

BOARD OF DIRECTORS
SANTA CLARA VALLEY WATER DISTRICT

RESOLUTION NO. 21-

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE SANTA CLARA VALLEY WATER DISTRICT PROVIDING FOR THE ALLOCATION OF SAFE, CLEAN WATER AND NATURAL FLOOD PROTECTION PROGRAM REVENUES AND ESTABLISHING COVENANTS TO SECURE THE PAYMENT OF OBLIGATIONS PAYABLE THEREFROM

(Safe, Clean Water Master Resolution)

Adopted May 11, 2021

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WATER DISTRICT PROVIDING FOR THE ALLOCATION OF SAFE, CLEAN WATER AND
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(Safe, Clean Water Master Resolution)

Adopted May 11, 2021

WHEREAS, the voters within the Santa Clara Valley Water District ("Valley Water") have approved a special parcel tax to undertake certain safe, clean water and natural flood control activities (as further described herein, the "SCW Program"); and

WHEREAS, Valley Water expects to issue and incur obligations of Valley Water which will be payable from such special parcel taxes and certain other revenues (as more particularly described herein, the "SCW Revenues"); and

WHEREAS, Valley Water now desires to adopt a resolution to establish covenants to secure the payment of obligations payable from SCW Revenues.

NOW, THEREFORE BE IT RESOLVED by the Board of Directors of the Santa Clara Valley Water District in Regular Session, assembled this 11th day of May, 2021, a majority of Directors being present and concurring, as follows:

ARTICLE 1

DEFINITIONS

Section 1.1. Definitions. Unless the context otherwise requires, the terms defined in this section shall for all purposes hereof and of any amendment hereof or supplement hereto and of any opinion or report or other document mentioned herein or therein have the meanings defined herein, the following definitions to be equally applicable to both the singular and plural forms of any of the terms defined herein:

Authorized Officer

The term "Authorized Officer" means (i) the Chief Executive Officer/General Manager of Valley Water or, if there is no officer designated as the Chief Executive Officer/General Manager, the highest ranking officer of Valley Water (excluding members of the Board of Directors of Valley Water), or (ii) the Chief Financial Officer of Valley Water.

Average Annual Debt Service

"Average Annual Debt Service" means the average of (a) the interest payable on all Bonds and Contracts, as applicable, for all Fiscal Years, assuming all Bonds and

Contracts, as applicable, are retired as scheduled (including by reason of sinking fund payment redemption), and (b) the principal amount of the Bonds and Contracts scheduled to be paid for all Fiscal Years (including any sinking fund payment redemptions due), including the Fiscal Year in which the calculation is made.

Bonds

“Bonds” means all revenue bonds or notes of Valley Water authorized, executed, issued and delivered by Valley Water, which are secured by a pledge of and lien on the SCW Revenues in accordance with Section 2.1 hereof and are payable from SCW Revenues in accordance with Section 2.2(a) hereof.

Business Day

“Business Day” shall mean any day other than a Saturday, Sunday or legal holiday or a day on which banking institutions are authorized or required by law to be closed in the State of New York, or in the State of California for commercial banking purposes.

Contracts

“Contracts” means all installment purchase agreements or other contracts of Valley Water authorized and executed by Valley Water, which are secured by a pledge and lien on the SCW Revenues in accordance with Section 2.1 hereof and are payable from SCW Revenues in accordance with Section 2.2(a) hereof, but excluding contracts entered into for Maintenance and Operation Costs.

Date of Operation

“Date of Operation” means, with respect to any uncompleted component Parity Project, the estimated date by which such uncompleted component Parity Project will have been completed and, in the opinion of Valley Water, will be ready for operation by or on behalf of Valley Water.

Debt Service

“Debt Service” means, for any period of calculation, the sum of:

- (1) the interest payable on all outstanding Bonds during such period, assuming that all outstanding serial Bonds are retired as scheduled and that all outstanding term Bonds are prepaid or paid from sinking fund payments as scheduled (except to the extent that such interest is capitalized or is reasonably anticipated to be reimbursed to Valley Water by the United States of America pursuant to Section 54AA of the Code (Section 1531 of Title I of Division B of the American Recovery and Reinvestment Act of 2009 (Pub. L. No. 111 5, 23 Stat. 115 (2009), enacted February 17, 2009)), or any future similar program);
- (2) those portions of the principal amount of all outstanding serial Bonds maturing in such period (but excluding Excluded Principal),

- (3) those portions of the principal amount of all outstanding term Bonds required to be prepaid or paid in such period (but excluding Excluded Principal), and
- (4) those portions of the Contracts required to be paid during such period, (except to the extent the interest evidenced and represented thereby is capitalized or is reasonably anticipated to be reimbursed to Valley Water by the United States of America pursuant to Section 54AA of the Code (Section 1531 of Title I of Division B of the American Recovery and Reinvestment Act of 2009 (Pub. L. No. 111 5, 23 Stat. 115 (2009), enacted February 17, 2009)), or any future similar program) (but excluding Excluded Principal);

but less the earnings to be derived from the investment of moneys on deposit in debt service reserve funds established for Bonds or Contracts;

provided that, as to any such Bonds or Contracts bearing or comprising interest at other than a fixed rate, the rate of interest used to calculate Debt Service shall, for all purposes, be assumed to bear interest at a fixed rate equal to the higher of:

- (i) the then current variable interest rate borne by such Bonds or Contracts, and
- (ii) if such Bonds or Contracts have been outstanding for at least twelve months, the average rate over the twelve months immediately preceding the date of calculation, or if such Bonds or Contracts have not been outstanding for the twelve prior months, the average rate borne by reference to an index comparable to that to be utilized in determining the interest rate for the Bonds to be issued or the Contracts to be executed;

provided further that if any series or issue of such Bonds or Contracts have twenty-five percent (25%) or more of the aggregate principal amount of such series or issue due in any one year, Debt Service shall be determined for the period of determination as if the principal of and interest on such series or issue of such Bonds or Contracts were being paid from the date of incurrence thereof in substantially equal annual amounts over a period of forty (40) years from the date of calculation; and

provided further that if the Bonds or Contracts constitute Paired Obligations, the interest rate on such Bonds or Contracts shall be the resulting linked rate or the effective fixed interest rate to be paid by Valley Water with respect to such Paired Obligations; and

provided further that the amount on deposit in a debt service reserve fund on any date of calculation of Debt Service shall be deducted from the amount of principal due at the final maturity of the Bonds and Contracts for which such debt service reserve fund was established and to the extent the amount in such debt service reserve fund is in excess of such amount of principal, such excess shall be applied to the full amount of principal due, in each preceding year, in descending order, until such amount is exhausted.

Excluded Principal

“Excluded Principal” means each payment of principal of Bonds or Contracts with a maturity of less than 60 months and which Valley Water specifies in a certificate of Valley Water signed by an Authorized Officer and filed with each Trustee that Valley Water intends to pay from the proceeds of Bonds or Contracts, other bonds, notes or other obligations of Valley Water or moneys other than SCW Revenues. No such determination shall affect the security for such Bonds or Contracts or the obligation of Valley Water to pay such Bonds or Contracts from SCW Revenues.

Experienced Banker or Advisor

“Experienced Banker or Advisor” means a reputable investment banker experienced in underwriting obligations of the type which is the subject of an opinion rendered in accordance with a provision of this Safe, Clean Water Master Resolution, or a reputable municipal advisor experienced in advising issuers in connection with such issuers’ issuance of obligations of the type which is the subject of an opinion rendered in accordance with a provision of this Safe, Clean Water Master Resolution.

Fiscal Year

“Fiscal Year” means the period beginning on July 1 of each year and ending on the next succeeding June 30, or any other accounting period hereafter selected and designated by the Board of Directors of Valley Water as the Fiscal Year of Valley Water.

Generally Accepted Accounting Principles

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

Independent Certified Public Accountant

“Independent Certified Public Accountant” means any certified public accountant or firm of such accountants appointed and paid by Valley Water and who, or each of whom—

- (i) is in fact independent and not under domination of Valley Water;
- (ii) does not have any substantial interest, direct or indirect, with Valley Water; and
- (iii) is not connected with Valley Water as an officer or employee of Valley Water, but who may be regularly retained to make annual or other audits of the books of or reports to Valley Water.

Maintenance and Operation Costs

The term "Maintenance and Operation Costs" means, for any Fiscal Year or other period, costs for maintenance and operation of the SCW Program calculated in accordance with Generally Accepted Accounting Principles, including (among other things) the reasonable expenses of management and repair and other expenses related to the SCW Program, and including administrative costs of Valley Water that are charged directly or apportioned to the SCW Program, including but not limited to salaries and wages of employees, payments to the Public Employees Retirement System, overhead, insurance, taxes (if any), fees of engineers, auditors, accountants, attorneys, consultants, trustees, fiscal agents, letter of credit providers, dealers and remarketing agents and other charges and fees payable to credit or liquidity providers (other than payments of principal and interest constituting Debt Service) and insurance premiums, and including all other reasonable and necessary costs of Valley Water or charges (other than Debt Service) required to be paid by it to comply with the terms of this Resolution or any other Bond or Contract or of any resolution or indenture authorizing the issuance of any Bonds or of such Bonds or the execution of such Contract; but excluding in all cases depreciation, replacement and obsolescence charges or reserves therefor and amortization of intangibles, other bookkeeping entries of a similar nature and other maintenance and operation costs of a non-cash basis.

Parity Project

"Parity Project" means any component of the SCW Program designated by the Board of Directors of Valley Water as a Parity Project, to be paid for with the proceeds of any Contracts or Bonds.

Paired Obligations

"Paired Obligations" means any Bond or Contract (or portion thereof) designated as Paired Obligations in the Trust Agreement authorizing the issuance or execution and delivery thereof, (i) the principal of which is of equal amount maturing and to be redeemed or prepaid (or cancelled after acquisition thereof) on the same dates and in the same amounts, and (ii) the interest rates which, taken together, were intended to result in a fixed interest rate obligation of Valley Water for all or a portion of the term of such Bond or Contract, all as certified by an Experienced Banker or Advisor.

SCW Contingency Reserve Fund

"SCW Contingency Reserve Fund" means the SCW Contingency Reserve Fund created by Valley Water with respect to the SCW Program and continued pursuant to Section 2.5 hereof.

SCW Parcel Taxes

"SCW Parcel Taxes" means, proceeds of the parcel tax levied for the benefit of the SCW Program pursuant to Resolution No. 20-64 of Valley Water adopted on July 21, 2020, and approved by the voters of Valley Water at an election held on November 3, 2020, as

such program may be modified from time to time in accordance therewith, and as such resolution may be amended or supplemented from time to time.

SCW Program

“SCW Program” means the facilities, property, structures and works undertaken by Valley Water in accordance with Resolution No. 20-64 of Valley Water adopted on July 21, 2020, and approved by the voters of Valley Water at an election held on November 3, 2020, including but not limited to Attachment 2 thereto, as such program may be modified from time to time in accordance therewith.

SCW Rate Stabilization Reserve Fund

“SCW Rate Stabilization Reserve Fund” means the Rate Stabilization Fund created by Valley Water with respect to the SCW Program and continued pursuant to Section 2.3 hereof.

SCW Revenue Fund

“SCW Revenue Fund” means the Special Revenue Fund (Fund 26) created with respect to the SCW Program continued pursuant to Section 2.1.

SCW Revenues

“SCW Revenues” means with respect to any Fiscal Year or other period, (i) SCW Parcel Taxes, (ii) amounts allocated to Valley Water pursuant to Article XIII A of the Constitution of the State of California and Section 95 et seq. of the California Revenues and Taxation Code (or any successor or supplementary provisions) and allocated by the Board of Directors of Valley Water to the SCW Program, (iii) investment earning on SCW Revenues and the SCW Revenue Fund, SCW Rate Stabilization Reserve Fund and SCW Contingency Reserve Fund, plus (iv) deposits to the SCW Revenue Fund from amounts on deposit in the SCW Rate Stabilization Reserve Fund and the SCW Contingency Reserve Fund, less (v) any SCW Revenues transferred from the SCW Revenue Fund to the SCW Rate Stabilization Reserve Fund and the SCW Contingency Reserve Fund, plus (vi) deposits to the SCW Revenue Fund from amounts on deposit in a Special Purpose Fund.

Special Purpose Funds

“Special Purpose Funds” means each fund of Valley Water designated by resolution of the Board of Directors of Valley Water as a special purpose fund with respect to the Water Utility System including but not limited to: the Supplemental Water Supply Reserve, the Drought Reserve, the Silicon Valley Advanced Water Purification Center Reserve, the San Felipe Emergency Reserve, and the P3 Reserve.

Trust Agreement

“Trust Agreement” means any resolution, indenture, trust agreement or other security documents providing for the issuance of Bonds or the execution and delivery of Contracts.

Trustee

“Trustee” means any entity appointed by Valley Water as a trustee or fiscal agent under any Trust Agreement.

Valley Water

“Valley Water” means the Santa Clara Valley Water District, a special district duly organized and existing under and by virtue of the laws of the State of California.

Water Utility System

“Water Utility System” has the meaning set forth in Resolution No. 16-10 adopted by the Board of Directors of Valley Water on February 23, 2016, as such resolution may be amended from time to time.

ARTICLE 2

SCW REVENUES

Section 2.1. Continuation of SCW Revenue Fund. Valley Water hereby continues and agrees to maintain, so long as any Bonds or Contracts remain outstanding, the SCW Revenue Fund to be held by Valley Water. Amounts in the SCW Revenue Fund shall be disbursed, allocated and applied solely to the uses and purposes hereinafter described in this Resolution, and shall be accounted for separately and apart from all other accounts, funds, money or other resources of Valley Water.

All SCW Revenues, the SCW Revenue Fund and all amounts on deposit in the SCW Revenue Fund are hereby irrevocably pledged to the payment of the Bonds and Contracts as provided herein; and the SCW Revenues and all amounts on deposit in the SCW Revenue Fund shall not be used for any other purpose while any of the Bonds and Contracts remain outstanding; provided that out of the SCW Revenues and amounts on deposit in the SCW Revenue Fund there may be apportioned for such purposes as are expressly permitted herein. This pledge shall constitute a first lien on SCW Revenues, the SCW Revenue Fund and all amounts on deposit therein as permitted herein for the payment of Contracts and Bonds in accordance with the terms hereof.

Section 2.2. Allocation of SCW Revenues. In order to carry out and effectuate the obligations of Valley Water to pay Debt Service, Valley Water agrees and covenants that all SCW Revenues received by it shall be deposited when and as received, or allocated to the SCW Revenue Fund, in the SCW Revenue Fund.

Valley Water shall transfer or make payments from the SCW Revenue Fund the amounts set forth below at the following times and in the following order of priority:

- (a) Debt Service at the times and in the amounts required by applicable Bonds or Contracts or the Trust Agreements securing each Bond or Contract;
- (b) To each Trustee for deposit in the applicable reserve fund, if any, with respect to such Bonds or Contracts, an amount equal to the amount, if any, at such times as required to be deposited therein to build up or replenish such Bond or Contract reserve fund as and to the extent required by the applicable Bond or Contract or the resolutions, trust agreements, indentures or other instruments securing each Bond or Contract;
- (c) So long as Valley Water reasonably determines that there will be sufficient SCW Revenues to make the transfers in (a) and (b) above for the remainder of such Fiscal Year, such amounts at such times as Valley Water shall require to provide for the payment of Maintenance and Operation Costs;
- (d) So long as Valley Water reasonably determines that there will be sufficient SCW Revenues to make the transfers in (a) through (c) above for the remainder of such Fiscal Year, for any purpose of the SCW Program; and
- (e) So long as Valley Water reasonably determines that there will be sufficient SCW Revenues to make the transfers in (a) through (c) above for the remainder of such Fiscal Year, for any lawful purpose of Valley Water.

Section 2.3. Continuation of SCW Rate Stabilization Reserve Fund. Valley Water hereby continues and agrees to maintain, so long as any Bonds or Contracts remain outstanding, the SCW Rate Stabilization Reserve Fund to be held by Valley Water. Amounts in the SCW Rate Stabilization Reserve Fund shall be disbursed, allocated and applied solely to the uses and purposes hereinafter described in this Resolution, and shall be accounted for separately and apart from all other accounts, funds, money or other resources of Valley Water.

All amounts on deposit in the SCW Rate Stabilization Reserve Fund are hereby irrevocably pledged to the payment of the Bonds and Contracts as provided herein; provided that amounts on deposit in the SCW Rate Stabilization Reserve Fund may be apportioned for such purposes as are expressly permitted herein. This pledge shall constitute a first lien on amounts on deposit in the SCW Rate Stabilization Reserve Fund for the payment of Contracts and Bonds in accordance with the terms hereof.

Valley Water may withdraw all or any portion of the amounts on deposit in the SCW Rate Stabilization Reserve Fund and transfer such amounts to the SCW Revenue Fund for application in accordance with Section 2.2 hereof. Amounts transferred from the SCW Rate Stabilization Reserve Fund to the SCW Revenue Fund pursuant to this Section 2.3 during or within 270 days after the end of a Fiscal Year, may be taken into account as SCW Revenues for purposes of the calculations in Sections 3.1 and 4.7 in such Fiscal Year to the extent provided in the definition of SCW Revenues.

Section 2.4. Application of Special Purpose Funds. Amounts in Special Purpose Funds may be applied and used for the purposes hereinafter described in this Resolution, and shall be accounted for separately and apart from all other accounts, funds, money or other resources of Valley Water.

Subject to the provisions of Resolution No. 16-10 adopted by the Board of Directors of Valley Water on February 23, 2016 (as such resolution may be amended from time-to-time), Valley Water may withdraw all or any portion of the amounts on deposit in a Special Purpose Fund and transfer such amounts to the SCW Revenue Fund for application in accordance with Section 2.2 hereof upon a determination by resolution of the Board of Directors of Valley Water substantially to the effect that (a) (i) non-routine expenditures resulting from extraordinary events, including but not limited to droughts and natural disasters, are reasonably expected to be incurred by the SCW Program, and (ii) reduced SCW Revenues have resulted from such an extraordinary event, (b) application of amounts on deposit in one or more Special Purpose Funds to the payment of such expenditures is financially prudent and necessary, (c) counsel to Valley Water, which may be general counsel to Valley Water, has advised in writing that such amounts may be lawfully applied to SCW Program expenses and (d) the Board of Directors has adopted a budget amendment, if necessary, to reflect such expenditures and the transfer of such amounts from Special Purpose Funds to the SCW Revenue Fund. Amounts transferred from Special Purpose Funds to the SCW Revenue Fund pursuant to this Section 2.4 during or within 270 days after the end of a Fiscal Year, may be taken into account as SCW Revenues for purposes of the calculations in Sections 3.1 and 4.7 in such Fiscal Year.

Section 2.5. Continuation of SCW Contingency Reserve Fund. Valley Water hereby continues and agrees to maintain, so long as any Bonds or Contracts remain outstanding, the SCW Contingency Reserve Fund to be held by Valley Water. Amounts in the SCW Contingency Reserve Fund shall be disbursed, allocated and applied solely to the uses and purposes hereinafter described in this Resolution, and shall be accounted for separately and apart from all other accounts, funds, money or other resources of Valley Water.

All amounts on deposit in the SCW Contingency Reserve Fund and the SCW Contingency Reserve Fund are hereby irrevocably pledged to the payment of the Bonds and Contracts as provided herein; provided that amounts on deposit in the SCW Contingency Reserve Fund may be apportioned for such purposes as are expressly permitted herein. This pledge shall constitute a first lien on amounts on deposit in the SCW Contingency Reserve Fund for the payment of Contracts and Bonds in accordance with the terms hereof.

Valley Water may withdraw all or any portion of the amounts on deposit in the SCW Contingency Reserve Fund and transfer such amounts to the SCW Revenue Fund for application in accordance with Section 2.2 hereof. Amounts transferred from the SCW Contingency Reserve Fund to the SCW Revenue Fund pursuant to this Section 2.5 during or within 270 days after the end of a Fiscal Year, may be taken into account as SCW Revenues for purposes of the calculations in Sections 3.1 and 4.7 in such Fiscal Year to the extent provided in the definition of SCW Revenues.

ARTICLE 3

BONDS AND CONTRACTS

Section 3.1. Additional Bonds and Contracts. Valley Water may at any time execute any Contract or issue any Bonds, as the case may be, in accordance herewith; provided:

- (a) The SCW Revenues for the most recent audited Fiscal Year preceding the date of execution of such Contract or the date of adoption by the Board of Directors of Valley Water of the resolution authorizing the issuance of such Bonds, as the case may be, approved and in effect as of the date of calculation, as evidenced by a calculation prepared by Valley Water, shall have produced a sum equal to at least one hundred twenty-five percent (125%) of the Debt Service for such Fiscal Year plus the Debt Service which would have been payable on any Contracts executed or Bonds issued since the end of such Fiscal Year assuming such Contracts had been executed or Bonds had been issued at the beginning of such Fiscal Year, plus the Debt Service which would have been payable had such Contract been executed or Bonds been issued at the beginning of such Fiscal Year; and
- (b) The estimated SCW Revenues for the then current Fiscal Year and for each Fiscal Year thereafter to and including the first complete Fiscal Year after the latest Date of Operation of any uncompleted Parity Project, as evidenced by a certificate of an Authorized Officer of Valley Water on file with Valley Water, shall produce a sum equal to at least one hundred twenty-five percent (125%) of the estimated Debt Service for each of such Fiscal Years, after giving effect to the execution of all Contracts and the issuance of all Bonds estimated to be required to be executed or issued to pay the costs of completing all uncompleted Parity Projects within such Fiscal Years, assuming that all such Contracts and Bonds have maturities, interest rates and proportionate principal repayment provisions similar to the Contract last executed or then being executed or the Bonds last issued or then being issued for the purpose of acquiring and constructing any of such uncompleted Parity Projects.

For the avoidance of doubt, SCW Revenues include transfers from the SCW Rate Stabilization Reserve Fund, the Special Purpose Funds and the SCW Contingency Reserve Fund and excludes transfers to the SCW Rate Stabilization Reserve Fund and the SCW Contingency Reserve Fund as permitted by Section 2.3, Section 2.4 and Section 2.5 hereof.

Notwithstanding the foregoing, Bonds may be issued or Contracts may be executed to refund outstanding Bonds or Contracts if Average Annual Debt Service on Bonds and Contracts after the refunding is not greater than Average Annual Debt Service on the Bonds and Contracts outstanding prior to the refunding.

Nothing herein shall prevent Valley Water from incurring obligations secured by a pledge of SCW Revenues, the SCW Revenue Fund and all amounts on deposit in the SCW Revenue Fund on a basis subordinate to the pledge continued in Section 2.1 or payable from SCW Revenues on a basis subordinate to Bonds and Contracts in accordance with Section 2.2 hereof.

Section 3.2. Separate Utility Systems. Valley Water may create, acquire, construct, finance, own and operate one or more additional systems for water supply, transmission or other commodity or service by a written determination of the Board of Directors of Valley Water. The revenue of that separate utility system shall not constitute SCW Revenues and may be pledged to the payment of obligations issued to purchase, construct, condemn or otherwise acquire or expand such separate utility system. Neither the SCW Revenues, the SCW Revenue Fund or amounts on deposit in the SCW Revenue Fund shall be pledged by Valley Water to the payment of any obligations of a separate utility system nor shall such obligation be payable from SCW Revenues except in either case on a basis subordinate to the Bonds and Contracts.

ARTICLE 4

COVENANTS OF VALLEY WATER

Section 4.1. Against Liens and Encumbrances. Valley Water will pay or cause to be paid when due all sums of money that may become due or purporting to be due for any labor, services, materials, supplies or equipment furnished, to or for Valley Water in, upon, about or relating to the SCW Program and will keep the facilities, property, structures and works acquired with proceeds of Bonds or Contracts free of any and all liens. In the event any such lien attaches to or is filed against any portion of such facilities, property, structures or works acquired with proceeds of Bonds or Contracts, Valley Water will cause each such lien to be fully discharged and released at the time the performance of any obligation secured by any such lien matures or becomes due, except that if Valley Water desires to contest any such lien it may do so. If any such lien shall be reduced to final judgment and such judgment or any process as may be issued for the enforcement thereof is not promptly stayed, or if so stayed and such stay thereafter expires, Valley Water will forthwith pay or cause to be paid and discharged such judgment.

Section 4.2. SCW Program Budgets. Not later than the first Business Day of each Fiscal Year, Valley Water will adopt and, if requested, make available to each Trustee, a budget approved by the Board of Directors of Valley Water setting forth the estimated payments for Debt Service, the estimated reimbursement payments and the estimated debt service payments on all Bonds and Contracts for the then current Fiscal Year and the estimated Maintenance and Operation Costs for such Fiscal Year; provided, that any such budget may be amended at any time during any Fiscal Year and, if requested, such amended budget shall be made available to each Trustee.

Section 4.3. Compliance with Contracts. Valley Water will comply with, keep, observe and perform all material provisions of agreements, conditions, covenants and terms, express or implied, required to be performed by it contained in all contracts related to the SCW Program and all other material provisions of contracts affecting or involving the SCW Program to the extent that Valley Water is a party thereto; provided however nothing contained herein shall prevent Valley Water from entering into supplements, modifications or amendments to such contracts (including any interim or renewed contract relating thereto).

Section 4.4. No Superior Liens. Valley Water will not create or allow any lien on the SCW Revenues prior or superior to the obligation to pay Bonds or Contracts as provided herein or which might impair the security of any Bonds or Contracts.

Section 4.5. Accounting Records and Financial Statements.

- (a) Valley Water will keep appropriate accounting records in which complete and correct entries shall be made of all transactions relating to the SCW Program, which records shall be available for inspection by each Trustee at reasonable hours and under reasonable conditions.
- (b) Valley Water will prepare and file with each Trustee annually within two hundred and forty (240) days after the close of each Fiscal Year financial statements of Valley Water for the preceding Fiscal Year prepared in accordance with Generally Accepted Accounting Principles.

Section 4.6. Payment of Taxes and Compliance With Governmental Regulations. Valley Water will pay and discharge all taxes, assessments and other governmental charges which may hereafter be lawfully imposed in connection with the SCW Program or any part thereof when the same shall become due. Valley Water will duly observe and conform with all valid regulations and requirements of any governmental authority relative to the SCW Program or any part thereof, but Valley Water shall not be required to comply with any regulations or requirements so long as the validity or application thereof shall be contested in good faith.

Section 4.7. Collection of Safe, Clean Water Parcel Taxes. So long as any Bonds or Contracts are outstanding, and to the fullest extent permitted by law, Valley Water will at all times levy SCW Parcel Taxes in an amount sufficient, together with other SCW Revenues, to pay in the current Fiscal Year Debt Service with respect to any Bonds or Contracts then remaining outstanding.

To the extent that any Bonds or Contracts remain outstanding, Valley Water shall, to the fullest extent permitted by law make the determination set forth in Paragraph L of Resolution No. 20-64 adopted on July 21, 2020, to the extent necessary to provide SCW Parcel Taxes sufficient to pay Debt Service on such outstanding Bonds or Contracts on and after the 15-year period referenced therein (or any extension of such 15-year period determined by the Board of Directors of Valley Water).

Section 4.8. Eminent Domain and Insurance Proceeds. If all or any part of any facility, property, structures or works acquired with proceeds of Bonds or Contracts shall be taken by eminent domain proceedings, or if Valley Water receives any insurance proceeds resulting from a casualty loss to any facility, property, structure or work acquired with proceeds of Bonds or Contracts, the proceeds thereof shall be used to substitute other components for the condemned or destroyed facility, property, structure or work applied to the cancellation of Bonds and Contracts.

Section 4.9. Allocation of Property Taxes. So long as any Bonds or Contracts are outstanding, Valley Water will allocate to the SCW Program, amounts allocated to Valley Water pursuant to Article XIII A of the Constitution of the State of California and Section 95 et seq. of the California Revenues and Taxation Code (or any successor or supplementary provisions), in an amount sufficient, together with other SCW Revenues, to pay in the current Fiscal Year Debt Service with respect to any Bonds or Contracts then remaining outstanding.

ARTICLE 5

MISCELLANEOUS

Section 5.1. Benefits of this Safe, Clean Water Master Resolution Limited to Parties.

Nothing contained herein, expressed or implied, is intended to give any person other than Valley Water, the Trustees, or the owners of Bonds and Contracts any right, remedy or claim under or pursuant hereto, and any agreement or covenant required herein to be performed by or on behalf of Valley Water shall be for the sole and exclusive benefit of such other parties.

Section 5.2. Successor is Deemed Included in All References to Predecessor. Whenever Valley Water is named or referred to herein, such reference shall be deemed to include the successor to the powers, duties and functions that are presently vested in Valley Water, and all agreements and covenants required hereby to be performed by or on behalf of Valley Water shall bind and inure to the benefit of the successors thereof whether so expressed or not.

Section 5.3. Article and Section Headings, Gender and References. The headings or titles of the several articles and sections hereof and the table of contents appended hereto shall be solely for convenience of reference and shall not affect the meaning, construction or effect hereof, and words of any gender shall be deemed and construed to include all genders. All references herein to "Articles," "Sections," and other subdivisions or clauses are to the corresponding articles, sections, subdivisions or clauses hereof; and the words "hereby," "herein," "hereof," "hereto," "herewith" and other words of similar import refer to this Resolution as a whole and not to any particular article, section, subdivision or clause hereof.

Section 5.4. Partial Invalidity. If any one or more of the agreements or covenants or portions thereof required hereby to be performed by or on the part of Valley Water shall be contrary to law, then such agreement or agreements, such covenant or covenants or such portions thereof shall be null and void and shall be deemed separable from the remaining agreements and covenants or portions thereof and shall in no way affect the validity hereof. Valley Water hereby declares that it would have adopted this Resolution, and each and every other article, section, paragraph, subdivision, sentence, clause and phrase hereof irrespective of the fact that any one or more articles, sections, paragraphs, subdivisions, sentences, clauses or phrases hereof or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

Section 5.5. Funds. Any fund required to be established and maintained herein by Valley Water may be established and maintained in the accounting records of Valley Water either as an account or a fund, and may, for the purpose of such accounting records, any audits thereof and any reports or statements with respect thereto, shall be treated either as an account or a fund; but all such records with respect to any such fund shall at all times be maintained in accordance with sound accounting practice and with due regard for the protection of the security of the rights of the holders of Bonds and Contracts.

Section 5.6. Investments. Any money held by Valley Water in any of the funds provided herein shall be invested in lawful investments of Valley Water funds, provided that money held in any fund established under a Trust Agreement with respect to Bonds and Contracts shall be invested as required in such Trust Agreement.

Section 5.7. Amendments. This Safe, Clean Water Master Resolution may be amended or modified by Valley Water by a supplemental resolution hereto with the consent of a majority of the owners of outstanding Bonds and Contracts; provided, however, that Valley Water may modify or amend this Safe, Clean Water Master Resolution at any time without the consent of owners of outstanding Bonds and Contracts by a supplemental resolution hereto to: (i) add to the agreements and covenants of Valley Water other agreements and covenants to be observed, or to surrender any right or power therein reserved to Valley Water, or (ii) cure, correct or supplement any ambiguous or defective provision contained herein, or (iii) resolve questions arising hereunder as Valley Water may deem necessary or desirable, and which do not materially adversely affect the interests of the owners of outstanding Bonds and Contracts. Such amendment or modification shall be filed by Valley Water with the applicable Trustee for such outstanding Bonds or Contracts. Valley Water shall give notice of any such amendment or supplement to each Rating Agency then rating Bonds and Contracts.

Section 5.8. Repeal of Inconsistent Resolutions. Any resolution of Valley Water and any part of any resolution inconsistent herewith is hereby repealed to the extent of such inconsistency.

Section 5.9. Effective Date. This Resolution shall take effect immediately.

PASSED AND ADOPTED by the Board of Directors of the Santa Clara Valley Water District by the following vote on May 11, 2021:

AYES: Directors

NOES: Directors

ABSENT: Directors

ABSTAIN: Directors

SANTA CLARA VALLEY WATER DISTRICT

TONY ESTREMER
Chair, Board of Directors

ATTEST: MICHELE L. KING, CMC

Clerk, Board of Directors