & Co., as nominee for The Depository Trust Company (“DTC”). DTC acts as securities depository for the Commercial Paper Notes. Ownership interests in the Commercial Paper Notes may be purchased in book-entry form only. So long as DTC or its nominee is the Holder of the Commercial Paper Notes, the principal and interest on the Commercial Paper Notes will be made as described in APPENDIX C – “THE BOOK-ENTRY ONLY SYSTEM.”

The Commercial Paper Notes are special limited obligations of the Authority payable solely from and secured by, draws made under the Letter of Credit, proceeds from the sale of Commercial Paper Notes and Subordinated Installment Payments (herein defined) under the Agreement. The Commercial Paper Notes Subordinated Installment Payments are Subordinated Obligations under the Agreement and the payment of the Commercial Paper Notes Subordinated Installment Payments are on parity in right of payment to the Subordinated Installment Payments under the Agreement. No Holder of the Obligations shall have any right to take any action or enforce any right that has a materially adverse effect on the interests of the Holders of the Installment Payment Obligations. The Commercial Paper Notes do not constitute a debt, liability or obligation of the City, the State of California (the “State”) or any of its political subdivisions, and neither the faith and credit of the City nor the State are pledged to the payment of the principal of or interest on the Commercial Paper Notes. The Authority has no taxing power. The Commercial Paper Notes do not constitute indebtedness within the meaning of any constitutional or statutory debt limitation or restriction with respect to the City or any other political subdivision or governmental entity.

This cover page contains certain information for general reference only. It is not intended to be a summary of the security or terms of the Commercial Paper Notes. Investors are advised to read the entire Offering Memorandum, including any portion hereof included by reference, to obtain information essential to the making of an informed decision.

BofA Securities

Citigroup

RBC Capital Markets

No dealer, broker, salesperson or other person has been authorized by the Authority, the City or the Dealers to give any information or to make any representation, other than the information and representations contained in this Offering Memorandum, in connection with the offering of the Commercial Paper Notes, and, if given or made, such information or representations must not be relied upon as having been authorized by the Authority, the City or the Dealers. This Offering Memorandum does not constitute an offer to sell or solicitation of an offer to buy any of the Commercial Paper Notes in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction.

The information set forth herein has been furnished by the Authority and the City and includes information obtained from other sources, all of which are believed to be reliable. The information and expressions of opinion contained herein are subject to change without notice and neither the delivery of this Offering Memorandum nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority, the City or the Bank since the date hereof. Such information and expressions of opinion are made for the purpose of providing information to prospective investors and are not to be used for any other purpose or relied on by any other party. All summaries of documents and laws are made subject to the provisions thereof and do not purport to be complete statements of any or all such documents and laws.

The information under "THE BANK" relates to and has been furnished by the Bank for inclusion herein. None of the City, the Authority, the Corporation, or any other party has independently verified or assumes any responsibility for such information. The City, the Authority, the Corporation and the Dealers cannot and do not make any representation as to the accuracy or completeness of such information or the absence of material changes in such information subsequent to the date hereof.

This Offering Memorandum contains statements which, to the extent they are not recitations of historical fact, constitute "forward-looking statements." In this respect, the words "estimate", "project", "anticipate", "expect", "intend", "believe" and similar expressions are intended to identify forward-looking statements. A number of important factors affecting the Authority's and the City's business and financial results could cause actual results to differ materially from those stated in the forward-looking statements. Statements contained in this Offering Memorandum which involve estimates, forecasts or matters 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.

The Dealers have provided the following sentence for inclusion in this Offering Memorandum: The Dealers have reviewed the information in this Offering Memorandum in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Dealers do not guarantee the accuracy or completeness of such information.

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\$250,000,000
PUBLIC FACILITIES FINANCING AUTHORITY
OF THE CITY OF SAN DIEGO
SUBORDINATED WATER REVENUE COMMERCIAL PAPER NOTES,
SERIES A
(Payable Solely from Subordinated Installment Payments
Secured by Net System Revenues of the Water Utility Fund)

INTRODUCTION

This Commercial Paper Offering Memorandum (this “Offering Memorandum”), which includes the cover page and appendices, provides general information in connection with the issuance and sale, from time to time, by the Public Facilities Financing Authority of the City of San Diego (the “Authority”) of its Subordinated Water Revenue Commercial Paper Notes, Series A (Payable Solely from Subordinated Installment Payments Secured by Net System Revenues of the Water Utility Fund) (the “Series A Commercial Paper Notes” and on and after December [20], 2021, the only Series of the “Commercial Paper Notes”). The Authority commenced issuing the Commercial Paper Notes in January 2017. The Authority is authorized to issue Commercial Paper Notes as Series A Commercial Paper Notes from time to time as described in this Offering Memorandum in a maximum aggregate principal amount of \$250,000,000.

All references to documents and other materials herein are qualified in their entirety by reference to the complete provisions of those documents and other materials. The information and expressions of opinion in this Offering Memorandum are subject to change without notice after December [20], 2021, and future use of this Offering Memorandum will not otherwise create any implication that there has been no change in the matters referred to in this Offering Memorandum since December [__], 2021.

The Authority will issue Commercial Paper Notes from time to time pursuant to Article 4 (commencing with Section 6584, known as the Marks-Roos Local Bond Pooling Act of 1985) of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the “Government Code”), a resolution adopted by the Board of Commissioners of the Authority on December 6, 2016 (the “Authority Resolution”), and the Indenture, dated as of January 1, 2009, as amended and supplemented, including as supplemented by the Fifth Supplemental Indenture, dated as of January 1, 2017 (collectively, the “Indenture”), each by and between the Authority and U.S. Bank National Association, as successor trustee (the “Trustee”), and the Issuing and Paying Agency Agreement, dated as of January 1, 2017 (the “Issuing and Paying Agency Agreement”), by and between the Authority and U.S. Bank National Association, as the issuing and paying agent.

The Commercial Paper Notes are limited obligations of the Authority secured by Subordinated Revenues, consisting primarily of Subordinated Installment Payments to be made by the City to the San Diego Facilities and Equipment Leasing Corporation (the “Corporation”) under the Amended and Restated Master Installment Purchase Agreement, dated as of January 1, 2009 (the “Original Master Installment Purchase Agreement”), as amended and supplemented, including as amended by the First Amendment to Amended and Restated Master Installment Purchase Agreement, dated as of November 14, 2018, each by and between the City and the Corporation, as supplemented by the Collateral Agency, Account and Assignment Agreement, dated as of November 14, 2018 (the “Collateral Agency Agreement”), by and among the City, the Corporation, the Authority, the United States Environmental Protection Agency, acting by and through the Administrator of the Environmental Protection Agency (the “EPA”), and U.S. Bank National Association as collateral agent (the “Collateral

Agent”) under the Collateral Agency Agreement and as Trustee under the Indenture, and as supplemented by the 2017 Commercial Paper Supplement to Amended and Restated Master Installment Purchase Agreement, dated as of January 1, 2017 (the “2017 Commercial Paper Supplement” and, together with the Original Master Installment Purchase Agreement, as previously amended and supplemented, the “Agreement”), by and between the City and the San Diego Facilities and Equipment Leasing Corporation (the “Corporation”). The obligation of the City to make Subordinated Installment Payments under the Agreement does not constitute an obligation of the City for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation. Neither the full faith and credit of the Authority, the City, the County of San Diego (the “County”), the State of California (the “State”), or any political subdivision of the State nor the taxing power of the City, the County, the State, or any political subdivision of the State is pledged to the payment of the principal of or interest on the Commercial Paper Notes. The Authority has no taxing power. Neither the Commercial Paper Notes nor the obligation of the City to make Commercial Paper Notes Subordinated Installment Payments constitutes an indebtedness of the Authority, the City, the County, the State, or any political subdivision of the State within the meaning of any constitutional or statutory debt limitation or restriction.

The aggregate principal amount of Commercial Paper Notes Outstanding (herein defined) under the Indenture at any time may not exceed \$250,000,000. The Commercial Paper Notes are subject to acceleration as described in Appendix A – “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS” attached hereto. The principal of and interest on the Series A Commercial Paper Notes at maturity or upon acceleration (or face amount at maturity or accreted value upon acceleration of discount Series A Commercial Paper Notes) will be payable from draws made under an irrevocable transferable direct-pay letter of credit (the “Letter of Credit”) to be issued by Bank of America, N.A. (the “Bank” and on and after December [20], 2021, the only “Subordinated Credit Provider”). The Letter of Credit will have a stated expiration date of January 31, 2025. The Letter of Credit may be drawn upon solely to pay principal of and interest on the respective Series of Commercial Paper Notes. See “SECURITY AND SOURCES OF PAYMENT OF THE COMMERCIAL PAPER NOTES” and “THE BANK” herein.

The investment decision to purchase the Series A Commercial Paper Notes should be made solely on the basis of the creditworthiness of the Bank rather than the City. Prospective investors should not rely on any source other than proceeds of drawings under the Letter of Credit to pay such principal of and interest on the Series A Commercial Paper Notes. The ratings assigned to the Series A Commercial Paper Notes are based on the creditworthiness of the Bank. See “RATINGS” and “CERTAIN RISK FACTORS” herein.

BofA Securities, Inc., Citigroup Global Markets Inc. and RBC Capital Markets, LLC serve as the dealers in connection with the offering and sale of the Commercial Paper Notes. See “COMMERCIAL PAPER NOTES – Dealers.”

Unless otherwise indicated, capitalized terms used and note defined in this Offering Memorandum shall have the meanings ascribed thereto in the Indenture and the Agreement.

THE COMMERCIAL PAPER NOTES

Authority; Purpose for Issuance

The Authority is authorized to issue Commercial Paper Notes from time to time under and pursuant to the City Resolution, the Authority Resolution, the Agreement, the Indenture and the Issuing and Paying Agency Agreement in a maximum aggregate principal amount of \$250,000,000 Outstanding under the Indenture at any time. The Series A Commercial Paper Notes may be issued in a maximum aggregate principal amount of \$250,000,000. The term “Outstanding,” when used as of any particular

time with reference to Bonds (which term includes the Commercial Paper Notes), means (subject to the provisions of the Indenture) all Bonds theretofore or thereupon executed by the Authority and authenticated and delivered by the Trustee pursuant to the terms of the Indenture, 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 the Indenture; (3) Bonds beneficially owned by the City or the Authority; and (4) Bonds in lieu of or in substitution for which other Bonds shall have been executed by the Authority and authenticated and delivered pursuant to the terms of the Indenture. The term “Bond” or “Bonds” means any of the bonds issued under the Indenture by the Authority, including any Additional Bonds. The Commercial Paper Notes are issued as Subordinated Bonds under the Indenture.

The City’s capital program for its water system (the “Water System”) is financed through a combination of revenue bonds, commercial paper notes and federal and state loans. The Commercial Paper Notes may be issued from time to time to provide short-term financing for the costs of design, acquisition, construction, installation, and improvement of components of the Water System, including the Pure Water Program, and to pay costs of issuance of the Commercial Paper Notes. Commercial Paper Notes may be refunded with the proceeds of the City’s water revenue bonds and federal and state loans.

Description of Commercial Paper Notes

The Commercial Paper Notes are issued only as fully registered notes in denominations of \$100,000 or any integral multiple of \$1,000 in excess thereof and will be dated the date of their delivery from time to time under the Indenture. The Commercial Paper Notes will mature on such dates and will bear interest from their date of issuance at such rates as shall be determined by an Authorized City Representative at the date of issuance; provided that (a) the term of any Commercial Paper Note (1) will not exceed 270 days from the date of its issuance, and (2) will not extend beyond a date which is two Commercial Paper Notes Business Days prior to the Termination Date of the Subordinated Credit Support Instrument relating to such Commercial Paper Notes, and (b) no Commercial Paper Note will bear interest at a rate in excess of the lesser of eleven percent (11%) or the maximum rate per annum permitted by law. In addition, the Commercial Paper Notes will not be subject to redemption prior to maturity. The term “Commercial Paper Notes Business Day,” with respect to any Commercial Paper Note, shall have the meaning given to such term in the related Subordinated Credit Support Instrument. The term “Subordinated Credit Support Instrument” as used in this Offering Memorandum means with respect to a series or subseries of the Commercial Paper Notes, a credit facility supporting such Commercial Paper Notes. The term “Termination Date” as used in this Offering Memorandum means the stated expiration date of a Subordinated Credit Support Instrument.

Commercial Paper Notes may be issued as interest-bearing notes or at a discount and at such price as determined by an Authorized City Representative. The Authority shall not issue, or authorize the issuance of, Commercial Paper Notes supported by a Subordinated Credit Support Instrument, to the extent that the aggregate principal amount of all Outstanding Commercial Paper Notes supported by such Subordinated Credit Support Instrument (after giving effect to such issuance and the application of the proceeds thereof) would exceed the amount that may be drawn thereunder in respect of principal of Commercial Paper Notes supported by such Subordinated Credit Support Instrument or the sum of the aggregate amount of interest payable (including any portion thereof not yet accrued) in respect of such Commercial Paper Notes supported by such Subordinated Credit Support Instrument would exceed the amount that may be drawn under such Subordinated Credit Support Instrument in respect of interest thereon. See “THE LETTER OF CREDIT AND THE REIMBURSEMENT AGREEMENT.”

Both principal and interest on Commercial Paper Notes shall be payable in any coin or currency of the United States of America which shall then be legal tender for the payment of public and private

debts. Except in the case of book-entry-only Commercial Paper Notes, principal of and interest on Commercial Paper Notes shall be payable upon presentation and surrender thereof at the principal office of the Issuing and Paying Agent in New York, New York. Interest on Commercial Paper Notes shall be calculated on the basis of a 365/366-day year for the actual number of days elapsed to the dates on which such Commercial Paper Notes mature.

DTC and the Book-Entry Only System

The Commercial Paper Notes are registered in the name of Cede & Co., as nominee for The Depository Trust Company (“DTC”). DTC will act as securities depository for the Commercial Paper Notes. Ownership interests in the Commercial Paper Notes may be purchased in book-entry form only. So long as DTC or its nominee is the Holder of the Commercial Paper Notes, the principal and interest on the Commercial Paper Notes is made as described in APPENDIX C – “THE BOOK-ENTRY ONLY SYSTEM.”

Dealers

BofA Securities, Inc., Citigroup Global Markets Inc. and RBC Capital Markets, LLC serve as the dealers in connection with the offering and sale of the Commercial Paper Notes (each a “Dealer”) pursuant to separate Dealer Agreements, each dated as of January 1, 2017 (the “Dealer Agreements”), between the Authority and the related Dealer. Under the respective Dealer Agreements, the Dealers have no commitment to purchase any of the Commercial Paper Notes and are obligated only to use their best efforts as agents of the Authority to solicit and arrange sales of the Commercial Paper Notes on behalf of the Authority. A Dealer may resign or be discharged of the duties and obligations set forth under the Fifth Supplement in accordance with the applicable Dealer Agreement.

The Dealers and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. In the various course of their various business activities, the Dealers and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the City and the Authority (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the City, the Corporation or the Authority. The Dealers and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

THE CITY

The City, with a total population of approximately 1.4 million as of January 1, 2021 and a land area of approximately 325 square miles, is the eighth largest city in the nation by population, and the second largest city by population (and land area) in California. The City is the county seat for the County of San Diego. Major components of the City’s diversified economy include defense, tourism, biotechnology/biosciences, financial and business services, software and telecommunications. The City’s economic base is also anchored by higher education and major scientific research institutions, including the University of California, San Diego, San Diego State University, Scripps Research Institute, the Salk Institute for Biological Studies, and the San Diego Supercomputer Center.

The City was incorporated in 1850. The City operates under and is governed by the laws of the State of California (the “State”) and the City Charter, as periodically amended since its adoption by the electorate in 1931. The City has been operating under a “Strong Mayor” form of government since January 1, 2006. Under the Strong Mayor form of government, the Mayor is the Chief Executive Officer of the City and has direct oversight over all City functions and services except for the City Council, Personnel, City Clerk, Independent Budget Analyst, Ethics Commission, City Attorney and City Auditor’s departments.

The City owns the Water System and operates the Water System through the Public Utilities Department. The City has expanded the Water System from time to time to provide safe, reliable water in an efficient, cost-effective, and environmentally responsible manner. The water service rendered by the City includes the collection, conservation, production, storage, treatment, transmission, furnishing, and distribution services made available or provided by the City’s Water System (collectively, “Water Service”). See “SECURITY AND SOURCES OF PAYMENT FOR THE COMMERCIAL PAPER NOTES – Pledge of Net System Revenues; Payment of Installment Payments.”

THE CORPORATION

The Corporation is a nonprofit charitable corporation duly organized and existing under and by virtue of the laws of the State. The Corporation was organized to acquire, lease, and/or sell to the City real and personal property to be used in the municipal operations of the City. The Corporation was formed at the request of the City to assist in financings such as the installment purchase financing described herein and is governed by its own Board of Directors. The Corporation is prohibited from engaging in any business or activity other than that incidental to its sole purpose, and no part of its net earnings may accrue to the benefit of any person or entity other than the City.

The Corporation has no liability to the Holders or Holders of any Commercial Paper Notes, and has pledged none of its moneys, funds or assets to any Installment Payments (as defined in the Agreement), including, without limitation, the Commercial Paper Notes Subordinated Installment Payments (as defined in the Agreement) for the Purchase Price of the Commercial Paper Notes Components in accordance with the Agreement) or any payments under the Commercial Paper Notes. Pursuant to the Assignment Agreement, dated as of January 1, 2017, by and between the Corporation and the Authority, the Corporation has assigned its right to receive the Commercial Paper Notes Subordinated Installment Payments to the Authority.

THE AUTHORITY

The Authority is a California joint exercise of powers authority established pursuant to the Third Amended and Restated Joint Exercise of Powers Agreement, dated as of January 1, 2013, by and among the City, the City solely in its capacity as the designated successor agency (the “Successor Agency”) to the former Redevelopment Agency of the City of San Diego (the “Former RDA”), and the Housing Authority of the City of San Diego (the “Housing Authority”). The Authority is organized, in part, to finance certain public capital improvements of the City, the Successor Agency or the Housing Authority.

Except as provided in the Indenture, the Authority has no liability to the Holders or Holders of any of the Commercial Paper Notes and has pledged none of its moneys, funds or assets toward the payment of any amount due in connection with the Commercial Paper Notes. The Indenture provides that the Authority transfers, conveys and assigns to the Trustee, for the benefit of the Holders, all of the Authority’s rights under the Agreement, including the right to receive the Commercial Paper Notes Subordinated Installment Payments from the City, the right to receive any proceeds of insurance maintained thereunder or any condemnation award rendered with respect to the related Components, and

the right to exercise any remedies provided therein in the event of a default by the City under the Agreement.

The Authority is governed by its own Board of Commissioners consisting of the members of the San Diego City Council. The Authority is dependent upon the officers and employees of the City to administer its programs.

SECURITY AND SOURCES OF PAYMENT FOR THE COMMERCIAL PAPER NOTES

General

The Commercial Paper Notes are special limited obligations of the Authority payable solely from and secured by, draws made under the Letter of Credit, proceeds from the sale of Commercial Paper Notes and Subordinated Installment Payments under the Agreement. The Commercial Paper Notes will be payable from draws made under the Letter of Credit, to the extent the draws under the Letter of Credit are insufficient, from proceeds from the sale of Commercial Paper Notes and to the extent the draws under the Letter of Credit and the proceeds of sale of Commercial Paper Notes are insufficient, from Subordinated Installment Payments under the Agreement.

The Commercial Paper Notes Subordinated Installment Payments are Subordinated Obligations under the Agreement and the payment of the Commercial Paper Notes Subordinated Installment Payments are on parity in right of payment to the Subordinated Installment Payments under the Agreement. The Commercial Paper Notes Subordinated Installment Payments are payable from Net System Revenues on a basis that is subordinate to the right of payment by the City of its Senior Obligations (defined below and referred to as “Parity Obligations” under the Agreement) then outstanding under the Agreement. The Installment Payments securing the Parity Obligations are not pledged to and do not secure payment of principal of and interest on the Commercial Paper Notes. See “SECURITY AND SOURCES OF PAYMENT FOR THE COMMERCIAL PAPER NOTES – Commercial Paper Notes Subordinated Installment Payments.” No Holder of the Obligations shall have any right to take any action or enforce any right that has a materially adverse effect on the interests of the Holders of the Installment Payment Obligations.

The Commercial Paper Notes are limited obligations of the Authority payable solely from and secured by draws made under the Letter of Credit, proceeds from the sale of Commercial Paper Notes and Subordinated Installment Payments under the Agreement. The obligation of the City to make Subordinated Installment Payments under the Agreement does not constitute an obligation of the City for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation. Neither the full faith and credit of the Authority, the City, the County, the State, or any political subdivision of the State nor the taxing power of the City, the County, the State, or any political subdivision of the State is pledged to the payment of the principal of or interest on the Commercial Paper Notes. The Authority has no taxing power. Neither the Commercial Paper Notes nor the obligation of the City to make Commercial Paper Notes Subordinated Installment Payments constitutes an indebtedness, liability or obligation of the City, the State or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction, and neither the faith and credit of the City nor the State are pledged to the payment of the principal of or interest on the Commercial Paper Notes.

The Authority expects to pay the principal of and interest on the Commercial Paper Notes with the proceeds of draws under the Letter of Credit, and to immediately reimburse the Bank for such draws with the proceeds of the sale of additional Commercial Paper Notes or Subordinated Installment

Payments, or retire such Commercial Paper Notes with moneys either by the issuance of long-term bonds issued under the Indenture and the Agreement or from other available moneys.

The investment decision to purchase the Series A Commercial Paper Notes should be made solely on the basis of the creditworthiness of the Bank rather than the City. Prospective investors should not rely on any source other than proceeds of drawings under the Letter of Credit to pay such principal of and interest on the Series A Commercial Paper Notes.

Letter of Credit and Security for the Commercial Paper Notes

The Bank will issue the Letter of Credit to provide credit support for the timely payment of the principal of and interest on the Series A Commercial Paper Notes (or face amount or accreted value of discount Series A Commercial Paper Notes). The initial stated amount of the Letter of Credit will be \$259,041,096, which may be drawn upon from time to time solely in respect of payment of the principal of and interest on the Series A Commercial Paper Notes (or face amount or accreted value of discount Series A Commercial Paper Notes). The Letter of Credit will have a stated expiration date of January 31, 2025, unless extended or terminated sooner in accordance with its terms. See “THE LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT – The Letter of Credit.”

The Letter of Credit may be drawn upon solely to pay principal of and interest on the Series A Commercial Paper Notes.

All Commercial Paper Notes shall be supported by a Subordinated Credit Support Instrument (herein defined). From and after December [20], 2021, the Subordinated Credit Support Instrument for the Commercial Paper Notes will be the Letter of Credit. The Authority agrees and covenants that it shall maintain, or cause the City to maintain, a right under each such Subordinated Credit Support Instrument to, and thereby shall permit the Issuing and Paying Agent to, draw funds under each such Subordinated Credit Support Instrument to pay the principal of and interest on all Commercial Paper Notes supported thereby in an aggregate amount at least equal to (i) the principal amount (or face amount in the case of Commercial Paper Notes issued at a discount) of all related Outstanding Commercial Paper Notes and (ii) the interest accrued and to accrue on all related Outstanding Commercial Paper Notes.

To the extent that a Subordinated Credit Support Instrument is in full force and effect and so provides, the obligations of the City to make payments thereunder shall constitute a Subordinated Credit Provider Reimbursement Obligation and shall constitute a Subordinated Obligation pursuant to the Agreement.

The Authority will not substitute a Subordinated Credit Support Instrument or consent to any assignment by a bank under any reimbursement agreement with respect to any Commercial Paper Notes that such Subordinated Credit Support Instrument supports prior to the payment or defeasance of such Commercial Paper Notes.

The term “Subordinated Credit Provider” is defined in the Indenture as the provider or, collectively, providers of a Subordinated Credit Support Instrument for the Commercial Paper Notes.

The term “Subordinated Credit Provider Reimbursement Obligation” has the meaning set forth in the Agreement.

The term “Subordinated Credit Support Instrument” is defined in the Indenture as, with respect to a series or subseries of the Commercial Paper Notes, a credit facility supporting such Commercial Paper Notes.

“Subordinated Obligations” has the meaning given to that term in the Agreement.

Commercial Paper Notes Subordinated Installment Payments

The Commercial Paper Notes are special limited obligations of the Authority payable solely from and secured by, draws made under the Letter of Credit, proceeds from the sale of Commercial Paper Notes and Subordinated Installment Payments under the Agreement. The Commercial Paper Notes will be payable from draws made under the Letter of Credit, to the extent the draws under the Letter of Credit are insufficient, from proceeds from the sale of Commercial Paper Notes and to the extent the draws under the Letter of Credit and the proceeds of sale of Commercial Paper Notes are insufficient, from Subordinated Installment Payments under the Agreement. Pursuant to the 2017 Commercial Paper Supplement, in the event that a Subordinated Credit Provider has refused payment for a series of Commercial Paper Notes as provided for in the related Subordinated Credit Support Instrument and the amount in the related Credit Enhanced Note Account and Reimbursement Account (respectively, the accounts by that name established pursuant to the Indenture) established for such series of Commercial Paper Notes is not sufficient to pay the principal of and accrued interest on such Commercial Paper Notes as provided in the Issuing and Paying Agency Agreement and the Indenture, the City will pay solely from Net System Revenues the amount of such insufficiency and the City will transfer moneys from the Water Utility Fund (herein defined) to the related Reimbursement Account in an aggregate amount, together with other moneys held in the related Credit Enhanced Note Account and such Reimbursement Account, sufficient for the payment of principal of and accrued interest on such Commercial Paper Notes due on such Commercial Paper Notes Installment Payment Date. The term “Commercial Paper Notes Installment Payment Date” means (i) any date determined by the City to make a Commercial Paper Notes Subordinated Installment Payment, (ii) the business day prior to each Interest Payment Date or Principal Payment Date for the Commercial Paper Notes, and (iii) each date on which any Subordinated Credit Provider Reimbursement Obligation is due or transfers with respect thereto are to be made. The term “Interest Payment Date” means each February 1 and August 1, each date on which Commercial Paper Notes are due and payable, and such other date as provided for in a Supplemental Indenture. The term “Principal Payment Date” means each August 1, each date on which Commercial Paper Notes are due and payable, and such other date as provided for in a Supplemental Indenture.

The Commercial Paper Notes Subordinated Installment Payments are payable solely from Net System Revenues, as provided in the Agreement, on each Commercial Paper Notes Installment Payment Date in amounts equal to the principal of and interest accrued on the Commercial Paper Notes and any related Subordinated Credit Provider Reimbursement Obligations as and when due. Pursuant to the 2017 Commercial Paper Supplement, the Commercial Paper Notes Subordinated Installment Payments are Subordinated Obligations under the Agreement and the payment of the Commercial Paper Notes Subordinated Installment Payments shall be on parity in right of payment to the Subordinated Installment Payments under the Agreement. The Commercial Paper Notes Subordinated Installment Payments are payable from Net System Revenues on a basis that is subordinate to the right of payment by the City of its Senior Obligations (defined below and referred to as “Parity Obligations” under the Agreement) then outstanding under the Agreement. No Holder of the Obligations shall have any right to take any action or enforce any right that has a materially adverse effect on the interests of the Holders of the Installment Payment Obligations.

The Water Utility Fund; Application of System Revenues

The City accounts for its water operations through an enterprise fund known as the “Water Utility Fund.” The Water Utility Fund was established pursuant to an amendment to the City Charter effective February 11, 1963, and is accounted for separately from other funds of the City. The City has agreed and covenanted in the Agreement that all System Revenues shall be received by the City in trust and shall be

deposited when and as received in the Water Utility Fund, which fund the City agrees and covenants to maintain so long as any Obligations remain unpaid, and all moneys in the Water Utility Fund shall be so held in trust and applied and used solely in the amounts, at the times and only for the purposes specified below and in the following order of priority; provided that no amount shall be transferred on any date pursuant to any clause below until amounts sufficient for all the purposes specified under the prior clauses shall have been transferred or set aside; and provided further that in the event there are insufficient Net System Revenues to make all of the payments contemplated in any one clause below, then said transfers, deposits and payments directed by such clause shall be made as nearly as practicable, pro rata, based upon the respective unpaid principal amounts of the Obligations addressed by such clause:

First, the City shall pay from the Water Utility Fund directly or as otherwise required all Maintenance and Operation Costs of the Water System;

Second, on each "Senior Obligation Interest Funding Date" (being each Senior Obligation Installment Payment Date on which the Interest Portion is due and payable under the Agreement as well as each date on which interest is due and payable on any Senior Obligation under any other Issuing Instrument) and on each other date on which the following amounts shall be due and payable, the City shall transfer Net System Revenues from the Water Utility Fund to the Collateral Agent, for deposit in the Senior Obligations Interest Account of the Senior Obligations Payment Fund, the sum of (A) an amount equal to the interest due and payable on all Senior Obligations; plus (B) an amount equal to any continuing shortfall in transfers required to have been made to the Senior Obligations Interest Account on any preceding Senior Obligation Interest Funding Date;

Third, on each "Senior Obligation Principal Funding Date" (being each Senior Obligation Installment Payment Date on which the Principal Portion is due and payable under the Agreement as well as each date on which principal or mandatory sinking fund redemptions are due and payable on any Senior Obligation under any other Issuing Instrument) and on each other date on which the following amounts shall be due and payable, the City shall transfer Net System Revenues from the Water Utility Fund to the Collateral Agent, for deposit in the Senior Obligations Principal Account of the Senior Obligations Payment Fund, the sum of (A) an amount equal to the principal and mandatory sinking fund redemptions due and payable on all Senior Obligations; plus (B) an amount equal to any continuing shortfall in transfers required to have been made to the Senior Obligations Principal Account on any preceding Senior Obligation Principal Funding Date;

Fourth, on each Senior Obligation Interest Funding Date, the City shall transfer Net System Revenues from the Water Utility Fund to the Collateral Agent, for deposit in any Senior Obligations Reserve Account (if any) the amount necessary so that the balance therein equals the applicable Senior Obligations Reserve Requirement; provided that in the event of any draw on a Reserve Fund Credit Facility held in any Senior Obligations Reserve Account, there shall be deemed a deficiency in such Senior Obligations Reserve Account until the amount of the Reserve Fund Credit Facility is restored to its pre-draw amount;

Fifth, on each "Subordinated Obligation Interest Funding Date" (being each Subordinated Obligation Installment Payment Date on which the Interest Portion is due and payable under the Agreement as well as each date on which interest is due and payable on any Subordinated Obligation under any other Issuing Instrument) and on each other date on which the following amounts shall be due and payable, the City shall transfer Net System Revenues from the Water Utility Fund to the Collateral Agent, for deposit in the Subordinated Obligations Interest Account of the Subordinated Obligations Payment Fund, the sum of (A) an amount equal to the interest due and payable on all Subordinated Obligations; plus (B) an amount equal to any continuing shortfall in transfers required to have been made

to the Subordinated Obligations Interest Account on any preceding Subordinated Obligation Interest Funding Date;

Sixth, on each “Subordinated Obligation Principal Funding Date” (being each Subordinated Obligation Installment Payment Date on which the Principal Portion is due and payable under the Agreement as well as each date on which principal or mandatory sinking fund redemptions are due and payable on any Subordinated Obligation under any other Issuing Instrument) and on each other date on which the following amounts shall be due and payable, the City shall transfer Net System Revenues from the Water Utility Fund to the Collateral Agent, for deposit in the Subordinated Obligations Principal Account of the Subordinated Obligations Payment Fund, the sum of (A) an amount equal to the principal and mandatory sinking fund redemptions due and payable on all Subordinated Obligations; plus (B) an amount equal to any continuing shortfall in transfers required to have been made to the Subordinated Obligations Principal Account on any preceding Funding Date; and

Seventh, on each Subordinated Obligation Interest Funding Date, the City shall transfer Net System Revenues from the Water Utility Fund to the Collateral Agent, for deposit in any Subordinated Obligations Reserve Account (if any) the amount necessary so that the balance therein equals the applicable Subordinated Obligations Reserve Requirement; provided that in the event of any draw on a Reserve Fund Credit Facility held in any Subordinated Obligations Reserve Account, there shall be deemed a deficiency in such Subordinated Obligations Reserve Account until the amount of the Reserve Fund Credit Facility is restored to its pre-draw amount.

After the deposits described in the preceding paragraphs have been made, any amounts thereafter remaining in the Water Utility Fund may be used for any lawful purpose of the Water System. See “APPENDIX A – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS.”

Pledge of Net System Revenues; Payment of Installment Payments

The Agreement provides for the payment by the City of Senior Obligations and Subordinated Obligations in amounts sufficient to make payments of the principal of and interest on Bonds of the Authority. Pursuant to the Agreement, including as supplemented by the Collateral Agency Agreement, all Senior Obligations, including Senior Installment Payment Obligations, shall be secured by a first priority lien on and pledge of Net System Revenues. The City grants to the Collateral Agent, for the benefit of the Holders of Senior Obligations, a first priority lien on and pledge of Net System Revenues to secure Senior Obligations. All Senior Obligations shall be of equal rank with each other without preference, priority or distinction of any Senior Obligations over any other Senior Obligations; provided that a Senior Obligation that by its terms under certain circumstances can require the full amount of the Senior Obligation to become payable in installments over not less than five years from the occurrence of the triggering event shall not be deemed to create any impermissible preference, priority or distinction as to lien or otherwise of such Senior Obligation over any other Senior Obligation.

Pursuant to the Agreement, including as supplemented by the Collateral Agency Agreement, all Subordinated Obligations, including Subordinated Installment Payment Obligations, shall be secured by a second priority lien on and pledge of Net System Revenues that is junior and subordinate to the lien on and pledge of Net System Revenues securing Senior Obligations. The City grants to the Collateral Agent, for the benefit of the Holders of Subordinated Obligations, a second priority lien on and pledge of Net System Revenues to secure Subordinated Obligations. All Subordinated Obligations shall be of equal rank with each other without preference, priority or distinction of any Subordinated Obligations over any other Subordinated Obligations; provided that a Subordinated Obligation that by its terms under certain circumstances can require the full amount of the Subordinated Obligation to become payable in installments over not less than five years from the triggering event shall not be deemed to create any

impermissible preference, priority or distinction as to lien or otherwise of such Subordinated Obligation over any other Subordinated Obligation; and provided further that a Subordinated Obligation that by its terms under certain circumstances must be treated as, or becomes, a Senior Obligation shall not be deemed to create any impermissible preference, priority or distinction as to lien or otherwise of such Subordinated Obligation over any other Subordinated Obligation.

Pursuant to the Agreement, the City agrees to make Installment Payments (including the Commercial Paper Notes Subordinated Installment Payments) solely from Net System Revenues. The Commercial Paper Notes Subordinated Installment Payments shall be Subordinated Obligations under the Agreement. The City entered into the initial WIFIA Loan Agreement, loan number WIFIA-N17125CA (the “WIFIA-N17125CA Loan Agreement”) with the United States Environmental Protection Agency (the “EPA”) which authorizes the City to draw up to a maximum principal amount of \$614,000,000, and a second WIFIA Loan Agreement, loan number WIFIA-N20136CA (the “WIFIA-N20136CA Loan Agreement” and together with the WIFIA-N17125CA Loan Agreement, the “WIFIA Loan Agreements”), also with the EPA, which authorizes the City to draw up to a maximum principal amount of \$119,500,000 (together the “WIFIA Loans”) to finance costs of the Water System’s share of the Pure Water Program Phase 1. The WIFIA Loan Agreements are a Subordinated Obligation under the Agreement. See “Security and Sources of Payment for the Commercial Paper Notes - Pledge of Net System Revenues; Payment of Installment Payments” herein. The payment of the Commercial Paper Notes Subordinated Installment Payments shall be on parity in right of payment to the 2016 Subordinated Installment Payments, the 2018 Subordinated Installment Payments and the WIFIA Debt Service (as defined in the WIFIA Loan Agreements) on the WIFIA Loans under the Agreement. No Owner of the Obligations shall have any right to take any action or enforce any right that has a materially adverse effect on the interests of the Owners of the Installment Payment Obligations. The City agrees to make Installment Payments solely from Net System Revenues until such time as the Purchase Price for any Components has been paid in full (or provision for the payment thereof has been made pursuant to the Agreement).

The 2017 Commercial Paper Supplement provides for the payment by the City of Commercial Paper Notes Subordinated Installment Payments in amounts sufficient to make payments of the principal of and interest on the Commercial Paper Notes. The Commercial Paper Notes Subordinated Installment Payments securing payment of the Commercial Paper Notes are payable from Net System Revenues on a basis that is subordinate to the right of payment by the City of its Outstanding Senior Obligations (as defined herein) under the Agreement and are payable on parity with the 2016 Subordinated Installment Payments, the 2018 Subordinated Installment Payments and the WIFIA Debt Services on the WIFIA Loans.

Under the Agreement, the City has agreed that it will not discontinue or suspend any Installment Payments (including the Commercial Paper Notes Subordinated Installment Payments) required to be made by the City under the Agreement, whether or not the Project or any part thereof is operating or operable or has been completed, or its use is suspended, interfered with, reduced, curtailed, or terminated, in whole or in part, and such Installment Payments (including the Commercial Paper Notes Subordinated Installment Payments) shall not be subject to reduction, whether by offset or otherwise, and will not be conditioned upon the performance or nonperformance by any party of any agreement for any cause whatsoever.

The term “Net System Revenues” is defined in the Agreement as, for any Fiscal Year, the System Revenues for such Fiscal Year, less the Maintenance and Operation Costs of the Water System for such Fiscal Year.

The term “System Revenues” is defined in the Agreement as all income, rents, rates, fees, charges, and other moneys derived from the ownership or operation of the Water System, including,

without limiting the generality of the foregoing: (a) all income, rents, rates, fees, charges, or other moneys derived by the City from the water services or facilities, and commodities or byproducts, including hydroelectric power, sold, furnished or supplied through the facilities of or in the conduct or operation of the business of the Water System, and including, without limitation, investment earnings on the operating reserves to the extent that the use of such earnings is limited to the Water System by or pursuant to law, and earnings on any Reserve Fund for Obligations, but only to the extent that such earnings may be utilized under the indenture, trust agreement, loan agreement, lease, or installment purchase agreement under which the applicable Obligations are issued (each, an “Issuing Instrument”) for the payment of debt service for such Obligations; (b) standby charges and Capacity Charges derived from the services and facilities sold or supplied through the Water System; (c) the proceeds derived by the City directly or indirectly from the lease of a part of the Water System; (d) any amount received from the levy or collection of taxes that are solely available and are earmarked for the support of the operation of the Water System; (e) amounts received under contracts or agreements with governmental or private entities and designated for capital costs for the Water System; and (f) grants for maintenance and operations received from the United States of America or from the State; provided, however, that System Revenues shall not include: (1) in all cases, customers’ deposits or any other deposits or advances subject to refund until such deposits or advances have become the property of the City; and (2) the proceeds of borrowings. Notwithstanding the foregoing, there shall be deducted from System Revenues any amounts transferred into a Rate Stabilization Fund as contemplated by the Agreement and any amounts transferred from current System Revenues to the Secondary Purchase Fund as permitted by the Agreement. There shall be added to System Revenues any amounts transferred out of such Rate Stabilization Fund or the Secondary Purchase Fund to pay Maintenance and Operation Costs of the Water System.

The term “Maintenance and Operation Costs of the Water System” is defined in the Agreement as (a) any Qualified Take or Pay Obligation (as defined herein), and (b) the reasonable and necessary costs spent or incurred by the City for maintaining and operating the Water System, calculated in accordance with generally accepted accounting principles, including (among other things) the reasonable expenses of maintenance and repair and other expenses necessary to maintain and preserve the Water System in good repair and working order, and including administrative costs of the City attributable to the Water System, including the Project and the Agreement, salaries and wages of employees of the Water System, payments to such employees’ retirement systems (to the extent paid from System Revenues), overhead, taxes (if any), fees of auditors, accountants, attorneys or engineers, and insurance premiums, and including all other reasonable and necessary costs of the City or charges required to be paid by it to comply with the terms of the Obligations, including the Agreement, including any amounts required to be deposited in the Rebate Fund pursuant to a Tax Certificate, and fees and expenses payable to any Credit Provider (other than in repayment of a “Credit Provider Reimbursement Obligation”), but excluding in all cases (1) depreciation, replacement, and obsolescence charges or reserves therefor, (2) amortization of intangibles or other bookkeeping entries of a similar nature, (3) costs of capital additions, replacements, betterments, extensions, or improvements to the Water System, which under generally accepted accounting principles are chargeable to a capital account or to a reserve for depreciation, (4) charges for the payment of principal of and interest on any general obligation bond heretofore or hereafter issued for Water System purposes, and (5) charges for the payment of principal of and interest on any debt service on account of any Obligation on parity with, to the Installment Payments.

The term “Obligations” is defined in the Agreement as (i) obligations of the City for money borrowed (such as bonds, notes, or other evidences of indebtedness) or as installment purchase payments under any contract (including Installment Payments), or as lease payments under any financing lease (determined to be such in accordance with generally accepted accounting principles), the principal of and interest on which are payable from Net System Revenues; (ii) obligations to replenish any debt service reserve funds with respect to such obligations of the City; (iii) obligations secured by or payable from any of such obligations of the City; and (iv) obligations of the City payable from Net System Revenues under

(a) any contract providing for payments based on levels of, or changes in, interest rates, currency exchange rates, stock or other indices, (b) any contract to exchange cash flows or a series of payments, or (c) any contract to hedge payment, currency, rate spread, or similar exposure, including, but not limited, to interest rate cap agreements.

All Senior Obligations (referred to as “Parity Obligations” in the Agreement) are of equal rank with each other without preference, priority, or distinction of any Senior Obligations over any other Senior Obligations. The term “Senior Obligations” is defined in the Agreement as (i) Installment Obligations (as defined herein), (ii) Obligations, the principal of and interest on which are payable on parity with Installment Obligations, and (iii) Reserve Fund Obligations. The term “Installment Obligations” is defined in the Agreement as Obligations consisting of or payable from Installment Payments, which are not subordinated in right of payment to other Installment Payments. The term “Credit Provider” is defined in the Agreement as any municipal bond insurance company, bank, or other financial institution or organization that is performing in all material respects its obligations under any policy of insurance, letter of credit, standby purchase agreement, revolving credit agreement, or other credit arrangement providing credit support or liquidity with respect to Senior Obligations (each, a “Credit Support Instrument”). The term “Reserve Fund Obligations” is defined in the Agreement as the obligations of the City to pay amounts advanced under any Reserve Fund Credit Facility entered into in accordance with the provisions of the related Issuing Instrument or Supplement, which obligations shall constitute Senior Obligations or Subordinated Obligations, as designated by the City.

Senior Obligations

The pledge and right of payment from Net System Revenues securing the Commercial Paper Notes Subordinated Installment Payments (which, in turn, secure the payment of the Commercial Paper Notes) will be subordinate to the pledge and right of payment from Net System Revenues securing the Senior SRF Loans, currently Outstanding in the principal amount of \$75,007,612, the 2020A Senior Bonds and the 2020B Senior Bonds currently Outstanding in the principal amount of \$309,595,000, and any Senior Obligations hereinafter incurred by the City. All Senior Obligations are secured by a first priority lien on and pledge of Net System Revenues. Additionally, the City has applied for approximately \$200 million in additional SRF Loans for general capital projects that are expected to be Senior Obligations in Fiscal Years 2022-2023, but the timing of the approval process and amount of such SRF Loans that may be approved is unknown. See “ – Subordinated Obligations” below.

Subordinated Obligations

The Agreement permits the issuance of Obligations secured by a lien on and pledge of Net System Revenues, which lien and pledge are subordinate to the lien on and pledge of Net System Revenues securing Senior Obligations (each, a “Subordinated Obligation”). The pledge and right of payment from Net System Revenues securing the Commercial Paper Notes Subordinated Installment Payments (which, in turn, secure the payment of the Commercial Paper Notes) will be on parity with the pledge and right of payment from Net System Revenues securing the other Subordinated Obligations incurred in accordance with the Agreement, including the Subordinated Installment Payments securing the Subordinated Obligations currently Outstanding in the principal amount of \$766,524,633, and any Subordinated Obligations hereinafter incurred by the City. This amount of Outstanding Subordinated Obligations does not include any amount which is available to be drawn under the WIFIA Loan Agreements. This amount of Outstanding Subordinated Obligations includes \$28,965,633 drawn under the WIFIA-N17125CA Loan Agreement (under which the City may draw up to a maximum principal amount of \$614,000,000), and \$0 drawn under the WIFIA-N20136CA Loan Agreement (under which the City may draw up to a maximum principal amount of \$119,500,000).

Nothing contained in the Agreement limits the ability of the City to grant a lien on and pledge of the Net System Revenues that is subordinate to any liens on and pledges of Net System Revenues for the benefit of Subordinated Obligations, including the Commercial Paper Notes Subordinated Installment Payments. Pursuant to the WIFIA Loan Agreements, the City shall not issue any additional Obligations having a lower lien priority than the Senior Obligations and the Subordinated Obligations (“Junior Obligations”) unless such Junior Obligations are fully subordinated in right of payment and in right of security in the Net System Revenues to the Obligations in respect of the WIFIA Loans, including with respect to payment from revenues and reserves and payment upon default of the applicable Obligations.

Application of Net System Revenues and Other Amounts under the Collateral Agency Agreement

Pursuant to the Collateral Agency Agreement, the Collateral Agent shall make the following withdrawals, transfers, and payments from the accounts established under the Collateral Agency Agreement into which Net System Revenues have been deposited by the City pursuant to the Agreement:

(i) on each Senior Obligation Interest Payment Date and on each other date on which the following amounts shall be due and payable, the Collateral Agent shall pay to the Holders (as such term is defined in the Collateral Agency Agreement) of Senior Obligations, from the Senior Obligations Interest Account, the interest due and payable, including any amounts overdue and payable, on such date to Holders of Senior Obligations; provided that if the amount on deposit in the Senior Obligations Interest Account is insufficient therefor, the Collateral Agent shall pay each Senior Obligation Holder a Pro Rata Amount.

(ii) on each Senior Obligation Principal Payment Date and on each other date on which the following amounts shall be due and payable, the Collateral Agent shall pay to the Holders of Senior Obligations, from the Senior Obligations Principal Account, the principal and mandatory sinking fund redemptions due and payable, including any amounts overdue and payable, on such date to Holders of Senior Obligations; provided that if the amount on deposit in the Senior Obligations Principal Account is insufficient therefor, the Collateral Agent shall pay each Senior Obligation Holder a Pro Rata Amount.

(iii) on each Senior Obligation Interest Payment Date, the Collateral Agent shall transfer to the holder of each Senior Obligations Reserve Fund (if any) the amount set forth in a written direction of the City, which shall be no more than the amount necessary so that the balance therein equals the applicable Reserve Requirement; provided that if the amount on deposit in the Senior Obligations Reserve Account is insufficient therefor, the Collateral Agent shall transfer to each holder of a Senior Obligations Reserve Fund a Pro Rata Amount; and provided further that in the event of any draw on a Reserve Fund Credit Facility held in any Senior Obligations Reserve Fund, there shall be deemed a deficiency in such Senior Obligations Reserve Fund until the amount of the Reserve Fund Credit Facility is restored to its pre-draw amount.

(iv) on each Subordinated Obligation Interest Payment Date and on each other date on which the following amounts shall be due and payable, the Collateral Agent shall pay to the Holders of Subordinated Obligations, from the Subordinated Obligations Interest Account, the interest due and payable, including any amounts overdue and payable, on such date to Holders of Subordinated Obligations; provided that if the amount on deposit in the Subordinated Obligations Interest Account is insufficient therefor, the Collateral Agent shall pay each Subordinated Obligation Holder a Pro Rata Amount.

(v) on each Subordinated Obligation Principal Payment Date and on each other date on which the following amounts shall be due and payable, the Collateral Agent shall pay to the Holders of Subordinated Obligations, from the Subordinated Obligations Principal Account, the principal and mandatory sinking fund redemptions due and payable, including any amounts overdue and payable, on such date to Holders of Subordinated Obligations; provided that if the amount on deposit in the Subordinated Obligations Principal Account is insufficient therefor, the Collateral Agent shall pay each Subordinated Obligation Holder a Pro Rata Amount.

(vi) on each Subordinated Obligation Interest Payment Date, the Collateral Agent shall transfer to the holder of each Subordinated Obligations Reserve Fund (if any) the amount set forth in a written direction of the City, which shall be no more than the amount necessary so that the balance therein equals the applicable Reserve Requirement; provided that if the amount on deposit in the Subordinated Obligations Reserve Account is insufficient therefor, the Collateral Agent shall transfer to each holder of a Subordinated Obligations Reserve Fund a Pro Rata Amount; and provided further that in the event of any draw on a Reserve Fund Credit Facility held in any Subordinated Obligations Reserve Fund, there shall be deemed a deficiency in such Subordinated Obligations Reserve Fund until the amount of the Reserve Fund Credit Facility is restored to its pre-draw amount.

“Pro Rata Amount” means, with respect to any payment to be made to a holder of a Secured Obligation from funds held by the Collateral Agent in the applicable account under the Collateral Agency Agreement, an amount equal to the total amount of funds held by the Collateral Agent in such account and available to make such payment to all holders of Secured Obligations entitled to receive such payment multiplied by the quotient of the amount of such payment due and payable on such date to such holder divided by the amount of such payment due and payable on such date to all holders entitled to receive such payment.

Nothing in the Collateral Agency Agreement or the Agreement affects or diminishes the rights and remedies of the holders of Secured Obligations under their respective Issuing Instruments, including any right in such Issuing Instrument to accelerate amounts due under the applicable Secured Obligations. See “APPENDIX A – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – Collateral Agency Agreement.”

Covenants Regarding Incurrence of Additional Obligations

Under the Agreement. Pursuant to the Agreement, the City may incur additional Obligations, payments with respect to which will be senior to, or on parity with, the City’s obligation to make Commercial Paper Notes Subordinated Installment Payments, subject to satisfaction of the conditions specified in the Agreement. See “APPENDIX A – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – Master Installment Purchase Agreement – System Revenues – Additional Obligations.”

Under the Senior SRF Loans. In addition, in connection with execution of certain of the Senior SRF Loans, the City agreed that incurrence of additional Senior Obligations or Subordinated Obligations is subject to Net System Revenues during any 12-consecutive-month period within the 18 consecutive months ending immediately prior to the issuance of such additional debt being at least 1.1 times the SRF MADS (as defined herein) for existing debt and the proposed additional debt, as evidenced by a certificate of the City.

Under the WIFIA Loan Agreements. The WIFIA Loan Agreements provide that the City may incur additional Senior Obligations and additional Subordinated Obligations subject to the satisfaction of certain conditions, including, (i) with respect to additional Senior Obligations, provision of a certificate

showing that (1) the Net System Revenues as shown by the books of the City for any twelve (12)-consecutive-month period within the eighteen (18) consecutive months ending immediately prior to the incurring of such additional Senior Obligations shall have amounted to or exceeded the greater of (I) at least 1.20 times the Maximum Annual Debt Service on all Senior Obligations to be Outstanding immediately after the issuance of the proposed additional Senior Obligations or (II) at least 1.10 times the Maximum Annual Debt Service on all Obligations to be Outstanding immediately after the issuance of the proposed additional Senior Obligations, or (2) the estimated Net System Revenues for the five City Fiscal Years following the earlier of (I) the end of the period during which interest on those additional Senior Obligations is to be capitalized or, if no interest is to be capitalized, the City Fiscal Year in which the additional Senior Obligations are issued, or (II) the date on which substantially all new components to be financed with such additional Senior Obligations are expected to commence operations, will be at least equal to 1.20 times the Maximum Annual Debt Service for all Senior Obligations which will be Outstanding immediately after the issuance of the proposed additional Senior Obligations, and (ii) with respect to additional Subordinated Obligations, provision of a certificate showing (a) the Net System Revenues as shown by the books of the City for any twelve (12)-consecutive-month period within the eighteen (18) consecutive months ending immediately prior to the incurring of such additional Subordinated Obligations shall have amounted to at least 1.10 times the Maximum Annual Debt Service on all Obligations to be Outstanding immediately after the issuance of the proposed additional Subordinated Obligations; or (b) the estimated Net System Revenues for the five City Fiscal Years following the earlier of (I) the end of the period during which interest on those additional Subordinated Obligations is to be capitalized or, if no interest is to be capitalized, the City Fiscal Year in which the additional Subordinated Obligations are issued; or (II) the date on which substantially all new facilities financed with such additional Subordinated Obligations are expected to commence operations, will be at least equal to 1.10 times the Maximum Annual Debt Service on all Obligations to be Outstanding immediately after the issuance of the proposed additional Subordinated Obligations.

Rate Covenant

Under the Agreement. The City has covenanted in the Agreement to fix, prescribe, and collect rates and charges for the Water Service that will be at least sufficient to yield the greater of (i) Net System Revenues sufficient to pay during each Fiscal Year all Obligations (including loan payments due on SRF loans, the 2020 Senior Installment Payments, the 2016 Subordinated Installment Payments, the 2018 Subordinated Installment Payments and the WIFIA Debt Services on the WIFIA Loans) payable in such Fiscal Year or (ii) Adjusted Net System Revenues during each Fiscal Year equal to 120% of the Adjusted Debt Service (which does not include debt service on Subordinated Obligations such as the Commercial Paper Notes Subordinated Installment Obligation) for such Fiscal Year. The City may make adjustments from time to time in such rates and charges and may make such classification thereof as it deems necessary, but the City will not reduce the rates and charges then in effect unless the Net System Revenues from such reduced rates and charges will at all times be sufficient to meet the requirements of the Agreement. The term “Adjusted Net System Revenues” is defined in the Agreement as, for any Fiscal Year, the Net System Revenues for such Fiscal Year, minus an amount equal to earnings from investments in any Reserve Fund securing Senior Obligations for such Fiscal Year. The term “Adjusted Debt Service” is defined in the Agreement as, for any Fiscal Year, Debt Service on Senior Obligations for such Fiscal Year, minus an amount equal to earnings from investments in any Reserve Fund for Senior Obligations for such Fiscal Year. Net System Revenues (and, therefore, Adjusted Net System Revenues) may be increased or reduced by transfers in to or out of the Rate Stabilization Fund or the Secondary Purchase Fund.

Under the Senior SRF Loans and the WIFIA Loan Agreements. Pursuant to certain of the Senior SRF Loans, the City covenanted to ensure that net revenues are equal to at least 1.1 times maximum annual debt service in each Fiscal Year. For purposes of the affected Senior SRF Loans,

“maximum annual debt service” means the maximum amount of debt service due on Water System obligations in any Fiscal Year during the period commencing with the Fiscal Year for which such calculation is made and terminating with the last Fiscal Year in which debt service for any Water System obligations will become due (the “SRF MADS”).

Pursuant to the WIFIA Loan Agreements, the City covenanted, to the extent permitted by law, to fix, prescribe and collect rates, fees and charges for the Water System during each Fiscal Year which will be at least sufficient to yield, during each Fiscal Year, Net System Revenues equal to (A) at least one hundred ten percent (110%) of the Debt Service with respect to all Outstanding Obligations for such Fiscal Year and (B) at least one hundred twenty percent (120%) of the Debt Service with respect to all Outstanding Senior Obligations for such Borrower Fiscal Year.

The covenants in the agreements for the Senior SRF Loans and the WIFIA Loan Agreements are not made for the benefit of the Holders of the Commercial Paper Notes and Holders of the Commercial Paper Notes do not have a right to enforce such covenants.

The Collateral Agency Agreement

Pursuant to the Collateral Agency Agreement, the Collateral Agent shall serve as agent of the Trustee and the Owners of Secured Obligations for purposes of receiving payments of Net System Revenues from the City and making payments on Obligations from Net System Revenues. See “SECURITY AND SOURCES OF PAYMENT FOR THE COMMERCIAL PAPER NOTES – Pledge of Net System Revenues; Payment of Installment Payments.” In addition, as provided in the Collateral Agency Agreement, the Collateral Agent shall have the right to exercise all of the rights and remedies described in the Collateral Agency Agreement, on behalf of and for the benefit of Owners of Secured Obligations and any trustee on their behalf, including the Trustee, under the First Amendment, the Indenture and any other Issuing Instrument. Under the Agreement and the Collateral Agency Agreement, the Collateral Agent (rather than the Corporation) shall have all rights, pursuant to the Agreement, the Collateral Agency Agreement or any other Issuing Instrument, (a) as a grantee of a pledge of Net System Revenues, (b) to accelerate or otherwise declare any Obligations immediately due and payable, (c) to exercise any remedies by or on behalf of the Owners of any Obligations or otherwise with respect to the Net System Revenues following an event of default under the Agreement, or (d) to receive and/or apply any Net System Revenues to the payment of any Obligations following an event of default under the Agreement. See “APPENDIX A – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – Collateral Agency Agreement.”

Payment of Bonds Under the Indenture

Senior Bonds. Pursuant to the Indenture, on or before each February 1 and August 1, each date on which Commercial Paper Notes are due and payable, and such other date as provided for in a Supplemental Indenture (each an “Interest Payment Date”), the Trustee shall transfer from the Senior Bonds Payment Fund and deposit in the Senior Bonds Interest Account that amount of money that, together with any money contained in the Senior Bonds Interest Account, equals the aggregate amount of interest becoming due and payable on all Outstanding Senior Bonds on such Interest Payment Date. No deposit need be made in the Senior Bonds Interest Account if the amount contained in the Senior Bonds Interest Account equals at least the aggregate amount of interest becoming due and payable on all Outstanding Senior Bonds on such Interest Payment Date. All money in the Senior Bonds Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Senior Bonds as it shall become due and payable (including accrued interest on any Senior Bonds redeemed prior to maturity).

On or before each Principal Payment Date, the Trustee shall transfer from the Senior Bonds Payment Fund and deposit in the Senior Bonds Principal Account that amount of money that, together with any money contained in the Senior Bonds Principal Account, equals the aggregate principal becoming due and payable on all Outstanding Senior Bonds. No deposit need be made in the Senior Bonds Principal Account if the amount contained therein is at least equal to the aggregate amount of principal become due and payable on Outstanding Senior Bonds. All money in the Senior Bonds Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Senior Bonds as it shall become due and payable. Within the Senior Bonds Payment Fund, there is established a special account designated the "Senior Bonds Redemption Account." All money in the Senior Bonds Redemption Account shall be held in trust by the Trustee and shall be applied, used, and withdrawn to redeem Senior Bonds.

Any delinquent Installment Payments pledged to the Senior Bonds shall be applied first to the Senior Bonds Interest Account for the immediate payment of interest payments past due and to the Senior Bonds Principal Account for immediate payment of principal payments past due on any Senior Bond. Any remaining money representing delinquent Installment Payments pledged to Senior Bonds shall be deposited in the Senior Bonds Payment Fund to be applied in the manner provided therein. See "APPENDIX A – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS."

Subordinated Bonds. Pursuant to the Indenture, except to the extent that payment is made of interest on the Commercial Paper Notes from the proceeds of Commercial Paper Notes or the proceeds of a Draw under the related Subordinated Credit Support Instrument, on or before each Interest Payment Date, the Trustee shall transfer from the Subordinated Bonds Payment Fund and deposit in the Subordinated Bonds Interest Account that amount of money that, together with any money contained in the Subordinated Bonds Interest Account, equals the aggregate amount of interest becoming due and payable on all Outstanding Subordinated Bonds on such Interest Payment Date. No deposit need be made in the Subordinated Bonds Interest Account if the amount contained in the Subordinated Bonds Interest Account equals at least the aggregate amount of interest becoming due and payable on all Outstanding Subordinated Bonds on such Interest Payment Date; provided that the Authority may direct the Trustee to maintain amounts in the Subordinated Bonds Interest Account following payment of all amounts required to be paid under the Indenture to be used for payments on Commercial Paper Notes on future Interest Payment Dates, and in such instance, such additional amount shall not be included as amounts available to pay interest becoming due and payable on Outstanding Subordinated Bonds. All money in the Subordinated Bonds Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Subordinated Bonds as it shall become due and payable (including accrued interest on any Subordinated Bonds redeemed prior to maturity).

Except to the extent that payment is made of the principal of the Commercial Paper Notes from the proceeds of Commercial Paper Notes or the proceeds of a Draw under the related Subordinated Credit Support Instrument, on or before each "Principal Payment Date" (being each August 1, each date on which Commercial Paper Notes are due and payable, and such other date as provided for in a Supplemental Indenture), the Trustee shall transfer from the Subordinated Bonds Payment Fund and deposit in the Subordinated Bonds Principal Account that amount of money that, together with any money contained in the Subordinated Bonds Principal Account, equals the aggregate principal becoming due and payable on all Outstanding Subordinated Bonds. No deposit need be made in the Subordinated Bonds Principal Account if the amount contained therein is at least equal to the aggregate amount of principal become due and payable on Outstanding Subordinated Bonds. All money in the Subordinated Bonds Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Subordinated Bonds as it shall become due and payable.

In addition to the above accounts, the Trustee shall establish and maintain within the Subordinated Bonds Payment Fund a special account designated the “Subordinated Bonds Redemption Account.” All money in the Subordinated Bonds Redemption Account shall be held in trust by the Trustee and shall be applied, used, and withdrawn to redeem Subordinated Bonds.

Any delinquent Installment Payments pledged to the Subordinated Bonds shall be applied first to the Subordinated Bonds Interest Account for the immediate payment of interest payments past due and to the Subordinated Bonds Principal Account for immediate payment of principal payments past due on any Subordinated Bond. Any remaining money representing delinquent Subordinated Installment Payments pledged to Subordinated Bonds shall be deposited in the Subordinated Bonds Payment Fund to be applied in the manner provided therein.

On or before each date any Commercial Paper Note matures, the Trustee shall transfer from the Subordinated Bonds Payment Fund to the Issuing and Paying Agent for deposit in the applicable Reimbursement Account that amount of money that equals the aggregate amount of interest or principal becoming due and payable on the Commercial Paper Notes to the extent that payment of such interest on or principal of the Commercial Paper Notes is not made from the proceeds of Commercial Paper Notes but is made from the proceeds of a Draw under the related Subordinated Credit Support Instrument. On or before each date any related Subordinated Credit Provider Reimbursement Obligations become due and payable, the Trustee shall transfer from the Subordinated Bonds Payment Fund and deposit in the applicable Reimbursement Account that amount of money that, together with any amounts transferred pursuant to the preceding sentence, equals the amount of any such Subordinated Credit Provider Reimbursement Obligations when due. See “APPENDIX A – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – Indenture.”

Issuance of Additional Bonds Under the Indenture

Pursuant to the Indenture, the Trustee may, upon Written Request of the Authority, by a supplement to the Indenture, establish one or more other series of bonds, which may include Additional Senior Bonds and Additional Subordinated Bonds (collectively, the “Additional Bonds”). The term “Additional Senior Bonds” means those Bonds authorized and issued pursuant to the Indenture and payable on parity with the 2020A Senior Bonds and the 2020B Senior Bonds and any other Bonds having a first priority lien on Net System Revenues. The term “Additional Subordinated Bonds” means those Bonds authorized and issued pursuant to the Indenture on parity with the 2016A Subordinated Bonds, the 2016B Subordinated Bonds, the 2018A Subordinated Bonds, and the Commercial Paper Notes. See “APPENDIX A – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – Indenture – Execution and Delivery of Additional Bonds.”

Nothing in the Indenture limits in any way the power and authority of the Authority to incur other obligations payable from other lawful sources.

THE LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT

The following are summaries of certain provisions of the Letter of Credit and the Reimbursement Agreement. The following summaries do not purport to be full and complete statements of the provisions of the Letter of Credit or the Reimbursement Agreement, which documents should be read in full for a complete understanding of all the terms and provisions thereof. Copies of the Letter of Credit and the Reimbursement Agreement (in their current form) may be obtained from the Corporation, the City or the Authority. Except as otherwise defined herein, capitalized terms used under this heading “THE LETTER OF CREDIT,” without definition have the respective meanings set forth in the Letter of Credit and the Reimbursement Agreement. See “THE BANK.”

The Letter of Credit

The following is a summary of certain provisions of the Letter of Credit to be issued by the Bank. This summary is not to be considered a full statement of the terms of the Letter of Credit and accordingly is qualified by reference thereto and is subject to the full text thereof. Except as otherwise defined herein, capitalized terms used in this Offering Memorandum without definition have the respective meanings set forth in the Letter of Credit.

At the request and for the account of the City, the Bank will issue the Letter of Credit in favor of the Issuing and Paying Agent. The initial stated amount of the Letter of Credit will be \$259,041,096, which may be drawn upon from time to time solely in respect of payment of the principal of and interest on the Series A Commercial Paper Notes at maturity or upon acceleration (or face amount at maturity or accreted value upon acceleration of discount Series A Commercial Paper Notes). The Letter of Credit will have stated expiration date of January 31, 2025 (such date as it may be extended by the Bank, the “Stated Expiration Date”).

The Stated Amount of the Letter of Credit in effect from time to time shall be subject to reductions and reinstatements as set forth in the Letter of Credit. The Issuing and Paying Agent will draw moneys under the Letter of Credit to the extent necessary to pay principal of and interest on the Series A Commercial Paper Notes (or face amount or accreted value of discount Series A Commercial Paper Notes) (each, a “Drawing”). Drawings by the Issuing and Paying Agent under the Letter of Credit will reduce the amounts available for subsequent drawings under the Letter of Credit, subject to reinstatement as provided in the Letter of Credit. Upon the honoring of the drawing in connection with the acceleration of the Series A Commercial Paper Notes (the “Acceleration Drawing”), the stated amount shall be permanently reduced to zero and the Stated Amount shall no longer be reinstated. All drawings under the Letter of Credit will be paid with the Bank’s own immediately available funds and will not be paid directly or indirectly from funds of any other person. The Bank will seek reimbursement for payments made pursuant to drawings under the Letter of Credit only after such payments have been made.

The City and the Authority may elect to reduce the stated amount of the Letter of Credit from time to time prior to the Stated Expiration Date to an amount not less than the sum of the outstanding principal amount of Series A Commercial Paper Notes plus interest accrued and to accrue thereon to the maturity date thereof.

The Letter of Credit shall expire at 5:00 p.m., Scranton, Pennsylvania time on the date (the earliest of such date to occur referred to herein as the “Letter of Credit Termination Date”) which is the earliest of (i) the Stated Expiration Date; provided, however, that if such date is not a Business Day, the Stated Expiration Date shall be the next preceding Business Day; (ii) later of the date on which the Bank receives a specified written notice from the Issuing and Paying Agent that an Alternate Subordinated Credit Support Instrument has been substituted for the Letter of Credit in accordance with the Issuing and Paying Agency Agreement or the effective date of any such Alternate Subordinated Credit Support Instrument (after the Bank honors any properly presented and conforming drawing, if any, on such date), (iii) the date on which the Bank receives a specified written notice from the Issuing and Paying Agent that there are no longer any Series A Commercial Paper Notes Outstanding within the meaning of the Indenture and that the Issuing and Paying Agent elects to terminate the Letter of Credit, (iv) the earlier of (a) the 15th calendar day (or if such date is not a Business Day, the immediately succeeding Business Day) after the date on which the Issuing and Paying Agent receives the final drawing notice (the “Final Drawing Notice”) issued by the Bank following the occurrence of an event of default under the reimbursement agreement between the Bank and the City (the “Reimbursement Agreement”) (or if the Issuing and Paying Agent receives the Final Drawing Notice after 10:00 a.m. Scranton, Pennsylvania time on a Business Day, the 15th calendar day (or if such date is not a Business Day, the immediately

succeeding Business Day) after the day after the Issuing and Paying Agent's receipt of the Final Drawing Notice) and (b) the date on which the Final Drawing is honored under the Letter of Credit, or (v) the date on which the Acceleration Drawing is honored under the Letter of Credit.

Except as expressly stated therein, the Letter of Credit shall be governed by, and construed in accordance with, the terms of the International Standby Practices 1998, International Chamber of Commerce Publication No. 590 (the "ISP98"). As to matters not governed by the ISP98, the Letter of Credit shall be governed by and construed in accordance with Article 5 of the Uniform Commercial Code of the State of New York, without regard to conflict of laws.

The Reimbursement Agreement

The following is a summary of certain provisions of the Reimbursement Agreement to be entered into by and between the City and the Bank. This summary is not to be considered a full statement of the terms of the Reimbursement Agreement and accordingly is qualified by reference thereto and is subject to the full text thereof. Except as otherwise defined herein, capitalized terms used in this Offering Memorandum without definition have the respective meanings set forth in the Reimbursement Agreement.

General. The City and the Bank will enter into the Reimbursement Agreement, pursuant to which the Letter of Credit will be issued. Among other things, the Reimbursement Agreement will provide for (a) the repayment to the Bank of all draws made under the Letter of Credit, together with specified interest thereon; (b) the payment or reimbursement to the Bank of certain specified fees, costs and expenses; (c) representations and warranties to be made to the Bank by the City, the Authority and the Corporation; (d) affirmative and negative covenants to be observed on the part of the City (which, in some instances, extend to the Authority and the Corporation); (e) events of default and remedies; and (f) certain indemnification obligations on the part of the City.

Defined Terms. For purposes of the summary of the Letter of Credit and the Reimbursement Agreement in this Section, the following terms shall have the following meanings:

"Bank Loan" means, with respect to a Drawing under the Letter of Credit, the Unreimbursed Amount with respect to such Drawing that is automatically converted to a loan at 4:00 p.m. San Diego time on the 180th day succeeding the date such Drawing was made (the "Liquidity Period End Date"), which automatic conversion shall occur if (a) representations and warranties of the City contained in the Reimbursement Agreement and in any other City Document, of the Authority contained in the Authority letter of representations and of the Corporation contained in the Corporation letter of representations (i) which are not qualified by materiality (including, without limitation, "material adverse change" and "material adverse effect") shall be true and correct in all material respects to and (ii) which are qualified by materiality (including, without limitation, "material adverse change" and "material adverse effect") shall be true and correct in all respects, in each case to the same extent as though made on and as of the Liquidity Period End Date, except to the extent that such representations and warranties specifically relate to an earlier date and to the extent that any such representation or warranty specifically relates to an earlier date, such representation or warranty shall be true and correct as of such date; and (b) no Event of Default (as defined below) shall have occurred and be continuing and no Event of Default will result from the making of the Bank Loan.

"Bank Note" means the promissory note made by the City in favor of the Bank to evidence the City's obligation to pay all Unreimbursed Amounts and Bank Loans under the Reimbursement Agreement resulting from drawings under the Letter of Credit.

“City Document” means (a) the Agreement, (b) the Reimbursement Agreement, (c) the Fee Agreement, and (d) the Bank Note, each as amended from time to time in accordance with their respective terms.

“Commercial Paper Documents” means (a) those provisions of the Indenture relating to the pledge of revenues and payment fund, covenants, events of default, remedies, amendments and supplemental indentures and the terms of the Commercial Paper Notes, (b) the Agreement, (c) the Assignment Agreement, (d) the Issuing and Paying Agency Agreement, (e) the Dealer Agreements, (f) the Commercial Paper Notes, (g) the Reimbursement Agreement, (h) the Fee Agreement and (i) the Bank Note, each as amended from time to time in accordance with their respective terms.

“Fee Agreement” means the agreement entered into by the City and the Bank addressing fees and expenses in connection with the Letter of Credit and the Reimbursement Agreement.

“Governmental Authority” means any federal, state or local government (whether domestic or foreign), any political subdivision thereof or any other governmental, quasi-governmental, judicial, administrative, public or statutory instrumentality, authority, body, agency, commission, bureau or other entity exercising executive, legislative, judicial, taxing, regulatory, fiscal, monetary or administrative powers or functions of or pertaining to government (including any zoning authority, the Federal Deposit Insurance Corporation or the Federal Reserve Board, any central bank or any comparable authority), or any arbitrator with authority to bind a party at law.

“Payment Obligation” means any and all obligations of the City to pay or reimburse the Bank contained in or evidenced by any City Document, including, without limitation, obligations to reimburse the Bank for all Drawings under the Letter of Credit, all obligations to repay the Bank for any Unreimbursed Amount and any Bank Loan, including all interest accrued thereon, all amounts owing under the Bank Note, the fees relating to the Letter of Credit and all other obligations of the City to the Bank arising under, or in relation to, or evidenced by, the Reimbursement Agreement, the Fee Agreement and the Bank Note.

“Permitted Parity Obligation” means Obligations of the City payable from or secured by a lien on Net System Revenues that is on parity in right of payment to Parity Obligations permitted to be issued or created pursuant to Section 5.03(c) of the Agreement.

“Permitted Subordinated Obligation” means Obligations of the City payable from or secured by a lien on Net System Revenues that is subordinated in right of payment to Parity Obligations permitted to be issued or created pursuant to Section 5.03(f) of the Agreement.

“Rating Agency” means Fitch Ratings, Inc. or Moody’s Investors Service, Inc. (and their respective successors and assigns, or if they shall be dissolved or liquidated or cease to perform the functions of a securities rating agency, any other nationally recognized securities rating agency selected by the City).

“Subordinated Obligation Rating” shall mean the long-term unenhanced, unsecured debt ratings assigned by the Rating Agencies to any Subordinated Obligations.

“Unreimbursed Amounts” means the amount of each Drawing on the Letter of Credit for which the Bank has not been reimbursed by or on behalf of the City, but not including the outstanding balance of all Bank Loans owing to the Bank.

Events of Default. The occurrence of any of the following events shall be an “Event of Default” under the Reimbursement Agreement:

(a) The City shall fail to pay to the Bank when due (whether upon demand or otherwise) (i) the principal of, or interest on, any Unreimbursed Amount or Bank Loan or (ii) any other Payment Obligation and such default shall remain unremedied for five (5) business days; or

(b)(i) The City fails to perform or observe certain specified covenants set forth in the Reimbursement Agreement; or (ii) the City fails to perform or observe any other term, covenant or agreement contained in the Reimbursement Agreement (other than those referred to in (a) and (b)(i) above) or any other City Document and such failure shall not have been cured within thirty (30) days after the earlier to occur of (x) the date of delivery of written notice of such failure to the City by the Bank, and (y) the date on which the City has actual knowledge of such failure; or

(c) The City shall (i) apply for or consent to the appointment of, or the taking of possession by, a receiver, custodian, trustee or liquidator of the City or of all or a substantial part of its property, (ii) admit in writing its inability, or be generally unable, to pay its debts as such debts become due, (iii) make a general assignment for the benefit of its creditors, (iv) commence a voluntary case under the Federal Bankruptcy Code (as now or hereafter in effect), (v) file a petition seeking to take advantage of any other law relating to bankruptcy, insolvency, reorganization, winding up or composition or adjustment of debts, (vi) fail to controvert in a timely or appropriate manner, or acquiesce, any petition filed against the City in any involuntary case under said Federal Bankruptcy Code, or (viii) take any action for the purpose of effecting any of the foregoing; or

(d) A proceeding or case shall be commenced, without the application or consent of the City, in any court of competent jurisdiction, seeking (i) the liquidation, reorganization, dissolution, winding up or composition or readjustment of debts of the City, (ii) the appointment of a trustee, receiver, custodian, liquidator or the like, of the City, or of all or any substantial part of the City’s assets, or (iii) similar relief in respect of the City under any law relating to bankruptcy, insolvency, reorganization, winding up or composition, moratorium, repudiation or adjustment of debts, and such proceeding or case shall continue undismissed, or an order, judgment or decree approving or ordering any of the foregoing shall be entered and continue unstayed and in effect, for a period of sixty (60) days from commencement of such proceeding or case, or an order for relief against the City shall be entered in an involuntary case under said Federal Bankruptcy Code; or

(e) A debt moratorium, debt restructuring, debt adjustment or comparable extraordinary restriction is imposed by any Governmental Authority (including the City) on the repayment when due and payable of the principal of or interest on any indebtedness of the City payable from, and secured by, Net System Revenues or any portion thereof; or

(f) Any representation or warranty (i) made by the City in the Reimbursement Agreement or in any other City Document or in any certificate or statement delivered under the Reimbursement Agreement or under any other City Document that is not qualified by the concept of “materiality” shall be incorrect or untrue in any material respect when made or deemed to have been made or delivered or (ii) made by the City in the Reimbursement Agreement or in any other City Document or in any certificate or statement delivered under the Reimbursement Agreement or under any other City Document that is qualified by the concept of “materiality” shall be incorrect or untrue in any respect when made or deemed to have been made or delivered; or

(g) The independent certified public accountants retained by the City shall fail or refuse to deliver an opinion, unqualified in scope (other than an opinion qualified as a result of a change in

application of generally accepted accounting principles, such change being one with which such accountants concur) with respect to the financial statements of the City; or

(h) (i) Any material provision of the Reimbursement Agreement or any other Commercial Paper Document (other than the Letter of Credit) (1) shall at any time for any reason cease to be valid and binding on the City, the Authority or the Corporation (with respect to those Commercial Paper Documents to which the City, the Authority or the Corporation, as the case may be, is a party), or (2) shall be declared to be null and void, or (ii) the validity or enforceability thereof shall be contested by the City, the Authority or the Corporation (with respect to those Commercial Paper Documents to which the City, the Authority or the Corporation, as the case may be, is a party), or (iii) the City, the Authority or the Corporation (with respect to those Commercial Paper Documents to which the City, the Authority or the Corporation, as the case may be, is a party) shall deny that it has any or further liability or obligation under the Reimbursement Agreement or any of the other Commercial Paper Documents to which it is a party; or

(i) (i) One or more final, non-appealable judgments against the City for the payment of money from System Revenues not covered by insurance (excluding any insured judgment if the insurer has disputed coverage thereof in writing), the operation and result of which, individually or in the aggregate, equal or exceed \$15,000,000 shall remain unpaid as and when due (i.e., if such judgment allows for payment over time), unstayed, undischarged, unbonded or undismissed for a period of forty-five (45) days; or (ii) any of the System Revenues shall become subject to any stay, writ, judgment, warrant of attachment, execution or similar process by any of the creditors of the City and such stay, writ, judgment, warrant of attachment, execution or similar process shall not be released, vacated or stayed within sixty (60) calendar days after its issue or levy; or

(j) The occurrence of an “event of default” or an event which, with the passage of time or the giving of notice, or both, would be an “event of default” under the Agreement, if the result is to permit or cause any of the obligations thereunder to become immediately due and payable; or

(k) The City fails to make any payment with respect to any Parity Obligation, any Permitted Parity Obligations, any Subordinated Obligations or any Subordinated Credit Provider Reimbursement Obligations when due or any other event or condition shall occur which would permit or cause any such Parity Obligations, Permitted Parity Obligations, Subordinated Obligations or Subordinated Credit Provider Reimbursement Obligations to become immediately due and payable; or

(l) Any of the Subordinated Obligation Ratings by the Rating Agencies then rating the Subordinated Obligations shall be withdrawn or suspended for credit related reasons or shall be reduced below “Baa3” (or its equivalent) by Moody’s or “BBB-” (or its equivalent) by Fitch.

Remedies of the Bank upon an Event of Default. Upon the occurrence and continuance of an Event of Default, the Bank may, in its sole discretion, but shall not be obligated to:

(a) Declare the unpaid principal amount of all outstanding Bank Loans and all Unreimbursed Amounts, all interest accrued and unpaid thereon, and all other amounts owing or payable under the Reimbursement Agreement or under the Fee Agreement or the Bank Note to be immediately due and payable, without presentment, demand, protest or other notice of any kind, all of which are expressly waived by the City in the Reimbursement Agreement; provided, however, that such acceleration shall occur immediately without any action upon the occurrence of an Event of Default described in paragraph (c) or (d) above; or

(b) Terminate or suspend the authority of the City and the Issuing and Paying Agent to issue any further Series A Commercial Paper Notes and reduce the stated amount of the Letter of Credit to an amount equal to the principal amount of Series A Commercial Paper Notes then outstanding supported by the Letter of Credit, plus interest payable thereon at maturity of the Series A Commercial Paper Notes, by delivering to the Issuing and Paying Agent a notice of no issuance; or

(c) Issue a final drawing notice (the effect of which shall be to cause the Letter of Credit Termination Date of the Letter of Credit to occur on the 15th day after the effective date of such final drawing notice); or

(d) Enforce the rights and obligations of the City under the Commercial Paper Documents as if the Bank were a party thereto; or

(e) Exercise any other remedies available at law or in equity.

Upon the exercise by the Bank of any remedy described in clauses (a), (b) or (c) above, the stated amount of the Letter of Credit shall be immediately and permanently reduced by an amount equal to the amount of each subsequent Drawing. Upon the occurrence and during the continuance of an Event of Default all Payment Obligations shall bear interest at a default rate of interest described in the Reimbursement Agreement.

THE BANK

The investment decision to purchase the Series A Commercial Paper Notes should be made solely on the basis of the creditworthiness of the Bank rather than the City. Prospective investors should not rely on any source other than proceeds of drawings under the Letter of Credit to pay such principal of and interest on the Series A Commercial Paper Notes.

The following information relates to and has been furnished by the Bank for inclusion herein. None of the City, the Authority, the Corporation, or any other party has independently verified or assumes any responsibility for such information. The City, the Authority, the Corporation and the Dealers cannot and do not make any representation as to the accuracy or completeness of such information or the absence of material changes in such information subsequent to the date hereof. The delivery of this Offering Memorandum shall not create any implication that there has been no change in the affairs of the Bank since the date hereof or that the information contained or referred to in this section is correct as of any time subsequent to the date hereof. The City, the Authority, the Corporation and the Dealers do not undertake any responsibility to update the information under "THE BANK."

Bank of America, N.A. (as previously defined herein, the "Bank") is a national banking association organized under the laws of the United States, with its principal executive offices located in Charlotte, North Carolina. The Bank is a wholly-owned indirect subsidiary of Bank of America Corporation (the "BofA Corporation") and is engaged in a general consumer banking, commercial banking and trust business, offering a wide range of commercial, corporate, international, financial market, retail and fiduciary banking services. As of June 30, 2021, the Bank had consolidated assets of \$2.350 trillion, consolidated deposits of \$1.986 trillion and stockholder's equity of \$225.296 billion based on regulatory accounting principles.

The BofA Corporation is a bank holding company and a financial holding company, with its principal executive offices located in Charlotte, North Carolina. Additional information regarding the BofA Corporation is set forth in its Annual Report on Form 10-K for the fiscal year ended December 31,

2020, together with its subsequent periodic and current reports filed with the Securities and Exchange Commission (the “SEC”).

The SEC maintains a website at www.sec.gov which contains the filings that the BofA Corporation files with the SEC such as reports, proxy statements and other documentation. The reports, proxy statements and other information the BofA Corporation files with the SEC are also available at its website, www.bankofamerica.com.

The information concerning the BofA Corporation and the Bank is furnished solely to provide limited introductory information and does not purport to be comprehensive. Such information is qualified in its entirety by the detailed information appearing in the referenced documents and financial statements referenced therein.

The Bank will provide copies of the most recent Bank of America Corporation Annual Report on Form 10-K, any subsequent reports on Form 10-Q, and any required reports on Form 8-K (in each case, as filed with the SEC pursuant to the Securities Exchange Act of 1934, as amended), and the publicly available portions of the most recent quarterly Call Report of the Bank delivered to the Comptroller of the Currency, without charge, to each person to whom this document is delivered, on the written request of such person. Written requests should be directed to:

Bank of America Corporation
Office of the Corporate Secretary/Shareholder Relations
One Bank of America Center
1BAC 28th floor NC1-028-28-03
Charlotte, NC 28255

PAYMENTS OF PRINCIPAL AND INTEREST ON THE SERIES A COMMERCIAL PAPER NOTES WILL BE MADE FROM DRAWINGS UNDER THE LETTER OF CREDIT. ALTHOUGH THE LETTER OF CREDIT IS A BINDING OBLIGATION OF THE BANK, THE SERIES A COMMERCIAL PAPER NOTES ARE NOT DEPOSITS OR OBLIGATIONS OF BOFA CORPORATION OR ANY OF ITS AFFILIATED BANKS AND ARE NOT GUARANTEED BY ANY OF THESE ENTITIES. THE SERIES A COMMERCIAL PAPER NOTES ARE NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION OR ANY OTHER GOVERNMENTAL AGENCY AND ARE SUBJECT TO CERTAIN INVESTMENT RISKS, INCLUDING POSSIBLE LOSS OF THE PRINCIPAL AMOUNT INVESTED.

The delivery of this information shall not create any implication that there has been no change in the affairs of the BofA Corporation or the Bank since the date of the most recent filings referenced herein, or that the information contained or referred to in this Section is correct as of any time subsequent to the referenced date.

CERTAIN RISK FACTORS

The following risk factors should be considered by potential investors, along with all other information in this Offering Memorandum, in evaluating the risks inherent in the purchase of the Commercial Paper Notes. The following discussion is not meant to be a comprehensive or definitive list of the risks associated with an investment in the Commercial Paper Notes. The order in which this information is presented does not necessarily reflect the relative importance of the various issues. Any one or more of the risk factors discussed below, among others, could lead to a decrease in the market value and/or in the liquidity of the Commercial Paper Notes or failure by the City to pay Commercial

Paper Note Subordinated Installment Payments. There can be no assurance that other risk factors not discussed herein will not become material in the future.

Bank's Obligations Unsecured

The ability of the Bank to honor draws upon the Letter of Credit is based solely upon the Bank's general credit and is not collateralized or otherwise guaranteed by the United States of America or any agency or instrumentality thereof. No provision has been made for replacement of or substitution for the Letter of Credit in the event of any deterioration in the financial condition of the Bank. Neither the Authority nor the Bank assume any liability to any purchaser of the Series A Commercial Paper Notes as a result of any deterioration of the financial condition of the Bank. Upon any insolvency of the Bank, any claim by the Trustee against the Bank would be subject to bank receivership proceedings. Further, the market price of the Series A Commercial Paper Notes may be adversely affected by the financial condition of the Bank. See "RATINGS" herein.

General Factors Affecting the Bank

The Bank is subject to regulation and supervision by various regulatory bodies. New regulations could impose restrictions upon the Bank which would restrict its ability to respond to competitive pressures. Various legislative or regulatory changes could dramatically impact the banking industry as a whole and the Bank specifically. The banking industry is highly competitive in many of the markets in which the Bank operates. Such competition directly impacts the financial performance of the Bank. Any significant increase in such competition could adversely impact the Bank.

Prospective purchasers of the Commercial Paper Notes should evaluate the financial strength of the Bank based upon the information contained and referred to herein under the caption "THE BANK" and other information available upon request from the Bank and should not rely upon any governmental supervision by any regulatory entity.

Limited Obligations of the City

The investment decision to purchase the Series A Commercial Paper Notes should be made solely on the basis of the creditworthiness of the Bank rather than the City. Prospective investors should not rely on any source other than proceeds of drawings under the Letter of Credit to pay such principal of and interest on the Series A Commercial Paper Notes. The ratings assigned to the Series A Commercial Paper Notes are based on the creditworthiness of the Bank. See "RATINGS" herein.

The obligation of the City to pay the Commercial Paper Notes Subordinated Installment Payments securing the Commercial Paper Notes and any related Subordinated Credit Provider Reimbursement Obligations is a limited obligation of the City and is not secured by a legal or equitable pledge or charge or lien upon any property of the City or any of its income or receipts, except the Net System Revenues payable on a basis that is subordinate to the right of payment by the City of its Outstanding Senior Obligations under the Agreement. The obligation of the City to make the Commercial Paper Notes Subordinated Installment Payments does not constitute an obligation of the City to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation. The City is obligated under the 2017 Commercial Paper Supplement to make the Commercial Paper Notes Subordinated Installment Payments payable solely from Net System Revenues on a basis that is subordinate to the right of payment by the City of its Outstanding Senior Obligations under the Agreement.

No assurance can be made that Net System Revenues, estimated or otherwise, will be realized by the City in amounts sufficient to pay the Commercial Paper Notes Subordinated Installment Payments. 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 System Revenues realized by the City. In addition, the realization of future Net System Revenues is subject to, among other things, the capabilities of management of the City, the ability of the City to provide water to its customers, and the ability of the City to meet its covenant to fix, prescribe, and collect rates and charges for the Water Service in amounts sufficient to timely pay the Commercial Paper Notes Subordinated Installment Payments, which could in turn adversely impact the Authority's ability to make payments of the principal of or interest on the Commercial Paper Notes. The City has covenanted in the Agreement to fix, prescribe, and collect rates and charges for the Water Service which will be at least sufficient to yield the greater of (a) Net System Revenues (as defined herein) sufficient to pay during each Fiscal Year all Obligations payable in such Fiscal Year, or (b) Adjusted Net System Revenues during each Fiscal Year equal to 120% of the Adjusted Debt Service for such Fiscal Year. Adjusted Debt Service does not include debt service on Subordinated Obligations, such as the Commercial Paper Notes Subordinated Installment Payments.

Limited Obligation of the Authority

The Commercial Paper Notes are limited obligations of the Authority payable by the Authority solely from and secured by, draws made under the Letter of Credit, proceeds from the sale of Commercial Paper Notes and Subordinated Installment Payments under the Agreement. Funds for the payment of the principal of and the interest on the Commercial Paper Notes are derived from draws made under the Letter of Credit, to the extent the draws under the Letter of Credit are insufficient, from proceeds from the sale of Commercial Paper Notes and, to the extent the draws under the Letter of Credit and the proceeds of sale of Commercial Paper Notes are insufficient, from Subordinated Installment Payments under the Agreement. The Authority has no other source of revenues from which to pay debt service on the Commercial Paper Notes. The Authority has no taxing power.

Subordinated Obligations

The Commercial Paper Notes are limited obligations of the Authority payable by the Authority solely from and secured by the Subordinated Installment Payments to be received by the Authority and from the amounts on deposit in certain funds held under the Indenture. The Commercial Paper Notes Subordinated Installment Payments are payable from Net System Revenues on a basis that is subordinate to the right of payment by the City of its Outstanding Senior Obligations under the Agreement. In the event of a default under the Indenture, the Holders of the Senior Obligations have, in certain circumstances, the right to accelerate the entire principal amount of the Senior Obligations. See "Acceleration; Limitations on Remedies" below. In such circumstances, Holders of the Commercial Paper Notes may not receive scheduled payments of principal of and interest on the Commercial Paper Notes until all holders of Senior Obligations have been paid in full. Further, as concerns the Rate Covenant under the Indenture, Adjusted Debt Service does not include debt service on Subordinated Obligations such as the Commercial Paper Notes Subordinated Installment Payments. See "SECURITY AND SOURCES OF PAYMENT FOR THE COMMERCIAL PAPER NOTES."

Acceleration; Limitation on Remedies

The Indenture provides that, upon and during the continuance of an Event of Default thereunder, the Trustee may, subject to certain conditions, declare the principal of all Bonds then Outstanding and the interest accrued thereon to be due and payable immediately. As provided in the Indenture, so long as any Senior Bonds remain outstanding, no Holders of Subordinated Bonds shall have the right to declare an

Event of Default, to declare any Bonds immediately due and payable, to direct the Trustee with respect to any Event of Default or to waive any Event of Default.

Also, any remedies available to the Holders of the Commercial Paper Notes upon the occurrence of an Event of Default under the Indenture are in many respects dependent upon judicial actions, which are often subject to discretion and delay and could prove both expensive and time consuming to obtain. Further, enforceability of the rights and remedies of the Holders of the Commercial Paper Notes, and the obligations incurred by the City, may become subject to the federal bankruptcy code and applicable bankruptcy, insolvency, receivership, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditor's rights generally, now or hereafter in effect, equity principles that may limit the specific enforcement under State law of certain remedies, the exercise by the United States of America of the powers delegated to it by the Constitution, the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose, and the limitations on remedies against counties in the State. Bankruptcy proceedings, or the exercise of powers by the federal or State government, if initiated, could subject the Holders of the Commercial Paper Notes to judicial discretion and interpretation of their rights in bankruptcy or otherwise and consequently may entail risks of delay, limitation, or modification of their rights. The opinion delivered by Bond Counsel that the Commercial Paper Notes constitute valid and binding limited obligations of the City and the Indenture constitutes a valid and binding obligation of the City was subject to such limitations and the various other legal opinions delivered concurrently therewith were similarly qualified. See APPENDIX B – “FORM OF APPROVING OPINION.”

If the City fails to comply with its covenants under the Agreement to pay the Commercial Paper Notes Subordinated Installment Payments, there can be no assurance of the availability of remedies adequate to protect the interests of the holders of Senior Bonds and, accordingly, the holders of the Subordinated Bonds.

NO CONTINUING DISCLOSURE

The offering and sale of the Commercial Paper Notes are exempt from the rules of the United States Securities and Exchange Commission relating to the disclosure of annual financial and operating information and certain listed events specified under Rule 15c-12 promulgated pursuant to the Securities Exchange Act of 1934. The City, the Authority, the Corporation and the Bank are not obligated to provide and do not expect to provide updates of annual financial and operating information and notices of certain listed events.

TAX MATTERS

Opinion of Bond Counsel

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the City and the Authority, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Commercial Paper Notes is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and (ii) interest on the Commercial Paper Notes is not treated as a preference item in calculating the alternative minimum tax under the Code. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the City, the Authority and others in connection with the Commercial Paper Notes, and Bond Counsel has assumed compliance by the City and the Authority with certain ongoing covenants to comply with

applicable requirements of the Code to assure the exclusion of interest on the Commercial Paper Notes from gross income under Section 103 of the Code.

In addition, in the opinion of Bond Counsel to the City and the Authority, under existing statutes, interest on the Commercial Paper Notes is exempt from State of California personal income tax.

Bond Counsel expresses no opinion as to any other federal, state or local tax consequences arising with respect to the Commercial Paper Notes, or the ownership or disposition thereof, except as stated above. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update, revise or supplement its opinion to reflect any action thereafter taken or not taken, any fact or circumstance that may thereafter come to its attention, any change in law or interpretation thereof that may thereafter occur, or for any other reason. Bond Counsel expresses no opinion as to the consequence of any of the events described in the preceding sentence or the likelihood of their occurrence. In addition, Bond Counsel expresses no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel regarding federal, state or local tax matters, including, without limitation, exclusion from gross income for federal income tax purposes of interest on the Commercial Paper Notes.

Certain Ongoing Federal Tax Requirements and Covenants

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Commercial Paper Notes in order that interest on the Commercial Paper Notes be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Commercial Paper Notes, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the federal government. Noncompliance with such requirements may cause interest on the Commercial Paper Notes to become included in gross income for federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The City and the Authority have covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the Commercial Paper Notes from gross income under Section 103 of the Code.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral federal income tax matters with respect to the Commercial Paper Notes. It does not purport to address all aspects of Federal taxation that may be relevant to a particular holder of a Commercial Paper Note. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of owning and disposing of the Commercial Paper Notes.

Prospective owners of the Commercial Paper Notes should be aware that the ownership of such obligations may result in collateral federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for federal income tax purposes. Interest on the Commercial Paper Notes may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Original Issue Discount

“Original issue discount” (“OID”) is the excess of the sum of all amounts payable at the stated maturity of a Commercial Paper Note (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity (a note with the same maturity date, interest rate, and credit terms) means the first price at which at least 10 percent of such maturity was sold to the public, i.e., a purchaser who is not, directly or indirectly, a signatory to a written contract to participate in the initial sale of the Commercial Paper Notes). In general, the “issue price” of a maturity means the first price at which a substantial amount of the Commercial Paper Notes of that maturity was sold (excluding sales to Commercial Paper Note houses, brokers, or similar persons acting in the capacity as underwriters, placement agents, or wholesalers). In general, the issue price for each maturity of Commercial Paper Notes is expected to be the initial public offering price set forth on the cover page of the Offering Memorandum. Commercial Paper Bond Counsel further is of the opinion that, for any Commercial Paper Notes having OID (a “Discount Commercial Paper Note”), OID that has accrued and is properly allocable to the owners of the Discount Commercial Paper Notes under Section 1288 of the Code is excludable from gross income for federal income tax purposes to the same extent as other interest on the Commercial Paper Notes.

In general, under Section 1288 of the Code, OID on a Tax-Exempt Discount Commercial Paper Note accrues under a constant yield method, based on periodic compounding of interest over prescribed accrual periods using a compounding rate determined by reference to the yield on that Discount Commercial Paper Note. An owner’s adjusted basis in a Discount Commercial Paper Note is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such Commercial Paper Note. Accrued OID may be taken into account as an increase in the amount of tax-exempt income received or deemed to have been received for purposes of determining various other tax consequences of owning a Discount Commercial Paper Note even though there will not be a corresponding cash payment.

Owners of Discount Commercial Paper Notes should consult their own tax advisors with respect to the treatment of original issue discount for federal income tax purposes, including various special rules relating thereto, and the state and local tax consequences of acquiring, holding, and disposing of Discount Commercial Paper Notes.

Information Reporting and Backup Withholding

Information reporting requirements apply to interest paid on tax-exempt obligations, including the Commercial Paper Notes. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, “Request for Taxpayer Identification Number and Certification,” or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to “backup withholding,” which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a “payor” generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Commercial Paper Note through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Commercial Paper Notes from gross income for federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner’s federal income tax once the required information is furnished to the Internal Revenue Service.

Miscellaneous

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Commercial Paper Notes under federal or state law or otherwise prevent owners of the Commercial Paper Notes from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the Commercial Paper Notes. Prospective purchasers of the Commercial Paper Notes should consult their own tax advisors regarding the foregoing matters.

CERTAIN LEGAL MATTERS

Attached to this Offering Memorandum as Appendix B is the form of the approving opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the City and the Authority, expected to be rendered on December [20], 2021 upon the issuance of the Letter of Credit. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Offering Memorandum.

Certain legal matters were passed upon for the Authority and the City by the City Attorney and certain legal matters relating to the Letter of Credit and the Reimbursement Agreement were passed upon for the Bank by Chapman and Cutler LLP, Special Counsel to the Bank. Hawkins Delafield & Wood LLP, as Disclosure Counsel, will provide certain legal services for the City and the Authority in connection with the preparation of this Offering Memorandum.

CERTAIN RELATIONSHIPS

The Bank will issue the Letter of Credit pursuant to the Reimbursement Agreement in support of the payment of the Series A Commercial Paper Notes. BofA Securities, Inc., one of the Dealers for the Commercial Paper Notes and the Bank, the Subordinated Credit Provider for the Series A Commercial Paper Notes, are both wholly-owned, indirect subsidiaries of Bank of America Corporation. The Bank and BofA Securities, Inc., as one of the Dealers for the Commercial Paper Notes, will have separate responsibilities and duties in connection with the issuance, the sale, and the payment of the Series A Commercial Paper Notes.

RATINGS

Fitch Ratings (“Fitch”) and Moody’s Investors Service, Inc. (“Moody’s”) assigned their short-term ratings to the Commercial Paper Notes based upon the issuance of the Letter of Credit supporting the payment of the principal amount due and payable at the stated maturity of each Series of Commercial Paper Notes and interest accrued or to accrue thereon through the maturity dates thereof by the Bank. Fitch and Moody’s assigned the Series A Commercial Paper Notes short-term ratings of “[F1+]” and “[P-1],” respectively. Such ratings reflect only the views of such organizations and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same, at the following addresses: Fitch Ratings, One State Street Plaza, New York, New York 10004 and Moody’s Investors Service, Inc., 7 World Trade Center, 250 Greenwich Street, New York, New York 10007. There is no assurance that a rating will continue for any given period of time or that a rating will not be revised or withdrawn entirely by any or all of such rating agencies, if, in its or their judgment, circumstances so warrant. Any downward revision or withdrawal of a rating could have an adverse effect on the market prices of the Commercial Paper Notes.

ADDITIONAL INFORMATION

This Offering Memorandum contains certain information for quick reference only; it is not a summary of the terms of the Commercial Paper Notes. Information essential to the making of an informed decision with respect to the Commercial Paper Notes may be obtained in the manner described herein. All references to the documents and other materials not purporting to be quoted in full are qualified in their entirety by reference to the complete provisions of the documents and other materials referenced which may be obtained in the manner described herein.

Copies of the Indenture, the Agreement, the Assignment Agreement, the Issuing and Paying Agency Agreement, the Dealer Agreements, the Letter of Credit and the Reimbursement Agreement may be obtained from the Authority at the following address: Public Facilities Financing Authority of the City of San Diego, c/o City of San Diego, Office of the City Clerk, 202 C Street, 2nd Floor, San Diego, California 92101.

APPENDIX A

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

APPENDIX B

FORM OF APPROVING OPINION

APPENDIX B

FORM OF APPROVING OPINION

Hawkins Delafield & Wood LLP, Bond Counsel to The City of San Diego and the Public Facilities Financing Authority of the City of San Diego, expects to render its approving opinion, in the following form, on or about December [20], 2021 upon the issuance of the Letter of Credit:

Board of Commissioners of the
Public Facilities Financing Authority
of the City of San Diego
San Diego, California

The City of San Diego
San Diego, California

Ladies and Gentlemen:

We have acted as Bond Counsel to The City of San Diego (the “City”) in connection with the issuance and delivery from time to time of the Subordinated Water Revenue Commercial Paper Notes, Series A (Payable Solely from Subordinated Installment Payments Secured by Net System Revenues of the Water Utility Fund) (the “Series A Commercial Paper Notes” and on and after December [20], 2021, the only Series of the “Commercial Paper Notes”) of the Public Facilities Financing Authority of the City of San Diego (the “Authority”) in an aggregate principal amount outstanding at any time of up to \$250,000,000. The Commercial Paper Notes are to be issued and delivered from time to time pursuant to the Amended and Restated Master Installment Purchase Agreement, dated as of January 1, 2009 (as heretofore amended and supplemented, the “Agreement”), including as supplemented by the 2017 Commercial Paper Supplement to Amended and Restated Master Installment Purchase Agreement, dated as of January 1, 2017 (the “2017 Commercial Paper Supplement”), by and between the City and the San Diego Facilities and Equipment Leasing Corporation (the “Corporation”), the Assignment Agreement, dated as of January 1, 2017, by and between the Corporation and the Authority, the Indenture, dated as of January 1, 2009 (as heretofore amended and supplemented, the “Indenture”), including as supplemented by the Fifth Supplemental Indenture, dated as of January 1, 2017 (the “Fifth Supplement”), by and between the Authority and U.S. Bank National Association, as trustee (the “Trustee”), and the Issuing and Paying Agency Agreement, dated as of January 1, 2017 (the “Issuing and Paying Agency Agreement”), by and between the Authority and U.S. Bank National Association, as the issuing and paying agent (the “Issuing and Paying Agent”). The Commercial Paper Notes may be issued and delivered from time to time as Series A Commercial Paper Notes in an aggregate principal amount outstanding at any time of up to \$250,000,000.

The Commercial Paper Notes to be issued and delivered from time to time as Series A Notes are entitled to the benefit of, and payments made under, the irrevocable transferable direct-pay letter of credit issued by Bank of America, N.A. (the “Bank”) on December [20], 2021 (the “Letter of Credit”) pursuant to the Reimbursement Agreement, dated as of December 1, 2021 (the “Reimbursement Agreement”), by and between the City and the Bank.

In rendering this opinion, we have reviewed the record of the actions taken by the Authority, the Corporation and the City in connection with the issuance and delivery of the Commercial Paper Notes. We have examined and relied on originals or copies, certified or otherwise identified to our satisfaction,

of such documents, instruments, or corporate records, and have made such investigation of law, as we have considered necessary or appropriate for the purpose of this opinion.

We are of the opinion that:

1. The Commercial Paper Notes, when issued from time to time as provided in the Indenture and the Issuing and Paying Agency Agreement, will constitute the valid and binding limited obligations of the Authority, enforceable in accordance with their terms and the terms of the Indenture and the Issuing and Paying Agency Agreement.

2. The 2017 Commercial Paper Supplement has been duly executed and delivered by the City and constitutes the valid and binding limited obligation of the City and is enforceable against the City in accordance with their respective terms.

3. The Fifth Supplement has been duly executed and delivered by, and constitutes the valid and binding limited obligation of, the Authority, and, assuming due execution by the other party thereto, is enforceable against the Authority in accordance with its terms. The Indenture creates the valid pledge to secure the payment of the principal of and interest on the Commercial Paper Notes, of the Commercial Paper Notes Subordinated Installment Payments, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture.

4. Under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described below, (i) interest on the Commercial Paper Notes is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Commercial Paper Notes is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In rendering this opinion, we have relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Authority and the City in connection with the Commercial Paper Notes, and we have assumed compliance by the Authority and the City with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Commercial Paper Notes from gross income under Section 103 of the Code.

The Code establishes certain requirements that must be met subsequent to the issuance and delivery of the Commercial Paper Notes in order that, for Federal income tax purposes, interest on the Commercial Paper Notes be not included in gross income pursuant to Section 103 of the Code. These requirements include, but are not limited to, requirements relating to the use and expenditure of proceeds of the Commercial Paper Notes, restrictions on the investment of proceeds of the Commercial Paper Notes prior to expenditure and the requirement that certain earnings be rebated to the Federal government. Noncompliance with such requirements may cause interest on the Commercial Paper Notes to become subject to federal income taxation retroactive to their date of issue, irrespective of the date on which such noncompliance occurs or is ascertained.

On the date hereof, the Authority and the City will execute a Tax Certificate (the "Tax Certificate") containing provisions and procedures pursuant to which such requirements can be satisfied. In executing the Tax Certificate, the Authority and the City covenant that they will comply with the provisions and procedures set forth therein and that they will do and perform all acts and things necessary or desirable to assure that interest paid on the Commercial Paper Notes will, for Federal income tax purposes, be excluded from gross income.

In rendering the opinion in paragraph 4 hereof, we have relied upon and assumed (i) the material accuracy of the representations, statements of intention and reasonable expectation, and certifications of fact contained in the Tax Certificate with respect to matters affecting the status of interest paid on the Commercial Paper Notes, and (ii) compliance by the Authority and the City with the procedures and covenants set forth in the Tax Certificate as to such tax matters.

5. Under existing statutes, interest on the Commercial Paper Notes is exempt from State of California personal income taxes.

Except as stated in paragraphs 4 and 5 above, we express no opinion as to any other Federal, state or local tax consequences arising with respect to the Commercial Paper Notes or the ownership or disposition thereof. We express no opinion concerning the exclusion of interest from gross income on any Revolving Note. We render our opinion under existing statutes and court decisions as of the date hereof, and we assume no obligation to update, revise or supplement this opinion after the date hereof to reflect any action hereafter taken or not taken, or any facts or circumstances, or any change in law or in interpretations thereof, or otherwise, that may hereafter arise or occur, or for any other reason. Furthermore, we express no opinion herein as to the effect of any action hereafter taken or not taken in reliance upon an opinion of counsel other than ourselves on the exclusion from gross income for Federal income tax purposes of interest on the Commercial Paper Notes.

This letter is furnished by us as Bond Counsel and is solely for your benefit and it is not to be used, circulated, quoted, or otherwise referred to for any purposes other than the issuance and delivery of the Commercial Paper Notes and may not be relied upon by any other person or entity without our express written permission, except that references may be made to it in any list of closing documents pertaining to the issuance and delivery of the Commercial Paper Notes.

The foregoing opinions are qualified to the extent that the rights of the Holders of the Commercial Paper Notes and the enforceability of the Commercial Paper Notes, the Agreement and the Indenture may be limited by bankruptcy, moratorium, insolvency or other laws affecting creditors' rights or remedies and are subject to general principles of equity (regardless of whether such enforceability is considered in equity or at law). We express no opinion regarding the availability of equitable remedies.

We express no opinion herein as Bond Counsel regarding the accuracy, adequacy or completeness of the Offering Memorandum relating to the Commercial Paper Notes.

We note that the Commercial Paper Notes program will have a maximum term for Federal income tax purposes of eighteen (18) months from the date hereof, unless and to the extent a new program is established by the Authority and the City by execution of a new tax certificate and certain other related documents. You may rely on this opinion as to any Commercial Paper Notes issued on or after the date hereof to the extent that, at the date of issuance of such Commercial Paper Notes, (i) we have not advised you that this opinion may no longer be relied upon with respect to such Commercial Paper Notes, (ii) there is no change or proposed change in pertinent law, including rulings and interpretations of law by the Internal Revenue Service, from that in effect on the date hereof, (iii) the facts upon which this opinion is based do not change in any way material to this opinion, (iv) the representations, warranties and covenants contained in the Indenture, the Issuing and Paying Agency Agreement, the Agreement, the Tax Certificate and any supplemental tax certificates thereto, and other documents executed and delivered by the Authority and the City in connection with the Commercial Paper Notes and the certificates executed and delivered by the Authority and the City in connection with the Commercial Paper Notes remain true and correct and the Authority and the City continue to comply with their respective covenants in such documents and certificates, (v) no amendment has been made to the Indenture, the Agreement, the Issuing and Paying Agency Agreement, the Letter of Credit or the

Reimbursement Agreement or any of the Commercial Paper Notes without our prior written consent, and (vi) no litigation affecting the issuance, legality, validity or enforceability in accordance with their respective terms of, or the exemption from federal income taxation of interest on, the Commercial Paper Notes is pending or threatened at the time of delivery of any such Commercial Paper Notes. We undertake no obligation to determine, at any time, whether the conditions described in this paragraph have been met.

Very truly yours,

APPENDIX C
BOOK-ENTRY ONLY SYSTEM

APPENDIX C

BOOK-ENTRY ONLY SYSTEM

The information in this Appendix C concerning The Depository Trust Company (“DTC”), New York, New York, and DTC’s book-entry system has been obtained from DTC, and City, the Authority, the Corporation, the Trustee, the Issuing and Paying Agent, the Dealers and the Bank take no responsibility for the completeness or accuracy thereof. The City, the Authority, the Corporation, the Trustee, the Issuing and Paying Agent, the Dealers and the Bank cannot and do not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Commercial Paper Notes, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Commercial Paper Notes, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Commercial Paper Notes, or that they will do so on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Offering Memorandum. 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.

1. The Depository Trust Company, New York, NY, acts as securities depository for the Commercial Paper Notes (the “Commercial Paper Notes”). The Commercial Paper Notes 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 certificate will be issued for each maturity of the Commercial Paper Notes, each in the aggregate principal amount of such maturity of such issue, and will be deposited with DTC.

2. DTC is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. The information on this website is not incorporated herein by reference.

3. Purchases of Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Commercial Paper Notes on DTC’s records. The ownership interest of each actual purchaser of each Note (“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 Commercial Paper Notes 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 Notes, except in the event that use of the book-entry system for the Commercial Paper Notes is discontinued.

4. To facilitate subsequent transfers, all Notes 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 Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Commercial Paper Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Commercial Paper Notes, such as redemptions, tenders, defaults, and proposed amendments to the Commercial Paper Note documents. For example, Beneficial Owners of Notes may wish to ascertain that the nominee holding the Commercial Paper Notes 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 notices be provided directly to them.

6. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Notes unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City, the Authority, the Trustee or the Issuing and Paying Agent 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 Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

7. Proceeds, distributions, and other payments on the Commercial Paper Notes 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 City, the Authority, the Trustee or the Issuing and Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the City, the Authority, the Trustee, the Issuing and Paying Agent or its agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and other payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City, the Authority, the Trustee or the Issuing and Paying Agent, 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.

8. If applicable, a Beneficial Owner shall give notice to elect to have its Commercial Paper Notes purchased or tendered, through its Participant, to the City's, the Authority's, the Trustee's or the Issuing and Paying Agent's designated agent, and shall effect delivery of such Notes by causing the Direct Participant to transfer the Participant's interest in the Commercial Paper Notes, on DTC's records, to the City's, the Authority's, the Trustee's or the Issuing and Paying Agent's designated agent. The requirement for physical delivery of Commercial Paper Notes in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Commercial Paper Notes are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Commercial Paper Notes to the DTC account of the City's, the Trustee's or the Issuing and Paying Agent's designated agent.

9. DTC may discontinue providing services as depository with respect to the Commercial Paper Notes at any time by giving reasonable notice to the Authority or the Issuing and Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Commercial Paper Note certificates are required to be printed and delivered.

10. 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, Commercial Paper Note certificates will be printed and delivered to DTC.



The City of San Diego
Item Approvals

Item Subject: Authorization of Certain Legal Documents in Connection with the Public Facilities Financing Authority of the City of San Diego Water Revenue Commercial Paper Notes Program.

Approving Authority	Approver	Approval Date
OFFICE OF THE CITY ATTORNEY DEPARTMENT APPROVER	MCNEILL, JIM	10/19/2021