

200
10/27/08

**Public Facilities Financing Authority of the City of San Diego
[Subordinated] Water Revenue Bonds, Refunding Series 2009A and
[Subordinated] Water Revenue Bonds, Series 2009B
(Payable Solely From [Subordinated] Installment Payments
Secured by Net System Revenues of the Water Utility Fund)**

Log of Outstanding Items- Amended and Restated Master Installment Purchase Agreement

<i>Document</i>	<i>Page No.(s)</i>	<i>Outstanding Items</i>	<i>Responsible Party</i>	<i>Expected Availability*</i>	<i>Completed</i>
Amended and Restated Master Installment Purchase Agreement	44	• Signatures of City Chief Financial Officer, City Clerk, FELC President, FELC Secretary, and the Deputy City Attorney	City Chief Financial Officer, City Clerk, FELC President, FELC Secretary, and the Deputy City Attorney	Preclosing	

* Refers to pricing, preclosing, etc. of 2009A Bonds, except where otherwise noted.
70394378.4

000001

**AMENDED AND RESTATED
MASTER INSTALLMENT PURCHASE AGREEMENT**

by and between the

CITY OF SAN DIEGO

and the

SAN DIEGO FACILITIES AND EQUIPMENT LEASING CORPORATION

Dated as of January 1, 2009

Relating To

**INSTALLMENT PAYMENTS PAYABLE FROM
NET SYSTEM REVENUES OF
THE WATER UTILITY FUND
OF THE CITY OF SAN DIEGO, CALIFORNIA**

TABLE OF CONTENTS

	Page	
ARTICLE I	DEFINITIONS	
SECTION 1.01.	Definitions.....	2
ARTICLE II	REPRESENTATIONS AND WARRANTIES	
SECTION 2.01.	Representations by the City	21
SECTION 2.02.	Representations and Warranties by the Corporation	22
ARTICLE III	ACQUISITION AND CONSTRUCTION OF THE PROJECT	
SECTION 3.01.	Acquisition and Construction of the Project; Components.....	22
SECTION 3.02.	Changes to the Project	23
ARTICLE IV	INSTALLMENT PAYMENTS	
SECTION 4.01.	Purchase Price.....	24
SECTION 4.02.	Installment Payments; Reserve Fund Payments	24
ARTICLE V	SYSTEM REVENUES	
SECTION 5.01.	Commitment of the Net System Revenues	25
SECTION 5.02.	Allocation of System Revenues	25
SECTION 5.03.	Additional Obligations.....	26
ARTICLE VI	COVENANTS OF THE CITY	
SECTION 6.01.	Compliance With Installment Purchase Agreement and Ancillary Agreements	30
SECTION 6.02.	Against Encumbrances.....	31
SECTION 6.03.	Debt Service Reserve Fund.....	31
SECTION 6.04.	Against Sale or Other Disposition of Property	31
SECTION 6.05.	Covenant Regarding State Orders.....	32
SECTION 6.06.	Prompt Acquisition and Construction.....	33
SECTION 6.07.	Maintenance and Operation of the Water System; Budgets	33
SECTION 6.08.	Amount of Rates and Charges; Rate Stabilization Fund; Other Funds.....	33
SECTION 6.09.	Payment of Claims.....	34
SECTION 6.10.	Compliance with Contracts.....	34
SECTION 6.11.	Insurance	34
SECTION 6.12.	Accounting Records; Financial Statements and Other Reports	35
SECTION 6.13.	Protection of Security and Rights of the Corporation.....	35
SECTION 6.14.	Payment of Taxes and Compliance with Governmental Regulations	35
SECTION 6.15.	Collection of Rates and Charges; No Free Service.....	35
SECTION 6.16.	Eminent Domain Proceeds.....	36

TABLE OF CONTENTS

(continued)

	Page
SECTION 6.17. Tax Covenants	36
SECTION 6.18. Further Assurances.....	36
SECTION 6.19. Subcontracting	36
SECTION 6.20. Additional Covenants.....	36
SECTION 6.21. Notice of Swap Transactions	36
ARTICLE VII PREPAYMENT OF INSTALLMENT PAYMENTS	
SECTION 7.01. Prepayment of Installment Payments.....	37
ARTICLE VIII EVENTS OF DEFAULT AND REMEDIES OF THE CORPORATION	
SECTION 8.01. Events of Default and Acceleration of Maturities	37
SECTION 8.02. Application of Net System Revenues Upon Acceleration.....	38
SECTION 8.03. Other Remedies of the Corporation	39
SECTION 8.04. Non-Waiver.....	39
SECTION 8.05. Remedies Not Exclusive.....	40
ARTICLE IX DISCHARGE OF INSTALLMENT PAYMENT OBLIGATIONS	
SECTION 9.01. Discharge of Installment Payment Obligations	40
ARTICLE X MISCELLANEOUS	
SECTION 10.01. Liability of City Limited to System Revenues	40
SECTION 10.02. Benefits of Installment Purchase Agreement Limited to Parties.....	40
SECTION 10.03. Amendments	41
SECTION 10.04. Successor Is Deemed Included in all References to Predecessor	42
SECTION 10.05. Waiver of Personal Liability.....	42
SECTION 10.06. Article and Section Headings, Gender and References	42
SECTION 10.07. Partial Invalidity.....	42
SECTION 10.08. Assignment	42
SECTION 10.09. Net Contract	42
SECTION 10.10. California Law	43
SECTION 10.11. Notices	43
SECTION 10.12. Effective Date	43
SECTION 10.13. Execution in Counterparts.....	43
SECTION 10.14. Exhibits	43
SECTION 10.15. Sole Instrument	43
EXECUTION.....	44
EXHIBIT A – DESCRIPTION OF THE 1998 PROJECT.....	A-1

AMENDED AND RESTATED
MASTER INSTALLMENT PURCHASE AGREEMENT

This AMENDED AND RESTATED MASTER INSTALLMENT PURCHASE AGREEMENT (the "Installment Purchase Agreement"), made and entered into as of January 1, 2009, 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 the SAN DIEGO FACILITIES AND EQUIPMENT LEASING CORPORATION, a nonprofit public benefit corporation duly organized and existing under and by virtue of the laws of the State of California (the "Corporation"),

WITNESSETH:

WHEREAS, the City proposes to undertake the acquisition, construction, installation and improvement of its water system (the "Water System") as more fully described in Exhibit A hereof and as modified from time to time (the "Project" and, initially, the "1998 Project");

WHEREAS, the Corporation has agreed to assist the City by financing the construction of the Project for the City;

WHEREAS, the City has determined that its purchase of improvements to the Water System by undertaking the Project is necessary and proper for City uses and purposes;

WHEREAS, the Corporation proposes to sell components of the Project from time to time to the City and the City desires to purchase components of the Project from the Corporation upon the terms and conditions set forth herein;

WHEREAS, since the date upon which the Master Installment Purchase Agreement was initially executed by the City and the Corporation, being August 1, 1998 (the "Original MIPA"), the City and the Corporation, with the prior written consent of the appropriate Credit Providers (as defined herein), entered into certain supplements thereto, the effect of which was to amend certain substantive provisions of the Original MIPA (collectively, the "Amendatory Supplements"); and

WHEREAS, the Amendatory Supplements were entered into in full compliance with the provisions of Section 10.03(a) of the Original MIPA; and

WHEREAS, the City and the Corporation have determined for administrative purposes to consolidate the Amendatory Supplements with the Original MIPA and to make certain clarifications and corrections to the Original MIPA in connection therewith; and

WHEREAS, the City and the Corporation have duly authorized the execution of this Installment Purchase Agreement;

WHEREAS, all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and delivery of this Installment Purchase Agreement do exist, have happened and have been performed in

regular and due time, form and manner as required by law, and the parties hereto are now duly authorized to execute and enter into this Installment Purchase Agreement;

NOW, THEREFORE, IN CONSIDERATION OF THESE PREMISES AND OF THE MUTUAL AGREEMENTS AND COVENANTS CONTAINED HEREIN AND FOR OTHER VALUABLE CONSIDERATION, THE PARTIES HERETO DO HEREBY AGREE AS FOLLOWS:

ARTICLE I

DEFINITIONS

SECTION 1.01. 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 report or other document mentioned herein or therein have the meanings defined herein, all of the following definitions shall be equally applicable to both the singular and plural forms of any of the terms defined herein:

Accountant's Report

The term "Accountant's Report" means a report signed by an Independent Certified Public Accountant.

Acquisition Fund

The term "Acquisition Fund" means the fund by that name established pursuant to any Issuing Instrument.

Adjusted Debt Service

The term "Adjusted Debt Service" means, for any Fiscal Year, Debt Service on Parity Obligations for such Fiscal Year, minus an amount equal to earnings from investments in any Reserve Fund securing Parity Obligations for such Fiscal Year.

Adjusted Net System Revenues

The term "Adjusted Net System Revenues" means, 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 Parity Obligations for such Fiscal Year.

Authorized City Representative

The term "Authorized City Representative" means the Chief Financial Officer of the City or such other officer or employee of the City or other person who has been designated in writing as such representative by the Chief Financial Officer.

Authorizing Ordinance

The term "Authorizing Ordinance" means the ordinance pursuant to which this Installment Purchase Agreement was authorized and any additional ordinance or official authorizing act of the council of the City approving execution and delivery of any Supplement to this Installment Purchase Agreement or any Issuing Instrument.

Balloon Indebtedness

The term "Balloon Indebtedness" means, with respect to any Series of Obligations twenty-five percent (25%) or more of the principal of which matures on the same date or within a 12-month period (with sinking fund payments on Term Obligations deemed to be payments of matured principal), that portion of such Series of Obligations which matures on such date or within such 12-month period; provided, however, that to constitute Balloon Indebtedness the amount of indebtedness maturing on a single date or over a 12-month period must equal or exceed 150% of the amount of such Series of Obligations which matures during any preceding 12-month period. For purposes of this definition, the principal amount maturing on any date shall be reduced by the amount of such indebtedness which is required, by the documents governing such indebtedness, to be amortized by prepayment or redemption prior to its stated maturity date.

Bond Counsel

The term "Bond Counsel" means a firm of attorneys which is nationally recognized in the area of municipal finance selected by the City.

Capacity Charge

The term "Capacity Charge" means a charge imposed upon a person, firm, corporation or other entity incident to the granting of a permit for a new water connection or due to an increase in water usage by the addition of any type of dwelling, commercial or industrial unit, which charge is based upon an increase in water consumption as measured by equivalent dwelling units, and the proceeds of which are used to construct, improve and expand the Water System to accommodate the additional business of such added dwellings or commercial or industrial units.

Charter

The term "Charter" means the Charter of the City as it now exists or may hereafter be amended, and any new or successor Charter.

City

The term "City" means the City of San Diego, a municipal corporation organized and existing under the Charter and the Constitution of the State of California.

Code

The term "Code" means the Internal Revenue Code of 1986, and the regulations thereunder, as amended, and any successor provisions of law.

Components

The term "Components" means components of the Project specified on Exhibit A or in a Supplement.

Consultant

The term "Consultant" means the consultant, consulting firm, engineer, architect, engineering firm, architectural firm, accountant or accounting firm retained by the City to perform acts or carry out the duties provided for such consultant in this Installment Purchase Agreement. Such consultant, consulting firm, engineer, architect, engineering firm or architectural firm shall be nationally recognized within its profession for work of the character required. Such accountants or accounting firm shall be independent certified public accountants licensed to practice in the State of California.

Comptroller

The term "Comptroller" means the Comptroller of the City.

Corporation

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

Credit Provider

The term "Credit Provider" means any municipal bond insurance company, bank or other financial institution or organization which is performing in all material respects its obligations under any Credit Support Instrument for some or all of the Parity Obligations.

Credit Provider Reimbursement Obligations

The term "Credit Provider Reimbursement Obligations" means obligations of the City to repay, from Net System Revenues, amounts advanced by a Credit Provider as credit support or liquidity for Parity Obligations, which obligations shall constitute Parity Obligations or Subordinated Obligations, as designated by the City.

Credit Support Instrument

The term "Credit Support Instrument" means a policy of insurance, a letter of credit, a standby purchase agreement, revolving credit agreement or other credit arrangement pursuant to

which a Credit Provider provides credit support or liquidity with respect to the payment of interest, principal or the purchase price of any Parity Obligations.

Debt Service

With regard to the issuance of Parity Obligations, the term "Debt Service" means, for any Fiscal Year, the sum of (a) the interest payable during such Fiscal Year on all Outstanding Parity Obligations, assuming that all Outstanding Serial Parity Obligations are retired as scheduled and that all Outstanding Term Parity Obligations are redeemed or paid from sinking fund payments as scheduled (except to the extent that such interest is to be paid from the proceeds of sale of any Parity Obligations), (b) that portion of the principal amount of all Outstanding Serial Parity Obligations maturing on the next succeeding principal payment date which falls in such Fiscal Year (excluding Serial Obligations which at the time of issuance are intended to be paid from the sale of a corresponding amount of Parity Obligations), (c) that portion of the principal amount of all Outstanding Term Parity Obligations required to be redeemed or paid on any redemption date which falls in such Fiscal Year (together with the redemption premiums, if any, thereon); provided that, (1) as to any Balloon Indebtedness, Tender Indebtedness and Variable Rate Indebtedness, interest thereon shall be calculated as provided in the definition of Maximum Annual Debt Service and principal shall be deemed due at the nominal maturity dates thereof; (2) 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 Parity Obligations for which such debt service reserve fund was established and in each preceding year until such amount is exhausted; (3) the amount of any interest payable on any Parity Obligation for which there exists a Qualified Swap Agreement shall be the net amount payable by the City as provided in subsection A(viii)(1) or (2), B(viii)(1) or (2), as applicable, of the definition of Maximum Annual Debt Service; and (4) the amount of payments on account of Parity Obligations which are redeemed, retired or repaid on the basis of the accreted value due on the scheduled redemption, retirement or repayment date shall be deemed principal payments, and interest that is compounded and paid as part of the accreted value shall be deemed payable on the scheduled redemption, retirement or repayment date, but not before.

With regard to the issuance of Subordinated Obligations, the term "Debt Service" means, for any Fiscal Year, the sum of (a) the interest payable during such Fiscal Year on all Outstanding Obligations, assuming that all Outstanding Serial Obligations are retired as scheduled and that all Outstanding Term Obligations are redeemed or paid from sinking fund payments as scheduled (except to the extent that such interest is to be paid from the proceeds of sale of any Obligations), (b) that portion of the principal amount of all Outstanding Serial Obligations maturing on the next succeeding principal payment date which falls in such Fiscal Year (excluding Serial Obligations which at the time of issuance are intended to be paid from the sale of a corresponding amount of other Obligations) (c) that portion of the principal amount of all Outstanding Term Obligations required to be redeemed or paid on any redemption date which falls in such Fiscal Year (together with the redemption premiums, if any, thereon) provided that, (1) as to any Balloon Indebtedness, Tender Indebtedness and Variable Rate Indebtedness, interest thereon shall be calculated as provided in the definition of Maximum Annual Debt Service and principal shall be deemed due at the nominal maturity dates thereof; (2) the amount on deposit in a 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 Obligations for which such Reserve Fund

was established and in each preceding year, until such amount is exhausted; (3) the amount of any interest payable on any Obligations for which there exists a Qualified Swap Agreement shall be the net amount payable by the City as provided in subsection A(viii)(1) or (2) or subsection B(viii)(1) or (2), as applicable, of the definition of Maximum Annual Debt Service; and (4) the amount of payments on account of Obligations which are redeemed, retired or repaid on the basis of the accreted value due on the scheduled redemption, retirement or repayment date shall be deemed principal payments, and interest that is compounded and paid as part of the accreted value thereof shall be deemed payable on the scheduled redemption, retirement or repayment date, but not before.

Default Rate

The term "Default Rate" means the Maximum Rate.

Defaulted Obligations

The term "Defaulted Obligations" means Obligations in respect of which an Event of Default has occurred and is continuing.

Engineer's Report

The term "Engineer's Report" means a report signed by an Independent Engineer.

Event of Default

The term "Event of Default" means any occurrence or event described in Section 8.01 hereof.

Feasibility Report

The term "Feasibility Report" means a report of a Consultant with special expertise on the construction and operation of water systems similar to the Water System, delivered in connection with the incurrence of Additional Obligations.

Fiscal Year

The term "Fiscal Year" means the period beginning on July 1 of each year and ending on the next succeeding June 30, or any other twelve-month period selected and designated as the official Fiscal Year of the City.

Independent Certified Public Accountant

The term "Independent Certified Public Accountant" means any firm of certified public accountants appointed by the City, and each of whom is independent pursuant to the Statement on Auditing Standards No. 1 of the American Institute of Certified Public Accountants.

Independent Engineer

The term "Independent Engineer" means any registered engineer or firm of registered engineers of national reputation generally recognized to be well qualified in engineering matters relating to water systems, appointed and paid by but not under the control of the City.

Installment Payment Date

The term "Installment Payment Date" means any date on which an Installment Payment is due as specified herein or determined pursuant to a Supplement.

Installment Payments

The term "Installment Payments" means the Installment Payments scheduled to be paid by the City under and pursuant hereto and any Supplement.

Installment Payment Obligations

The term "Installment Payment Obligations" means Obligations consisting of or which are supported in whole by Installment Payments.

Installment Purchase Agreement

The term "Installment Purchase Agreement" means this Amended and Restated Master Installment Purchase Agreement, by and between the City and the Corporation, dated as of January 1, 2009, as originally executed and as it may from time to time be amended or supplemented in accordance herewith.

Issuing Instrument

The term "Issuing Instrument" shall mean any indenture, trust agreement, loan agreement, lease, installment purchase agreement or this Installment Purchase Agreement, including any Supplement or other instrument under which Obligations are issued or created.

Law

The term "Law" means the Charter and all applicable laws of the State.

Maintenance and Operation Costs of the Water System

The term "Maintenance and Operation Costs of the Water System" means (a) any Qualified Take or Pay Obligation, 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, without limitation, the costs of the purchase, delivery or storage of water, 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 this Installment Purchase 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 this Installment Purchase 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, (5) charges for the payment of principal of and interest on any debt service on account of any Obligation on a parity with or subordinate to the Installment Payments, and (6) all payments made pursuant to any Qualified Swap Agreement.

Maximum Annual Debt Service

The term "Maximum Annual Debt Service" means,

(A) *with respect to Parity Obligations then Outstanding, the maximum amount of principal and interest becoming due on the Parity Obligations in the then-current or any future Fiscal Year, calculated by the City or by an Independent Certified Public Accountant in accordance with this subsection and provided to the Trustee. For purposes of calculating Maximum Annual Debt Service, the following assumptions shall be used to calculate the principal and interest becoming due in any Fiscal Year:*

(i) *in determining the principal amount due in each Fiscal Year, payments shall (except to the extent a different subsection of this definition applies for purposes of determining principal maturities or amortization) be assumed to be made in accordance with any amortization schedule established for such debt, including the amount of any Parity Obligations which are or have the characteristics of commercial paper and which are not intended at the time of issuance to be retired from the sale of a corresponding amount of Parity Obligations, and including any scheduled mandatory redemption or prepayment of Parity Obligations on the basis of accreted value due upon such redemption or prepayment, and for such purpose, the redemption payment or prepayment shall be deemed a principal payment; provided, however, that with respect to Parity Obligations which are or have the characteristics of commercial paper and which are intended at the time of issuance to be retired from the sale of a corresponding amount of other Obligations, which other Obligations would not constitute Balloon Indebtedness, each maturity thereof shall be treated as if it were to be amortized in substantially equal installments of principal and interest over a term of 30 years, commencing in the year of such stated maturity; in determining the interest due in each Fiscal Year, interest payable at a fixed rate shall (except to the*

extent subsection (A)(ii) or (iii) of this definition applies) be assumed to be made at such fixed rate and on the required payment dates;

(ii) if all or any portion or portions of an Outstanding Series of Parity Obligations constitute Balloon Indebtedness or if all or any portion or portions of a Series of Parity Obligations or such payments then proposed to be issued would constitute Balloon Indebtedness, then, for purposes of determining Maximum Annual Debt Service, each maturity which constitutes Balloon Indebtedness shall be treated as if it were to be amortized in substantially equal annual installments of principal and interest over a term of 30 years, commencing in the year the stated maturity of such Balloon Indebtedness occurs, the interest rate used for such computation shall be determined as provided in subsection (A)(iv) or (v) below, as appropriate, and all payments of principal and interest becoming due prior to the year of the stated maturity of the Balloon Indebtedness shall be treated as described in subsection (A)(i) above;

(iii) if any Outstanding Series of Parity Obligations constitutes Tender Indebtedness or if Parity Obligations proposed to be issued would constitute Tender Indebtedness, then for purposes of determining Maximum Annual Debt Service, Tender Indebtedness shall be treated as if the principal amount of such Parity Obligations were to be amortized in accordance with the amortization schedule set forth in the Supplement or Issuing Instrument for such Tender Indebtedness or in the standby purchase or liquidity facility established with respect to such Tender Indebtedness, or if no such amortization schedule is set forth, then such Tender Indebtedness shall be deemed to be amortized in substantially equal annual installments of principal and interest over a term of 30 years commencing in the year in which such Series is first subject to tender, the interest rate used for such computation shall be determined as provided in subsection (A)(iv) or (v) below, as appropriate;

(iv) if any Outstanding Series of Parity Obligations constitutes Variable Rate Indebtedness, the interest rate on such Obligations shall be assumed to be 110% of the daily average interest rate on such Parity Obligations during the 12 months ending with the month preceding the date of calculation, or such shorter period that such Parity Obligations shall have been Outstanding; provided that in the event that such Variable Rate Indebtedness has been issued in connection with a Qualified Swap Agreement, the interest rate for purposes of computing Maximum Annual Debt Service shall be determined by (1) calculating the annualized net amount paid by the City under such Variable Rate Indebtedness and Qualified Swap Agreement (after giving effect to payments made under the Variable Rate Indebtedness and made and received by the City under the Qualified Swap Agreement) during the 12 months ending with the month preceding the date of calculation, or such shorter period that such Qualified Swap Agreement has been in effect, and (2) dividing the amount calculated in clause (1) by the average daily balance of the related Parity Obligations Outstanding during the 12-month period contemplated by clause (1);

(v) if Parity Obligations proposed to be issued will be Variable Rate Indebtedness, then such Parity Obligations shall be assumed to bear interest at 80% of the average Revenue Bond Index during the calendar quarter preceding the calendar quarter in which the calculation is made, or if that index is no longer published, another similar index selected by the City, or if the City fails to select a replacement index, an interest rate equal to 80% of the yield for outstanding United States Treasury bonds having an equivalent maturity, or if there are no such Treasury bonds having such maturities, 100% of the lowest prevailing prime rate of any of the five largest commercial banks in the United States ranked by assets; provided that in the event that such Variable Rate Indebtedness will be issued in connection with a Qualified Swap Agreement, the interest rate for purposes of computing Maximum Annual Debt Service shall be determined by (1) calculating the net amount to be paid by the City under such Variable Rate Indebtedness and Qualified Swap Agreement after giving effect to payments to be made under the Variable Rate Indebtedness and to be made and received by the City under the Qualified Swap Agreement) for the period during which the Qualified Swap Agreement is to be in effect and for this purpose, any variable rate of interest agreed to be paid thereunder shall be deemed to be the rate at which the related Parity Obligation shall be assumed to bear interest, and (2) dividing the amount calculated in clause (1) by the average principal amount of the related Parity Obligation to be Outstanding during the first Fiscal Year after the issuance of such Parity Obligation;

(vi) if moneys or Permitted Investments have been deposited by the City into a separate fund or account or are otherwise held by the City or by a fiduciary to be used to pay principal of and/or interest on specified Parity Obligations, then the principal and/or interest to be paid from such moneys, Permitted Investments or from the earnings thereon shall be disregarded and not included in calculating Maximum Annual Debt Service;

(vii) if Parity Obligations are Paired Obligations, the interest thereon shall be the resulting linked rate or effective fixed rate to be paid with respect to such Paired Obligations; and

(viii) in the event that an agreement or commitment which, at the time of calculation, is a Qualified Swap Agreement is or is to be in effect with respect to a Parity Obligation which is not Variable Rate Indebtedness, the interest rate of such Parity Obligation for purposes of calculating Maximum Annual Debt Service shall be calculated as follows:

(1) for such a Qualified Swap Agreement which is in effect on the date of calculation, the interest rate shall be calculated in the same manner as is specified in clause (iv) above for a Qualified Swap Agreement issued in connection with Variable Rate Indebtedness which is Outstanding on the date of calculation; and

(2) for such a Qualified Swap Agreement which is not in effect on the date of calculation, the interest rate shall be calculated in the same manner as is specified in clause (v) above for a Qualified Swap Agreement to be issued in connection with Variable Rate Indebtedness to be Outstanding after the date of calculation, and for this purpose, any variable rate of interest agreed to be paid thereunder shall be assumed to be the rate assumed for Variable Rate Indebtedness described in clause (v) above.

(B) with regard to all Obligations then Outstanding, the maximum amount of principal and interest becoming due on the Obligations in the then-current or any future Fiscal Year, calculated by the City or by an Independent Certified Public Accountant in accordance with this subsection and provided to the Trustee. For purposes of calculating Maximum Annual Debt Service, the following assumptions shall be used to calculate the principal and interest becoming due in any Fiscal Year:

(i) in determining the principal amount due in each Fiscal Year, payments shall (except to the extent a different subsection of this definition applies for purposes of determining principal maturities or amortization) be assumed to be made in accordance with any amortization schedule established for such debt, including the amount of any Obligations which are or have the characteristics of commercial paper and which are not intended at the time of issuance to be retired from the sale of a corresponding amount of Obligations, and including any scheduled mandatory redemption or prepayment of Obligations on the basis of accreted value due upon such redemption or prepayment, and for such purpose, the redemption payment or prepayment shall be deemed a principal payment; provided, however, that with respect to Obligations which are or have the characteristics of commercial paper and which are intended at the time of issuance to be retired from the proceeds of sale of a corresponding amount of other Obligations, and which would not constitute Balloon Indebtedness, each maturity thereof shall be treated as if it were to be amortized in substantially equal installments of principal and interest over a term of 30 years, commencing in the year of such stated maturity; in determining the interest due in each Fiscal Year, interest payable at a fixed rate shall (except to the extent subsection (B)(ii) or (iii) of this definition applies) be assumed to be made at such fixed rate and on the required payment dates;

(ii) if all or any portion or portions of an Outstanding Series of Obligations constitute Balloon Indebtedness or if all or any portion or portions of a Series of Obligations or such payments then proposed to be issued would constitute Balloon Indebtedness, then, for purposes of determining Maximum Annual Debt Service, each maturity which constitutes Balloon Indebtedness shall be treated as if it were to be amortized in substantially equal annual installments of principal and interest over a term of 30 years, commencing in the year the stated maturity of such Balloon Indebtedness occurs, the interest rate used for such computation shall be determined as provided in subsection (B)(iv) or (v) below, as appropriate, and all payments of principal and interest becoming due

prior to the year of the stated maturity of the Balloon Indebtedness shall be treated as described in subsection (B)(i) above;

(iii) if any Outstanding Series of Obligations constitutes Tender Indebtedness or if Obligations proposed to be issued would constitute Tender Indebtedness, then for purposes of determining Maximum Annual Debt Service, Tender Indebtedness shall be treated as if the principal amount of such Obligations were to be amortized in accordance with the amortization schedule set forth in the Supplement or Issuing Instrument for such Tender Indebtedness or in the standby purchase or liquidity facility established with respect to such Tender Indebtedness, or if no such amortization schedule is set forth, then such Tender Indebtedness shall be deemed to be amortized in substantially equal annual installments of principal and interest over a term of 30 years, commencing in the year in which such Obligations are first subject to tender, the interest rate used for such computation shall be determined as provided in subsection (B)(iv) or (v) below, as appropriate;

(iv) if any Outstanding Series of Obligations constitute Variable Rate Indebtedness, the interest rate on such Series of Obligations shall be assumed to be 110% of the daily average interest rate on such Series of Obligations during the 12 months ending with the month preceding the date of calculation, or such shorter period that such Series of Obligations shall have been Outstanding; provided, that in the event that such Variable Rate Indebtedness has been issued in connection with a Qualified Swap Agreement, the interest rate for purposes of computing Maximum Annual Debt Service shall be determined by (1) calculating the annualized net amount paid by the City under such Variable Rate Indebtedness and Qualified Swap Agreement (after giving effect to payments made under the Variable Rate Indebtedness and made and received by the City under the Qualified Swap Agreement) during the 12 months ending with the month preceding the date of calculation, or such shorter period that such Qualified Swap Agreement has been in effect, and (2) dividing the amount calculated in clause (1) by the average daily balance of the related Obligations Outstanding during the 12-month period contemplated by clause (1);

(v) if Obligations proposed to be issued will be Variable Rate Indebtedness, then such Obligations shall be assumed to bear interest at 80% of the average Revenue Bond Index during the calendar quarter preceding the calendar quarter in which the calculation is made, or if that index is no longer published, another similar index selected by the City, or if the City fails to select a replacement index, an interest rate equal to 80% of the yield for outstanding United States Treasury bonds having an equivalent maturity, or if there are no such Treasury bonds having such maturities, 100% of the lowest prevailing prime rate of any of the five largest commercial banks in the United States ranked by assets, provided, that if such Variable Rate Indebtedness will be issued in connection with a Qualified Swap Agreement, the interest rate for purposes of computing Maximum Annual Debt Service shall be determined by (1) calculating the net amount to be paid by the City under such Variable Rate Indebtedness and

Qualified Swap Agreement (after giving effect to payments to be made under the Variable Rate Indebtedness and to be made and received by the City under the Qualified Swap Agreement) for the period during which the Qualified Swap Agreement is to be in effect and for this purpose, any variable rate of interest agreed to be paid thereunder shall be deemed to be the rate at which the related Obligations shall be assumed to bear interest, and (2) dividing the amount calculated in clause (1) by the average principal amount of the related Obligations to be Outstanding during the first Fiscal Year after the issuance of such Obligations;

(vi) if moneys or Permitted Investments have been deposited by the City into a separate fund or account or are otherwise held by the City or by a fiduciary to be used to pay principal and/or interest on specified Obligations, then the principal and/or interest to be paid from such moneys, Permitted Investments or from the earnings thereon shall be disregarded and not included in calculating Maximum Annual Debt Service;

(vii) if Obligations are Paired Obligations, the interest thereon shall be the resulting linked rate or effective fixed rate to be paid with respect to such Paired Obligations; and

(viii) in the event that an agreement or commitment which, at the time of calculation, is a Qualified Swap Agreement is or is to be in effect with respect to an Obligation which is not Variable Rate Indebtedness, the interest rate of such Obligation for purposes of calculating Maximum Annual Debt Service shall be calculated as follows:

(1) for such a Qualified Swap Agreement which is in effect on the date of calculation, the interest rate shall be calculated in the same manner as is specified in clause (iv) above for a Qualified Swap Agreement issued in connection with Variable Rate Indebtedness which is Outstanding on the date of calculation; and

(2) for such a Qualified Swap Agreement which is not in effect on the date of calculation, the interest rate shall be calculated in the same manner as is specified in clause (v) above for a Qualified Swap Agreement to be issued in connection with Variable Rate Indebtedness to be Outstanding after the date of calculation, and for this purpose, any variable rate of interest agreed to be paid thereunder shall be assumed to be the rate assumed for Variable Rate Indebtedness described in clause (v) above.

Maximum Rate

The term "Maximum Rate" means, on any day, the maximum interest rate allowed by law.

Moody's

The term "Moody's" means Moody's Investors Service, Inc., a Delaware corporation, and its successors, and if such corporation shall for any reason no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the City.

Net Proceeds

The term "Net Proceeds" means, when used with respect to any insurance, self-insurance or condemnation award, the proceeds from such award that are remaining after payment of all expenses (including attorneys' fees) incurred in the collection of such proceeds.

Net System Revenues

The term "Net System Revenues" means, 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.

Obligations

The term "Obligations" means (a) 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; (b) obligations to replenish any debt service reserve funds with respect to such obligations of the City; (c) obligations secured by or payable from any of such obligations of the City; and (d) obligations of the City payable from Net System Revenues under (1) any contract providing for payments based on levels of, or changes in, interest rates, currency exchange rates, stock or other indices, (2) any contract to exchange cash flows or a series of payments, or (3) any contract to hedge payment, currency, rate spread or similar exposure, including but not limited to interest rate swap agreements and interest rate cap agreements.

Outstanding

The term "Outstanding," when used as of any particular time with respect to Obligations, means all Obligations theretofore or thereupon executed, authenticated and delivered by the City or any trustee or other fiduciary, *except* (a) Obligations theretofore cancelled or surrendered for cancellation; (b) Obligations paid or deemed to be paid within the meaning of any defeasance provisions thereof; (c) Obligations owned by the City; and (d) Obligations in lieu of or in substitution for which other Obligations have been executed and delivered.

Owner

The term "Owner" means any person who shall be the registered owner of any certificate or other evidence of a right to receive Installment Payments directly or as security for payment of an Outstanding Obligation.

Paired Obligations

The term "Paired Obligations" shall mean any Series (or portion thereof) of Parity Obligations designated as Paired Obligations in a Supplement or related Issuing Instrument or other document authorizing the issuance or incurrence thereof, which are simultaneously issued or incurred, (a) the principal and notional amount of each of which is of equal amount maturing and to be prepaid or redeemed (or cancelled after acquisition thereof) on the same dates and in the same amounts, and (b) the interest rates for which, taken together, result in an irrevocably fixed interest rate obligation of the City for the term of such Paired Obligations.

As to Subordinated Obligations, the term "Paired Obligations," as used in the definitions of "Maximum Annual Debt Service" and "Variable Rate Indebtedness," means any Series (or portion thereof) of Subordinated Obligations which are simultaneously issued or incurred, (a) the principal and notional amount of each of which is of equal amount maturing and to be prepaid or redeemed (or cancelled after acquisition thereof) on the same dates and in the same amounts, and (b) the interest rates for which, taken together, result in an irrevocably fixed interest rate obligation of the City for the term of such Obligations.

Parity Installment Obligation

The term "Parity Installment Obligation" means Obligations consisting of or payable from Installment Payments which are not subordinated in right of payment to other Installment Payments.

Parity Obligations

The term "Parity Obligations" means (a) Parity Installment Obligations, (b) Obligations, the principal of and interest on which are payable on a parity with Parity Installment Obligations, (c) Reserve Fund Obligations, and (d) payments due under Qualified Swap Agreements that do not constitute termination or unwinding payments.

Payment Fund

The term "Payment Fund" means the fund designated in the Issuing Instrument as the fund into which Installment Payments are to be deposited for the purposes of paying principal of or interest on related Obligations.

Permitted Investments

The term "Permitted Investments" means investments which pursuant to an Issuing Instrument are permissible for the investment of funds received from the sale of Obligations pursuant to the Issuing Document or from other funds held pursuant to the Issuing Document.

Project: 1998 Project

The term "Project" means the construction, replacement and improvements to the Water System described in Exhibit A hereto, as it may be modified from time to time in conformance

with Section 3.02 hereof. The term "1998 Project" means the Components of the Project initially financed hereunder.

Purchase Price

The term "Purchase Price" means the principal amount, plus interest thereon, owed by the City to the Corporation under the terms hereof for the purchase of Project Components, as provided in Section 4.01 and as specified herein or in a Supplement.

Qualified Swap Agreement

The term "Qualified Swap Agreement" means a contract or agreement, payable from Net System Revenues on a parity with the related Series of Obligations, intended to place such Obligations on the interest rate, currency, cash flow or other basis desired by the City, including, without limitation, any interest rate swap agreement, currency swap agreement, forward payment conversion agreement or futures contract, any contract providing for payments based on levels of, or changes in, interest rates, currency exchange rates, stock or other indices, any contract to exchange cash flows or a series of payments, or any contract, including, without limitation, an interest rate floor or cap, or an option, put or call, to hedge payment, currency, rate, spread or similar exposure, between the City and a counterparty; provided that not less than 30 days prior to the City's execution of a Qualified Swap Agreement, each Rating Agency which then maintains a rating with respect to any Parity Obligation, if the Qualified Swap Agreement relates to Parity Obligations, or with respect to any Subordinated Obligations, if the Qualified Swap Agreement relates to Subordinated Obligations, receives notice in writing of the City's pending execution thereof.

Qualified Take or Pay Obligation

The term "Qualified Take or Pay Obligation" means the obligation of the City to make use of any facility, property or services, or some portion of the capacity thereof, or to pay therefor from System Revenues, or both, whether or not such facilities, properties or services are ever made available to the City for use, and there is provided to the City a certificate of the City or of an Independent Engineer to the effect that the incurrence of such obligation will not adversely affect the ability of the City to comply with the provisions of Section 6.08(a).

Rate Stabilization Fund

The term "Rate Stabilization Fund" means the fund by that name established pursuant to Section 6.08 hereof.

Rating Agencies

The term "Rating Agencies" means Moody's and S&P, or whichever of them and any other rating agency that is then rating Obligations.

Rebate Fund

The term "Rebate Fund" means the fund by that name established pursuant to any Issuing Instrument.

Rebate Requirement

The term "Rebate Requirement" shall have the meaning specified in any Tax Certificate.

Reserve Fund

The term "Reserve Fund" shall refer to the fund by that name established under in an Issuing Instrument or Supplement.

Reserve Fund Obligations

The term "Reserve Fund Obligations" means 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 Parity Obligations or Subordinated Obligations, as designated by the City.

Reserve Fund Credit Facility

The term "Reserve Fund Credit Facility" shall mean a letter of credit, line of credit, surety bond, insurance policy or similar facility deposited in the Reserve Fund established under an Issuing Instrument in lieu of or in partial substitution for cash or securities on deposit therein.

Reserve Requirement

The term "Reserve Requirement" shall have the meaning given to such term in any Issuing Instrument or Supplement.

Revenue Bond Index

The term "Revenue Bond Index" means the Revenue Bond Index by that name published from time to time in *The Bond Buyer*.

S&P

The term "S&P" means Standard & Poor's, a division of the McGraw-Hill Companies, a New York corporation, and its successors, and if such corporation shall for any reason no longer perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the City.

Secondary Purchase Fund

The term "Secondary Purchase Fund" means the fund by that name established pursuant to Section 6.08 hereof.

Serial Obligations

The term "Serial Obligations" means Obligations for which no sinking fund payments are provided.

Serial Parity Obligations

The term "Serial Parity Obligations" means Serial Obligations which are Parity Installment Payments or are payable on a parity with Parity Installment Obligations.

Series

The term "Series" means Obligations issued at the same time or sharing some other common term or characteristic and designated as a separate Series.

State

The term "State" means the State of California.

Subordinated Credit Provider

The term "Subordinated Credit Provider" means any municipal bond insurance company, bank or other financial institution or organization which is performing in all respects its obligations under any Subordinated Credit Support Instrument for some or all of the Subordinated Obligations.

Subordinated Credit Provider Reimbursement Obligations

The term "Subordinated Credit Provider Reimbursement Obligations" means obligations of the City to repay, from Net System Revenues, amounts advanced by a Subordinated Credit Provider as credit support or liquidity for Subordinated Obligations, which obligations shall constitute Subordinated Obligations.

Subordinated Credit Support Instrument

The term "Subordinated Credit Support Instrument" means a policy of insurance, a letter of credit, a standby 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 interest, principal or the purchase price of any Subordinated Obligations.

Subordinated Obligations

The term "Subordinated Obligations" means any Obligations, the payment of which is subordinated in right of payment to Parity Obligations.

Supplement

The term "Supplement" means a supplement to this Installment Purchase Agreement providing for the payment of specific Installment Payments as the Purchase Price for additional Components of the Project, executed and delivered by the City and the Corporation.

System Revenues

The term "System Revenues" means 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 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 which 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 of California; 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; but

(g) notwithstanding the foregoing, there shall be deducted from System Revenues any amounts transferred into a Rate Stabilization Fund as contemplated by Section 6.08(b) hereof, and any amounts transferred from current System Revenues to the Secondary Purchase Fund as contemplated by Section 6.08(c) hereof, and 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.

* These items of System Revenue may not be used to pay Maintenance and Operation Costs of the Water System.

Tax Certificate

The term "Tax Certificate" shall mean any certificate delivered with respect to the maintenance of the tax-exempt status of Tax-Exempt Installment Payment Obligations.

Tax-Exempt Installment Payment Obligations

The term "Tax-Exempt Installment Payment Obligations" means Installment Payment Obligations, the interest component of which is excluded from gross income pursuant to Section 103 of the Code.

Tender Indebtedness

The term "Tender Indebtedness" means any Obligations or portions of Obligations, a feature of which is an option, on the part of the holders thereof, or an obligation, under the terms of such Obligations, to tender all or a portion of such Obligations to the City, a Trustee or other fiduciary or agent for payment or purchase and requiring that such Obligations or portions of Obligations or that such rights to payments or portions of payments be purchased if properly presented. Tender Indebtedness may consist of either Parity Obligations or Subordinated Obligations.

Term Parity Obligations

The term "Term Parity Obligations" means Term Obligations which are Parity Installment Obligations or are payable on a parity with Parity Installment Obligations.

Term Obligations

The term "Term Obligations" means Obligations which are payable on or before their specified maturity dates from sinking fund payments established for that purpose and calculated to retire such Obligations on or before their specified maturity dates.

Trustee

The term "Trustee" means a financial institution acting in its capacity as Trustee under and pursuant to any Issuing Instrument, or its successors and assigns.

Variable Rate Indebtedness

The term "Variable Rate Indebtedness" means any portion of indebtedness evidenced by Obligations, the interest rate for which is subject to adjustment periodically through a remarketing process or according to a stated published index for similar obligations in the municipal markets, excluding Paired Obligations. Variable Rate Indebtedness may consist of either Parity Obligations or Subordinated Obligations.

Water Service

The term "Water Service" means the collection, conservation, production, storage, treatment, transmission, furnishing and distribution services made available or provided by the Water System.

Water System

The term "Water System" means any and all facilities, properties, improvements and works at any time owned, controlled or operated by the City as part of the public utility system of the City for water purposes, for the development, obtaining, conservation, production, storage, treatment, transmission, furnishing and distribution of water and its other commodities or byproducts for public and private use (whether located within or without the City), and any related or incidental operations designated by the City as part of the Water System, including reclaimed and re-purified water.

Water Utility Fund

The term "Water Utility Fund" means the fund by that name established under the Charter.

ARTICLE II

REPRESENTATIONS AND WARRANTIES

SECTION 2.01. Representations by the City. The City makes the following representations:

(a) The City is a municipal corporation organized and existing under the Charter, which was duly adopted pursuant to the provisions of the Constitution of the State of California.

(b) The City has full legal right, power and authority to enter into this Installment Purchase Agreement and carry out its obligations hereunder, to carry out and consummate all transactions contemplated by this Installment Purchase Agreement, and the City has complied with the provisions of the Law in all matters relating to such transactions.

(c) By proper action, the City has duly authorized the execution, delivery and due performance of this Installment Purchase Agreement.

(d) The execution and delivery of this Installment Purchase Agreement and the consummation of the transactions herein contemplated will not violate any provision of law, any order of any court or other agency of governments or any indenture, material agreement or other instrument to which the City is now a party or by which it or any of its properties or assets is bound, or be in conflict with, result in a breach of or constitute a default (with due notice or the passage of time or both) under any such indenture, agreement or other instrument, or result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the properties or assets of the City.

(e) The City has determined that it is necessary and proper for the City uses and purposes within the terms of the Law that the City acquire the Project in the manner provided for in this Installment Purchase Agreement, in order to provide essential services and facilities to the persons residing in the City.

(f) The City will comply with the provisions of the Tax Certificate so that the interest components of Tax-Exempt Installment Payment Obligations will not be includable in the gross income of the Owners of such Obligations for federal income tax purposes.

SECTION 2.02. Representations and Warranties by the Corporation. The Corporation makes the following representations and warranties:

(a) The Corporation is duly organized and existing under the laws of the State of California.

(b) The Corporation has full legal right, power and authority to enter into this Installment Purchase Agreement and to carry out and consummate all transactions contemplated by this Installment Purchase Agreement.

(c) By proper action, the Corporation has duly authorized the execution, delivery and due performance of this Installment Purchase Agreement.

(d) The execution and delivery of this Installment Purchase Agreement and the consummation of the transactions herein contemplated will not violate any provision of law, any order of any court or other agency of government, or any indenture, material agreement or other instrument to which the Corporation is now a party or by which it or any of its properties or assets is bound, or be in conflict with, result in a breach of or constitute a default (with due notice or the passage of time or both) under any such indenture, agreement or other instrument, or result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the properties or assets of the Corporation.

ARTICLE III

ACQUISITION AND CONSTRUCTION OF THE PROJECT

SECTION 3.01. Acquisition and Construction of the Project; Components. (a) The Corporation hereby agrees to cause the Project to be constructed, acquired and installed by the City, as agent of the Corporation. The City shall enter into contracts and provide for, as agent of the Corporation, the complete construction, acquisition and installation of the Project. The City hereby agrees that it will cause the construction, acquisition and installation of the Project to be diligently performed.

(b) It is hereby expressly understood and agreed that, except to the extent of proceeds of Obligations which are deposited in an Acquisition Fund, the Corporation shall be under no liability of any kind or character whatsoever for the payment of any cost of any Components. In the event the proceeds of Obligations deposited in an Acquisition Fund are insufficient to complete the construction, acquisition and installation of the designated Components, the City shall cause to be deposited in such Acquisition Fund (or shall otherwise

appropriate and encumber) from and to the extent of available amounts on deposit in the Water Utility Fund (or other lawfully available moneys) an amount equal to that necessary to complete the construction, acquisition and installation of such Components.

(c) The Corporation will not undertake to cause any Component of the Project to be constructed, acquired or installed unless and until the City and the Corporation have entered into a Supplement specifying the Components of the Project to be installed, the date of completion, the purchase price to be paid by the City hereunder for that Component of the Project, and the Installment Payments or the method of calculating Installment Payments.

SECTION 3.02. Changes to the Project. (a) From time to time and at any time, subject to the restrictions set forth in subsection (b) below, the City may modify or amend the description of the Project, to eliminate any part thereof and/or to add or substitute another Component or Components, all without obtaining any consent, by filing an amended Exhibit A with the Corporation and the Trustee under the related Issuing Instrument; provided however, that no such amendment shall add or substitute a Component or Components which are not to be accounted for as an asset of the Water Utility Fund or shall in any way impair the obligations of the City contained in any Supplement executed and delivered prior to any such amendment.

(b) The City may substitute other improvements for those listed as Components in any Supplement, but only if the City first files with the Corporation and the Trustee a certificate of an Authorized City Representative:

(1) identifying the Components to be substituted and the Components they replace;

(2) stating that the substituted Components will be accounted for as an asset of the Water Utility Fund; and

(3) stating that with respect to Components financed with Tax-Exempt Installment Payment Obligations, the estimated costs of construction, acquisition and installation of the substituted improvements are not less than such costs for the improvements previously included in such Supplement, that any excess amounts will be applied to the payment of principal evidenced by the related Obligations or any Additional Obligations, and that said substitution will not violate any provision of the related Tax Certificate.

(c) Substituted Components may include or consist of an undivided interest in such Components, in which event the costs associated with the substituted Components over and above the undivided interest need not be deposited in the Acquisition Fund (or otherwise appropriated and encumbered); provided, however, that the certificate of an Authorized City Representative specifies that the funds necessary to complete the substituted Components are on deposit in the Acquisition Fund or otherwise appropriated and encumbered.

ARTICLE IV

INSTALLMENT PAYMENTS

SECTION 4.01. Purchase Price. (a) The City will pay the Purchase Price for any Components being purchased as provided in a Supplement. The Purchase Price to be paid by the City to the Corporation pursuant to any Supplement hereto, solely from Net System Revenues and from no other sources, is the sum of the principal amount of the City's obligations under such Supplement plus the interest to accrue on the unpaid balance of such principal amount from the effective date thereof over the term thereof, subject to prepayment as provided therein.

(b) The principal amount of the Installment Payments to be made by the City under a Supplement shall be paid at least three Business Days prior to the date such Installment Payments are payable as specified in such Supplement or at such other earlier time or times and in the manner or manners as specified in such Supplement. In the event the principal amount of an Installment Payment is not paid by the date the same is due and payable as specified in such Supplement, the same shall bear interest at the Default Rate, commencing on the day the same as due, to, but not including, the payment date.

(c) The interest to accrue on the unpaid balance of such principal amount shall be paid at least three Business Days prior to the date such interest is payable as specified in a Supplement or at such other earlier time or times as specified in such Supplement, and shall be paid by the City as and constitute interest paid on the principal amount of the City's obligations thereunder. Interest shall be payable in an amount not exceeding the Maximum Rate at the time of incurring such obligation, at such intervals and according to such interest rate formulas as shall be specified in a Supplement or by reference to any Issuing Instrument to which such Supplement relates, and shall be payable with such frequency as shall be specified therein. In the event that interest is not paid by the date such interest is payable, to the extent permitted by applicable law, such interest shall thereafter bear interest at the Default Rate, commencing on the day the same is due, to, but not including, the payment date.

SECTION 4.02. Installment Payments; Reserve Fund Payments. (a) The City shall, subject to any rights of prepayment provided for in a Supplement, pay to the Corporation, solely from Net System Revenues and from no other sources, the Purchase Price in Installment Payments over a period not to exceed the maximum period permitted by law, all as specified in a Supplement.

(b) In the event that a Trustee notifies the City that the amount on deposit in a Reserve Fund or Reserve Account is less than the Reserve Requirement, the City shall deposit or cause to be deposited, solely from Net System Revenues in accordance with Section 5.02(b) hereof, in such Reserve Fund or Reserve Account such amounts on a monthly basis as are necessary to increase the amount on deposit therein to the Reserve Requirement in the ensuing twelve months.

(c) The obligation of the City to make the Installment Payments solely from Net System Revenues is absolute and unconditional, and until such time as the Purchase Price shall have been paid in full (or provision for the payment thereof shall have been made pursuant

to Article IX hereof), the City will not discontinue or suspend any Installment Payments required to be made by it under this section when due, 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 or curtailed or terminated in whole or in part, and such Installment Payments shall not be subject to reduction whether by offset or otherwise and shall not be conditioned upon the performance or nonperformance by any party of any agreement for any cause whatsoever.

ARTICLE V

SYSTEM REVENUES

SECTION 5.01. Commitment of the Net System Revenues. (a) All Parity Obligations, including Parity Installment Payment Obligations, shall be secured by a first priority lien on and pledge of Net System Revenues. The City does hereby grant such first priority lien on and pledge of Net System Revenues to secure Parity Obligations. All Parity Obligations shall be of equal rank with each other without preference, priority or distinction of any Parity Obligations over any other Parity Obligations.

(b) All Subordinated 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 Parity Obligations. The City does hereby grant such 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.

(c) The City hereby represents and states that it has not granted any lien or charge on any of the Net System Revenues except as provided herein; provided, however, that out of Net System Revenues there may be apportioned such sums for such purposes as are expressly permitted by this Article V.

(d) Nothing contained herein shall limit the ability of the City to grant liens on and pledges of the Net System Revenues that are subordinate to the liens on and pledges of Net System Revenues for the benefit of Parity Obligations and Subordinated Obligations contained herein.

SECTION 5.02. Allocation of System Revenues. (a) In order to carry out and effectuate the commitment and pledge contained in Section 5.01, the City agrees and covenants 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 Installment Payment Obligations or payments due by the City under any Qualified Swap Agreement related thereto remain unpaid, and all moneys in the Water Utility Fund shall be so held in trust and applied and used solely as provided herein. The City shall pay from the Water Utility Fund: (1) directly or as otherwise required all Maintenance and Operation Costs of the Water System; (2) to the Trustee, for deposit in the Payment Fund for Parity Obligations, including Reserve Fund Obligations that are Parity Obligations, the amounts specified in any Issuing Instrument, as payments due on account of Parity Obligations (including any Credit Provider Reimbursement Obligations that are Parity Obligations), other than payments due as

Parity Obligations by the City under a Qualified Swap Agreement; and (3) to the counterparty specified in any Qualified Swap Agreement, the amounts or payments due under such Qualified Swap Agreement as Parity Obligations. In the event there are insufficient Net System Revenues to make all of the payments contemplated by clauses (2) and (3) of the immediately preceding sentence, then said payments should be made as nearly as practicable, *pro rata*, based upon the respective unpaid principal amounts of said Parity Obligations.

(b) After the payments contemplated by subsection (a) above have been made, and in any event not less frequently than January 15 and July 15 of each year, any remaining Net System Revenues shall be used to make up any deficiency in the Reserve Funds for Parity Obligations. Notwithstanding the use of a Reserve Fund Credit Facility in lieu of depositing funds in the related Reserve Fund for Parity Obligations, in the event of any draw on the related Reserve Fund Credit Facility, there shall be deemed a deficiency in such Reserve Fund for Parity Obligations until the amount of the Reserve Fund Credit Facility is restored to its pre-draw amount. In the event there are insufficient Net System Revenues to make up all deficiencies in all Reserve Funds for Parity Obligations, such payments into the Reserve Funds shall be made as nearly as practicable *pro rata* based on the respective unpaid principal amount of all Parity Obligations. Any amounts thereafter remaining in the Water Utility Fund may from time to time be used to pay the amounts specified in any Issuing Instrument as payments due on account of Subordinated Obligations (including any Reserve Fund Obligations for Subordinated Obligations, any Credit Provider Reimbursement Obligations that are Subordinated Obligations and any Subordinated Credit Provider Reimbursement Obligations), provided the following conditions are met:

(1) all Maintenance and Operation Costs of the Water System are being and have been paid and are then current; and

(2) all deposits and payments contemplated by clauses (2) and (3) of subsection (a) above shall have been made in full and no deficiency in any Reserve Fund for Parity Obligations shall exist, and there shall have been paid, or segregated within the Water Utility Fund, the amounts payable during the current month pursuant to clauses (2) and (3) of subsection (a) above.

After deposits contemplated by this Section have been made, any amounts thereafter remaining in the Water Utility Fund may be used for any lawful purpose of the Water System.

SECTION 5.03. Additional Obligations. (a) The City may not create any Obligations, the payments of which are senior or prior in right to the payment by the City of Parity Obligations.

(b) Without regard to subsection (c) below, the City may at any time enter into or create an obligation or commitment which is a Reserve Fund Obligation or a Qualified Swap Agreement, provided that the Obligation to which the Reserve Fund Obligation or the Qualified Swap Agreement relates is permitted to be entered into under the terms of this Section.

(c) After the initial issuance of Parity Obligations hereunder, the City may at any time and from time to time issue or create any other Parity Obligations, provided that:

(1) there shall not have occurred and be continuing (A) an Event of Default under the terms of this Installment Purchase Agreement, any Issuing Instrument or any Credit Support Instrument, or (B) an event of default or termination event (as defined in any Qualified Swap Agreement) attributable to an act or failure of the City under any Qualified Swap Agreement; and

(2) the City obtains or provides a certificate or certificates, prepared by the City or at the City's option by a Consultant, showing that:

(A) the Net System Revenues as shown by the books of the City for any 12-consecutive-month period within the 18 consecutive months ending immediately prior to the incurring of such additional Parity Obligations shall have amounted to or exceeded the greater of (i) at least 1.20 times the Maximum Annual Debt Service on all Parity Obligations to be Outstanding immediately after the issuance of the proposed Parity Obligations or (ii) at least 1.00 times the Maximum Annual Debt Service on all Obligations to be Outstanding immediately after the issuance of the proposed Parity Obligations. For purposes of preparing the certificate or certificates described above, the City or its Consultant may rely upon audited financial statements, or, if audited financial statements for the period are not available, financial statements prepared by the City that have not been subject to audit by an Independent Certified Public Accountant; or

(B) the estimated Net System Revenues for the five Fiscal Years following the earlier of (i) the end of the period during which interest on those Parity Obligations is to be capitalized or, if no interest is to be capitalized, the Fiscal Year in which the Parity Obligations are issued, or (ii) the date on which substantially all new Components to be financed with such Parity Obligations are expected to commence operations, will be at least equal to 1.20 times the Maximum Annual Debt Service for all Parity Obligations which will be Outstanding immediately after the issuance of the proposed Parity Obligations.

(d) For purposes of the computations to be made as described in subsection (c)(2)(B) above, the determination of Net System Revenues:

(1) may take into account any increases in rates and charges which relate to the Water System and which have been approved by the City Council, and shall take into account any reduction in such rates and charges which have been approved by the City Council, which will, for purposes of the test described in subsection (c)(2)(B) above, be effective during a Fiscal Year ending within the five-Fiscal-Year period for which such estimate is being made; and

(2) may take into account an allowance for any estimated increase in such Net System Revenues from any revenue-producing additions or improvements to or extensions of the Water System to be made with the proceeds of such additional indebtedness or with the proceeds of Parity Obligations previously issued, all in an amount equal to the estimated additional average annual Net System Revenues to be

derived from such additions, improvements and extensions during the five-Fiscal-Year period contemplated by subsection (c)(2)(B) above, all as shown by such certificate of the City or its Consultant, as applicable; and

(3) for the period contemplated by subsection (c)(2)(B), Maintenance and Operation Costs of the Water System shall initially be deemed to be equal to such costs for the 12 consecutive months immediately prior to incurring such other Parity Obligations for the first Fiscal Year of the five-Fiscal-Year period, but adjusted if deemed necessary by the City or its Consultant, as applicable, for any increased Maintenance and Operations Costs of the Water System which are, in the judgment of the City or such Consultant, as applicable, essential to maintaining and operating the Water System and which will occur during any Fiscal Year ending within the period contemplated by subsection (c)(2)(B) above.

(e) The certificate or certificates described above in subsection (c)(2)(B) shall not be required if the Parity Obligations being issued are for the purpose of (1) issuing the Parity Obligations initially issued under this Installment Purchase Agreement or (2) refunding (A) any then Outstanding Parity Obligations if at the time of the issuance of such Parity Obligations a certificate of an Authorized City Representative shall be delivered showing that the sum of Adjusted Debt Service on all Parity Obligations Outstanding for all remaining Fiscal Years after the issuance of the refunding Parity Obligations will not exceed the sum of Adjusted Debt Service on all Parity Obligations Outstanding for all remaining Fiscal Years prior to the issuance of such refunding Parity Obligations; or (B) then Outstanding Balloon Indebtedness, Tender Indebtedness or Variable Rate Indebtedness, but only to the extent that the principal amount of such indebtedness has been put, tendered to or otherwise purchased pursuant to a standby purchase or other liquidity facility relating to such indebtedness.

(f) Without regard to subsection (c) above, if (i) no Event of Default has occurred and is continuing and (ii) no event of default or termination event attributable to an act of or failure to act by the City under any Qualified Swap Agreement or Credit Support Instrument has occurred and is continuing, the City may issue or incur Subordinated Obligations, and such Subordinated Obligations shall be paid in accordance with the provisions of Section 5.02(b) hereof, provided that:

(1) City obtains or provides a certificate or certificates, prepared by the City or at the City's option by a Consultant, showing that:

(A) the Net System Revenues as shown by the books of the City for any 12-consecutive-month period within the 18 consecutive months ending immediately prior to the incurring of such additional Subordinated Obligations shall have amounted to at least 1.00 times the Maximum Annual Debt Service on all Obligations to be Outstanding immediately after the issuance of the proposed Subordinated Obligations; or

(B) the estimated Net System Revenues for the five Fiscal Years following the earlier of (i) the end of the period during which interest on those Subordinated Obligations is to be capitalized or, if no interest is to be

capitalized, the Fiscal Year in which the Subordinated Obligations are issued; or (ii) the date on which substantially all new facilities financed with such Subordinated Obligations are expected to commence operations, will be at least equal to 1.00 times the Maximum Annual Debt Service on all Obligations to be Outstanding immediately after the issuance of the proposed Subordinated Obligations.

(2) For purposes of preparing the certificate or certificates described in clause (A) of subsection (f)(1) above, the City and its Consultant(s) may rely upon audited financial statements or, if audited financial statements for the period are not available, financial statements prepared by the City that have not been subject to audit by an Independent Certified Public Accountant.

(3) For purposes of the computations to be made as described in clause (B) of subsection (f)(1) above, the determination of Net System Revenues:

(A) may take into account any increases in rates and charges which relate to the Water System and which have been approved by the City Council and shall take into account any reduction in such rates and charges which have been approved by the City Council, which will, for purposes of the test described in clause (B) of subsection (f)(1) above, be effective during any Fiscal Year ending within the five-Fiscal-Year period for which such estimate is made; and

(B) may take into account an allowance for any estimated increase in such Net System Revenues from any revenue-producing additions or improvements to or extensions of the Water System to be made with the proceeds of such additional indebtedness, with the proceeds of Obligations previously issued or with cash contributions made or to be made by the City, all in an amount equal to the estimated additional average annual Net System Revenues to be derived from such additions, improvements and extensions during the five-Fiscal-Year-period contemplated by clause (B) of subsection (f)(1) above, all as shown by such certificate of the City or its Consultant, as applicable; and

(C) for the period contemplated by clause (B) of subsection (f)(1) above, shall initially include Maintenance and Operation Costs of the Water System in an amount equal to such costs for any 12-consecutive month period within the 24 consecutive months ending immediately prior to incurring such Subordinated Obligations for the first Fiscal Year of the five-Fiscal-Year period, but adjusted if deemed necessary by the City or its Consultant, as applicable, for any increased Maintenance and Operations Costs of the Water System which are, in the judgment of the City or its Consultant, as applicable, essential to maintaining and operating the Water System and which will occur during any Fiscal Year ending within the period contemplated by clause (B) of subsection (f)(1) above.

(4) The certificate or certificates described above in subsection (f)(1) above shall not be required if the Subordinated Obligations being issued are for the purpose of refunding (i) then-Outstanding Parity Obligations or Subordinated Obligations if at the time of the issuance of such Subordinated Obligations a certificate of an Authorized City Representative shall be delivered showing that the sum of Debt Service for all remaining Fiscal Years on all Parity Obligations and Subordinated Obligations Outstanding after the issuance of the refunding Subordinated Obligations will not exceed the sum of Debt Service for all remaining Fiscal Years on all Parity Obligations and Subordinated Obligations Outstanding prior to the issuance of such refunding Subordinated Obligations; or (ii) then-Outstanding Balloon Indebtedness, Tender Indebtedness or Variable Rate Indebtedness, but only to the extent that the principal amount of such indebtedness has been put, tendered to or otherwise purchased by a standby purchase agreement or other liquidity facility relating to such indebtedness.

ARTICLE VI

COVENANTS OF THE CITY

SECTION 6.01. Compliance With Installment Purchase Agreement and Ancillary Agreements. (a) The City will punctually pay Parity Obligations in strict conformity with the terms hereof and thereof, and will faithfully observe and perform all the agreements, conditions, covenants and terms contained herein required to be observed and performed by it, and will not terminate this Installment Purchase Agreement for any cause including, without limiting the generality of the foregoing, any acts or circumstances that may constitute failure of consideration, destruction of or damage to the Project, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State of California or any political subdivision of either or any failure of the Corporation to observe or perform any agreement, condition, covenant or term contained herein required to be observed and performed by it, whether express or implied, or any duty, liability or obligation arising out of or connected herewith or the insolvency, or deemed insolvency, or bankruptcy or liquidation of the Corporation or any force majeure, including acts of God, tempest, storm, earthquake, war, rebellion, riot, civil disorder, acts of public enemies, blockade or embargo, strikes, industrial disputes, lock outs, lack of transportation facilities, fire, explosion, or acts or regulations of governmental authorities.

(b) The City will faithfully observe and perform all the agreements, conditions, covenants and terms contained in this Installment Purchase Agreement, including Supplements, and any Issuing Instrument, Credit Support Instrument or Qualified Swap Agreement relating to Parity Obligations required to be observed and performed by it, and it is expressly understood and agreed by and between the parties to this Installment Purchase Agreement that, subject to Section 10.07 hereof, each of the agreements, conditions, covenants and terms contained herein and therein is an essential and material term of the purchase of and payment for each Component by the City pursuant to, and in accordance with, and as authorized under the Law.

(c) The City will faithfully observe and perform all of the agreements and covenants of the City contained in each Authorizing Ordinance and will not permit the same to

be amended or modified so as to adversely affect the Owners of Installment Payment Obligations or the counterparty to any Qualified Swap Agreement that is in effect.

(d) The City shall be unconditionally and irrevocably obligated, so long as any Installment Payment Obligations remain Outstanding and unpaid, to take all lawful action necessary or required to continue to entitle the City to collect and deposit such System Revenues in the Water Utility Fund for use as provided in this Installment Purchase Agreement; provided, however, that such obligation does not, in any way, limit the City's ability to undertake any and all legal actions, including any appeals, in the defense of a federal court order dictating a water system configuration other than that approved and adopted by the City.

SECTION 6.02. Against Encumbrances. The City will not make any pledge of or place any lien on the Net System Revenues except as otherwise provided or permitted herein.

SECTION 6.03. Debt Service Reserve Fund. The City will maintain or cause to be maintained each Reserve Fund at the applicable Reserve Requirement. In the event the amount in any such fund or account falls below the applicable Reserve Requirement, the City will replenish such fund or account up to the applicable Reserve Requirement pursuant to Section 5.02 hereof.

SECTION 6.04. Against Sale or Other Disposition of Property. (a) The City will not sell, lease or otherwise dispose of the Water System or any part thereof essential to the proper operation of the Water System or to the maintenance of the System Revenues, except as provided in Sections 6.04(b) and Section 6.19 hereof. Further, the City will not, except as otherwise provided herein, enter into any agreement or lease which impairs the operation of the Water System or any part thereof necessary to secure adequate Net System Revenues for the payment of the Parity Obligations or which would otherwise impair the rights of the Corporation with respect to the System Revenues or the operation of the Water System.

(b) The City may dispose of any of the works, plant properties, facilities or other parts of the Water System, or any real or personal property comprising a part of the Water System, only upon the approval of the City Council and consistent with one or more of the following:

(1) the City in its discretion may carry out such a disposition if the facilities or property being disposed of are not material to the operation of the Water System, or shall have become unserviceable, inadequate, obsolete or unfit to be used in the operation of the Water System or are no longer necessary, material or useful to the operation of the Water System, and if such disposition will not materially reduce the Net System Revenues and if the proceeds of such disposition are deposited in the Water Utility Fund;

(2) the City in its discretion may carry out such a disposition if the City receives from the acquiring party an amount equal to the fair market value of the portion of the Water System disposed of. As used in this clause (2), "fair market value" means the most probable price that the portion being disposed of should bring in a competitive and open market under all conditions requisite to a fair sale, the willing

buyer and willing seller each acting prudently and knowledgeably, and assuming that the price is not affected by coercion or undue stimulus. The proceeds of the disposition shall be used (A) *first*, promptly to redeem, or irrevocably set aside for the redemption of, Parity Obligations, and *second*, promptly to redeem, or irrevocably set aside for the redemption of, Subordinated Obligations, and/or (B) to provide for a part of the cost of additions to and betterments and extensions of the Water System; provided, however, that before any such disposition under this clause (2), the City must obtain (i) a certificate of an Independent Engineer to the effect that upon such disposition and the use of the proceeds of the disposition as proposed by the City, the remaining portion of the Water System will retain its operational integrity and the estimated Net System Revenues for the five Fiscal Years following the Fiscal Year in which the disposition is to occur will be equal to or exceed the greater of (i) at least 1.20 times the Adjusted Debt Service on all Outstanding Parity Obligations during the five Fiscal Years following the Fiscal Year in which the disposition is to occur, or (ii) at least 1.00 times the Adjusted Debt Service on all Outstanding Obligations during the first five Fiscal Years following the Fiscal Year in which the disposition is to occur, taking into account (aa) the reduction in revenue resulting from the disposition, (bb) the use of any proceeds of the disposition for the redemption of Parity Obligations and/or Subordinated Obligations, (cc) the Independent Engineer's estimate of revenue from customers anticipated to be served by any additions to and betterments and extensions of the Water System financed in part by the proceeds of the disposition, and (dd) any other adjustment permitted in the preparation of a certificate under Section 5.03(c)(2)(B) of this Installment Purchase Agreement, and (ii) confirmation from the Rating Agencies to the effect that the rating then in effect on any Outstanding Parity Obligations will not be reduced or withdrawn upon such disposition.

(c) The City will operate the Water System in an efficient and economic manner, *provided* that the City may remove from service on a temporary or permanent basis such part or parts of the Water System as the City shall determine, so long as (1) Net System Revenues are at least equal to the greater of (i) 100% of all Obligations payable in the then-current Fiscal Year or (ii) 120% of Adjusted Debt Service for the then-current Fiscal Year, after giving effect to any defeasance of Parity Obligations and/or Subordinated Obligations occurring incident to such removal, and for each Fiscal Year thereafter to and including the Fiscal Year during which the last Installment Payment is due, after giving effect to such defeasance, as evidenced by (i) an Engineer's Report on file with the City, or (ii) a Certificate of the City, (2) the value of the parts of the Water System to be so removed is less than 5% of the total Water System Plant assets, each as shown on the most recent audited financial statements that include the Water Utility Fund, and (3) the City shall have filed with each Trustee an opinion of Bond Counsel to the effect that the removal of such part or parts of the Water System will not adversely affect the exclusion from-gross income for federal income tax purposes of the interest on Tax-Exempt Installment Payment Obligations.

SECTION 6.05. Covenant Regarding State Orders. The City covenants and agrees that it shall comply in all material respects with the provisions of the existing compliance orders of the State of California Department of Public Health applicable to the Water System initially issued in January 1997 and most recently amended on May 11, 2007, through and including Amendment 11.

SECTION 6.06. Prompt Acquisition and Construction. The City shall take all necessary and appropriate steps to construct, acquire and install the Project, as agent of the Corporation, with all practicable dispatch and in an expeditious manner and in conformity with law so as to complete the same as soon as possible.

SECTION 6.07. Maintenance and Operation of the Water System; Budgets. The City shall maintain and preserve the Water System in good repair and working order at all times and shall operate the Water System in an efficient and economical manner and will pay all Maintenance and Operation Costs of the Water System as they become due and payable. The City shall adopt and make available to the Corporation, on or before the effective date hereof, a budget approved by the City Council of the City setting forth the estimated Maintenance and Operation Costs of the Water System for the period from such date until the close of the then-current Fiscal Year. On or before August 1 of each Fiscal Year, the City shall adopt, and on or before the day that is 120 days after the beginning of the Fiscal Year, make available to the Corporation a budget approved by the City Council of the City setting forth the estimated Maintenance and Operation Costs of the Water System for such Fiscal Year. Any budget may be amended at any time during any Fiscal Year and such amended budget shall be filed by the City with the Corporation.

SECTION 6.08. Amount of Rates and Charges; Rate Stabilization Fund; Other Funds.

(a) The City shall fix, prescribe and collect rates and charges for the Water Service which will be at least sufficient to yield the greater of (1) Net System Revenues sufficient to pay during each Fiscal Year all Obligations payable in such Fiscal Year or (2) Adjusted Net System Revenues during each Fiscal Year equal to 120% of the Adjusted Debt Service 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 shall 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 this subsection.

(b) The City may establish, as a fund within the Water Utility Fund, a fund denominated the "Rate Stabilization Fund." From time to time, the City may deposit into the Rate Stabilization Fund, from current System Revenues, such amounts as the City shall determine and the amount of available current System Revenues shall be reduced by the amount so transferred. Amounts may be transferred from the Rate Stabilization Fund solely and exclusively to pay Maintenance and Operation Costs of the Water System, and any amounts so transferred shall be deemed System Revenues when so transferred. All interest or other earnings upon amounts in the Rate Stabilization Fund may be withdrawn therefrom and accounted for as System Revenues.

(c) The City may establish, as a fund within the Water Utility Fund, a fund denominated the "Secondary Purchase Fund." From time to time, the City may deposit in the Secondary Purchase Fund, from any lawful source, which may or may not consist of current System Revenues, such amounts as the City shall determine, and the amount of available System Revenues shall be reduced by the amount so transferred, but only to the extent that amounts so transferred consist of then-current System Revenues. Amounts may be transferred from the

Secondary Purchase Fund solely and exclusively to pay Maintenance and Operation Costs of the Water System, and any amounts so transferred shall be deemed System Revenues when so transferred. All interest or other earnings upon amounts in the Secondary Purchase Fund may be withdrawn therefrom and accounted for as System Revenues.

SECTION 6.09. Payment of Claims. The City will pay and discharge any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien on the System Revenues or any part thereof or on any funds in the hands of the City or the Trustee might impair the security of the Installment Payments, but the City shall not be required to pay such claims if the validity thereof shall be contested in good faith.

SECTION 6.10. Compliance with Contracts. The City will comply with, keep, observe and perform all agreements, conditions, covenants and terms, express or implied, required to be performed by it contained in all contracts for the use of the Water System and all other contracts affecting or involving the Water System to the extent that the City is a party thereto.

SECTION 6.11. Insurance. (a) The City will procure and maintain or cause to be procured and maintained insurance on the Water System with responsible insurers, in such amounts and against such risks (including accident to or destruction of the Water System) as are usually covered in connection with water systems similar to the Water System, or it will self-insure or participate in an insurance pool or pools with reserves adequate, in the reasonable judgment of the City, to protect the Water System against loss. In the event of any damage to or destruction of the Water System caused by the perils covered by such insurance or self insurance, the Net Proceeds thereof shall be applied to the reconstruction, repair or replacement of the damaged or destroyed portion of the Water System. The City shall begin such reconstruction, repair or replacement promptly after such damage or destruction shall occur, and shall continue and properly complete such reconstruction, repair or replacement as expeditiously as possible, and shall pay out of such Net Proceeds all costs and expenses in connection with such reconstruction, repair or replacement so that the same shall be completed and the Water System shall be free and clear of all claims and liens unless the City determines that such property or facility is not necessary to the efficient or proper operation of the Water System and therefore determines not to reconstruct, repair or replace such project or facility. If such Net Proceeds exceed the costs of such reconstruction, repair or replacement, then the excess Net Proceeds shall be deposited in the Water Utility Fund and be available for other proper uses of funds deposited in the Water Utility Fund.

(b) The City will procure and maintain such other insurance which it shall deem advisable or necessary to protect its interests and the interests of the Corporation, which insurance shall afford protection in such amounts and against such risks as are usually covered in connection with water systems similar to the Water System; provided that any such insurance may be maintained under a self-insurance program so long as such self-insurance is maintained in the amounts and in the manner usually maintained in connection with water systems similar to the Water System.

(c) All policies of insurance required to be maintained herein shall, to extent reasonably obtainable, provide that the Corporation and each Trustee shall be given 30 days'

written notice of any intended cancellation thereof or reduction of coverage provided thereby. The City shall certify to the Corporation and each Trustee annually on or before August 31 that it is in compliance with the insurance requirements hereunder.

SECTION 6.12. Accounting Records; Financial Statements and Other Reports.

(a) The City will keep appropriate accounting records in which complete and correct entries shall be made of all transactions relating to the Water System, which records shall be available for inspection by the Corporation and the Trustee at reasonable hours and under reasonable conditions.

(b) The City will prepare and file with the Corporation annually (commencing with the Fiscal Year ending June 30, 1998), within 270 days of the close of each Fiscal Year, financial statements that include the Water Utility Fund for the preceding Fiscal Year prepared in accordance with generally accepted accounting principles, together with an Accountant's Report thereon.

(c) The City will furnish a copy of the financial statements referred to in subsection (b) above to any Owner of the Certificates requesting a copy thereof, which may be in electronic form.

SECTION 6.13. Protection of Security and Rights of the Corporation. The City will preserve and protect the security hereof and the rights of the Corporation to the Installment Payments hereunder and will warrant and defend such rights against all claims and demands of all persons.

SECTION 6.14. Payment of Taxes and Compliance with Governmental Regulations. The City shall pay and discharge all taxes, assessments and other governmental charges which may hereafter be lawfully imposed upon the Water System or any part thereof or upon the System Revenues when the same shall become due, except that the City may contest in good faith any taxes, assessments and other governmental charges so long as the City shall have budgeted for the amount being contested and, if appropriate, such amount shall have been included as a Maintenance and Operation Costs of the Water System. The City shall duly observe and conform with all valid regulations and requirements of any governmental authority relative to the operation of the Water System or any part thereof, but the City shall not be required to comply with any regulations or requirements so long as the validity or application thereof shall be contested by the City in good faith.

SECTION 6.15. Collection of Rates and Charges; No Free Service. The City shall have in effect at all times rules and regulations for the payment of bills for Water Service. Such regulations may provide that where the City furnishes water to the property receiving Water Service, the Water Service charges shall be collected together with the water rates upon the same bill providing for a due date and a delinquency date for each bill. In each case where such bill remains unpaid in whole or in part after it becomes delinquent, the City may disconnect such premises from the Water System, and such premises shall not thereafter be reconnected to the Water System except in accordance with City operating rules and regulations governing such situations of delinquency. To the extent permitted by law, the City shall not permit any part of the Water System or any facility thereof to be used or taken advantage of free of charge by any

authority, firm or person, or by any public agency (including the United States of America, the State of California and any city, county, district, political subdivision, public authority or agency thereof).

SECTION 6.16. Eminent Domain Proceeds. If all or any part of the Water System shall be taken by eminent domain proceedings, then subject to the provisions of any Authorizing Ordinance, the Net Proceeds thereof shall be applied to the replacement of the property or facilities so taken, unless the City determines that such property or facility is not necessary to the efficient or proper operation of the Water System and therefore determines not to replace such property or facilities. Any Net Proceeds of such award not applied to replacement or remaining after such work has been completed shall be deposited in the Water Utility Fund and be available for other proper uses of funds deposited in the Water Utility Fund.

SECTION 6.17. Tax Covenants. There shall be included in each Supplement relating to Tax-Exempt Installment Payment Obligations such covenants as are deemed necessary or appropriate by Bond Counsel for the purpose of assuring that interest on such Installment Payment Obligations shall be excluded from gross income under section 103 of the Code.

SECTION 6.18. Further Assurances. The City shall adopt, deliver, execute and make any and all further assurances, instruments and resolutions as may be reasonably necessary or proper to carry out the intention or to facilitate the performance hereof and for the better assuring and confirming unto the Corporation of the rights and benefits provided to it herein.

SECTION 6.19. Subcontracting. Nothing herein to the contrary shall prevent the City from delegating the power to be an operator of some or all of the Water System, even though the City continues to retain ownership of the Water System and its operations, and no such subcontracting arrangement shall relieve the City of any of its obligations hereunder. Prior to the effective date of any such delegation, the City shall deliver to the Trustee an opinion of Bond Counsel to the effect that the proposed delegation will not have an adverse effect on the exclusion from gross income for federal income tax purposes of the interest component of Tax-Exempt Installment Payment Obligations.

SECTION 6.20. Additional Covenants. The City may provide additional covenants pursuant to any Supplement, including covenants relating to any Credit Support obtained for Installment Payment Obligations; provided, however, that such additional covenants do not materially and adversely affect the right of Owners of Outstanding Obligations issued prior to the effective date of any such Supplement.

SECTION 6.21. Notice of Swap Transactions. For such time as a Credit Support Instrument shall be in full force and effect and so long as the related Credit Provider is not in default under its Credit Support Instrument, the City shall notify such Credit Provider at least 30 days prior to entering into any Qualified Swap Agreement whose related payments would be Obligations payable from and secured by Net System Revenues.

ARTICLE VII

PREPAYMENT OF INSTALLMENT PAYMENTS

SECTION 7.01. Prepayment of Installment Payments. Provisions may be made in any Supplement for the prepayment of Installment Payments, in whole or in part, in such multiples and in such order of maturity and from funds of any source, and with such prepayment premiums and other terms as are specified in the Supplement. Said Supplement shall also provide for any notices to be given relating to such prepayment.

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES OF THE CORPORATION

SECTION 8.01. Events of Default and Acceleration of Maturities. If one or more of the following Events of Default shall happen, that is to say:

(a) if default shall be made in the due and punctual payment of or on account of any Parity Obligation as the same shall become due and payable;

(b) if default shall be made by the City in the performance of any of the agreements or covenants required herein to be performed by it (other than as specified in subsection (a) above), and such default shall have continued for a period of 60 days after the City shall have been given notice in writing of such default by the Corporation or any Trustee;

(c) if any Event of Default specified in any Supplement, Authorizing Ordinance or Issuing Instrument shall have occurred and be continuing; or

(d) if the City shall file a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if a court of competent jurisdiction shall approve a petition filed with the consent of the City seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if under the provisions of any other law for the relief or aid of debtors any court of competent jurisdiction shall assume custody or control of the City or of the whole or any substantial part of its property;

then, and in each and every such case during the continuance of such Event of Default, the Corporation shall upon the written request of the Owners of 25% or more of the aggregate principal amount of all Series of Parity Installment Obligations Outstanding, voting collectively as a single class, by notice in writing to the City, declare the entire unpaid principal amount thereof and the accrued interest thereon to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable, anything contained herein to the contrary notwithstanding; provided, that with respect to a Series of Parity Installment Obligations which is credit enhanced by a Credit Support Instrument, acceleration shall not be effective unless the declaration is consented to by the related Credit Provider and, provided further, that nothing herein shall affect the rights of the parties to a Qualified Swap Agreement to terminate such Qualified Swap Agreement. The foregoing provisions, however, are subject to the condition that if at any time after the entire principal amount of all Parity Installment

Obligations and the accrued interest thereon shall have been so declared due and payable and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the City shall deposit with the Corporation a sum sufficient to pay the unpaid principal amount of all such Parity Installment Obligations and the unpaid payments of any other Parity Obligations referred to in clause (a) above due prior to such declaration and the accrued interest thereon, with interest on such overdue installments at the rate or rates applicable thereto in accordance with their terms, and the reasonable expenses of the Corporation, and any and all other defaults known to the Corporation (other than in the payment of the entire principal amount of the unpaid Parity Installment Obligations and the accrued interest thereon due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Corporation or provision deemed by the Corporation to be adequate shall have been made therefor, then and in every such case the Corporation, by written notice to the City, may rescind and annul such declaration and its consequences; but no such rescission and annulment shall extend to or shall affect any subsequent default or shall impair or exhaust any right or power consequent thereon.

Subject to this Section, the Owners of Subordinated Obligations may enforce the provisions of this Installment Purchase Agreement for their benefit by appropriate legal proceedings. The payment of Subordinated Obligations will be subordinated in right of payment to payment of the Parity Obligations (except for any payment in respect of Subordinated Obligations from the Reserve Fund securing such Subordinated Obligations). Upon the occurrence and during the continuance of any Event of Default, Owners of Parity Obligations will be entitled to receive payment thereof in full before the Owners of Subordinated Obligations are entitled to receive payment thereof (except for any payment in respect of Subordinated Obligations from the Reserve Fund securing such Subordinated Obligations) and the Owners of the Subordinated Obligations will become subrogated to the rights of the Owners of Parity Obligations to receive payments with respect thereto.

SECTION 8.02. Application of Net System Revenues Upon Acceleration. All Net System Revenues received after the date of the declaration of acceleration by the Corporation as provided in Section 8.01 hereof shall be applied in the following order:

(a) First, to the payment of the costs and expenses of the Corporation and the Trustee, if any, in carrying out the provisions of this Article VIII, including reasonable compensation to its accountants and counsel;

(b) Second, to the payment of the entire principal amount of the unpaid Parity Installment Obligations and the unpaid principal amount of all other Parity Obligations and the accrued interest thereon, with interest on the overdue installments at the rate or rates of interest applicable thereto in accordance with their respective terms. In the event there are insufficient Net System Revenues to pay the entire principal amount of and accrued interest on all Parity Obligations, then accrued interest (and payments due to the counterparty to a Qualified Swap Agreement) shall first be paid and any remaining amount shall be paid on account of principal, and in the event there are insufficient Net System Revenues to fully pay either interest or principal in accordance with the foregoing, then payment shall be prorated within a priority based upon the total amounts due in that priority; and

(c) Third, to the payment of the entire principal amount of the unpaid Subordinated Obligations and the accrued interest thereon, with interest on the overdue installments at the rate or rates of interest applicable thereto in accordance with their respective terms. In the event there are insufficient Net System Revenues to pay the entire principal amount of and accrued interest on all Subordinated Obligations, then accrued interest shall first be paid and any remaining amount shall be paid on account of principal, and in the event there are insufficient Net System Revenues to fully pay either interest or principal in accordance with the foregoing, then payment shall be prorated within a priority based upon the total amounts due in that priority.

SECTION 8.03. Other Remedies of the Corporation. The Corporation shall have the right:

(a) by mandamus or other action or proceeding or suit at law or in equity to enforce its rights against the City or any councilmember, officer or employee thereof, and to compel the City or any such councilmember, officer or employee to perform and carry out its or his duties under the Law and the agreements and covenants required to be performed by it or him contained herein;

(b) by suit in equity to enjoin any acts or things which are unlawful or violate the rights of the Corporation; or

(c) by suit in equity upon the happening of an Event of Default to require the City and its councilmembers, officers and employees to account as the trustee of an express trust.

SECTION 8.04. Non-Waiver. (a) Nothing in this Article VIII or in any other provision hereof shall affect or impair the obligation of the City, which is absolute and unconditional, to pay the Installment Payments to the Corporation at the respective due dates or upon prepayment from the Net System Revenues and the other funds herein committed for such payment, or shall affect or impair the right of the Corporation, which is also absolute and unconditional, to institute suit to enforce such payment by virtue of the contract embodied herein.

(b) A waiver of any default or breach of duty or contract by the Corporation shall not affect any subsequent default or breach of duty or contract or impair any rights or remedies on any such subsequent default or breach of duty or contract. No delay or omission by the Corporation to exercise any right or remedy accruing upon any default or breach of duty or contract shall impair any such right or remedy or shall be construed to be a waiver of any such default or breach of duty or contract or an acquiescence therein, and every right or remedy conferred upon the Corporation by the Law or by this Article VIII may be enforced and exercised from time to time and as often as shall be deemed expedient by the Corporation.

(c) If any action, proceeding or suit to enforce any right or exercise any remedy is abandoned or determined adversely to the Corporation, the City and the Corporation shall be restored to their former positions, rights and remedies as if such action, proceeding or suit had not been brought or taken.

SECTION 8.05. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Corporation or a counterparty to a Qualified Swap Agreement is intended to be exclusive of any other remedy, and each such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing in law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by law.

ARTICLE IX

DISCHARGE OF INSTALLMENT PAYMENT OBLIGATIONS

SECTION 9.01. Discharge of Installment Payment Obligations. If the City shall pay or cause to be paid or there shall otherwise be paid to the Owners all Outstanding Installment Payment Obligations of a Series, the principal thereof and the interest and redemption premiums, if any, thereon or if all such Outstanding Installment Payment Obligations shall be deemed to have been paid at the times and in the manner stipulated in the applicable Issuing Instrument, then, as to any such Series, all agreements, covenants and other obligations of the City hereunder shall thereupon cease, terminate and become void and be discharged and satisfied, except for the obligation of the City to pay or cause to be paid all sums due hereunder.

ARTICLE X

MISCELLANEOUS

SECTION 10.01. Liability of City Limited to System Revenues.

(a) Notwithstanding anything contained herein, the City shall not be required to advance any moneys derived from any source of income other than the Net System Revenues and the other funds provided herein for the payment of the Installment Payments or for the performance of any other agreements or covenants required to be performed by it contained herein. The City may, however, but in no event shall be obligated to, advance moneys for any such purpose so long as such moneys are derived from a source legally available for such purpose and may be legally used by the City for such purpose.

(b) The obligation of the City to make the Installment Payments is a special obligation of the City payable solely from such Net System Revenues and other funds provided for herein, and does not constitute a debt of the City or of the State of California or of any political subdivision thereof within the meaning of any constitutional or statutory debt limitation or restriction.

SECTION 10.02. Benefits of Installment Purchase Agreement Limited to Parties. Nothing contained herein, expressed or implied, is intended to give to any person other than the City, the Corporation or the assigns of the Corporation and any Credit Provider any right, remedy or claim under or pursuant hereto, and any agreement or covenant required herein to be performed by or on behalf of the City or the Corporation shall be for the sole and exclusive benefit of the other party. Each party hereto agrees for the benefit of any counterparty to a Qualified Swap Agreement that covenants contained herein that are expressly applicable to such

a counterparty, are also intended to benefit such counterparty and each such counterparty shall be deemed to be a third-party beneficiary with respect thereto, entitled to enforce directly and in its own name any rights or claims it may have against such party and otherwise protect its rights hereunder.

SECTION 10.03. Amendments. (a) This Installment Purchase Agreement may be amended with respect to a Series of Installment Payment Obligations in writing as may be mutually agreed by the City and the Corporation, with the written consent of any Credit Provider for any Installment Payment Obligations or, as to Installment Obligations for which there is no Credit Support Instrument, the Owners of a majority in aggregate principal amount of such Series of Installment Payment Obligations then Outstanding, provided that no such amendment shall (1) extend the payment date of any Installment Payment, or reduce the amount of any Installment Payment without the prior written consent of the Owner of each Obligation so affected; or (2) reduce the percentage of Installment Payment Obligations the consent of the Owners of which is required for the execution of any amendment of this Installment Purchase Agreement without the prior written consent of each of the Owners so affected.

(b) Notwithstanding subsection (a) above, the City agrees that, so long as it shall have any obligations under a Qualified Swap Agreement, it shall not amend or modify, or consent to the amendment or modification of, this Installment Purchase Agreement that would in any way adversely affect (1) the rights of a counterparty to a Qualified Swap Agreement hereunder, or (2) the obligations of the City hereunder to such a counterparty without the prior written consent of such Qualified Swap Provider.

(c) This Installment Purchase Agreement and the rights and obligations of the City and the Corporation hereunder may also be amended for supplemented at any time by an amendment hereof or supplement hereto which shall not adversely affect the interests of the Owners of the Installment Payment Obligations and which shall become binding upon execution by the City and the Corporation, without the written consents of any Owner of Installment Payment Obligations or any Credit Provider, but only to the extent permitted by law and only upon receipt of an unqualified opinion of Bond Counsel to the effect that such amendment or supplement is permitted by the provisions of this Installment Purchase Agreement and is not inconsistent with this Installment Purchase Agreement and does not adversely affect the exclusion of the interest portion of the Installment Payments received by the Owners from gross income for federal income tax purposes, and only for any one or more of the following purposes:

(1) to add to the covenants and agreements of the Corporation or the City contained in this Installment Purchase Agreement other covenants and agreements thereafter to be observed or to surrender any right or power herein reserved to or conferred upon the Corporation or the City;

(2) to cure, correct or supplement any ambiguous or defective provision contained in this Installment Purchase Agreement or in regard to questions arising under this Installment Purchase Agreement, as the Corporation or the City may deem necessary or desirable;

(3) to make other amendments or modifications which shall not materially adversely affect the interests of the Owners of the Installment Payment Obligations;

(4) to provide for the issuance of Parity Installment Payment Obligations; and

(5) to provide for the issuance of Subordinated Obligations.

SECTION 10.04. Successor Is Deemed Included in all References to Predecessor.

Except as otherwise provided herein, whenever either the City or the Corporation 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 the City or the Corporation, and all agreements and covenants required hereby to be performed by or on behalf of the City or the Corporation shall bind and inure to the benefit of the respective successors thereof whether so expressed or not.

SECTION 10.05. Waiver of Personal Liability. No official, officer or employee of the City shall be individually or personally liable for the payment of the Installment Payments, but nothing contained herein shall relieve any official, officer or employee of the City from the performance of any official duty provided by any applicable provisions of law or hereby.

SECTION 10.06. 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 the Installment Purchase Agreement as a whole and not to any particular Article, Section, subdivision or clause hereof.

SECTION 10.07. 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 the City or the Corporation 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

SECTION 10.08. Assignment. The Installment Purchase Agreement and any rights hereunder may be assigned by the Corporation, as a whole or in part, without the necessity of obtaining the prior consent of the City. The assignment of the Installment Purchase Agreement or rights hereunder or under a Supplement to a Trustee is solely in its capacity as Trustee and the duties, powers and liabilities of the Trustee in acting hereunder shall be subject to the provisions of the Issuing Instrument.

SECTION 10.09. Net Contract. The Installment Purchase Agreement shall be deemed and construed to be a net contract, and the City shall pay absolutely net during the term hereof

the Installment Payments and all other payments required hereunder, free of any deductions and without abatement, diminution or setoff whatsoever.

SECTION 10.10. California Law. The Installment Purchase Agreement shall be construed and governed in accordance with the laws of the State of California.

SECTION 10.11. Notices. All written notices to be given hereunder shall be given by first class mail, postage prepaid, courier or hand delivery to the party entitled thereto at its address set forth below, or at such other address as such party may provide to the other party in writing from time to time, namely:

If to the City: City of San Diego
 City Administration Bldg.
 202 C Street, Mail Station 9B
 San Diego, California 92101
 Attn: Chief Financial Officer

If to the
Corporation: San Diego Facilities and Equipment Leasing
 Corporation
 c/o Office of the City Attorney
 1200 Third Street, Suite 1100, Mail Station 59
 San Diego, California 92101
 Attn: Deputy City Attorney

With a copy to: City of San Diego
 202 C Street, Mail Station 9A
 San Diego, California 92101
 Attn: Chief Financial Officer

SECTION 10.12. Effective Date. The Installment Purchase Agreement shall become effective as to Installment Payments provided for in a Supplement upon the execution and delivery of such Supplement or as otherwise specified therein, and shall terminate as to such Supplement when the Installment Payments contemplated by such Supplement shall have been fully paid or prepaid (or provision for the payment thereof shall have been made as provided herein) and any related Qualified Swap Agreement is no longer in effect.

SECTION 10.13. Execution in Counterparts. The Installment Purchase Agreement and each Supplement may be executed in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.

SECTION 10.14. Exhibits. All exhibits referenced herein are incorporated into and made a part of this Installment Purchase Agreement.

SECTION 10.15. Sole Instrument. This Installment Purchase Agreement (together with the exhibits attached hereto) shall embody and constitute the sole and entire agreement between the parties hereto with respect to the subject matter hereof.

IN WITNESS WHEREOF, the parties hereto have executed and attested this Installment Purchase Agreement by their officers thereunto duly authorized as of the day and year first written above.

CITY OF SAN DIEGO

By _____
Chief Financial Officer

(SEAL)

Attest:

City Clerk

**SAN DIEGO FACILITIES AND
EQUIPMENT LEASING CORPORATION**

By _____
President

Attest:

Secretary

APPROVED AS TO FORM:

MICHAEL J. AGUIRRE,
City Attorney of the City of San Diego

By _____
Deputy City Attorney

EXHIBIT A

DESCRIPTION OF 1998 PROJECT

Pursuant to Section 3.02 of the Installment Purchase Agreement, this Exhibit A may be amended from time to time and at any time to modify or amend the description of the Project, to eliminate any part thereof and/or to substitute a Component or Components, all without obtaining any consent, by filing an amended Exhibit A with the Corporation and the affected Trustee; provided, however, that no such amendment shall in any way impair the obligations of the City contained in any Supplement executed and delivered prior to any such amendment.

732290 65th & Herrick Water Pump Plant

This project includes the construction of a new pump plant equipped with three variable speed pumps and one backup pump and motor. The new facility will be constructed of concrete with architectural treatment to blend well into the surrounding environment. Each pump will be able to pump water within a range of 550 gpm to 1,300 gpm with a total dynamic head (TDH) of 80 feet to 150 feet, respectively.

\$1,817,032 or 100% of the total cost of this project is funded from current bond issue (including reimbursement).

733101 AA - Corrosion

This is an annual allocation to fund the installation of corrosion protection facilities (such as "anode beds" and "deep well anodes") to extend the service life of existing facilities.

\$822,586 or 13% of the total cost of this project is funded from current bond issue (including reimbursement).

730018 AA - Reclaimed Water Extension

Extensions of the north City reclaimed water distribution pipeline network beyond the sphere of influence of the existing north City area and improving the reclaimed water distribution system as the demands for reclaimed water increase.

\$2,710,796 or 34% of the total cost of this project is funded from current bond issue (including reimbursement).

73083 AAA - Water Main Replacements

Water mains that were installed in the City's water distribution system in the 1930's to the late 1940's were made of cast iron. The intended service life of these lines was 50 years, and they have gradually deteriorated due to the corrosive soils. In the 1960's the Water Department began a systematic effort to identify and replace aging cast iron water mains. At that time there were approximately 600 miles of cast iron lines installed throughout the system. Today, approximately 214 miles of cast iron pipes remain which must be replaced. This project continues the funding to replace those mains. At the present time, approximately 80 percent of

the City's annual water main breaks are attributed to cast Iron mains, yet they comprise only 7 percent of the entire water delivery infrastructure. In 1997, approximately 19 miles were completed. An additional 67 miles were in various stages of design and the balance of 147 miles remains in planning and project development. The cast iron water main replacement program included in this bond program is estimated to complete a total of 96 miles through the year 2008. The balance of 118 miles is scheduled for completion in subsequent capital programs.

Under current City policy, concrete sewer and cast iron water mains situated In the same public right-of-way are replaced at the same time to avoid an additional \$65 million in costs for twice-repeated service disruptions, street resurfacings, traffic impacts, and contractual actions.

\$55,321,064 or 63% of the total cost of this project is funded from current bond issue (including reimbursement).

732630 **AA – Water Pump Plant Relocation**

Two water pump plants have been identified for rehabilitation under this DIP. They are the Catalina Water Pump Plant and the Del Cerro Highlands Water Pump Plant. See SubCIP No. 738424 for more detailed information of the Del Cerro Highlands Water Pump Plant.

0% of the total cost of this project is funded from current bond issue (including reimbursement).

733330 **Air Valve Adjustments**

This activity includes raising approximately 429 existing air and vacuum release valve vents and air release valves from below grade vaults to above-ground vaults, enclosed in 3/16" steel cylinders and mounted on concrete pads (in accordance with City of San Diego Standard Drawing No. SDW-117).

\$906,323 or 58% of the total cost of this project is funded from current bond issue (including reimbursement).

732610 **Alvarado Filtration Plant Expansion**

This project is the expansion of the existing Alvarado Water Treatment Plant in two or three phases from the current treatment capacity of 120 mgd to 210 mgd, and improve the plants operating performance to comply with improved treatment standards. The Alvarado Filtration Plant Was constructed in 1951 for an initial capacity rating of 66 million gallons per day (mgd) with future expansion capability to 100 mgd. It was expected that one additional flocculation & sedimentation basin and four additional filters would be constructed at some later date to achieve the 100 mgd capacity. Several hydraulic improvements were made in the mid-1970's to increase the plant's hydraulic capacity from the initial 66 mgd to the current 120 mgd without constructing the additional basin and filters. The recent peak water demand day has approached 130 mgd which exceeds the maximum plant capacity.

The Initial phase of the expansion program will increase the capacity from 120 mgd to 150 mgd which will meet the projected water demand through 2015. The plant will also be upgraded to meet the Safe Drinking Water Act standards and rehabilitated to restore deteriorated facilities.

The expansion, upgrade and rehabilitation work will involve: rapid mix facility, existing filters, raw water chemical building, finish water chemical building, operation building, Lake Murray and College Ranch Pump Stations, main switchgear building, yard piping, instrumentation and control, electrical and civil/site work, ozone facilities, existing flocculation and sedimentation basins, new flocculation and sedimentation basins, new tillers, and sludge handling facilities (see attached sheet with proposed system upgrades and expansions).

\$89,926,365 or 64% of the total cost of this project is funded from current bond issue (including reimbursement).

732581 Alvarado JT Lab – HVAC Ventilation

Upgrade of Heating Ventilating & Air Conditioning system at the Alvarado Joint Water Quality Laboratory.

\$383,137 or 84% of the total cost of this project is funded from current bond issue (Including reimbursement).

732611 Alvarado Phase II – Operations Building

Design services for project which involves renovation to existing Operations Building, to be constructed as part of the Alvarado Phase II Project.

\$31,206 or 100% of the total cost of this project is funded from current bond issue (including reimbursement).

732612 Alvarado Phase III – Lake Murray

Design services for expansion of the Lake Murray Pump Station, to be constructed as part of the Alvarado Phase I project.

\$44,708 or 100% of the total cost of this project is funded from current bond issue including reimbursement).

733270 Alvarado Water Pump Plant – Upgrade

The existing pump plant, built in 1965, consists of 4 Byron Jackson pumps rated at 3,500 gpm and 130-foot TDH. Motors are General Electric 15D horsepower. This pump station provides emergency supply to portions of the Miramar system including Kearny Mesa and Tierrasanta.

This project includes replacing the existing pumps, electrical system and control system and rehabilitating the existing building.

\$296,986 or 51% of the total cost of this project is funded from current bond issue (including reimbursement).

733170

Barrett Reservoir Outlet Tower Upgrade

The existing Barrett Reservoir dam is a concrete gravity structure with a 120-foot high outlet tower and 26 automatic flash gates located on the spillway.

The required outlet tower repairs include:

Replace 3 each 30-inch gate valves. New valves to include motor operators. Provide hand-off switches located at top of tower. (Existing power to the tower is adequate for the proposed motor operators). Replace 3 each 30-inch cast iron, fabricated "saucer valves" on the exterior of the tower.

Replace 30-inch diameter piping inside outlet tower including approximately 120 feet of pipe and 4 TEE's. Replace 3 each, operating platforms, 14-foot, 8-inch diameter at the level of each gate valve. Replace motorized winch, sheaves and cable.

Required spillway repairs include replacing or repairing 26 each 6.5-foot wide by 9-foot high spillway flash gates. Existing gates are fabricated of 3/16-inch plate with stiffeners, water stops, trunnions and other appurtenances. Protective coatings and cathodic protection needed for either repairs or replacement.

0% of the total cost of this project is funded from current bond issue (including reimbursement).

732360

Bayview Reservoir

This project consists of replacing an existing 10-million gallon, partially buried concrete reservoir with a new reservoir with the same capacity at the same site. The existing reservoir has deteriorated and is failing.

\$6,055,446 or 50% of the total cost of this project is funded from current bond issue (including reimbursement).

732650

Bayview Water Pump Plant

This project is the construction of a new pump plant at the Bayview Reservoir and installing 522 linear feet of 20-inch CML&C welded steel pipe to serve as a reservoir by-pass line. Also included in the project are minor paving and landscaping restorations to the site.

\$783,509 or 100% of the total cost of this project is funded from current bond issue (including reimbursement).

732160

Black Mountain Reservoir

This project consists of the construction and funding of a 15 million gallon reservoir by developers near the City's No. 10 water connection to the County Water Authority's Second Aqueduct, immediately west of Rancho Penasquitos.

\$9,424,779 or 96% of the total cost of this project is funded from current bond issue (including reimbursement).

709200 Bonita Pipeline – Phase II

This project involves the replacement of the existing 24-inch diameter Bonita Pipeline north of Imperial Avenue with new 36-inch diameter cement mortar lined and coated (CML&C) welded steel pipe along Churchward Street and Hilltop Drive. The installation will be within the City of San Diego street right-of-way. The majority of construction will be open cut trench installation, with the installation of four 500-foot long, 46-inch diameter steel casings under I-805 and I-15 using tunneling/pipe jacking techniques.

\$1,058,931 or 11% of the total cost of this project is funded from current bond issue (including reimbursement).

759105 Catalina Standpipe Connection / Navy

This project consisted of installing a connection from the Catalina Standpipe to the water distribution network on the Naval base. The work was completed by the Navy.

0% of the total cost of this project is funded from current bond issue (including reimbursement).

734006 Catalina Standpipe Renovation

The Catalina Standpipe is 73 feet tall, 59 foot in diameter, has a storage capacity of 1.5 million gallons, and was built in 1954. This project will provide additional anchor bolts between the existing tank and foundation mat to resolve seismic problems.

\$132,515 or 100% of the total cost of this project is funded from current bond issue (including reimbursement).

733094 Chesterton Standpipe

The Chesterton Standpipe has a storage capacity of 1 million gallons, and was constructed 1953. It is no longer in service nor beneficial to the operation of the water transmission and distribution system and consequently is to be demolished.

\$334,752 or 100% of the total cost of this project is funded from current bond issue (including reimbursement).

733350 Dams & Appurtenances Mod Study

This project consists of making repairs and improvements at the existing dams. There are 429 identified projects, each very small, and no formal designs are required. Replacement and repairs have been initiated with work being done by City forces. It is anticipated that a combination of City forces and contractors will complete the projects. The maximum design effort anticipated for each valve will be two 8-1/2 by 11-inch sketches with the City's Standard Drawing for Air and Vacuum Valve Enclosure.

\$1,059,524 or 71% of the total cost of this project is funded from current bond Issue (including reimbursement).

732680 **Deerfield Water Pump Plant**

This project Includes replacing the existing underground Hillandale Pump Plant with a new water pump plant located on Mission Gorge Road across from Deerfield Street. Land for this purpose was acquired in 1995. The project includes a pump plant rated at 9,000 gallons per minute(gpm) and 13,000 linear feet of 24-inch diameter pipe to connect the pump plant to the San Carlos area water system. The pump plant Includes: four (4) vertical turbine pumps (each 2,500 gpm @ 350 ft. head), on-site suction and discharge piping including valves, power and I&C system, and a concrete masonry unit building (50 ft, x 42 ft.). The work also Includes demolition of the existing Hillandale Water Pump Plant.

\$6,158,218 or 100% of the total cost of this project is funded from current bond issue (including reimbursement).

738424 **Del Corm Highlands Pump Plant**

The existing buried pump station (22 feet x 12 feet, plus stair well) will be expanded to 50 feet x 12 feet, plus stairwell. In the newly expanded space, two 75 horsepower vertical turbine pumps and two 25 horsepower vertical turbine pumps will be installed. The 25 horsepower pumps will have variable speed drives. A 140 Kw, natural gas driven engine/generator will be installed in the existing pump room after removal of the existing pumps to assure continued operation during emergencies. Floor elevation of new structure is 14 feet below grade. Structure will be located predominately in parkway with piping connections within the street.

\$458,175 or 75% of the total cost of this project is funded from current bond issue (including reimbursement).

733091 **Del Cerro Reservoir Upgrade**

The Del Cerro Reservoir is a covered concrete reservoir with a storage capacity of 0.5 Million gallons, constructed in 1956. A 1992 report recommended that a number of improvements to the facility and site be made. Recommendations included Improvements to the site safety conditions, sanitary facilities, interior and exterior surfaces as well as structural upgrades.

\$884,118 or 98% of the total cost of this project is funded from current bond issue (including reimbursement).

732510 **Del Mar Heights Road Pipeline**

The project is the installation of 8,000 linear feet of 24-inch diameter cement mortar lined & coated (CML&C) welded steel pipe along a new section of Del Mar Heights Road.

\$0 or 0% of the total cost of this project is funded from current bond issue (including reimbursement).

722910 **Eichenlaub Ranch Acquisition**

The subject parcel is sought for the following reasons: watershed preservation, access to facilities at Barrett Reservoir, to enhance wildlife and habitat values, and to provide possible environmental mitigation credit. This acquisition which involves six contiguous parcels, totaling 1,339 acres, would ensure that the property will remain undeveloped in perpetuity. In addition, the City's main access to facilities at Barrett Reservoir is a road that crosses this property (the "Wilson Creek Road"). The City's right to use this road is suspect, and has come under question in the past. This situation would be eliminated with the acquisition of the parcel.

\$4,600,000 or 100% of the total cost of this project is funded from current bond issue (including reimbursement).

733190 **El Capitan Reservoir Rd Improvements**

Approximately 2.5 miles of access road, starting at the base of the dam and proceeding counterclockwise around the reservoir to the southern tip of the lake will be repaired and portions need widening in this project. Three existing observation wells on the downstream face have badly corroded casings and do not function. They will be replaced with three new observation wells with 4-inch casings and the following depths: 175-feet, 150-feet and 125-feet deep. The top 10 to 30 feet of the wells must be drilled through hand placed boulders. Each well will be equipped with piezometers to measure water levels, with signals transmitted to existing radio towers.

\$294,108 or 54% of the total cost of this project is funded from current bond issue (including reimbursement).

733097 **Emerald Hills Standpipe Upgrade**

The Emerald Hills Standpipe is located on an alleyway between Eider Street and Scimitar Drive. The standpipe sits along a ridge, with single family housing immediately adjacent to and below the structure. Built in 1962, the standpipe is 52 feet in diameter with a steel shell height of 96 feet and a conical roof extending 2 feet above the shell. This project includes seismic retrofit work to withstand substantial earthquakes.

\$104,066 or 77% of the total cost of this project is funded from current bond issue (including reimbursement).

734000 **Encanto Standpipe**

This project entails the demolition of the existing standpipe, relocation of existing utilities, site improvements, and installation of a new sprinkler system for the existing landscaping.

\$304,632 or 100% of the total cost of this project is funded from current bond issue (including reimbursement).

709110 **Genesee Avenue Subsystem**

This system will distribute reclaimed water from the North City Water Reclamation Plant to areas west of the plant, particularly Torrey Pines Golf Course, Caltrans right-of-way, and UCSD. The pipe commences as a 36-inch diameter pipe starting at the west portal of the North City Tunnel Connector west of interstate 805, then proceeding northwesterly to and along Executive Drive. The pipeline continues as a 24-inch pipe and proceeds northerly along Regents Road to Genesee Avenue, then westerly along Genesee Avenue across interstate 5 to the intersection of Genesee Avenue and North Torrey Pines Road. A 16-inch pipe proceeds northerly to the North Course meter at Torrey Pines Golf Course, and southerly to the South Course meter connection.

Turnouts to Caltrans right-of-way at Interstate 5 and Genesee Avenue and UCSD will be provided along the pipe alignment.

\$8,260,669 or 100% of the total cost of this project is funded from current bond issue (including reimbursement).

733360 **Joint Lab Standby Emergency Power**

Install a 275 Kw (preliminary size estimate) emergency engine/generator for the Joint Laboratory at the Alvarado Filtration Plant. The generator will provide power to five labs (M-10, J-11, P-10, R-10 and R-30), the north air handler and two exhaust fans. In the event of any electrical power failure. The engine/generator will be installed outside with concrete screen walls (retaining wall may be required) for aesthetics and sound dampening.

\$8,300 or 0% of the total cost of this project is funded from current bond issue (including reimbursement).

733010 **Kearny Mesa Pumps**

This project is the construction of a new water pump plant with three 5 mgd pumps. The pump plant will pump water from the Alvarado Zone (536) to the Northwest Mesa Zone (currently 559, but will be raised to 600). Emergency power will be provided by portable, engine-generator sets. The pump plant will connect to the existing 36-inch Kearny Mesa Pipeline.

\$137,618 or 7% of the total cost of this project is funded from current bond issue (including reimbursement).

734002 **La Jolla Country Club Reservoir**

The La Jolla Country Club Reservoir is a concrete reservoir, with a storage capacity of 0.5 million gallons, and was constructed in 1927. This project includes repairs to the facility to improve safety, sanitation, appurtenances, and exterior and interior surfaces.

\$25,629 or 31% of the total cost of this project is funded from current bond issue (including reimbursement).

734008 La Jolla Exchange Place Reservoir

The La Jolla Exchange Place Reservoir is a covered concrete reservoir, with a storage capacity of 0.99 million gallons. It was constructed in 1955.

This project includes repairs required for site improvements, safety, sanitation, appurtenances, and exterior and interior protective coatings.

\$11,200 or 10% of the total cost of this project is funded from current bond issue (including reimbursement).

734007 La Jolla View Reservoir

The La Jolla View Reservoir is a steel tank, measuring 70-feet in diameter by 25-feet high, with a storage capacity of 0.72 million gallons. It was built in 1949. This project includes repairs and site improvements to improve safety, sanitation, appurtenances, exterior and interior protective surfaces, and structural Integrity.

\$20,901 or 8% of the total cost of this project is funded from current bond issue (including reimbursement).

732830 Lakeside Pump Plant

This project involves the upgrade of the existing Lakeside Pump Plant by replacing the existing pumps and motors to increase the capacity to 110 MGD @ 165 feet of head as a result of the City's Reservoir Management Study (May 1995). Design and construction of the major renovation items will include new pumps, motor starters, valves, metering devices, facilities, and the complete automation of the pump plant in coordination with the Alvarado Treatment Plant.

\$950,935 or 9% of the total cost of this project is funded from current bond issue (including reimbursement).

733098 Lomita Village Standpipe Removal

The Lomita Village Standpipe is located at the corner of Skyline Drive and Bowie Street. The Standpipe is 38 feet in diameter, with a steel shell height of 95 feet, and an umbrella roof extending 2 feet above the shell. This reservoir, which was built in 1953, will be demolished under this program.

\$300,414 or 99% of the total cost of this project is funded from current bond issue (including reimbursement).

733430 Lower Otay Reservoir

The existing Savage Dam backs up Lower Otay Reservoir. At the present time, fifty-six days are required for 10 percent draw down of the reservoir through the existing 40-inch (48-inch prior to slip lining) outlet pipe. State regulation requires 10 percent draw down in 10 days.

This project will increase the draw down capacity by installing dual 48-inch drain pipes through the existing auxiliary spillway (in addition to existing 40-inch described above). Installation will include two 48-inch butterfly valves and 48-inch flap gates on the spillway bulkheads and intake screens on the upstream end. Length of each pipe will be 70-feet. Maximum existing grade over the pipes is approximately 10-feet above the intended drain pipe invert.

\$56,700 or 17% of the total cost of this project is funded from current bond issue (including reimbursement).

732460 **Mid-City Pipeline**

The original scope of work for this project included the installation of 24,955 linear feet of new 48-inch diameter cement mortar lined & coated (CML&C) steel pipe primarily along El Cajon Boulevard and 37th Street.

Following a Value Engineering Study and the conclusions from a recent Mid-City Planning Study (April 1998), portions of the pipeline alignment have been modified. The changes include:

The pipeline between Highland Avenue and Marlborough Avenue, a total of 2,300 linear feet, has been reduced from 48-inch diameter to 24-inch;

the pipeline between Marlborough Avenue to Cherokee Avenue, total length of 3,492 linear feet, has been reduced from 48-inch diameter to 20-inch;

3,860 linear feet of pipeline on 37th St. and two pressure reducing valves (PRV) stations located at Myrtle & 37th St. and Wightman & 37th St. were; and

approximately 1,300 linear feet of 48-inch pipeline and a PRV station on Highland Avenue between El Cajon Boulevard and Polk Avenue have been added.

\$19,695,901 or 99% of the total cost of this project is funded from current bond issue (including reimbursement).

733140 **Mid-City Water Pump Plant**

This project is the construction of a pump plant to feed the Mid-City Pipeline from the Alvarado Water Treatment Plant. This pump plant is part of a proposed Mid-City Pipeline to provide required redundancy for, and to relieve the capacity load on, the existing Trojan Pipeline which is the "backbone" transmission facility of the Alvarado water supply system. To avoid the high cost of crossing Interstate 8 (I-8), the pump plant discharge pipe will be connected to the San Diego County Water Authority's (SDCWA's) Pipeline 4B at a location north of I-8, water will be taken out of Pipeline 4B south of I-8 at the future Mid-City Pipeline connection.

The pump plant will have a total capacity of 155 cubic feet per second (cfs). The project flow rate at the Mid-City Pipeline is 93 cfs and the balance, 62 cfs will be used by the SDCWA. An emergency generator and fuel tank with secondary containment system will also be provided.

Approximately 1,000 feet of 72-inch diameter steel pipe will be installed to transmit water from the Alvarado Filtration Plant into the SDCWA's La Mesa/Lemon Grove Pipeline.

\$13,331,823 or 89% of the total cost of this project is funded from current bond issue (including reimbursement).

709105 **Miramar Pipeline Improvements – Phase III**

This project consists of replacing and/or rehabilitating 14,400 linear feet of existing 51-inch cylinder pipe on Mira Mesa Boulevard between Stadium Street and Weston Hill Drive. It is expected that the project will be a combination of pipe replacement with 54-inch diameter cement mortar lined & coated (CML&C) steel pipe and/or rehabilitation of the existing pipe. The rehabilitation will include the installation of a welded steel liner, grouted into position and cement mortar lined. The existing pipeline can only be shut down during the winter months (November through April) and all construction work must be conducted at night to minimize impact to traffic and business impacts along Mira Mesa Boulevard. The City will be establishing an Inspection Program to ascertain the existing pipe condition. Dependent upon the outcome of the inspection, this project may be modified.

\$1,869,520 or 17% of the total cost of this project is funded from current bond issue (including reimbursement).

709106 **Miramar Pipeline Improvements – Phase IV**

This project includes the replacement of/or rehabilitation of 12,470 linear feet of existing 51-inch diameter prestressed concrete cylinder pipe along Mira Mesa Boulevard and Scripps Lake Drive. Preliminary planning includes a combination of pipe replacement with 54-inch diameter cement mortar lined & coated (CML&C) steel pipe and/or rehabilitation. The rehabilitation will consist of the Installation of a welded steel liner, grouted into position and cement mortar lined. The existing pipeline can only be shut down during the winter months (November through April) and all construction work must be conducted during that period and at night to minimize impact to traffic and businesses along Mira Mesa Boulevard. The City will establish an Inspection Program to ascertain the existing pipe condition and determine where rehabilitation is appropriate. The project scope may change depending on the study findings.

\$1,516 or 0% of the total cost of this project is funded from current bond issue (including reimbursement).

709102 **Miramar Pipeline Improvements – Phase I**

This project included studies and design for the rehabilitation of the Miramar Pipeline from the Miramar Water Treatment Plant to the Interstate 805 Freeway. This activity is complete.

\$185,516 or 9% of the total cost of this project is funded from current bond issue (including reimbursement).

709103

Miramar Pipeline Improvements – Phase II

This project includes the installation of approximately 4,389 linear feet of 54-inch diameter cement mortar lined & coated (CML&C) steel pipe to replace existing deteriorated pipe between Carroll Canyon Road and Mira Mesa Boulevard and the rehabilitation of approximately 400 linear feet of 51-inch diameter pipe along Mira Mesa Boulevard. It is anticipated that the replacement will be accomplished through traditional open cut trench and cover techniques along Pacific Heights Boulevard and 1,000 linear feet of Mira Mesa Boulevard. The pipe rehabilitation will include the installation of a welded steel liner, grouted into position and cement mortar lined. Shut down of the existing pipeline for rehabilitation is limited to winter months (November through April) and all work will be conducted at night to limit the impact to traffic and businesses along Mira Mesa Boulevard. (Note: The City will internally inspect the pipeline to determine its current condition. Dependent upon the findings of the inspection, the scope of work may change to replace more or less pipe.)

\$4,729,056 or 99% of the total cost of this project is funded from current bond issue (including reimbursement).

733370

Miramar Pipeline No. 2A

This project includes the installation of a new transmission pipeline to deliver potable water to the northern coastal and north City areas to accommodate growth in the north City area, ensure system reliability and reduce imported filtered water purchases from the SDCWA.

The pipeline will consist of 11,100 linear feet of 90-inch diameter, 4,500 linear feet of 78-inch diameter, 3,360 linear feet of 66-inch diameter and 9,890 linear feet of 36-inch diameter cement mortar lined & coated (CML&C) welded steel or steel cylinder rod-wrapped pipeline.

The 90-inch diameter section of the pipeline will pass under the Interstate 15 freeway along Carroll Canyon Road and be placed in the extremely congested right-of-way along Scripps Lake Drive between Scripps Ranch Boulevard and the Miramar Pump Station.

\$340,537 or 12% of the total cost of this project is funded from current bond issue (including reimbursement).

730017

Miramar Road Pipeline

This project consists of installing 24-inch diameter 24,000 linear feet of cement mortar lined and coated (CML&C) welded steel pipe along Miramar Road to parallel the existing Miramar Road Pipeline. All of the installation will be within the City of San Diego street right-of-way. Construction will be by traditional open cut trench techniques and pipe jacking/tunneling under major intersections.

\$500,296 or 10% of the total cost of this project is funded from current bond issue (including reimbursement).

709120 **Miramar Road Subsystem**

The Miramar Road Subsystem involves a portion of the reclaimed water distribution subsystem that will ultimately connect to pipelines serving users along the Interstate 15 corridor to the north. The 48-inch diameter pipe will start at the southerly limits of the North City Water Reclamation Plant. The pipeline proceeds easterly along Miramar Road to its terminus at the prolongation of Rigel Avenue. A turnout will be provided at Production Avenue for future northerly users.

\$10,669,064 or 25% of the total cost of this project is funded from current bond Issue (including reimbursement).

709160 **Miramar Road Subsystem Extension**

This Miramar Road Subsystem Extension will distribute reclaimed water to users along the interstate 15 corridor to the north. Preliminary alignment for the approximately 17,500 feet of 42-inch pipeline is described as follows: commencing at the terminus of the Miramar Road Subsystem, the pipeline runs east across interstate 15, then along Pomerado Road to Willow Creed Road, then northward along Willow Creek Road, Business Park Avenue, and Carroll Canyon Road terminating at Scripps Ranch Boulevard.

\$10,166,179 or 39% of the total cost of this project is funded from current bond issue (including reimbursement).

709170 **Miramar Storage Tank and Raw Water Connection**

This system will serve the reclamation needs of the Scripps Ranch North area with subsequent connections to pipelines serving users along the Interstate 15 corridor northward. Preliminary alignment for the approximately 2,500 feet of 42-inch pipeline is described as follows: commencing at the terminus of the Miramar Road Subsystem Extension, then north along Scripps Ranch Boulevard and east to its terminus at a storage facility located at the eastern end of Meanley Drive. This also includes design of an 8 million gallon storage tank. A 2,500 linear foot, 24-inch raw water connection from Miramar Lake to the storage facility is also included.

\$11,916,498 or 35% of the total cost of this project is funded from current bond issue (including reimbursement).

732840 **Miramar Water Treatment Plant**

The Miramar Water Treatment Plant requires upgrades to the facility and treatment process to comply with Safe Drinking Water Act standards, and to meet increasing water demands. This project includes rehabilitation work and new construction. The summer demands now exceed the existing capacity of 140 million gallons per day. The need for increased capacity, deterioration at existing plant facilities, compliance with the standards, and the goal of both the City and the San Diego County Water Authority (SDCWA) to dissolve the City's reliance upon imported filtered water supplies, have all combined to create the need to expand plant capacity to meet projected water demands through 2015 (see attached detailed Project Description sheets),

rehabilitate the plant's aging 36-year-old treatment facilities, and upgrade treatment processes including the addition of an ozonation process.

\$8,812,743 or 9% of the total cost of this project is funded from current bond Issue (including reimbursement).

733300 **Mission Valley Aquaculture Facility Demolition**

Demolition of a demonstration pilot water reclamation treatment plant which used water hyacinth and other alternative methods to remove pollutants.

\$103,696 or 16% of the total cost of this project is funded from current bond issue (including reimbursement).

733210 **Morena Reservoir Outlet Tower Upgrade**

The existing Morena Dam is a rock embankment dam with a parapet wall height of 171 feet above the original stream bed. The outlet tower is 132 feet from the operating floor to the center line of the outlet tunnel. The piping and mechanical system of the outlet tower will be replaced or repaired. A granite boulder and fissure grotto was formed beneath granite blocks by water erosion and carved into a crack in the bedrock. This grotto is approximately 800-feet long and on the order of 20-feet wide and 60-feet high, and extends below the dam. The following repairs are included in the project:

replace each of five 24-inch gate valves with motor operated valves;

refurbish or replace each of three 24-inch square sluice gates;

replace piping including 70-feet of 30-inch pipe, 60-feet of 24-inch pipe, five 30-inch T's, and appurtenances;

replace four valve operating platforms;

provide electrical energy from existing power lines on the shore located a few hundred feet away; and

conduct grotto repairs: grout that portion of grotto located below the dam.

\$0 or 0% of the total cost of this project is funded from current bond issue (including reimbursement).

733380 **Operation Center Relocation**

Develop a Central Water Department Operations Station on an approximately 25-acre site in the Kearney Mesa area to accommodate 640 employees, 340 vehicles and equipment currently located at Cholles Operations Station, Rose Canyon Operations Station, Alvarado Operations Yard and the Comerica Bank Building downtown.

Required facilities:

Office space for 261 employees; 80,000 to 100,00 square feet.

Vehicle Repair Facility; 25,000 square feet of roofed space.

Warehouse Space; 55,000 square feet,

Parking lots and storage yards; 400,000 square feet.

Fuel island and wash racks; 2 - 20,000 gal tanks, 14 dispenser, 7 islands and 3 wash racks.

Site development, utilities, improvements, landscape and irrigation are also required.

\$33,629,526 or 60% of the total cost of this project is funded from current bond issue (including reimbursement).

732862 **Otay 2nd Pipeline – North of SR-94**

This project includes the installation of approximately 6,725 linear feet of 42-inch diameter cement mortar lined & coated (CML&C) steel pipe north of State Route 94 to replace a section of the existing 36-Inch diameter Otay Second Pipeline built in 1928. The majority of the pipe to be replaced will be within the City of San Diego street right-of-way, with some canyon crossings requiring permanent easements. In some locations, the right-of-way may be relocated due to the occurrence of environmentally sensitive habitat. Construction will be mostly open cut trench with some pipe jacking or tunneling under major intersections.

\$951,520 or 33% of the total cost of this project is funded from current bond issue (including reimbursement).

732860 **Otay 2nd Pipeline – Phases 1 thru 6**

This project includes the installation of approximately 30,000 linear feet of 54-inch diameter cement mortar lined & coated (CML&C) steel pipe between Telegraph Canyon Road and State Route 54 to replace that portion of the existing 36-inch and 40-inch diameter Otay Second Pipeline built in 1928. A majority of the installation will be within the City of Chula Vista street right-of-way, with some canyon crossings requiring permanent easements. It is anticipated that construction will be open cut trench and cover with some pipe jacking and/or micro tunneling at major intersections. In some instances the right-of-way may have to be relocated due to occurrence of environmentally sensitive habitat in the existing right-of-way.

\$3,216,894 or 13% of the total cost of this project is funded from current bond issue (including reimbursement).

732500 **Otay Mesa Reservoir**

The Otay Water Treatment Plant does not have a clear well reservoir for chlorine contact time and storage capacity for peak demands. This project is to provide clear well storage capacity to meet rapidly growing needs and will enable the treated water to comply with mandated minimum chlorine contact times for the nearest consumer.

\$449,459 or 13% of the total cost of this project is funded from current bond issue (including reimbursement).

733150 **Otay Plant Raw Water Connection**

An amendment to an existing contract to install additional valves in the flow control facility (metering station) to accommodate the San Diego County Water Authority's conversion of its Pipeline No. 3 from treated to raw water. Pipeline No. 3 conveys water to the Otay Water Filtration Plant. The Otay Water Filtration Plant will now have another source of raw water in addition to its local surface water supply (Otay, Barrett and Morena Lakes).

\$181,924 or 41% of the total cost of this project is funded from current bond issue (including reimbursement).

709100 **Otay Reservoir Raw Water Pipeline**

Engineering and construction services for the rehabilitation of 1,480 linear feet of 48-inch concrete-lined, steel outlet tunnel from the lake, structural modifications to the raw water outlet tower platform, replacement of 36-inch butterfly valve with 48-inch butterfly valve and installation of 48-inch saucer valve and elbow at the base of the outlet tower. Installation of bypass pumping system to provide water to the filtration plant during outlet tower/tunnel work.

\$2,078,107 or 99% of the total cost of this project is funded from current bond issue (including reimbursement).

733390 **Otay WTP Basin Corrosion Repairs**

Repair the existing sedimentation basins, flocculation basins and influent channel at the Otay Filtration Plant. Over 59,000 square feet of concrete in these facilities will be repaired and coated as a part of this project.

\$1,031,199 or 100% of the total cost of this project is funded from current bond issue (including reimbursement).

732850 **Otay WTP Expansion**

This project will upgrade the existing Otay Water Treatment Plant to comply with Safe Drinking Water Act standards (Phase I). Also, depending on the outcome of future studies, it may be expanded from the current 40 mgd capacity to 60 mgd to accommodate water demands (Phase II) in the Otay Mesa area. Only the upgrade is proposed at this time.

The Phase I project will include: ozonation facilities (ozone generator and ozone contactors) to provide pre-and post-ozonation; GAC filter caps for existing filters; wash water recovery system; sludge handling; electrical & instrumentation system; and other improvements including site work, yard piping and provision for future facilities.

\$151,807 or 1% of the total cost of this project is funded from current bond issue (including reimbursement).

733220 *Otay WTP Raw Water Pump Conversion*

The existing Pump Station consists of one 8 mgd pump, three 15 mgd pumps, and platforms for two additional pumps.

This project entails installation of a variable speed drive to one of the existing 15 mgd, 300 Hp pumps.

\$253,238 or 60% of the total cost of this project is funded from current bond issue (including reimbursement).

73277D *Pacific Beach Reservoir*

The Pacific Beach Reservoir is currently disconnected from the water system because of severe leakage. It is currently a dry reservoir. A planning study will be prepared to determine if this reservoir can be taken out of service permanently or if the reservoir should be rehabilitated and connected back to the water system.

\$201 or 0% of the total cost of this project is funded from current bond issue (including reimbursement).

733099 *Paradise Hills Standpipe*

The Paradise Hills Standpipe will be demolished under this program.

\$562,906 or 100% of the total cost of this project is funded from current bond Issue (including reimbursement).

733460 *Paradise Mesa Pump Plants 1 & 2 Upgrade*

The existing Paradise Mesa Pump Plant No. 1, built in 1964, and the Paradise Mesa Pump Plant No. 2, built in 1971, each consist of three vertical turbine pumps each rated at 2,250 or 2,275 gallons per minute. Each of the pumps are 100 horsepower and each were manufactured by a different company. These pump plants serve an area of approximately 30,000 residents.

This project entails upgrading existing pump plants to allow substitution, of San Diego City water for San Diego County Water Authority (SDCWA) water now provided via the SDCWA #19 (Old # 13) Paradise Mesa-Crosstie tandem, which is currently the primary supply of water to the Paradise Mesa 610 Pressure Zone. The estimated size of each pump station after upgrade will be 600 Hp.

\$136,861 or 12% of the total cost of this project is funded from current bond issue (including reimbursement).

734005 *Paradise Mesa Standpipe*

The Paradise Mesa Standpipe was erected in 1979. It is 120-feet tall and has a diameter of 64-feet, with a capacity of 2.5 million gallons. This standpipe services the 610 Pressure Zone.

Current seismic standards require that the standpipe be retrofitted at the foundation to reduce the chances of failure in the event of an earthquake. Also, due to health risks, the lead-based interior and exterior coatings require removal. Other work will include upgrades to the access road and appurtenances.

\$530,823 or 100% of the total cost of this project is funded from current bond issue (including reimbursement).

749251 *Penasquitos Reservoir Upgrade*

The Penasquitos Reservoir is a post-tensioned concrete tank, with a storage capacity of 5 million gallons. It is 34 feet high by 160-foot diameter, and was constructed in 1966.

This project includes minor repairs to existing appurtenances, an investigation of the physical condition of prestressed wire by removal of exterior shotcrete covering, and provision of flexible pipe connections at base of tank wall for seismic resistance.

\$31,500 or 12% of the total cost of this project is funded from current bond issue (including reimbursement).

732092 *Point Loma Reservoir*

Point Loma Reservoir is a partially buried, 21-foot deep concrete reservoir with a 1.5 acre surface area. It has a storage capacity of 10 million gallons. A recent study identified the following needed improvements: remove and replace the wood roof;

install a Hypalon lining;

provide site improvements;

provide skin improvements; and

install a concrete Shear Wall System.

\$3,109,378 or 100% of the total cost of this project is funded from current bond issue (including reimbursement).

734004 *Pomerado Park Reservoir Upgrade*

The Pomerado Park Tank has a capacity of 5.2 million gallons, and was constructed in 1969. This project includes safety, sanitation, appurtenance, exterior and interior surface, and structural improvements.

\$37,079 or 8% of the total cost of this project is funded from current bond issue (including reimbursement).

732480

Pomerado Pipeline No. 2

This project consists of purchasing the existing Pomerado Pipeline, which runs between the Miramar Filtration Plant and the Tierrasanta area, from the San Diego County Water Authority (SDCWA). The Pomerado Pipeline, originally installed by the City in the late 1960's, was sold to the SDCWA to function as an imported water transmission pipeline in their aqueduct system. Subsequently, as a result of the installation of a metered connection to their filtered water aqueduct system, the City became totally reliant upon the SDCWA to supply the southern reaches of the Miramar distribution system. Through a cooperative effort, both the City and the SDCWA have agreed to eliminate this reliance through the City's repurchase of this pipeline. The pipeline will be returned to its original function as a gravity supply from the Miramar Filtration Plant.

\$1,938,563 or 66% of the total cost of this project is funded from current bond issue (including reimbursement).

733400

Potable Water Storage Recirculation

Eight existing potable water storage facilities of one-million gallon capacity or more will be equipped with a water recirculation system consisting of pumps and piping capable of exchanging the entire volume of the reservoir with water from an adjacent water main once every 10 days. The pumps will run continuously at a small flow rate to slowly exchange the entire volume of the reservoir. The reservoirs being considered for this project are: Redwood Village, Emerald Hills, University Heights, Point Lorna, La Jolla Exchange Place, La Jolla View, Bayview, and Paradise Mesa.

\$265,730 or 16% of the total cost of this project is funded from current bond issue (including reimbursement).

733470

Program Management (Parsons)

Under this CIP number, the Water Department CIP Program team is augmented with engineers and other specialized personnel to complete the implementation of projects on schedule. Those services are being provided by Parsons infrastructure and Technology, Inc. The personnel provided by Parsons are integrated into the CIP staff and provide engineering, scheduling, cost estimating and environmental compliance services.

\$12,952,317 or 35% of the total cost of this project is funded from current bond issue (including reimbursement).

733410

Rancho Bernardo Pipeline No. 2

This project includes the installation of 1,700 linear feet of 48-inch diameter cement mortar lined & coated (CML&C) welded steel pipe along Scripps Ranch Boulevard, 2,800 linear feet of 48-inch diameter CML&C steel pipe along Mira Mesa Boulevard, 6,850 linear feet of 48-inch diameter CML&C steel pipe along Westview Parkway, 1,600 linear feet of 48-inch and 7,550 linear feet of 42-inch diameter CML&C steel pipe along Black Mountain Road, and 4,750 linear feet of 42-inch diameter CML&C steel pipe along Twin Trails Drive.

\$1,354,898 or 10% of the total cost of this project is funded from current bond issue (including reimbursement).

733420 Rancho Bernardo Pump Plant No. 2

Construct a new 15 mgd pump station with a Total Dynamic Head of 200-feet.

\$521,607 or 15% of the total cost of this project is funded from current bond issue (including reimbursement).

734280 Rancho Bernardo Reservoir Upgrade

This project includes the rehabilitation of the existing 10.1 million gallon, earth embankment, concrete-roofed, Rancho Bernardo reservoir. Inside dimensions of the reservoir at the control line are 322' x 250' x 26' deep and 216' x 144' at the base. Roof structure is pre-cast prestressed columns, beams and girders with a post-tensioned concrete roof slab. The lateral loads are carried by concrete shear walls with a plan view "H" shape. The floor is asphalt paved and butyl rubber lined. The perimeter stern wall is approximately 3 feet high.

The improvements to the reservoir include the removal of the damaged coating from most concrete surfaces including both sides of roof, beams, 72 columns and shear walls. Repair spalled concrete, remove the existing liner from floor and walls and replace with 86,000 square feet of Hypalon liner and geotech material. Two new 24-inch modulating valves will also be installed in an adjacent vault. Install new vault with 36-inch propeller flow meter, increase the thickness of the shear walls, and make repairs to various electrical equipment and appurtenances.

\$495,616 or 16% of the total cost of this project is funded from current bond issue (including reimbursement).

733096 Redwood Village Standpipe - Phase I

Redwood Village Standpipe, Phase I (construction is complete).

The Redwood Village Standpipe is a circular steel standpipe constructed in 1964 with a capacity of 2 million gallons. The facility upgrade included seismic retrofit and general-improvement of the facility piping. This project was completed in early 1998.

\$1,634,614 or 0% of the total cost of this project is funded from current bond issue (including reimbursement),

738472 Redwood Village Standpipe - Phase II

The Redwood Village Standpipe, Phase II project will incorporate additional work at the site, mainly related to replacing pipe and upgrading the pipe connection to the standpipe to avoid shearing off at the tank during an earthquake.

\$0 or 0% of the total cost of this project is funded from current bond issue (including reimbursement).

799999 Replacement of Water Service Meters

This project consists of replacing 632 3-inch, 4-inch and 6-inch commercial meters with Metron-Farnier low flow water meters throughout the water system. Two hundred of the targeted meters had already been replaced by October 3, 1997. City forces will replace the remaining 432 meters and install remote read devices. Backflow protection devices will be installed on the remaining flow meters.

\$1,516,422 or 41% of the total cost of this project is funded from current bond issue (including reimbursement).

749252 San Carlos Reservoir Upgrade

The San Carlos Reservoir is a prestressed concrete tank with domed roof. It has a storage capacity of 5.0 million gallons, is 33 feet high by 160 feet diameter, and was constructed in 1963. This project includes; removal of the existing interior coating and recoat; debris removal, seismic retrofit of wall to footing linkage; repair of loose concrete; upgrade access, paving, lighting, etc.; inspect/repair post tensioning and pre-stressing wire; and replace submerged metallic structures.

\$91,155 or 34% of the total cost of this project is funded from current bond issue (including reimbursement).

732910 San Vicente Water Quality System

The depth and physical geometry of the San Vicente Reservoir cause it to stratify, creating layers of water with different temperatures. The lower depths are typically being cold and low in oxygen. This project is being evaluated using completed studies and available information, and will address the ultimate use of the lake itself which includes the possible introduction of reclaimed water. Depending on the final decision a hypolimnetic aeration system may be installed to improve the water quality for treatment in the water treatment plants.

\$328,603 or 76% of the total cost of this project is funded from current bond issue (including reimbursement).

709210 Scripps Poway Parkway Subsystem

The Scripps Poway Parkway Subsystem consists of approximately 10,000 linear feet of 18-inch pipeline and a booster pump station located near its western end, that will convey Title 22 tertiary effluent. Preliminary alignment for this project is described as follows: commencing at a tee connection east of the intersection of Scripps Poway Parkway and Interstate 15 (the terminus of Reclaimed Water Distribution System Package V), the pipeline runs easterly along Scripps Poway Parkway to a point approximately 4,000 feet west of the City of Poway/San Diego boundary, where the pipeline will connect to an existing 10-inch reclaimed waterline.

\$7,506,516 or 56% of the total cost of this project is funded from current bond issue (including reimbursement).

709180

Scripps Ranch Blvd / I-15 Subsystem

This system will serve the reclamation needs of Scripps Ranch and Interstate 15 corridor areas and ultimately connect to pipelines serving users to the north. Preliminary alignment for the approximately 15,000 feet of 30-inch pipeline is described as follows: commencing at the Miramar Storage Tank, the pipeline runs along Scripps Ranch Boulevard to Erma Road, where it turns west and continues along Erma Road to the street terminus. The pipeline continues north through the vicinity of the old Frontage Road on the east side of Interstate 15, terminating in a tee connection east of the intersection of Interstate 15 and Scripps Poway Parkway/Mercy Road.

\$6,414,913 or 72% of the total cost of this project is funded from current bond issue (including reimbursement).

734003

Scripps Ranch Reservoir

This project includes the removal of lead grout paint, repainting the structure and providing general improvements to the reservoir and site.

\$982,324 or 96% of the total cost of this project is funded from current bond issue (including reimbursement).

73246B

SD 18 Flow Control Facility

City funds will be used to support the design and construction of the Mid-City Meter Facility (SD-18). This facility will be designed, constructed, owned and operated by the San Diego County Water Authority (SDCWA). Completion of SD-18 will enable treated City water from the Alvarado Treatment Plant (placed in the SDCWA aqueduct through pump station SD-17) to flow into the new Mid-City Pipeline, Flows up to 93 cfs will be taken out of the SDCWA aqueduct and delivered to the new Mid-City Pipeline.

\$2,239,316 or 100% of the total cost of this project is funded from current bond issue (including reimbursement).

732720

Soledad Reservoir

The existing Soledad reservoir, a 1.5-million gallon, concrete reservoir built in 1958, it is in a deteriorated condition, and is in danger of failure. The reservoir is 113 feet in diameter, 19'-9" high with a concrete roof. The project is the rehabilitation of the reservoir by lining the interior walls and floors with steel plate.

\$1,642,635 or 97% of the total cost of this project is funded from current bond issue (including reimbursement).

709340

Sorrento Valley Subsystem

This project package involves a portion of the RWD system serving users in the southwest Mira Mesa and northwest Miramar portions of the Northern Service Area. This package consists of two segments with a total length of approximately 21,000 linear feet of 10- to 18-inch diameter

pipeline. The preliminary alignment for the first segment is as follows: commencing at a tee connection located at Miramar Road and Production Ave (Package 2), the pipeline heads north to Carroll Road, then west along Carroll Road, then along Carroll Canyon Road to the vicinity of the Youngstown Way Intersection. The preliminary alignment for the second segment is as follows: commencing at a tee connection at Carroll Road and Fenton Road, the pipeline heads east along Fenton Road for approximately 8,000 linear feet.

\$5,410,376 or 22% of the total cost of this project is funded from current bond issue (including reimbursement).

709101 *Sorrento Valley Water Main Replacement*

This project has been completed and is included in the bond program for reimbursement.

\$1,905,148 or 34% of the total cost of this project is funded from current bond issue (including reimbursement).

732490 *South San Dino Pipeline No. 2*

This project consists of the installation of approximately 24,300 linear feet of 42-inch diameter pipeline from the Coronado ways (east of the South San Diego Reservoir) to Interstate 805 and Palm Avenue in the South San Diego/Otay MESA water service area. This project will be designed and constructed through a participation agreement with TMP Homes, Inc.,

\$13,644,840 or 92% of the total cost of this project is funded from current bond issue (including reimbursement).

733440 *South San Diego Reservoir No. 2*

This project will consist of constructing a new 12.7 million-gallon reservoir located at the site of the existing South San Diego Reservoir and serving the 490 pressure zone.

\$653,520 or 11% of the total cost of this project is funded from current bond issue (including reimbursement).

749254 *South San Diego Reservoir Upgrade*

This project includes the removal of 85,235 square feet of existing lead based interior coating and replace with high solids epoxy coating system. Replacement of one column and minor repairs on other columns. Replacement of 400 linear feet of 0.75 inch tie rods, and installation of a concrete dividing wall.

\$327,581 or 10% of the total cost of this project is funded from current bond issue (including reimbursement).

733080 Telem Control Sys – SCADA Phase I

Install centralized state-of-the-art electronic monitoring and control facilities for the water storage, transmission, and system.

\$1,472,285 or 82% of the total cost of this project is funded from current bond issue (including reimbursement).

733081 Telem Control Sys – SCADA – Phase II

Install centralized state-of-the-art monitoring and control facilities for the water storage and transmission system. This Phase is the final step to install the complete facilities for telemetry control of the entire system.

\$522,233 or 39% of the total cost of this project is funded from current bond issue (including reimbursement).

733290 Tierrasanta Norte Water Pump Plant

This project includes the installation of four end-suction centrifugal pumps inside the existing, unused SD #16 flow control facility. The existing building is 18-feet by 17-feet 8-inches by 10-feet 5.5-inches high. One pump will be a 25 hp (1,200 gpm at 65 feet TDH) and three pumps are 50 hp (2,150 gpm at 65 feet TDH). Roof hatches will be added to the existing building for future installation and removal of the pumps and motors.

\$0 or 0% of the total cost of this project is funded from current bond issue (including reimbursement).

709270 University City Subsystem

This package consists of four segments with a total length of approximately 23,400 linear feet of 6- to 24-inch diameter pipeline. The preliminary alignment for the first segment is as follows: commencing at the Executive Drive and Regents Road tee connection, the pipeline runs south along Regents Road, then east along Arriba Street, then north along Cargill Avenue, and terminates at the intersection of Cargill Avenue and Camino Ticino. The preliminary alignment for the second segment is as follows: commencing at the Regents Road and Nobel Drive tee connection (hook-up from the second segment), the pipeline heads west along Nobel Drive and terminates at the intersection of Nobel Drive and Lebon Drive. Preliminary alignment for the third segment is as follows: commencing at the tee connection at the intersection of Regents Road and Nobel Drive (Hook-up from the first segment), the pipeline heads east along Nobel Drive and terminates at its terminus. The preliminary alignment for the fourth segment is as follows: commencing at the terminus of the turn out from the NSPF/RI 52 pipeline (Package III) at the end of Governor Drive, the pipeline runs west under I-805, then along Governor Drive to Erlanger Street, then south along Erlanger Street and terminates at the western end of Erlanger Street where it will connect to the State Route irrigation system.

\$7,029,883 or 47% of the total cost of this project is funded from current bond issue (including reimbursement).

734001

University Heights Elevated Tank

The University Heights Elevated Tank is located at the same location as the University Heights reservoir. The elevated tank has not been used for a number of years. Due to its historical significance, it is being considered for nomination as a historical monument. If it is named as a historical monument, then it will receive seismic retrofitting and general upgrades. If it is not named as a historical monument, then it will be demolished.

\$0 or 0% of the total cost of this project is funded from current bond issue (including reimbursement).

**Public Facilities Financing Authority of the City of San Diego
 [Subordinated] Water Revenue Bonds, Refunding Series 2009A and
 [Subordinated] Water Revenue Bonds, Series 2009B
 (Payable Solely From [Subordinated] Installment Payments
 Secured by Net System Revenues of the Water Utility Fund)**

Log of Outstanding Items- 2009A Supplement to Master Installment Purchase Agreement ("MIPA")

<i>Document</i>	<i>Page No.(s)</i>	<i>Outstanding Items</i>	<i>Responsible Party</i>	<i>Expected Availability*</i>	<i>Completed</i>
2009A Supplement to Master Installment Purchase Agreement ("MIPA")	Cover and throughout document	• [Subordinated] versus [Parity] Obligations	City and Underwriter	Prior to pricing	
	1	• Reserve Fund determination • Reserve Fund Requirement	Underwriter and City	At or prior to pricing	
	5-6	• Purchase Price	Underwriter	At pricing	
	6-7	• Principal, Interest and Combined Installment Payments	Underwriter	At pricing	
	7	• Optional Prepayment Dates	Underwriter	At pricing	
	10	Signatures of Authorized Officers of the City, FELC, City Clerk, Chief Deputy City Attorney, Secretary of FELC, F&J as Counsel to FELC	City, FELC, F&J, City Atty	Preclosing	

* Refers to pricing, preclosing, etc. of 2009A Bonds, except where otherwise noted.

2009A SUPPLEMENT

**To Amended and Restated Master Installment Purchase Agreement
dated as of January 1, 2009
by and between**

THE CITY OF SAN DIEGO

and

**SAN DIEGO FACILITIES AND EQUIPMENT
LEASING CORPORATION**

Dated as of January 1, 2009

relating to

**Public Facilities Financing Authority of the City of San Diego
[Subordinated] Water Revenue Bonds, Refunding Series 2009A (Payable Solely from
[Subordinated] Installment Payments Secured by Net System Revenues of the Water
Utility Fund)**

TABLE OF CONTENTS

Page

ARTICLE I
DEFINITIONS

SECTION 1.01. Definitions..... 2

ARTICLE II
REPRESENTATIONS AND WARRANTIES; CERTAIN AGREEMENTS

SECTION 2.01. City Representations and Warranties..... 3
SECTION 2.02. Corporation Representations and Warranties 4

ARTICLE III
PURCHASE PRICE; PLEDGE OF CERTAIN AMOUNTS; SALE OF REFUNDED
COMPONENTS

SECTION 3.01. Corporation's Obligation to Pay Purchase Price 5
SECTION 3.02. Purchase Price to Trustee..... 5
SECTION 3.03. Pledge of Amounts in the Acquisition Fund..... 5
SECTION 3.04. Sale and Purchase of Refunded Components 5

ARTICLE IV
2009A [SUBORDINATED] INSTALLMENT PAYMENTS

SECTION 4.01. 2009A [Subordinated] Installment Payments 5
SECTION 4.02. [Parity] [Subordinated] Obligations..... 7

ARTICLE V
PREPAYMENT OF 2009A [SUBORDINATED] INSTALLMENT PAYMENTS

SECTION 5.01. Optional Prepayment of 2009A [Subordinated] Installment
Payments 7

ARTICLE VI
ADDITIONAL COVENANTS

SECTION 6.01. Additional Covenants relating to Tax Exemption 8
SECTION 6.02. Continuing Disclosure 8

EXECUTION..... 10

EXHIBIT A REFUNDED COMPONENTS OF PROJECT A-1

**2009A SUPPLEMENT
TO MASTER INSTALLMENT PURCHASE AGREEMENT**

THIS 2009A SUPPLEMENT TO MASTER INSTALLMENT PURCHASE AGREEMENT (the "2009A Supplement"), executed and entered into as of January 1, 2009, 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 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 of California (the "Corporation").

WITNESSETH:

WHEREAS, the City and the Corporation have heretofore entered into an Amended and Restated Master Installment Purchase Agreement, dated as of January 1, 2009 (the "Master Agreement"), pursuant to which the Corporation has agreed to sell certain improvements and additions (comprised of various components, each, a "Component") to the water system of the City (the "Water System") to the City and the City has agreed from time to time to purchase certain Components as specified in certain supplements to the Master Agreement; and

WHEREAS, the Master Agreement has heretofore been supplemented by a 1998 Supplement to Master Installment Purchase Agreement, dated as of August 1, 1998, a 2002 Supplement to Master Installment Purchase Agreement, dated as of October 1, 2002, a 2007A Supplement to Master Installment Purchase Agreement, dated as of January 1, 2007 and a 2008A Supplement to Master Installment Purchase Agreement, dated as of February 1, 2008 (together with the Master Agreement, the "Agreement"), each by and between the City and the Corporation; and

WHEREAS, the City has determined that it is in its best interests and the best interests of its residents to refinance certain Components identified in Exhibit A to this 2009A Supplement (the "Refunded Components"), and to pay for the Refunded Components by making 2009A [Subordinated] Installment Payments (herein defined) pursuant to this 2009A Supplement, permitting the City to pay or redeem certain existing obligations of the City, all in the manner described herein, and the Public Facilities Financing Authority of the City of San Diego, a California joint exercise of powers' entity (the "Authority"), is willing to assist the City in effecting such financing; and

WHEREAS, the 2009A [Subordinated] Installment Payments specified in this 2009A Supplement will be assigned by the Corporation to the Authority and serve as the security for the Public Facilities Financing Authority of the City of San Diego [Subordinated] Water Revenue Bonds, Refunding Series 2009A (Payable Solely From [Subordinated] Installment Payments Secured by Net System Revenues of the Water Utility Fund) (the "2009A Bonds"), the proceeds of which will be used to pay or refund the Refunded Obligations (as defined in the Indenture defined below)[, to fund a Reserve Fund (as defined in the Indenture)] and to pay the costs of issuance of the 2009A Bonds; and

WHEREAS, the 2009A Bonds are issued under and secured by that certain Indenture, dated as of January 1, 2009 (the "Indenture"), by and between the Authority and Wells Fargo Bank, National Association, as Trustee (the "Trustee"); and

WHEREAS, the City and the Corporation now wish to describe the underlying purchase and sale of the Refunded Components which will be the subject of the 2009A [Subordinated] Installment Payments by execution and delivery of this 2009A Supplement; and

WHEREAS, this 2009A Supplement is an Issuing Instrument, as defined in the Agreement; and

NOW THEREFORE, the parties hereto have agreed as follows:

ARTICLE I

DEFINITIONS

SECTION 1.01. Definitions. Capitalized terms used in this 2009A Supplement but not defined herein have the meanings given those terms in the Agreement and, if any such terms are not defined in the Agreement, then such terms have the meanings given those terms in the Indenture. As used in this 2009A Supplement, the following additional terms have the following meanings:

2009A Installment Payment Date

The term "2009A Installment Payment Date" means the 15th day of the calendar month immediately preceding each Interest Payment Date for the 2009A Bonds.

Interest Portion

The term "Interest Portion" means the interest portion of 2009A [Subordinated] Installment Payments specified in Section 4.01 hereof.

Principal Portion

The term "Principal Portion" means the principal portion of 2009A [Subordinated] Installment Payments specified in Section 4.01 hereof.

Purchase Price

The term "Purchase Price" has the meaning given that term in Section 3.01 hereof.

Refunded Components

The term "Refunded Components" means the Components of the Project specified in Exhibit A attached hereto, originally comprising the 1998 Project and the 2007A

Project, and by this reference made a part hereof, for some of which the City will be making 2009A [Subordinated] Installment Payments.

[Subordinated] Installment Payments

The term “[Subordinated] Installment Payments” means the [Subordinated] Installment Payments to be made by the City under and pursuant to the [Subordinated] Supplements.

2009A [Subordinated] Installment Payments

The term “2009A [Subordinated] Installment Payments” means the [Subordinated] Installment Payments specified in Section 4.01 hereof which are to pay the Purchase Price of the Refunded Components in accordance with the terms hereof.

Subordinated Supplements

The term “Subordinated Supplements” means the 2002 Supplement to Master Installment Purchase Agreement, dated as of October 1, 2002, the 2007A Supplement to Master Installment Purchase Agreement, dated as of January 1, 2007, the 2008A Supplement to Master Installment Purchase Agreement, dated as of February 1, 2008, [and this 2009A Supplement to Master Installment Purchase Agreement, dated as of January 1, 2009,] each by and between the City and the Corporation, and each being a supplement to the Agreement, and any additional supplements to the Agreement.

ARTICLE II

REPRESENTATIONS AND WARRANTIES; CERTAIN AGREEMENTS

SECTION 2.01. City Representations and Warranties.

The City hereby represents and warrants that each of the following is true and correct:

(a) The City is a municipal corporation organized and existing under the Charter, which was duly adopted pursuant to the provisions of the Constitution of the State of California.

(b) The City has full legal right, power and authority to enter into this 2009A Supplement and perform its obligations hereunder, to carry out and consummate all transactions contemplated by this 2009A Supplement, and the City has complied with the provisions of the Law in all matters relating to such transactions.

(c) By proper action, the City has duly authorized the execution, delivery and performance of this 2009A Supplement.

(d) The execution and delivery of this 2009A Supplement and the consummation of the transactions herein contemplated do not and will not (i) violate any

provision of law, any order of any court or other agency of government; (ii) be in conflict with, result in a breach of or constitute a default (with due notice or the passage of time or both) under any provision of any indenture, material agreement or other instrument to which the City is now a party or by which it or any of its properties or assets is bound; or (iii) result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the properties or assets of the City.

(e) The City has determined that it is necessary and proper for City uses and purposes within the terms of the Law that the City acquire the Refunded Components in the manner provided for in this 2009A Supplement, in order to continue to provide essential services and facilities to the persons residing in the City.

(f) The City will take no action to cause directly or indirectly the interest components of Series 2009A [Subordinated] Installment Payments to be includable in the gross income of the owners of the 2009A Bonds for federal income tax purposes.

SECTION 2.02. Corporation Representations and Warranties.

The Corporation hereby represents and warrants to the City that each of the following is true and correct:

(a) The Corporation is duly organized and existing under the laws of the State of California.

(b) The Corporation has full legal right, power and authority to enter into this 2009A Supplement and to carry out and consummate all transactions contemplated by this 2009A Supplement.

(c) By proper action, the Corporation has duly authorized the execution, delivery and due performance of this 2009A Supplement.

(d) The execution and delivery of this 2009A Supplement and the consummation of the transactions herein contemplated do not and will not (i) violate any provision of law, any order of any court or other agency of government; (ii) be in conflict with, result in a breach of or constitute a default (with due notice or the passage of time or both) under any provision of any indenture, material agreement or other instrument to which the Corporation is now a party or by which it or any of its properties or assets is bound; or (iii) result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the properties or assets of the Corporation.

ARTICLE III

PURCHASE PRICE; PLEDGE OF CERTAIN AMOUNTS; SALE OF REFUNDED COMPONENTS

SECTION 3.01. Corporation's Obligation to Pay Purchase Price.

In consideration of the agreement by the City to make 2009A [Subordinated] Installment Payments, the Corporation hereby agrees to cause the Authority, as assignee of the Corporation's rights and obligations hereunder, to pay to the City, from the proceeds of the 2009A Bonds, an amount equal to \$ _____ as the Purchase Price (the "Purchase Price") for the Refunded Components.

SECTION 3.02. Purchase Price to Trustee.

The City hereby directs the Authority, in lieu of delivering the Purchase Price to the City, to deliver the Purchase Price to the Trustee for deposit in accordance with Section 4.02 of the Indenture.

SECTION 3.03. Pledge of Amounts in the Acquisition Fund.

The City hereby irrevocably pledges all Revenues and amounts on deposit in the Acquisition Fund established pursuant to Section 4.03 of the Indenture and held by the Treasurer, for the benefit of the Owners, subject to the provisions of the Indenture.

SECTION 3.04. Sale and Purchase of Refunded Components.

In consideration of the agreement by the City to make 2009A [Subordinated] Installment Payments, the Corporation hereby sells, transfers and assigns the Refunded Components to the City and the City hereby agrees to purchase and accept the Refunded Components, as more particularly described in Exhibit A hereto.

ARTICLE IV

2009A [SUBORDINATED] INSTALLMENT PAYMENTS

SECTION 4.01. 2009A [Subordinated] Installment Payments.

In consideration of the payment by the Authority, on behalf of the Corporation, of the Purchase Price and the sale of the Refunded Components by the Corporation to the City pursuant to Section 3.04 hereof, the City hereby agrees to pay on each 2009A Installment Payment Date as 2009A [Subordinated] Installment Payments, solely from Net System Revenues, as provided in the Agreement, the following:

<u>Installment Payment Date</u>	<u>Principal Portion of Installment</u>	<u>Interest Portion of Installment</u>	<u>Combined Installment Payment</u>
July 15, 2009			
January 15, 2010			
July 15, 2010			
January 15, 2011			
July 15, 2011			
January 15, 2012			
July 15, 2012			
January 15, 2013			
July 15, 2013			
January 15, 2014			
July 15, 2014			
January 15, 2015			
July 15, 2015			
January 15, 2016			
July 15, 2016			
January 15, 2017			
July 15, 2017			
January 15, 2018			
July 15, 2018			
January 15, 2019			
July 15, 2019			
January 15, 2020			
July 15, 2020			
January 15, 2021			
July 15, 2021			
January 15, 2022			
July 15, 2022			
January 15, 2023			
July 15, 2023			
January 15, 2024			
July 15, 2024			
January 15, 2025			
July 15, 2025			
January 15, 2026			
July 15, 2026			
January 15, 2027			
July 15, 2027			
January 15, 2028			
July 15, 2028			
January 15, 2029			
July 15, 2029			
January 15, 2030			
July 15, 2030			
January 15, 2031			
July 15, 2031			
January 15, 2032			
July 15, 2032			
January 15, 2033			

<u>Installment Payment Date</u>	<u>Principal Portion of Installment</u>	<u>Interest Portion of Installment</u>	<u>Combined Installment Payment</u>
July 15, 2033			
January 15, 2034			
July 15, 2034			
January 15, 2035			
July 15, 2035			
January 15, 2036			
July 15, 2036			
January 15, 2037			
July 15, 2037			
January 15, 2038			
July 15, 2038			

*Indicates mandatory sinking fund prepayment.

SECTION 4.02. [Parity] [Subordinated] Obligations.

The 2009A [Subordinated] Installment Payments shall be [Parity Obligations] [Subordinated Obligations] under the Agreement and the payment of the 2009A [Subordinated] Installment Payments shall be [subordinated in right of payment to the Parity Obligations under the Agreement and shall be] on parity in right of payment to the [Parity Obligations] [Subordinated Obligations] under the Agreement. No Owner of the [Subordinated] 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] [Subordinated Obligations].

ARTICLE V

PREPAYMENT OF 2009A [SUBORDINATED] INSTALLMENT PAYMENTS

SECTION 5.01. Optional Prepayment of 2009A [Subordinated] Installment Payments.

The 2009A [Subordinated] Installment Payments relating to the Principal Portion of 2009A [Subordinated] Installment Payments payable on and after July 15, 20__ are subject to prepayment, at the option of the City, in whole or in part, on any date, upon at least 45 days' prior written notice to the Authority (as assignee of the Corporation) specifying the date and amount of such prepayment, on or after July 15, 20__, in whole or in part on any date, at 100% of the Principal Portion of 2009A [Subordinated] Installment Payments to be prepaid, plus the unpaid Interest Portion of 2009A [Subordinated] Installment Payments to be prepaid to the date fixed for payment, without premium.

ARTICLE VI

ADDITIONAL COVENANTS

SECTION 6.01. Additional Covenants relating to Tax Exemption.

(a) The City shall not directly or indirectly use or permit the use of any proceeds of the 2009A Bonds or any other funds of the City or of the Refunded Components or take or omit to take any action that would cause the 2009A Bonds to be "private activity bonds" within the meaning of section 141 of the Code, or obligations that are "federally guaranteed" within the meaning of section 149(b) of the Code.

(b) The City hereby covenants that it will not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of the interest on the 2009A Bonds under section 103 of the Code. The City shall not directly or indirectly use or permit the use of any proceeds of the 2009A Bonds or any other funds of the City, or take or omit to take any action, that would cause the 2009A Bonds to be "arbitrage bonds" within the meaning of section 148(a) of the Code. To that end, the City shall comply with all requirements of section 148 of the Code to the extent applicable to the 2009A Bonds. If, at any time, the City is of the opinion that for purposes of this Section it is necessary to restrict or limit the yield on the investment of any moneys held by the Trustee under the Indenture or otherwise, then the City shall so instruct the Trustee in writing, and shall cause the Trustee to take such action as may be necessary in accordance with such instructions.

(c) Without limiting the generality of the foregoing, the City hereby agrees that there shall be paid from time to time all amounts required to be rebated to the United States of America pursuant to section 148(f) of the Code and any Treasury Regulations as may be applicable to the 2009A Bonds from time to time. This covenant shall survive payment in full or defeasance of the 2009A Bonds. The City hereby specifically covenants to pay or cause to be paid to the United States of America at the times and in the amounts determined under this Section the Rebate Requirement, as described in the Tax Certificate, and to otherwise comply with the provisions of the Tax Certificate executed by the City in connection with the execution and delivery of the 2009A Bonds.

(d) Notwithstanding any provision of this Section, if the City provides to the Trustee an opinion of Bond Counsel to the effect that any action required under this Section is no longer required, or to the effect that some further action is required, to maintain the exclusion from gross income of the interest on the 2009A Bonds pursuant to section 103 of the Code, then the City may rely conclusively on such opinion in complying with the provisions hereof, and the covenants hereunder shall be deemed to be modified to that extent.

SECTION 6.02. Continuing Disclosure. The City hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of this 2009A Supplement, failure of the City to comply with the Continuing Disclosure Certificate shall not be considered a default of any kind under this 2009A Supplement or the Continuing Disclosure Certificate; however, the Trustee may (and, at the request of any Participating Underwriter or the Owners of at least

twenty-five percent (25%) in aggregate principal amount of the 2009A Bonds, shall) or any Owner or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Section. For purposes of this Section, "Beneficial Owner" means any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any 2009A Bonds (including persons holding 2009A Bonds through nominees, depositories or other intermediaries).

IN WITNESS WHEREOF, this 2009A Supplement has been executed by the City and the Corporation as of the year and date first above written.

THE CITY OF SAN DIEGO

By: _____
Authorized Officer

Attest:

City Clerk

APPROVED AS TO FORM:
MICHAEL J. AGUIRRE, City Attorney

By: _____
[]
Deputy City Attorney

**SAN DIEGO FACILITIES AND EQUIPMENT
LEASING CORPORATION**

By: _____
Authorized Officer

Attest:

Secretary

APPROVED AS TO FORM:
FULBRIGHT & JAWORSKI L.L.P.,
AS COUNSEL, SAN DIEGO FACILITIES AND
EQUIPMENT LEASING CORPORATION

By: _____
Partner

EXHIBIT A

REFUNDED COMPONENTS OF PROJECT

The Refunded Components consist of the acquisition, construction, installation or improvement of the following capital projects, originally comprising the 1998 Components and the 2007A Components of the Project.

DESCRIPTION OF 1998 COMPONENTS OF PROJECT

Pursuant to Section 3.02 of the Installment Purchase Agreement, this Exhibit A may be amended from time to time and at any time to modify or amend the description of the Project, to eliminate any part thereof and/or to substitute a Component or Components, all without obtaining any consent, by filing an amended Exhibit A with the Corporation and the affected Trustee; provided, however, that no such amendment shall in any way impair the obligations of the City contained in any Supplement executed and delivered prior to any such amendment.

732290 65th & Herrick Water Pump Plant

This project includes the construction of a new pump plant equipped with three variable speed pumps and one backup pump and motor. The new facility will be constructed of concrete with architectural treatment to blend well into the surrounding environment. Each pump will be able to pump water within a range of 550 gpm to 1,300 gpm with a total dynamic head (TDH) of 80 feet to 150 feet, respectively.

\$1,817,032 or 100% of the total cost of this project is funded from 1998 Certificates (including reimbursement).

733101 AA – Corrosion

This is an annual allocation to fund the installation of corrosion protection facilities (such as “anode beds” and “deep well anodes”) to extend the service life of existing facilities.

\$822,586 or 13% of the total cost of this project is funded from 1998 Certificates (including reimbursement).

730018 AA – Reclaimed Water Extension

Extensions of the north City reclaimed water distribution pipeline network beyond the sphere of influence of the existing north City area and improving the reclaimed water distribution system as the demands for reclaimed water increase.

\$2,710,796 or 34% of the total cost of this project is funded from 1998 Certificates (including reimbursement).

73083

AAA – Water Main Replacements

Water mains that were installed in the City's water distribution system in the 1930's to the late 1940's were made of cast iron. The intended service life of these lines was 50 years, and they have gradually deteriorated due to the corrosive soils. In the 1960's the Water Department began a systematic effort to identify and replace aging cast iron water mains. At that time there were approximately 600 miles of cast iron lines installed throughout the system. Today, approximately 214 miles of cast iron pipes remain which must be replaced. This project continues the funding to replace those mains. At the present time, approximately 80 percent of the City's annual water main breaks are attributed to cast Iron mains, yet they comprise only 7 percent of the entire water delivery infrastructure. In 1997, approximately 19 miles were completed. An additional 67 miles were in various stages of design and the balance of 147 miles remains in planning and project development. The cast iron water main replacement program included in this bond program is estimated to complete a total of 96 miles through the year 2008. The balance of 118 miles is scheduled for completion in subsequent capital programs.

Under current City policy, concrete sewer and cast iron water mains situated in the same public right-of-way are replaced at the same time to avoid an additional \$65 million in costs for twice-repeated service disruptions, street resurfacings, traffic impacts, and contractual actions.

\$55,321,064 or 63% of the total cost of this project is funded from 1998 Certificates (including reimbursement).

732630

AA – Water Pump Plant Relocation

Two water pump plants have been identified for rehabilitation under this DIP. They are the Catalina Water Pump Plant and the Del Cerro Highlands Water Pump Plant. See SubCIP No. 738424 for more detailed information of the Del Cerro Highlands Water Pump Plant.

0% of the total cost of this project is funded from 1998 Certificates (including reimbursement).

733330

Air Valve Adjustments

This activity includes raising approximately 429 existing air and vacuum release valve vents and air release valves from below grade vaults to above-ground vaults, enclosed in 3/16" steel cylinders and mounted on concrete pads (in accordance with City of San Diego Standard Drawing No. SDW-117).

\$906,323 or 58% of the total cost of this project is funded from 1998 Certificates (including reimbursement).

732610

Alvarado Filtration Plant Expansion

This project is the expansion of the existing Alvarado Water Treatment Plant in two or three phases from the current treatment capacity of 120 mgd to 210 mgd, and improve the plants operating performance to comply with improved treatment standards. The Alvarado Filtration Plant Was constructed in 1951 for an initial capacity rating of 66 million gallons per day (mgd) with future expansion capability to 100 mgd. It was expected that one additional flocculation & sedimentation basin and four additional filters would be constructed at some later date to achieve

the 100 mgd capacity. Several hydraulic improvements were made in the mid-1970's to increase the plant's hydraulic capacity from the initial 66 mgd to the current 120 mgd without constructing the additional basin and filters. The recent peak water demand day has approached 130 mgd which exceeds the maximum plant capacity.

The Initial phase of the expansion program will increase the capacity from 120 mgd to 150 mgd which will meet the projected water demand through 2015. The plant will also be upgraded to meet the Safe Drinking Water Act standards and rehabilitated to restore deteriorated facilities. The expansion, upgrade and rehabilitation work will involve: rapid mix facility, existing filters, raw water chemical building, finish water chemical building, operation building, Lake Murray and College Ranch Pump Stations, main switchgear building, yard piping, instrumentation and control, electrical and civil/site work, ozone facilities, existing flocculation and sedimentation basins, new flocculation and sedimentation basins, new tillers, and sludge handling facilities (see attached sheet with proposed system upgrades and expansions).

\$89,926,365 or 64% of the total cost of this project is funded from 1998 Certificates (including reimbursement).

732581 Alvarado JT Lab – HVAC Ventilation

Upgrade of Heating Ventilating & Air Conditioning system at the Alvarado Joint Water Quality Laboratory.

\$383,137 or 84% of the total cost of this project is funded from 1998 Certificates (Including reimbursement).

732611 Alvarado Phase II – Operations Building

Design services for project which involves renovation to existing Operations Building, to be constructed as part of the Alvarado Phase II Project.

\$31,206 or 100% of the total cost of this project is funded from 1998 Certificates (including reimbursement).

732612 Alvarado Phase III – Lake Murray

Design services for expansion of the Lake Murray Pump Station, to be constructed as part of the Alvarado Phase I project.

\$44,708 or 100% of the total cost of this project is funded from 1998 Certificates including reimbursement).

733270 Alvarado Water Pump Plant – Upgrade

The existing pump plant, built in 1965, consists of 4 Byron Jackson pumps rated at 3,500 gpm and 130-foot TDH. Motors are General Electric 15D horsepower. This pump station provides emergency supply to portions of the Miramar system including Kearny Mesa and Tierrasanta.

This project includes replacing the existing pumps, electrical system and control system and rehabilitating the existing building.

\$296,986 or 51% of the total cost of this project is funded from 1998 Certificates (including reimbursement).

733170 Barrett Reservoir Outlet Tower Upgrade

The existing Barrett Reservoir dam is a concrete gravity structure with a 120-foot high outlet tower and 26 automatic flash gates located on the spillway.

The required outlet tower repairs include:

Replace 3 each 30-inch gate valves. New valves to include motor operators. Provide hand-off switches located at top of tower. (Existing power to the tower is adequate for the proposed motor operators). Replace 3 each 30-inch cast iron, fabricated "saucer valves" on the exterior of the tower.

Replace 30-inch diameter piping inside outlet tower including approximately 120 feet of pipe and 4 TEE's. Replace 3 each, operating platforms, 14-feet, 8-inch diameter at the level of each gate valve. Replace motorized winch, sheaves and cable.

Required spillway repairs include replacing or repairing 26 each 6.5-foot wide by 9-foot high spillway flash gates. Existing gates are fabricated of 3/16-inch plate with stiffeners, water stops, trunnions and other appurtenances. Protective coatings and cathodic protection needed for either repairs or replacement.

0% of the total cost of this project is funded from 1998 Certificates (including reimbursement).

732360 Bayview Reservoir

This project consists of replacing an existing 10-million gallon, partially buried concrete reservoir with a new reservoir with the same capacity at the same site. The existing reservoir has deteriorated and is failing.

\$6,055,446 or 50% of the total cost of this project is funded from 1998 Certificates (including reimbursement).

732650 Bayview Water Pump Plant

This project is the construction of a new pump plant at the Bayview Reservoir and installing 522 linear feet of 20-inch CML&C welded steel pipe to serve as a reservoir by-pass line. Also included in the project are minor paving and landscaping restorations to the site.

\$783,509 or 100% of the total cost of this project is funded from 1998 Certificates (including reimbursement).

732160 **Black Mountain Reservoir**

This project consists of the construction and funding of a 15 million gallon reservoir by developers near the City's No. 10 water connection to the County Water Authority's Second Aqueduct, immediately west of Rancho Penasquitos.

\$9,424,779 or 96% of the total cost of this project is funded from 1998 Certificates (including reimbursement).

709200 **Bonita Pipeline – Phase II**

This project involves the replacement of the existing 24-inch diameter Bonita Pipeline north of Imperial Avenue with new 36-inch diameter cement mortar lined and coated (CML&C) welded steel pipe along Churchward Street and Hilltop Drive. The installation will be within the City of San Diego street right-of-way. The majority of construction will be open cut trench installation, with the installation of four 500-foot long, 46-inch diameter steel casings under I-805 and I-15 using tunneling/pipe jacking techniques.

\$1,058,931 or 11% of the total cost of this project is funded from 1998 Certificates (including reimbursement).

759105 **Catalina Standpipe Connection / Navy**

This project consisted of installing a connection from the Catalina Standpipe to the water distribution network on the Naval base. The work was completed by the Navy.

0% of the total cost of this project is funded from 1998 Certificates (including reimbursement).

734006 **Catalina Standpipe Renovation**

The Catalina Standpipe is 73 feet tall, 59 foot in diameter, has a storage capacity of 1.5 million gallons, and was built in 1954. This project will provide additional anchor bolts between the existing tank and foundation mat to resolve seismic problems.

\$132,515 or 100% of the total cost of this project is funded from 1998 Certificates (including reimbursement).

733094 **Chesterton Standpipe**

The Chesterton Standpipe has a storage capacity of 1 million gallons, and was constructed 1953. It is no longer in service nor beneficial to the operation of the water transmission and distribution system and consequently is to be demolished.

\$334,752 or 100% of the total cost of this project is funded from 1998 Certificates (including reimbursement).

733350 **Dams & Appurtenances Mod Study**

This project consists of making repairs and improvements at the existing dams. There are 429 identified projects, each very small, and no formal designs are required. Replacement and

repairs have been initiated with work being done by City forces. It is anticipated that a combination of City forces and contractors will complete the projects. The maximum design effort anticipated for each valve will be two 8-1/2 by 11-inch sketches with the City's Standard Drawing for Air and Vacuum Valve Enclosure.

\$1,059,524 or 71% of the total cost of this project is funded from current bond Issue (including reimbursement).

732680 **Deerfield Water Pump Plant**

This project includes replacing the existing underground Hillandale Pump Plant with a new water pump plant located on Mission Gorge Road across from Deerfield Street. Land for this purpose was acquired in 1995. The project includes a pump plant rated at 9,000 gallons per minute (gpm) and 13,000 linear feet of 24-inch diameter pipe to connect the pump plant to the San Carlos area water system. The pump plant includes: four (4) vertical turbine pumps (each 2,500 gpm @ 350 ft. head), on-site suction and discharge piping including valves, power and I&C system, and a concrete masonry unit building (50 ft. x 42 ft.). The work also includes demolition of the existing Hillandale Water Pump Plant.

\$6,158,218 or 100% of the total cost of this project is funded from 1998 Certificates (including reimbursement).

738424 **Del Corm Highlands Pump Plant**

The existing buried pump station.(22 feet x 12 feet, plus stair well) will be expanded to 50 feet x 12 feet, plus stairwell. In the newly expanded space, two 75 horsepower vertical turbine pumps and two 25 horsepower vertical turbine pumps will be installed. The 25 horsepower pumps will have variable speed drives. A 140 Kw, natural gas driven engine/generator will be installed in the existing pump room after removal of the existing pumps to assure continued operation during emergencies. Floor elevation of new structure is 14 feet below grade. Structure will be located predominately in parkway with piping connections within the street.

\$458,175 or 75% of the total cost of this project is funded from 1998 Certificates (including reimbursement).

733091 **Del Cerro Reservoir Upgrade**

The Del Cerro Reservoir is a covered concrete reservoir with a storage capacity of 0.5 million gallons, constructed in 1956. A 1992 report recommended that a number of improvements to the facility and site be made. Recommendations included improvements to the site safety conditions, sanitary facilities, interior and exterior surfaces as well as structural upgrades.

\$884,118 or 98% of the total cost of this project is funded from 1998 Certificates (including reimbursement).

732510 **Del Mar Heights Road Pipeline**

The project is the installation of 8,000 linear feet of 24-inch diameter cement mortar lined & coated (CML&C) welded steel pipe along a new section of Del Mar Heights Road.

\$0 or 0% of the total cost of this project is funded from 1998 Certificates (including reimbursement).

722910 *Eichenlaub Ranch Acquisition*

The subject parcel is sought for the following reasons: watershed preservation, access to facilities at Barrett Reservoir, to enhance wildlife and habitat values, and to provide possible environmental mitigation credit. This acquisition which involves six contiguous parcels, totaling 1,339 acres, would ensure that the property will remain undeveloped in perpetuity. In addition, the City's main access to facilities at Barrett Reservoir is a road that crosses this property (the "Wilson Creek Road"). The City's right to use this road is suspect, and has come under question in the past. This situation would be eliminated with the acquisition of the parcel.

\$4,600,000 or 100% of the total cost of this project is funded from 1998 Certificates (including reimbursement).

733190 *El Capitan Reservoir Rd Improvements*

Approximately 2.5 miles of access road, starting at the base of the dam and proceeding counterclockwise around the reservoir to the southern tip of the lake will be repaired and portions need widening in this project. Three existing observation wells on the downstream face have badly corroded casings and do not function. They will be replaced with three new observation wells with 4-inch casings and the following depths: 175-feet, 150-feet and 125-feet deep. The top 10 to 30 feet of the wells must be drilled through hand placed boulders. Each well will be equipped with piezometers to measure water levels, with signals transmitted to existing radio towers.

\$294,108 or 54% of the total cost of this project is funded from 1998 Certificates (including reimbursement).

733097 *Emerald Hills Standpipe Upgrade*

The Emerald Hills Standpipe is located on an alleyway between Eider Street and Scimitar Drive. The standpipe sits along a ridge, with single family housing immediately adjacent to and below the structure. Built in 1962, the standpipe is 52 feet in diameter with a steel shell height of 96 feet and a conical roof extending 2 feet above the shell. This project includes seismic retrofit work to withstand substantial earthquakes.

\$104,066 or 77% of the total cost of this project is funded from 1998 Certificates (including reimbursement).

734000 *Encanto Standpipe*

This project entails the demolition of the existing standpipe, relocation of existing utilities, site improvements, and installation of a new sprinkler system for the existing landscaping.

\$304,632 or 100% of the total cost of this project is funded from 1998 Certificates (including reimbursement).

709110 Genesee Avenue Subsystem

This system will distribute reclaimed water from the North City Water Reclamation Plant to areas west of the plant, particularly Torrey Pines Golf Course, Caltrans right-of-way, and UCSD. The pipe commences as a 36-inch diameter pipe starting at the west portal of the North City Tunnel Connector west of interstate 805, then proceeding northwesterly to and along Executive Drive. The pipeline continues as a 24-inch pipe and proceeds northerly along Regents Road to Genesee Avenue, then westerly along Genesee Avenue across interstate 5 to the intersection of Genesee Avenue and North Torrey Pines Road. A 16-inch pipe proceeds northerly to the North Course meter at Torrey Pines Golf Course, and southerly to the South Course meter connection.

Turnouts to Caltrans right-of-way at Interstate 5 and Genesee Avenue and UCSD will be provided along the pipe alignment.

\$8,260,669 or 100% of the total cost of this project is funded from 1998 Certificates (including reimbursement).

733360 Joint Lab Standby Emergency Power

Install a 275 Kw (preliminary size estimate) emergency engine/generator for the Joint Laboratory at the Alvarado Filtration Plant. The generator will provide power to five labs (M-10, J-11, P-10, R-10 and R-30), the north air handler and two exhaust fans. In the event of any electrical power failure. The engine/generator will be installed outside with concrete screen walls (retaining wall may be required) for aesthetics and sound dampening.

\$8,300 or 0% of the total cost of this project is funded from 1998 Certificates (including reimbursement).

733010 Kearny Mesa Pumps

This project is the construction of a new water pump plant with three 5 mgd pumps. The pump plant will pump water from the Alvarado Zone (536) to the Northwest Mesa Zone (currently 559, but will be raised to 600). Emergency power will be provided by portable, engine-generator sets. The pump plant will connect to the existing 36-inch Keamy Mesa Pipeline.

\$137,618 or 7% of the total cost of this project is funded from 1998 Certificates (including reimbursement).

734002 La Jolla Country Club Reservoir

The La Jolla Country Club Reservoir is a concrete reservoir, with a storage capacity of 0.5 million gallons, and was constructed in 1927. This project includes repairs to the facility to improve safety, sanitation, appurtenances, and exterior and interior surfaces.

\$25,629 or 31% of the total cost of this project is funded from 1998 Certificates (including reimbursement).

734008 La Jolla Exchange Place Reservoir

The La Jolla Exchange Place Reservoir is a covered concrete reservoir, with a storage capacity of 0.99 million gallons. It was constructed in 1955.

This project includes repairs required for site improvements, safety, sanitation, appurtenances, and exterior and interior protective coatings.

\$11,200 or 10% of the total cost of this project is funded from 1998 Certificates (including reimbursement).

734007 La Jolla View Reservoir

The La Jolla View Reservoir is a steel tank, measuring 70-feet in diameter by 25-feet high, with a storage capacity of 0.72 million gallons. It was built in 1949. This project includes repairs and site improvements to improve safety, sanitation, appurtenances, exterior and interior protective surfaces, and structural integrity.

\$20,901 or 8% of the total cost of this project is funded from 1998 Certificates (including reimbursement).

732830 Lakeside Pump Plant

This project involves the upgrade of the existing Lakeside Pump Plant by replacing the existing pumps and motors to increase the capacity to 110 MGD @ 165 feet of head as a result of the City's Reservoir Management Study (May 1995). Design and construction of the major renovation items will include new pumps, motor starters, valves, metering devices, facilities, and the complete automation of the pump plant in coordination with the Alvarado Treatment Plant.

\$950,935 or 9% of the total cost of this project is funded from 1998 Certificates (including reimbursement).

733098 Lomita Village Standpipe Removal

The Lomita Village Standpipe is located at the corner of Skyline Drive and Bowie Street. The Standpipe is 38 feet in diameter, with a steel shell height of 95 feet, and an umbrella roof extending 2 feet above the shell. This reservoir, which was built in 1953, will be demolished under this program.

\$300,414 or 99% of the total cost of this project is funded from 1998 Certificates (including reimbursement).

733430 Lower Otay Reservoir

The existing Savage Dam backs up Lower Otay Reservoir. At the present time, fifty-six days are required for 10 percent draw down of the reservoir through the existing 40-inch (48-inch prior to slip lining) outlet pipe. State regulation requires 10 percent draw down in 10 days.

This project will increase the draw down capacity by installing dual 48-inch drain pipes through the existing auxiliary spillway (in addition to existing 40-inch described above). Installation will include two 48-inch butterfly valves and 48-inch flap gates on the spillway bulkheads and intake screens on the upstream end. Length of each pipe will be 70-feet. Maximum existing grade over the pipes is approximately 10 feet above the intended drain pipe invert.

\$56,700 or 17% of the total cost of this project is funded from 1998 Certificates (including reimbursement).

732460 Mid-City Pipeline

The original scope of work for this project included the Installation of 24,955 linear feet of new 48-inch diameter cement mortar lined & coated (CML&C) steel pipe primarily along El Cajon Boulevard and 37th Street.

Following a Value Engineering Study and the conclusions from a recent Mid-City Planning Study (April 1998), portions of the pipeline alignment have been modified. The changes include:

The pipeline between Highland Avenue and Marlborough Avenue, a total of 2,300 linear feet, has been reduced from 48-inch diameter to 24-inch;

the pipeline between Marlborough Avenue to Cherokee Avenue, total length of 3,492 linear feet, has been reduced from 48-inch diameter to 20-inch;

3,860 linear feet of pipeline on 37th St. and two pressure reducing valves (PRV) stations located at Myrtle & 37th St. and Wightman & 37th St.; and

approximately 1,300 linear feet of 48-inch pipeline and a PRV station on Highland Avenue between El Cajon Boulevard and Polk Avenue have been added.

\$19,695,901 or 99% of the total cost of this project is funded from 1998 Certificates (including reimbursement).

733140 Mid-City Water Pump Plant

This project is the construction of a pump plant to feed the Mid-City Pipeline from the Alvarado Water Treatment Plant. This pump plant is part of a proposed Mid-City Pipeline to provide required redundancy for, and to relieve the capacity load on, the existing Trojan Pipeline which is the "backbone" transmission facility of the Alvarado water supply system. To avoid the high cost of crossing Interstate 8 (I-8), the pump plant discharge pipe will be connected to the San Diego County Water Authority's (SDCWA's) Pipeline 4B at a location north of I-8, water will be taken out of Pipeline 4B south of I-8 at the future Mid-City Pipeline connection.

The pump plant will have a total capacity of 155 cubic feet per second (cfs). The project flow rate at the Mid-City Pipeline is 93 cfs and the balance, 62 cfs will be used by the SDCWA. An emergency generator and fuel tank with secondary containment system will also be provided. Approximately 1,000 feet of 72-inch diameter steel pipe will be installed to transmit water from the Alvarado Filtration Plant into the SDCWA's La Mesa/Lemon Grove Pipeline.

\$13,331,823 or 89% of the total cost of this project is funded from 1998 Certificates (including reimbursement).

709105 **Miramar Pipeline Improvements – Phase III**

This project consists of replacing and/or rehabilitating 14,400 linear feet of existing 51-inch cylinder pipe on Mira Mesa Boulevard between Stadium Street and Weston Hill Drive. It is expected that the project will be a combination of pipe replacement with 54-inch diameter cement mortar lined & coated (CML&C) steel pipe and/or rehabilitation of the existing pipe. The rehabilitation will include the installation of a welded steel liner, grouted into position and cement mortar lined. The existing pipeline can only be shut down during the winter months (November through April) and all construction work must be conducted at night to minimize impact to traffic and business impacts along Mira Mesa Boulevard. The City will be establishing an Inspection Program to ascertain the existing pipe condition. Dependent upon the outcome of the inspection, this project may be modified.

\$1,869,520 or 17% of the total cost of this project is funded from 1998 Certificates (including reimbursement).

709106 **Miramar Pipeline Improvements – Phase IV**

This project includes the replacement of/or rehabilitation of 12,470 linear feet of existing 51-inch diameter prestressed concrete cylinder pipe along Mira Mesa Boulevard and Scripps Lake Drive. Preliminary planning includes a combination of pipe replacement with 54-inch diameter cement mortar lined & coated (CML&C) steel pipe and/or rehabilitation. The rehabilitation will consist of the installation of a welded steel liner, grouted into position and cement mortar lined. The existing pipeline can only be shut down during the winter months (November through April) and all construction work must be conducted during that period and at night to minimize impact to traffic and businesses along Mira Mesa Boulevard. The City will establish an Inspection Program to ascertain the existing pipe condition and determine where rehabilitation is appropriate. The project scope may change depending on the study findings.

\$1,516 or 0% of the total cost of this project is funded from 1998 Certificates (including reimbursement).

709102 **Miramar Pipeline Improvements – Phase I**

This project included studies and design for the rehabilitation of the Miramar Pipeline from the Miramar Water Treatment Plant to the Interstate 805 Freeway. This activity is complete.

\$185,516 or 9% of the total cost of this project is funded from 1998 Certificates (including reimbursement).

709103 **Miramar Pipeline Improvements – Phase II**

This project includes the installation of approximately 4,389 linear feet of 54-inch diameter cement mortar lined & coated (CML&C) steel pipe to replace existing deteriorated pipe between Carroll Canyon Road and Mira Mesa Boulevard and the rehabilitation of approximately 400 linear feet of 51-inch diameter pipe along Mira Mesa Boulevard. It is anticipated that the

replacement will be accomplished through traditional open cut trench and cover techniques along Pacific Heights Boulevard and 1,000 linear feet of Mira Mesa Boulevard. The pipe rehabilitation will include the installation of a welded steel liner, grouted into position and cement mortar lined. Shut down of the existing pipeline for rehabilitation is limited to winter months (November through April) and all work will be conducted at night to limit the impact to traffic and businesses along Mira Mesa Boulevard. (Note: The City will internally inspect the pipeline to determine its current condition. Dependent upon the findings of the inspection, the scope of work may change to replace more or less pipe.)

\$4,729,056 or 99% of the total cost of this project is funded from 1998 Certificates (including reimbursement).

733370 **Miramar Pipeline No. 2A**

This project includes the installation of a new transmission pipeline to deliver potable water to the northern coastal and north City areas to accommodate growth in the north City area, ensure system reliability and reduce imported filtered water purchases from the SDCWA.

The pipeline will consist of 11,100 linear feet of 90-inch diameter, 4,500 linear feet of 78-inch diameter, 3,360 linear feet of 66-inch diameter and 9,890 linear feet of 36-inch diameter cement mortar lined & coated (CML&C) welded steel or steel cylinder rod-wrapped pipeline.

The 90-inch diameter section of the pipeline will pass under the Interstate 15 Freeway along Carroll Canyon Road and be placed in the extremely congested right-of-way along Scripps Lake Drive between Scripps Ranch Boulevard and the Miramar Pump Station.

\$340,537 or 12% of the total cost of this project is funded from 1998 Certificates (including reimbursement).

730017 **Miramar Road Pipeline**

This project consists of installing 24-Inch diameter 24,000 linear feet of cement mortar lined and coated (CML&C) welded steel pipe along Miramar Road to parallel the existing Miramar Road Pipeline. All of the installation will be within the City of San Diego street right-of-way. Construction will be by traditional open cut trench techniques and pipe jacking/tunneling under major intersections.

\$500,296 or 10% of the total cost of this project is funded from 1998 Certificates (including reimbursement).

709120 **Miramar Road Subsystem**

The Miramar Road Subsystem involves a portion of the reclaimed water distribution subsystem that will ultimately connect to pipelines serving users along the Interstate 15 corridor to the north. The 48-inch diameter pipe will start at the southerly limits of the North City Water Reclamation Plant. The pipeline proceeds easterly along Miramar Road to its terminus at the prolongation of Rigel Avenue. A turnout will be provided at Production Avenue for future northerly users.

\$10,669,064 or 25% of the total cost of this project is funded from current bond Issue (including reimbursement).

709160 **Miramar Road Subsystem Extension**

This Miramar Road Subsystem Extension will distribute reclaimed water to users along the Interstate 15 corridor to the north. Preliminary alignment for the approximately 17,500 feet of 42-inch pipeline is described as follows: commencing at the terminus of the Miramar Road Subsystem, the pipeline runs east across Interstate 15, then along Pomerado Road to Willow Creed Road, then northward along Willow Creek Road, Business Park Avenue, and Carroll Canyon Road terminating at Scripps Ranch Boulevard.

\$10,166,179 or 39% of the total cost of this project is funded from 1998 Certificates (including reimbursement).

709170 **Miramar Storage Tank and Raw Water Connection**

This system will serve the reclamation needs of the Scripps Ranch North area with subsequent connections to pipelines serving users along the Interstate 15 corridor northward. Preliminary alignment for the approximately 2,500 feet of 42-inch pipeline is described as follows: commencing at the terminus of the Miramar Road Subsystem Extension, then north along Scripps Ranch Boulevard and east to its terminus at a storage facility located at the eastern end of Meanley Drive. This also includes design of an 8 million gallon storage tank. A 2,500 linear foot, 24-inch raw water connection from Miramar Lake to the storage facility is also included.

\$11,916,498 or 35% of the total cost of this project is funded from 1998 Certificates (including reimbursement).

732840 **Miramar Water Treatment Plant**

The Miramar Water Treatment Plant requires upgrades to the facility and treatment process to comply with Safe Drinking Water Act standards, and to meet increasing water demands. This project includes rehabilitation work and new construction. The summer demands now exceed the existing capacity of 140 million gallons per day. The need for increased capacity, deterioration at existing plant facilities, compliance with the standards, and the goal of both the City and the San Diego County Water Authority (SDCWA) to dissolve the City's reliance upon imported filtered water supplies, have all combined to create the need to expand plant capacity to meet projected water demands through 2015 (see attached detailed Project Description sheets), rehabilitate the plant's aging 36-year-old treatment facilities, and upgrade treatment processes including the addition of an ozonation process.

\$8,812,743 or 9% of the total cost of this project is funded from current bond Issue (including reimbursement).

733300 **Mission Valley Aquaculture Facility Demolition**

Demolition of a demonstration pilot water reclamation treatment plant which used water hyacinth and other alternative methods to remove pollutants.

\$103,696 or 16% of the total cost of this project is funded from 1998 Certificates (including reimbursement).

733210 Morena Reservoir Outlet Tower Upgrade

The existing Morena Dam is a rock embankment dam with a parapet wall height of 171 feet above the original stream bed. The outlet tower is 132 feet from the operating floor to the center line of the outlet tunnel. The piping and mechanical system of the outlet tower will be replaced or repaired. A granite boulder and fissure grotto was formed beneath granite blocks by water erosion and carved into a crack in the bedrock. This grotto is approximately 800-feet long and on the order of 20-feet wide and 60-feet high, and extends below the dam. The following repairs are included in the project:

replace each of five 24-inch gate valves with motor operated valves;

refurbish or replace each of three 24-inch square sluice gates;

replace piping including 70-feet of 30-inch pipe, 60-feet of 24-inch pipe, five 30-inch T's, and appurtenances;

replace four valve operating platforms;

provide electrical energy from existing power lines on the shore located a few hundred feet away; and

conduct grotto repairs: grout that portion of grotto located below the dam.

\$0 or 0% of the total cost of this project is funded from 1998 Certificates (including reimbursement).

733380 Operation Center Relocation

Develop a Central Water Department Operations Station on an approximately 25-acre site in the Kearney Mesa area to accommodate 640 employees, 340 vehicles and equipment currently located at Cholles Operations Station, Rose Canyon Operations Station, Alvarado Operations Yard and the Comerica Bank Building downtown.

Required facilities:

Office space for 261 employees; 80,000 to 100,00 square feet.

Vehicle Repair Facility; 25,000 square feet of roofed space.

Warehouse Space; 55,000 square feet,

Parking lots and storage yards; 400,000 square feet.

Fuel island and wash racks; 2 - 20,000 gallon tanks, 14 dispenser, 7 islands and 3 wash racks.

Site development, utilities, improvements, landscape and irrigation are also required.

\$33,629,526 or 60% of the total cost of this project is funded from 1998 Certificates (including reimbursement).

732862 **Otay 2nd Pipeline – North of SR-94**

This project includes the installation of approximately 6,725 linear feet of 42-inch diameter cement mortar lined & coated (CML&C) steel pipe north of State Route 94 to replace a section of the existing 36-Inch diameter Otay Second Pipeline built in 1928. The majority of the pipe to be replaced will be within the City of San Diego street right-of-way, with some canyon crossings requiring permanent easements. In some locations, the right-of-way may be relocated due to the occurrence of environmentally sensitive habitat. Construction will be mostly open cut trench with some pipe jacking or tunneling under major intersections.

\$951,520 or 33% of the total cost of this project is funded from 1998 Certificates (including reimbursement).

732860 **Otay 2nd Pipeline – Phases 1 thru 6**

This project includes the installation of approximately 30,000 linear feet of 54-inch diameter cement mortar lined & coated (CML&C) steel pipe between Telegraph Canyon Road and State Route 54 to replace that portion of the existing 36-inch and 40-inch diameter Otay Second Pipeline built in 1928. A majority of the installation will be within the City of Chula Vista street right-of-way, with some canyon crossings requiring permanent easements. It is anticipated that construction will be open cut “trench and cover” with some pipe jacking and/or micro tunneling at major intersections. In some instances the right-of-way may have to be relocated due to occurrence of environmentally sensitive habitat in the existing right-of-way.

\$3,216,894 or 13% of the total cost of this project is funded from 1998 Certificates (including reimbursement).

732500 **Otay Mesa Reservoir**

The Otay Water Treatment Plant does not have a clear well reservoir for chlorine contact time and storage capacity for peak demands. This project is to provide clear well storage capacity to meet rapidly growing needs and will enable the treated water to comply with mandated minimum chlorine contact times for the nearest consumer.

\$449,459 or 13% of the total cost of this project is funded from 1998 Certificates (including reimbursement).

733150 **Otay Plant Raw Water Connection**

An amendment to an existing contract to install additional valves in the flow control facility (metering station) to accommodate the San Diego County Water Authority’s conversion of its Pipeline No. 3 from treated to raw water. Pipeline No. 3 conveys water to the Otay Water Filtration Plant. The Otay Water Filtration Plant will now have another source of raw water in addition to its local surface water supply (Otay, Barrett and Morena Lakes).

\$181,924 or 41% of the total cost of this project is funded from 1998 Certificates (including reimbursement).

709100 **Otay Reservoir Raw Water Pipeline**

Engineering and construction services for the rehabilitation of 1,480 linear feet of 48-inch concrete-lined, steel outlet tunnel from the lake, structural modifications to the raw water outlet tower platform, replacement of 36-inch butterfly valve with 48-inch butterfly valve and installation of 48-inch saucer valve and elbow at the base of the outlet tower. Installation of bypass pumping system to provide water to the filtration plant during outlet tower/tunnel work.

\$2,078,107 or 99% of the total cost of this project is funded from 1998 Certificates (including reimbursement).

733390 **Otay WTP Basin Corrosion Repairs**

Repair the existing sedimentation basins, flocculation basins and influent channel at the Otay Filtration Plant. Over 59,000 square feet of concrete in these facilities will be repaired and coated as a part of this project.

\$1,031,199 or 100% of the total cost of this project is funded from 1998 Certificates (including reimbursement).

732850 **Otay WTP Expansion**

This project will upgrade the existing Otay Water Treatment Plant to comply with Safe Drinking Water Act standards (Phase I). Also, depending on the outcome of future studies, it may be expanded from the current 40 mgd capacity to 60 mgd to accommodate water demands (Phase II) in the Otay Mesa area. Only the upgrade is proposed at this time.

The Phase 1 project will include: ozonation facilities (ozone generator and ozone contactors) to provide pre-and post-ozonation; GAC filter caps for existing filters; wash water recovery system; sludge handling; electrical & instrumentation system; and other improvements including site work, yard piping and provision for future facilities.

\$151,807 or 1% of the total cost of this project is funded from 1998 Certificates (including reimbursement).

733220 **Otay WTP Raw Water Pump Conversion**

The existing Pump Station consists of one 8 mgd pump, three 15 mgd pumps, and platforms for two additional pumps.

This project entails installation of a variable speed drive to one of the existing 15 mgd, 300 Hp pumps.

\$253,238 or 60% of the total cost of this project is funded from 1998 Certificates (including reimbursement).

73277D **Pacific Beach Reservoir**

The Pacific Beach Reservoir is currently disconnected from the water system because of severe leakage. It is currently a dry reservoir. A planning study will be prepared to determine if this reservoir can be taken out of service permanently or if the reservoir should be rehabilitated and connected back to the water system.

\$201 or 0% of the total cost of this project is funded from 1998 Certificates (including reimbursement).

733099 **Paradise Hills Standpipe**

The Paradise Hills Standpipe will be demolished under this program.

\$562,906 or 100% of the total cost of this project is funded from current bond Issue (including reimbursement).

733460 **Paradise Mesa Pump Plants 1 & 2 Upgrade**

The existing Paradise Mesa Pump Plant No. 1, built in 1964, and the Paradise Mesa Pump Plant No. 2, built in 1971, each consist of three vertical turbine pumps each rated at 2,250 or 2,275 gallons per minute. Each of the pumps are 100 horsepower and each were manufactured by a different company. These pump plants serve an area of approximately 30,000 residents.

This project entails upgrading existing pump plants to allow substitution, of San Diego City water for San Diego County Water Authority (SDCWA) water now provided via the SDCWA #19 (Old # 13) Paradise Mesa Crosstie tandem, which is currently the primary supply of water to the Paradise Mesa 610 Pressure Zone. The estimated size of each pump station after upgrade will be 600 Hp.

\$136,861 or 12% of the total cost of this project is funded from 1998 Certificates (including reimbursement).

734005 **Paradise Mesa Standpipe**

The Paradise Mesa Standpipe was erected in 1979. It is 120-feet tall and has a diameter of 64-feet, with a capacity of 2.5 million gallons. This standpipe services the 610 Pressure Zone. Current seismic standards require that the standpipe be retrofitted at the foundation to reduce the chances of failure in the event of an earthquake. Also, due to health risks, the lead-based interior and exterior coatings require removal. Other work will include upgrades to the access road and appurtenances.

\$530,823 or 100% of the total cost of this project is funded from 1998 Certificates (including reimbursement).

749251 **Penasquitos Reservoir Upgrade**

The Penasquitos Reservoir is a post-tensioned concrete tank, with a storage capacity of 5 million gallons. It is 34 feet high by 160-foot diameter, and was constructed in 1966.

This project includes minor repairs to existing appurtenances, an investigation of the physical condition of prestressed wire by removal of exterior shotcrete covering, and provision of flexible pipe connections at base of tank wall for seismic resistance.

\$31,500 or 12% of the total cost of this project is funded from 1998 Certificates (including reimbursement).

732092 Point Loma Reservoir

Point Loma Reservoir is a partially buried, 21-foot deep concrete reservoir with a 1.5 acre surface area. It has a storage capacity of 10 million gallons. A recent study identified the following needed improvements: remove and replace the wood roof;

install a Hypalon lining;

provide site improvements;

provide skin improvements; and

install a concrete Shear Wall System.

\$3,109,378 or 100% of the total cost of this project is funded from 1998 Certificates (including reimbursement).

734004 Pomerado Park Reservoir Upgrade

The Pomerado Park Tank has a capacity of 5.2 million gallons and was constructed in 1969. This project includes safety, sanitation, appurtenance, exterior and interior surface, and structural improvements.

\$37,079 or 8% of the total cost of this project is funded from 1998 Certificates (including reimbursement).

732480 Pomerado Pipeline No. 2

This project consists of purchasing the existing Pomerado Pipeline, which runs between the Miramar Filtration Plant and the Tierrasanta area, from the San Diego County Water Authority (SDCWA). The Pomerado Pipeline, originally installed by the City in the late 1960's, was sold to the SDCWA to function as an imported water transmission pipeline in their aqueduct system. Subsequently, as a result of the installation of a metered connection to their filtered water aqueduct system, the City became totally reliant upon the SDCWA to supply the southern reaches of the Miramar distribution system. Through a cooperative effort, both the City and the SDCWA have agreed to eliminate this reliance through the City's repurchase of this pipeline. The pipeline will be returned to its original function as a gravity supply from the Miramar Filtration Plant.

\$1,938,563 or 66% of the total cost of this project is funded from 1998 Certificates (including reimbursement).

733400 **Potable Water Storage Recirculation**

Eight existing potable water storage facilities of one-million gallon capacity or more will be equipped with a water recirculation system consisting of pumps and piping capable of exchanging the entire volume of the reservoir with water from an adjacent water main once every 10 days. The pumps will run continuously at a small flow rate to slowly exchange the entire volume of the reservoir. The reservoirs being considered for this project are: Redwood Village, Emerald Hills, University Heights, Point Lorna, La Jolla Exchange Place, La Jolla View, Bayview, and Paradise Mesa.

\$265,730 or 16% of the total cost of this project is funded from 1998 Certificates (including reimbursement).

733470 **Program Management (Parsons)**

Under this CIP number, the Water Department CIP Program team is augmented with engineers and other specialized personnel to complete the implementation of projects on schedule. Those services are being provided by Parsons Infrastructure and Technology, Inc. The personnel provided by Parsons are integrated into the CIP staff and provide engineering, scheduling, cost estimating and environmental compliance services.

\$12,952,317 or 35% of the total cost of this project is funded from 1998 Certificates (including reimbursement).

733410 **Rancho Bernardo Pipeline No. 2**

This project includes the installation of 1,700 linear feet of 48-inch diameter cement mortar lined & coated (CML&C) welded steel pipe along Scripps Ranch Boulevard, 2,800 linear feet of 48-inch diameter CML&C steel pipe along Mira Mesa Boulevard, 6,850 linear feet of 48-inch diameter CML&C steel pipe along Westview Parkway, 1,600 linear feet of 48-inch and 7,550 linear feet of 42-inch diameter CML&C steel pipe along Black Mountain Road, and 4,750 linear feet of 42-inch diameter CML&C steel pipe along Twin Trails Drive.

\$1,354,898 or 10% of the total cost of this project is funded from 1998 Certificates (including reimbursement).

733420 **Rancho Bernardo Pump Plant No. 2**

Construct a new 15 mgd pump station with a Total Dynamic Head of 200-feet.

\$521,607 or 15% of the total cost of this project is funded from 1998 Certificates (including reimbursement).

734280 **Rancho Bernardo Reservoir Upgrade**

This project includes the rehabilitation of the existing 10.1 million gallon, earth embankment, concrete-roofed, Rancho Bernardo reservoir. Inside dimensions of the reservoir at the control line are 322' x 250' x 26' deep and 216' x 144' at the base. Roof structure is pre-cast prestressed columns, beams and girders with a post-tensioned concrete roof slab. The lateral loads are

carried by concrete shear walls with a plan view "H" shape. The floor is asphalt paved and butyl rubber lined. The perimeter stern wall is approximately 3 feet high.

The improvements to the reservoir include the removal of the damaged coating from most concrete surfaces including both sides of roof, beams, 72 columns and shear walls. Repair spalled concrete, remove the existing liner from floor and walls and replace with 86,000 square feet of Hypalon liner and geotech material. Two new 24-inch modulating valves will also be installed in an adjacent vault. Install new vault with 36-inch propeller flow meter, increase the thickness of the shear walls, and make repairs to various electrical equipment and appurtenances.

\$495,616 or 16% of the total cost of this project is funded from 1998 Certificates (including reimbursement).

733096 **Redwood Village Standpipe – Phase I**

Redwood Village Standpipe, Phase I (construction is complete).

The Redwood Village Standpipe is a circular steel standpipe constructed in 1964 with a capacity of 2 million gallons. The facility upgrade included seismic retrofit and general-improvement of the facility piping. This project was completed in early 1998.

\$1,634,614 or 0% of the total cost of this project is funded from 1998 Certificates (including reimbursement),

738472 **Redwood Village Standpipe – Phase II**

The Redwood Village Standpipe, Phase II project will incorporate additional work at the site, mainly related to replacing pipe and upgrading the pipe connection to the standpipe to avoid shearing off at the tank during an earthquake.

\$0 or 0% of the total cost of this project is funded from 1998 Certificates (including reimbursement).

799999 **Replacement of Water Service Meters**

This project consists of replacing 632 3-inch, 4-inch and 6-inch commercial meters with Metron-Farnier low flow water meters throughout the water system. Two hundred of the targeted meters had already been replaced by October 3, 1997. City forces will replace the remaining 432 meters and install remote read devices. Backflow protection devices will be installed on the remaining flow meters.

\$1,516,422 or 41% of the total cost of this project is funded from 1998 Certificates (including reimbursement).

749252 **San Carlos Reservoir Upgrade**

The San Carlos Reservoir is a prestressed concrete tank with domed roof. It has a storage capacity of 5.0 million gallons, is 33 feet high by 160 feet diameter and was constructed in 1963. This project includes; removal of the existing interior coating and recoat; debris removal, seismic

retrofit of wall to footing linkage; repair of loose concrete; upgrade access, paving, lighting, etc.; inspect/repair post tensioning and pre-stressing wire; and replace submerged metallic structures.

\$91,155 or 34% of the total cost of this project is funded from 1998 Certificates (including reimbursement).

732910 **San Vicente Water Quality System**

The depth and physical geometry of the San Vicente Reservoir cause it to stratify, creating layers of water with different temperatures. The lower depths are typically cold and low in oxygen. This project is being evaluated using completed studies and available information, and will address the ultimate use of the lake itself which includes the possible introduction of reclaimed water. Depending on the final decision a hypolimnetic aeration system may be installed to improve the water quality for treatment in the water treatment plants.

\$328,603 or 76% of the total cost of this project is funded from 1998 Certificates (including reimbursement).

709210 **Scripps Poway Parkway Subsystem**

The Scripps Poway Parkway Subsystem consists of approximately 10,000 linear feet of 18-inch pipeline and a booster pump station located near its western end, that will convey Title 22 tertiary effluent. Preliminary alignment for this project is described as follows: commencing at a tee connection east of the intersection of Scripps Poway Parkway and Interstate 15 (the terminus of Reclaimed Water Distribution System Package V), the pipeline runs easterly along Scripps Poway Parkway to a point approximately 4,000 feet west of the City of Poway/San Diego boundary, where the pipeline will connect to an existing 10-inch reclaimed waterline.

\$7,506,516 or 56% of the total cost of this project is funded from 1998 Certificates (including reimbursement).

709180 **Scripps Ranch Blvd / I-15 Subsystem**

This system will serve the reclamation needs of Scripps Ranch and Interstate 15 corridor areas and ultimately connect to pipelines serving users to the north. Preliminary alignment for the approximately 15,000 feet of 30-inch pipeline is described as follows: commencing at the Miramar Storage Tank, the pipeline runs along Scripps Ranch Boulevard to Erma Road, where it turns west and continues along Erma Road to the street terminus. The pipeline continues north through the vicinity of the old Frontage Road on the east side of Interstate 15, terminating in a tee connection east of the intersection of Interstate 15 and Scripps Poway Parkway/Mercy Road.

\$6,414,913 or 72% of the total cost of this project is funded from 1998 Certificates (including reimbursement).

734003 **Scripps Ranch Reservoir**

This project includes the removal of lead grout paint, repainting the structure and providing general improvements to the reservoir and site.

\$982,324 or 96% of the total cost of this project is funded from 1998 Certificates (including reimbursement).

73246B **SD 18 Flow Control Facility**

City funds will be used to support the design and construction of the Mid-City Meter Facility (SD-18). This facility will be designed, constructed, owned and operated by the San Diego County Water Authority (SDCWA). Completion of SD-18 will enable treated City water from the Alvarado Treatment Plant (placed in the SDCWA aqueduct through pump station SD-17) to flow into the new Mid-City Pipeline, flows up to 93 cfs will be taken out of the SDCWA aqueduct and delivered to the new Mid-City Pipeline.

\$2,239,316 or 100% of the total cost of this project is funded from 1998 Certificates (including reimbursement).

732720 **Soledad Reservoir**

The existing Soledad Reservoir, a 1.5-million gallon, concrete reservoir built in 1958, it is in a deteriorated condition, and is in danger of failure. The reservoir is 113 feet in diameter, 19'-9" high with a concrete roof. The project is the rehabilitation of the reservoir by lining the interior walls and floors with steel plate.

\$1,642,635 or 97% of the total cost of this project is funded from 1998 Certificates (including reimbursement).

709340 **Sorrento Valley Subsystem**

This project package involves a portion of the RWD system serving users in the southwest Mira Mesa and northwest Miramar portions of the Northern Service Area. This package consists of two segments with a total length of approximately 21,000 linear feet of 10- to 18-inch diameter pipeline. The preliminary alignment for the first segment is as follows: commencing at a tee connection located at Miramar Road and Production Ave (Package 2), the pipeline heads north to Carroll Road, then west along Carroll Road, then along Carroll Canyon Road to the vicinity of the Youngstown Way Intersection. The preliminary alignment for the second segment is as follows: commencing at a tee connection at Carroll Road and Fenton Road, the pipeline heads east along Fenton Road for approximately 8,000 linear feet.

\$5,410,376 or 22% of the total cost of this project is funded from 1998 Certificates (including reimbursement).

709101 **Sorrento Valley Water Main Replacement**

This project has been completed and is included in the bond program for reimbursement.

\$1,905,148 or 34% of the total cost of this project is funded from 1998 Certificates (including reimbursement).

732490 South San Dino Pipeline No. 2

This project consists of the installation of approximately 24,300 linear feet of 42-inch diameter pipeline from the Coronado ways (east of the South San Diego Reservoir) to Interstate 805 and Palm Avenue in the South San Diego/Otay Mesa water service area. This project will be designed and constructed through a participation agreement with TMP Homes, Inc.

\$13,644,840 or 92% of the total cost of this project is funded from 1998 Certificates (including reimbursement).

733440 South San Diego Reservoir No. 2

This project will consist of constructing a new 12.7 million-gallon reservoir located at the site of the existing South San Diego Reservoir and serving the 490 pressure zone.

\$653,520 or 11% of the total cost of this project is funded from 1998 Certificates (including reimbursement).

749254 South San Diego Reservoir Upgrade

This project includes the removal of 85,235 square feet of existing lead based interior coating and replaced with high solids epoxy coating system. Replacement of one column and minor repairs on other columns. Replacement of 400 linear feet of 0.75 inch tie rods, and installation of a concrete dividing wall.

\$327,581 or 10% of the total cost of this project is funded from 1998 Certificates (including reimbursement).

733080 Telem Control Sys – SCADA Phase I

Install centralized state-of-the-art electronic monitoring and control facilities for the water storage, transmission, and system.

\$1,472,285 or 82% of the total cost of this project is funded from 1998 Certificates (including reimbursement).

733081 Telem Control Sys – SCADA – Phase II

Install centralized state-of-the-art monitoring and control facilities for the water storage and transmission system. This Phase is the final step to install the complete facilities for telemetry control of the entire system.

\$522,233 or 39% of the total cost of this project is funded from 1998 Certificates (including reimbursement).

733290 Tierrasanta Norte Water Pump Plant

This project includes the installation of four end-suction centrifugal pumps inside the existing, unused SD #16 flow control facility. The existing building is 18-feet by 17-feet 8-inches by 10-feet 5.5-inches high. One pump will be a 25 hp (1,200 gpm at 65 feet TDH) and three pumps

are 50 hp (2,150 gpm at 65 feet TDH). Roof hatches will be added to the existing building for future installation and removal of the pumps and motors.

\$0 or 0% of the total cost of this project is funded from 1998 Certificates (including reimbursement).

709270 University City Subsystem

This package consists of four segments with a total length of approximately 23,400 linear feet of 6- to 24-inch diameter pipeline. The preliminary alignment for the first segment is as follows: commencing at the Executive Drive and Regents Road tee connection, the pipeline runs south along Regents Road, then east along Arriba Street, then north along Cargill Avenue, and terminates at the intersection of Cargill Avenue and Camino Ticino. The preliminary alignment for the second segment is as follows: commencing at the Regents Road and Nobel Drive tee connection (hook-up from the second segment), the pipeline heads west along Nobel Drive and terminates at the intersection of Nobel Drive and Lebon Drive. Preliminary alignment for the third segment is as follows: commencing at the tee connection at the intersection of Regents Road and Nobel Drive (hook-up from the first segment), the pipeline heads east along Nobel Drive and terminates at its terminus. The preliminary alignment for the fourth segment is as follows: commencing at the terminus of the turn out from the NSPF/RI 52 pipeline (Package III) at the end of Governor Drive, the pipeline runs west under I-805, then along Governor Drive to Erlanger Street, then south along Erlanger Street and terminates at the western end of Erlanger Street where it will connect to the State Route irrigation system.

\$7,029,883 or 47% of the total cost of this project is funded from 1998 Certificates (including reimbursement).

734001 University Heights Elevated Tank

The University Heights Elevated Tank is located at the same location as the University Heights Reservoir. The elevated tank has not been used for a number of years. Due to its historical significance, it is being considered for nomination as a historical monument. If it is named as a historical monument, then it will receive seismic retrofitting and general upgrades. If it is not named as a historical monument, then it will be demolished.

\$0 or 0% of the total cost of this project is funded from 1998 Certificates (including reimbursement).

DESCRIPTION OF 2007A COMPONENTS OF PROJECT

The 2007A Components consist of all or a portion of the following capital improvements:

733330 AA – Air Valve Adjustments

This 2007A Component includes raising or rehabilitating existing air and vacuum release valve vents and air release valves from below grade to above grade, and enclosing the vents in 3/16-inch steel cylinders mounted on concrete pads (in accordance with City of San Diego Standard Drawing No. SDW-117). Individual sub-projects will be created as needed.

733100 AA – Corrosion Control

This 2007A Component will fund the installation of corrosion protection (such as “anode beds” and “deep well anodes”) to extend the service life of existing facilities. Individual sub-projects will be created as required.

749250 AA – Dams and Reservoirs

This 2007A Component includes a broad range of improvements at various dams and raw water reservoirs throughout the system. These include resurfacing access roads, rehabilitation of berms, reservoir aeration systems, installing fencing and security systems, installing lighting around dams, sandblasting and shotcreting dam surfaces, installation of weather stations and water level sensors, rehabilitation or replacement of bridges, ladders and other access systems, installation of remote operators and or/valves, seismic upgrades to specific facilities, plus making other improvements.

730240 AA – Freeway Relocations

This 2007A Component provides for relocation of water lines in conflict with California Department of Transportation (Caltrans) highway construction program.

759320 AA – Groundwater Asset Development Program

This 2007A Component consists of investigation work related to legal, technical, regulatory, institutional and water quality issues in order to determine the most cost-effective ways to increase local water supply through the management of these groundwater assets.

733610 AA – Meter Boxes

This 2007A Component consists of replacement of water meter boxes – as-needed.

709420 AA – Pooled Contingencies – RWDS

This 2007A Component provides contingency funds for expenditures incurred that are greater than the contracted amounts for reclaimed water projects.

733310 AA – Pooled Contingencies – Water

This 2007A Component provides for contingency costs, as required, for all water projects that are greater than the contracted amounts.

739000 AA – Pressure Reduction Facility

This 2007A Component consists of installation of new pressure reduction facilities, and replace of upgrade existing pressure reduction facilities to meet present and future water demands. Individual sub-projects will be created as required.

709490 AA – Reclaimed Water Extension

This 2007A Component provides for extensions of the North City reclaimed water distribution pipeline network beyond the sphere of influence of the existing North City Reclaimed Water distribution pipelines. This project also improves the reclaimed water distribution system as the demands for reclaimed water increases.

739100 AA – Seismic Upgrades

This 2007A Component will provide seismic upgrades and retrofits to various facilities throughout the water distribution system. Individual sub-projects will be created as required.

732770 AA – Standpipes and Reservoirs

This 2007A Component will rehabilitate or upgrade various treated water reservoirs. Individual sub-projects will be created as required.

730830 AA – Water Main Replacements

This 2007A Component funds the replacement of water mains on an annual basis. Under current City policy, cast iron water main replacements are coordinated with the replacement of old and deteriorated concrete sewers located within the same public right-of-way.

732630 AA – Water Pump Station Rehabilitations

This 2007A Component involves the upgrading of some pump station facilities to improve operational efficiency and reliability.

732613 Alvarado WTP Expansion Phase 2

The Alvarado Water Treatment Plant (WTP) is undergoing an upgrade and expansion to meet future water demands and meet upcoming new regulations. This 2007A Component will increase the capacity of the WTP from 150 mgd to 200 mgd by constructing additional flocculation and sedimentation basins and new controls for the original eight gravity filters.

732616 Alvarado WTP Expansion Phase 3 Rehab Floc/Sed Basins

This 2007A Component rehabilitates the existing Flocculation / Sedimentation basins 1 and 2.

732617 *Alvarado WTP Expansion Phase 4 Ozone*

This 2007A Component consists of the installation of ozone generation and pumping facilities. Ozone generation facilities necessary to meet new Federal Drinking Water Standards and State of California Dept. of Health Services compliance order.

733170 *Barrett Reservoir Outlet Tower**

The Barrett Reservoir dam is a concrete gravity structure with a 120 foot high outlet tower with 26 automatic flash gates located in the spillway. This 2007A Component includes replacing valves and bulkheads, improving ventilation and repairing concrete surfaces.

709557 *Black Mountain North Villages*

This 2007A Component consists of the design and construction of approximately 2,000 feet of 20-inch diameter reclaimed water pipeline along Camino del Sur pursuant to a Participation Agreement with Black Mountain Ranch, LLC. The pipeline will connect with Santaluz, LLC reclaimed pipe and travel up to the North Golf Course in the North Villages Development. The North Villages Development is located in Subarea I of the North City Future Urbanizing Area. The communities of Rancho Santa Fe, 4S Ranch, Rancho Bernardo and Rancho Penasquitos border the project.

709543 *Black Mountain Ranch Reclaimed Water Storage Tank*

This 2007A Component consists of building a 3 million gallon steel storage tank in the Black Mountain community to enhance the operation of the recycled water system.

709541 *Black Mountain Rd Pipeline (Reclaimed Segment)*

This 2007A Component consists of the design and construction of 3.5 miles of 36-inch and 24-inch reclaimed water pipeline to supply North County from the North City Reclamation Treatment Plant, starting at Carroll Canyon Road & Black Mountain Road and stopping at Black Mountain Road & Twin Trails Road. Design and construction are accomplished under a Design-Build contract concurrently with the Black Mountain Road Pipelines (potable segment).

733410 *Black Mountain Rd Pipeline (Potable Segment)**

This 2007A Component consists of the design and construction of 5.5 miles of 48-inch and 42-inch potable water pipeline to supply and provide system reliability to the northern region of the City. Design and construction are accomplished under a Design-Build contract concurrently with the Black Mountain Road Pipelines (reclaimed segment).

732307 *Cal Boating Grants – Barrett Reservoir*

The Department of Boating and Waterways has granted the City \$480,000 to construct a boat launching facility at the Barrett Reservoir. This 2007A Component prosecutes the work.

* Constitutes an alternative project that may be substituted for a non-alternative project that cannot be completed.

732312 Cal Boating Grants – San Vicente Reservoir

This 2007A Component provides for a new aluminum boarding floats at the boat ramp, one aluminum boarding float at Howell Island, repaves the boat staging parking area, provide a prefabricated restroom, constructs a barrier-free access walkway, construct a shade structure, and adds ancillary items.

730285 CALTRANS – I-905

Caltrans will relocate the existing 24-inch steel pipe crossing I-905 to Airway Rd. and connect back at Caliente Blvd. bridge.

730289 CALTRANS – Carrot Canyon and I-15 Potable Water*

Caltrans is widening the Carrol Canyon Bridge crossing I-15. This 2007A Component replaces the water main in the new bridge, and the City will pay for that cost.

730290 CALTRANS – Carrot Canyon and I-15 Reclaimed Water

Caltrans is widening the Carrol Canyon Bridge crossing I-15. This 2007A Component replaces the two recycled water mains in the new bridge, and the City will pay for that cost.

730282 CALTRANS – Duenda Rd & I-15

Caltrans is demolishing and replacing the Duenda Road bridge to accommodate a four lane high occupancy vehicle road. The City owns and maintains a 12-inch water main on Duenda Rd. Caltrans contractor will remove and replace the existing water main as part of its contract with Caltrans.

730288 CALTRANS – Encasement 20 in @ I-15

Caltrans will extend the steel sleeve for the existing 20-inch pipe crossing I-15 at Bernardo Center Drive.

730284 CALTRANS – SR125 – Toll Road

Caltrans is constructing a portion of SR125 in San Diego County from SR905 to SR54. Construction of the highway requires the relocation of a portion of the Otay II and III potable water lines. Since the City has prior rights, Caltrans is required to relocate the lines at its expense. Pipelines will be relocated in the same alignment but further below the surface and will be upsized to 54" at the City's cost.

730283 CALTRANS – W. Bernardo Dr & I-15

Caltrans is demolishing and replacing the Highland Valley Rd (West Bernardo Drive) bridge to accommodate a four lane High Occupancy Vehicle Road. The City owns and maintains a 12-inch water main under the bridge. Caltrans will remove and replace the water main as part of its construction contract at the City's expense.

* Constitutes an alternative project that may be substituted for a non-alternative project that cannot be completed.

709556 **Camino Del Sur RW PL – Participation Agreement**

The Camino Del Sur RWP (Participation Agreement) is located in the Rancho Penasquitos/Torrey Highlands area of the City of San Diego. A portion of which lies within the North City Planned Urbanizing Area (NCPUA) Subarea IV and along State Route 56 as it crosses the southern extensions of Carmel Mountain Road and Camino del Sur within Subarea IV. The proposed project is a 24-inch recycled water transmission main on Camino del Sur. The City will enter into a participation agreement with the developer to construct the pipeline concurrently with the construction of Camino del Sur.

709555 **Camino Del Sur RW Project – EC&P Rd Improvement**

This proposed recycled water pipeline is part of the Camino Del Sur Road extension project. This pipeline includes the construction of approximately 2,600 linear feet of 24-inch diameter steel recycled water pipeline, to occur concurrently with the construction of the road extension. This will provide a vital connection to serve recycled water to the Rhodes Crossing Development, Torrey Highlands (Subarea IV), Fairbanks Highlands, Pacific Highlands, Carmel Valley and future customers in the 500 Zone. This proposed project is an integral part of the City's reclaimed distribution network since it is the piece needed to charge the system to serve SR-56 and customers in Pacific Highlands.

709545 **Carmel Valley Reclaimed Water PL**

This project proposes to install approximately 2,500 linear feet of 8" main and approximately 7,300 linear feet of 12" main, not too far from the SR 56 corridor, to serve large customers. The two proposed customers of this system are the Del Mar National Golf Course and Palacio HOA.

733470/1 **CIP Program Management***

This project augments the Water Department CIP Program team with engineers and other specialized personnel and services to complete the implementation of projects on schedule.

739101 **Fault Crossing Retrofits to Large Pipelines**

There are six large diameter pipelines that cross the Rose Canyon Fault that have been determined vulnerable. It is recommended to retrofit the pipelines using new fault tolerant pipelines and/or install manual isolation valves on either side of the fault.

759323 **Groundwater Investigation**

Preparation of Groundwater Program EIR for Mission Valley, San Pasqual, San Diego Formation and Tijuana Valley desalination/conjunctive use projects for the City of San Diego.

709570 **Harbor Drive Pipeline**

This project replaces the remaining portions of 16-inch cast iron water main located along Harbor Drive from Point Loma to San Diego Bay.

* Constitutes an alternative project that may be substituted for a non-alternative project that cannot be completed.

709534 **La Jolla Shores Dr 16" WMR**

This project is the 3rd phase of the Torrey Pines Blvd Pipeline. It replaces approximately 4,400 linear feet of 16-inch Cast Iron Water Main in the La Jolla Area.

739103 **Landslide / Liquefaction Pipeline Mitigation**

Install 40 pipeline manifold and isolation valve sets at critical backbone pipeline locations that traverse high liquefaction and high landslide zones.

709548 **Los Penasquitos Canyon Recycled Water Project**

This project is part of the North City Reclamation System. The project facilitates moving recycled water from the North City Water Reclamation Plant to service areas in the northern region of the City of San Diego. The 9,000 linear feet of 24" pipeline begins by connecting to the suction line of the Canyonside pump station, traverses through the Canyonside Parkland, and continues along Park Village Road and Camino Del Sur.

733430 **Lower Otay Reservoir - Emergency Outlet Improvement**

The existing Savage Dam creates the Lower Otay Reservoir. At the present time, 56 days are required to achieve a 10% drawdown of the reservoir through the existing 40-inch (48-inch prior to slip lining) outlet pipe. State regulation requires 10% drawdown in a maximum of 10 days. This project will increase the drawdown rate by installing dual 48-inch drain pipes through the existing auxiliary spillway (in addition to existing 40-inch described above). Installation will include two 48-inch butterfly valves and 48-inch flap gates on the spillway bulkheads and intake screens on the upstream end. Length of each pipe will be 70-feet. Maximum existing grade over the pipes is approximately 10 feet above the intended drain pipe invert. This project will also include the seismic retrofit of the outlet tower.

709105 **Miramar Pipeline Improvements - Phase III & IV**

This project consists of additional physical inspections of the Miramar prestressed concrete cylinder pipe (PCCP) along Mira Mesa Blvd. A comprehensive assessment of the overall condition of the pipe was completed, and in an effort to confirm the physical condition of the pipe in certain questionable locations, exposure of the pipe in certain locations is necessary to perform additional testing of the pipe condition, and determine the frequency of future inspections. The pipeline could also be shut down, drained and internally inspected by means of electromagnetic or other suitable non-destructive technology.

732840 **Miramar WTP - Contract A**

The Miramar Water Treatment Plant (WTP) requires upgrades to the facility and treatment process to comply with current and projected water treatment regulations. This project includes rehabilitation of existing components and construction of new components for future plant capacity expansion from 140 mgd to 215 mgd. The expansion work in this contract will involve: new plant Influent Structure, new control system, new Deaeration/Pre-Ozonation Basin, new main switchgear building, new chemical Rapid Mix, new chlorine building, new Splitter Box, new bulk chemical, new Ozone Contactors, new chemical feed building, 12 new filters, new

administration building, new Equalization Basin for Filter Backwash and Filter-to-Waste flow Yard Piping, including 120-inch filter effluent pipe with connection to existing clearwells #1 and 2; 54-inch pipe connection from the splitter box to existing Floc/Sed Basins 1, 2 and 3; 54-inch Backwash Waste pipe from the Filter to the Equalization Basin; Two 30-inch Filter-to-Waste pipes from the Filter to the Equalization Basin; and 84-inch overflow pipe from the ozone contactors to join the 108-inch plant overflow pipe constructed in ESIP-II, new Administration Building with pedestrian bridge, new Chemical Feed System (bulk chemical and day tank buildings), new Electrical Substation, demolition of temporary Raw and Finished Chemical Feed System constructed in ES FP-II and demolition of existing Flocculation/Sedimentation Basin #4.

732844 **Miramar WTP Contract B – Floc/Sedimentation Basins**

This project will expand the plant capacity from 140 mgd to 215 mgd to meet water demands through 2030. The construction scope of work will involve: - Construction of 4 new Flocculation and Sedimentation basins 5, 6, 7 and 8 inclusive of associated piping - Demolition of the twelve existing filters - Demolition of the existing backwash water tank and associated piping - Demolition of the existing Flocculation and Sedimentation basins 3 and 4 - Demolition of the existing Operations Building - Construction of 60-inch influent pipelines to New Flocculation Basins - Construction of 108 inch & 120 inch settled water pipelines.

732846 **Miramar WTP Contract C – Ozone Equip/Install**

This project consists of installation of Ozone equipment and Liquid Oxygen delivery and storage facilities. Three Ozone generators will be provided to generate ozone for supply and distribution of ozonated feed gas to four ozone contactors. Once this project is completed, ozone will replace chlorine as primary disinfectant.

732845 **Miramar WTP Contract D – Landscape & Sitework**

This project consists of final Water Treatment Plant site landscaping, irrigation, parking and paving.

732841 **Miramar WTP Early Start Improvement Phase 1**

This project consists mainly of pipelines and improvements, outside the Miramar WTP premises, that precede and are necessary for the Plant upgrade and expansion. This project comprises the following:

- Miramar Lake Pump Station Improvements (install new electrical system, controls, and suction valves).
- Construction of the first segment of the 84-inch Miramar 2A treated water pipeline. This segment is a 1,600-foot long tunneled pipeline below the San Diego County Water Authority (SDCWA) Second Aqueduct.
- Construction of the following treated water pipelines: 48-inch Black Mountain Road Pipeline (980 feet); and 36-inch Miramar Extension Pipeline (2,110 feet)
- Installation of a new 54-inch SDCWA Pump Station suction pipeline

- Construction of a concrete valve vault structure to house valves and other pipeline appurtenances at the connection between the new 84-inch, 48-inch, 36-inch, and the existing 66-inch treated water pipelines.”

732842 Miramar WTP Early Start Improvement Phase 2

This project consists mainly of pipelines and improvements, outside the Miramar WTP premises, that precede and are necessary for the plant upgrade and expansion. This project complements ESIP-1 project consists of the following:

- Miramar Lake Pump Station improvements (install new pumps and motors)
- Mass Grading for WTP facilities
- Installation of the remaining portion (700 feet) of the 84-inch Miramar 2A treated water pipeline
- Connection of the 84-inch Miramar 2A treated water pipeline to the existing clearwell #1 with 60-inch pipelines
- Construction of a 90-inch raw water supply pipeline (RWSL) that supplies raw water to the plant (2,340 feet)
- Construction of a 69-inch RWSP (245 feet) from SDCWA 5A/5B Flow Control Facilities effluent piping to join the 90-inch RWSL.
- Construction of a 54-inch and 69-inch Miramar Lake Pump Station discharge pipe (225 feet and 255 feet, respectively) to join the 90-inch RWSL
- Construction of a 36-inch RWSP (55 feet) from SDCWA 5C Flow Control Facility effluent piping to join the 69-inch Miramar Lake Pump Station discharge pipe
- Construction of a 108-inch plant overflow pipeline (560 feet) along with an energy dissipater at the Miramar Lake shore
- Construction of temporary raw and finished water chemical areas
- Improvements to the entrance and exit of Miramar Lake
- Improvements to the Miramar Lake recreation area parking lot
- Widening Scripps Lake Drive at the new recreation area entrance

732843 Miramar WTP SDFCF 24, 25, 26

In order to meet capacity of the Miramar WTP Upgrade and Expansion (MWTP) project from 140 mgd to 215 mgd, it is necessary to upgrade CWA's existing flow control facility (5A/5B/5C) to increase capacity of raw water to MWTP.

709540 North City Reclamation System

The North City Reclamation System consists of several projects that include pipelines, pump stations and storage tanks in the North City Reclamation Plant service area. This is the main CIP number, sub-CIP numbers were created for each of the projects.

732860 Otay 2nd Pipeline Improvements

No work will be performed under this CIP number. Sub-CIP numbers are established for the different phases of this project.

732866 Otay 2nd PL – Cast Iron Replacement Phase

Install 1.3 miles of new 42-inch welded steel pipe in 54th Street between El Cajon Blvd. and Chollas Station Road. This segment includes flow meters, pressure control valves, and connections to the Trojan Pipeline at Trojan Avenue.

732865 Otay 2nd PL – Cathodic Protection Otay Ranch

17,000 feet of existing pipeline between the South San Diego Reservoir and Olympic Parkway require installation of cathodic protection.

732863 Otay 2nd PL – Cathodic Protection Phase*

This 2007A Component consists of the installation of the Cathodic Protection System on approximately 9 miles of existing pipeline between the Otay Water Treatment Plant and 54th Street. Based on the 1998 Value Engineering recommendations, a corrosion investigation of the entire pipeline was conducted. The corrosion investigation indicated few areas of severe degradation of the pipeline, and complete replacement is not necessary. However, the investigation indicates several parts of the pipeline require restoration or installation of cathodic protection to prolong the service life of the pipe.”

732864 Otay 2nd PL – Isolate Service Sweetwater

This 2007A Component consists of the transfer of 33 residential services for the Otay 2nd pipeline to the Sweetwater Authority. Project will involve construction of a small pump station to boost pressure from the Sweetwater Authority water system.

732868 Otay 2nd PL – North Encanto Replacement

The North Encanto Replacement is one of the City of San Diego’s most important treated water transmission mains because of its ability to move water between the Alvarado and Otay services, providing great operational flexibility and system reliability. It is also one of the City’s oldest pipelines with sections of 36-inch diameter cast iron pipe that are more than 75 years old. The City has received a very good service life out of this pipeline but it is undoubtedly deteriorated due to age and corrosion. To provide the reliability needed in the City’s water distribution system, this 2007A Component consists of the replacement of approximately 7,000 feet of deteriorated or inaccessible pipe between State Route 94 and the 65th and Herrick Pump Station.

* Constitutes an alternative project that may be substituted for a non-alternative project that cannot be completed.

The project alignment extends from the intersection of Tooley and 60th Streets, traversing south along 60th Street to Brooklyn Avenue, where it turns eastward and extends along Brooklyn Avenue to Otay Street, turning southeast and extending along Otay Street to the intersection of Herrick and 65th Streets.

732850 **Otay WTP Clearwell Storage***

This 2007A Component consists of the construction of two circular clearwell storage tanks at the Otay Water Treatment Plant site to allow for plant storage prior to distributing the water.

732850 **Otay WTP Upgrades Phase 1**

This 2007A Component consists of the Otay WTP Upgrades Phase 1 project, which involves the construction of a new flocculation and sedimentation basin and make improvements to the sixteen existing filters. The filter improvements include providing a pumped backwash system, a filter to waste system, replacing the filter under drains and increasing the media depth.

732852 **Otay WTP Upgrades Phase 2 (CLO2)**

This 2007A Component consists of the Otay WTP Upgrades Phase 2 project, which involves the construction of a Chlorine Dioxide system.

709553 **Pacific Highlands RWP (Participation Agreement)**

This 2007A Component consists of the construction of approximately 11,800 linear feet of new 12-inch and 16-inch diameter PVC pipe, beginning East of Santa Fe Farms Road moving westerly along Carmel Valley Rd to the intersection of SR 56.

733280 **Rancho Bernardo Reservoir Rehabilitation**

This 2007A Component provides for the rehabilitation of the 10-million gallon, trapezoidal-shaped concrete reservoir. Work will include improvements of the beam connections, repairs of the roof slab and columns and a seismic retrofit to bring the reservoir up to code compliance mandate by Water Department and State Department of Health Service standards.

733420 **Rancho Penasquitos Pump Station**

This 2007A Component includes construction of a new pump station adjacent to the existing station, and demolition of the existing structure upon completion of the new facility. The proposed replacement station includes a 25-foot x 88-foot CMU building, housing three 8.3 mgd duty pumps and one 8.3 mgd standby pump initially, with the capability of being expanded in the future. The project also includes replacement of site piping and installation of a new Del Mar Heights Pressure Reducing Station concurrently with the pump station construction.

* Constitutes an alternative project that may be substituted for a non-alternative project that cannot be completed.

733140 *San Diego Flow Control & Pump Station 17 (SD 17)*

This 2007A Component provides for the construction of a pump station, flow control facility and associated piping at the Alvarado Water Treatment plant to pump Alvarado water into the San Diego County Water Authority aqueduct. The pump station discharge pipe will be connected to the San Diego County Water Authority's (SDCWA's) Pipeline 4B at a location north of 1-8. Water can be taken out of Pipeline 4B south of 1-8 at the Mid-City Pipeline connection, or sold to other water agencies south of Alvarado. The pump station will have a total capacity of 93 cubic feet per second (cfs).

759324 *San Pasqual Brackish Groundwater Desal Demo Ph 3*

This 2007A Component entails extracting and desalinating groundwater, resulting in the production of 1,700 AFY of desalinated water and 300 AFY of concentrate.

759326 *San Pasqual Groundwater Management Plan*

The conjunctive use component will consist of recharging and recovering 10,000 AF of imported water. Imported water will be diverted from the First San Diego Aqueduct and recharged to the alluvial aquifer in the eastern portion of the basin by means of percolation basins. During periods of low and more expensive supply of imported water, stored water will be recovered by means of extraction wells and conveyed back to the First San Diego Aqueduct for use.

759390 *South County Raw Water Reservoir Intertie Study*

This 2007A Component consists of a study to examine connecting San Vicente Reservoir to El Capitan Reservoir to Sweetwater Reservoir and to Loveland Reservoir to improve reservoir management and to better utilize the storage capacity of all four (4) reservoirs. By being connected, it can store additional water and transfer water from one reservoir to another.

733480 *Telemetry Control Sys. – SCADA – Phase II**

This 2007A Component consists of the installation of a centralized state-of-the-art monitoring and control facilities for the water storage, transmission and distribution system. This Phase was expanded to augment the ability of the system to monitor and control the water transmission system and is the final step to install the remaining facilities for telemetry control of the entire system (previously CIP No. 733081)

709530 *Torrey Pines Rd/La Jolla Blvd WMR*

This 2007A Component approximately 31,000 linear feet of 16-inch diameter Cast Iron Water Main. The construction will be done in multiple phases and at times to minimize the construction impact on the area and in compliance with restrictions relating to when construction can be done in this area.

* Constitutes an alternative project that may be substituted for a non-alternative project that cannot be completed.

709532 Torrey Pines Rd / La Jolla Blvd WMR Ph 2

Phase 2 replaces approximately 15,000 linear feet of 16-inch Cast Iron Water Main in the La Jolla and Pacific Beach Area.

759310 Water Dept. Security Upgrades

This 2007A Component was created in compliance with the Vulnerability Assessment Report (VA), dated December 31, 2002. Thus, it will design and install miscellaneous security systems at various facilities to improve security, control entry and reduce opportunities for intrusion of unauthorized persons. The VA recommended \$20,430,000 in upgrades on existing water facilities. Individual sub-projects may be created, as required.

759312 Water Dept. Security Upgrades – Alvarado

This 2007A Component was created in compliance with the Vulnerability Assessment Report (VA), dated December 31, 2002. Thus, it will design and install miscellaneous security systems at various facilities to improve security, control entry and reduce opportunities for intrusion of unauthorized persons. The VA recommended \$20,430,000 in upgrades on existing water facilities. Individual sub-projects may be created, as required.

759316 Water Dept. Security Upgrades – Enci PS

This 2007A Component was created in compliance with the Vulnerability Assessment Report (VA), dated December 31, 2002. Thus, it will design and install miscellaneous security systems at various facilities to improve security, control entry and reduce opportunities for intrusion of unauthorized persons. The VA recommended \$20,430,000 in upgrades on existing water facilities. Individual sub-projects may be created, as required.

759311 Water Dept. Security Upgrades – Miramar

This 2007A Component was created in compliance with the Vulnerability Assessment Report (VA), dated December 31, 2002. Thus, it will design and install miscellaneous security systems at various facilities to improve security, control entry and reduce opportunities for intrusion of unauthorized persons. The VA recommended \$20,430,000 in upgrades on existing water facilities. Individual sub-projects may be created, as required.

759317 Water Dept. Security Upgrades – Non End PS

This 2007A Component was created in compliance with the Vulnerability Assessment Report (VA), dated December 31, 2002. Thus, it will design and install miscellaneous security systems at various facilities to improve security, control entry and reduce opportunities for intrusion of unauthorized persons. The VA recommended \$20,430,000 in upgrades on existing water facilities. Individual sub-projects may be created, as required.

759313 Water Dept. Security Upgrades – Otay

This 2007A Component was created in compliance with the Vulnerability Assessment Report (VA), dated December 31, 2002. Thus, it will design and install miscellaneous security systems

at various facilities to improve security, control entry and reduce opportunities for intrusion of unauthorized persons. The VA recommended \$20,430,000 in upgrades on existing water facilities. Individual sub-projects may be created, as required.

759319 **Water Dept. Security Upgrades – Pipelines***

This 2007A Component was created in compliance with the Vulnerability Assessment Report (VA), dated December 31, 2002. Thus, it will design and install miscellaneous security systems at various facilities to improve security, control entry and reduce opportunities for intrusion of unauthorized persons. The VA recommended \$20,430,000 in upgrades on existing water facilities. Individual sub-projects may be created, as required.

759314 **Water Dept. Security Upgrades – Regulators**

This 2007A Component was created in compliance with the Vulnerability Assessment Report (VA), dated December 31, 2002. Thus, it will design and install miscellaneous security systems at various facilities to improve security, control entry and reduce opportunities for intrusion of unauthorized persons. The VA recommended \$20,430,000 in upgrades on existing water facilities. Individual sub-projects may be created, as required.

759315 **Water Dept. Security Upgrades – Reservoirs and Dams**

This 2007A Component was created in compliance with the Vulnerability Assessment Report (VA), dated December 31, 2002. Thus, it will design and install miscellaneous security systems at various facilities to improve security, control entry and reduce opportunities for intrusion of unauthorized persons. The VA recommended \$20,430,000 in upgrades on existing water facilities. Individual sub-projects may be created, as required.

759318 **Water Dept. Security Upgrades – Tank Standpipe Reservoirs**

This 2007A Component was created in compliance with the Vulnerability Assessment Report (VA), dated December 31, 2002. Thus, it will design and install miscellaneous security systems at various facilities to improve security, control entry and reduce opportunities for intrusion of unauthorized persons. The VA recommended \$20,430,000 in upgrades on existing water facilities. Individual sub-projects may be created, as required.

* Constitutes an alternative project that may be substituted for a non-alternative project that cannot be completed.

**Public Facilities Financing Authority of the City of San Diego
 [Subordinated] Water Revenue Bonds, Refunding Series 2009A and
 [Subordinated] Water Revenue Bonds, Series 2009B
 (Payable Solely From [Subordinated] Installment Payments
 Secured by Net System Revenues of the Water Utility Fund)**

Log of Outstanding Items- 2009B Supplement to MIPA

<i>Document</i>	<i>Page No.(s)</i>	<i>Outstanding Items</i>	<i>Responsible Party</i>	<i>Expected Availability*</i>	<i>Completed</i>
2009B Supplement to MIPA	Cover, 1	• Date of document		TBD, at or prior to 2009B preclosing	
	Cover and throughout document	• [Subordinated] versus [Parity] Obligations	City and Underwriter	TBD, Prior to pricing for 2009B Bonds	
	5	• Purchase Price for the 2009B Components	City and Underwriter	At pricing for 2009B Bonds	
	6-7	• 2009B Installment Payments: Principal, Interest and Combined Installment Payments	Underwriter	At pricing for 2009B Bonds	
	7	• Optional Prepayment Dates	Underwriter	At pricing for 2009B Bonds	
	10	• Signatures of the City Authorized Signatory, City Clerk, Deputy City Attorney; FELC Authorized Signatory, FELC Secretary and F&J as FELC Counsel	City Authorized Signatory, City Clerk, Deputy City Attorney; FELC Authorized Signatory, FELC Secretary and F&J as FELC Counsel	TBD, preclosing for 2009B Bonds	
	Exhibit A 2009B Components of Project	• Estimated Completion Date and Useful Life of 2009B Project Components	City	At or prior to pricing the 2009B Bonds	

* Refers to pricing, preclosing, etc. of 2009A Bonds, except where otherwise noted.

2009B SUPPLEMENT

**To Amended and Restated Master Installment Purchase Agreement
dated as of January 1, 2009
by and between**

THE CITY OF SAN DIEGO

and

**SAN DIEGO FACILITIES AND EQUIPMENT
LEASING CORPORATION**

Dated as of _____ 1, 2009

relating to

**Public Facilities Financing Authority of the City of San Diego
[Subordinated] Water Revenue Bonds, Series 2009B (Payable Solely from [Subordinated]
Installment Payments Secured by Net System Revenues of the Water Utility Fund)**

TABLE OF CONTENTS

Page

ARTICLE I
DEFINITIONS

SECTION 1.01. Definitions..... 2

ARTICLE II
REPRESENTATIONS AND WARRANTIES; CERTAIN AGREEMENTS

SECTION 2.01. City Representations and Warranties..... 3
SECTION 2.02. Corporation Representations and Warranties 4

ARTICLE III
PURCHASE PRICE; PLEDGE OF CERTAIN AMOUNTS; SALE OF 2009B COMPONENTS

SECTION 3.01. Corporation's Obligation to Pay Purchase Price 5
SECTION 3.02. Purchase Price to Trustee..... 5
SECTION 3.03. Pledge of Amounts in the Acquisition Fund..... 5
SECTION 3.04. Sale and Purchase of 2009B Components 5

ARTICLE IV
2009B [SUBORDINATED] INSTALLMENT PAYMENTS

SECTION 4.01. 2009B [Subordinated] Installment Payments 5
SECTION 4.02. [Parity] [Subordinated] Obligations..... 7

ARTICLE V
PREPAYMENT OF 2009B [SUBORDINATED] INSTALLMENT PAYMENTS

SECTION 5.01. Optional Prepayment of 2009B [Subordinated] Installment
Payments 7

ARTICLE VI
ADDITIONAL COVENANTS

SECTION 6.01. Additional Covenants relating to Tax Exemption 8
SECTION 6.02. Continuing Disclosure 8
EXECUTION..... 10

EXHIBIT A 2009B COMPONENTS OF PROJECT

**2009B SUPPLEMENT
TO MASTER INSTALLMENT PURCHASE AGREEMENT**

THIS 2009B SUPPLEMENT TO MASTER INSTALLMENT PURCHASE AGREEMENT (the "2009B Supplement"), executed and entered into as of _____ 1, 2009, 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 the SAN DIEGO FACILITIES AND EQUIPMENT LEASING CORPORATION, a nonprofit charitable corporation organized and existing under and by virtue of the laws of the State of California (the "Corporation").

WITNESSETH:

WHEREAS, the City and the Corporation have heretofore entered into an Amended and Restated Master Installment Purchase Agreement, dated as of January 1, 2009 (the "Master Agreement"), pursuant to which the Corporation has agreed to sell certain improvements and additions (comprised of various components, each, a "Component") to the water system of the City (the "Water System") to the City and the City has agreed from time to time to purchase certain Components as specified in certain supplements to the Master Agreement; and

WHEREAS, the Master Agreement has heretofore been supplemented by a 1998 Supplement to Master Installment Purchase Agreement, dated as of August 1, 1998, a 2002 Supplement to Master Installment Purchase Agreement, dated as of October 1, 2002, a 2007A Supplement to Master Installment Purchase Agreement, dated as of January 1, 2007, a 2008A Supplement to Master Installment Purchase Agreement, dated as of February 1, 2008, and a 2009A Supplement to Master Installment Purchase Agreement, dated as of January 1, 2009 (together with the Master Agreement, the "Agreement"), each by and between the City and the Corporation; and

WHEREAS, the City has determined that it is in its best interests and the best interests of its residents to finance and refinance certain Components identified in Exhibit A to this 2009B Supplement (the "2009B New Money Components" and the "Refunded 2008A Components," respectively, and collectively, the "2009B Components"), and to pay for the 2009B Components by making 2009B [Subordinated] Installment Payments (herein defined) pursuant to this 2009B Supplement, all in the manner described herein, and the Public Facilities Financing Authority of the City of San Diego, a California joint exercise of powers entity (the "Authority"), is willing to assist the City in effecting such financing and refunding; and

WHEREAS, the 2009B [Subordinated] Installment Payments specified in this 2009B Supplement will be assigned by the Corporation to the Authority and serve as the security for the Public Facilities Financing Authority of the City of San Diego [Subordinated] Water Revenue Bonds, Series 2009B (Payable Solely From [Subordinated] Installment Payments Secured by Net System Revenues of the Water Utility Fund) (the "2009B Bonds"), the proceeds of which will be used to finance the 2009B New Money Components, to pay or refund the Refunded Obligations (as defined in the Indenture defined below)[, to fund a Reserve Fund (as defined in the Indenture)] and to pay the costs of issuance of the 2009B Bonds; and

WHEREAS, the 2009B Bonds are issued under and secured by the Indenture, dated as of January 1, 2009, as supplemented by the First Supplemental Indenture, dated as of April 1, 2009 (collectively, the "Indenture") by and between the Authority and Wells Fargo Bank, National Association, as Trustee (the "Trustee"); and

WHEREAS, the City and the Corporation now wish to describe the underlying purchase and sale of the 2009B Components which will be the subject of the 2009B [Subordinated] Installment Payments by execution and delivery of this 2009B Supplement; and

WHEREAS, this 2009B Supplement is an Issuing Instrument, as defined in the Agreement; and

NOW THEREFORE, the parties hereto have agreed as follows:

ARTICLE I

DEFINITIONS

SECTION 1.01. Definitions. Capitalized terms used in this 2009B Supplement but not defined herein have the meanings given those terms in the Agreement and, if any such terms are not defined in the Agreement, then such terms have the meanings given those terms in the Indenture. As used in this 2009B Supplement, the following additional terms have the following meanings:

2009B Components

The term "2009B Components" means the Components of the Project specified in Exhibit A attached hereto and by this reference made a part hereof, for which the City will be making 2009B [Subordinated] Installment Payments, including the Refunded 2008A Components and the 2009A New Money Components.

2009B Installment Payment Date

The term "2009B Installment Payment Date" means the 15th day of the calendar month immediately preceding each Interest Payment Date for the 2009B Bonds.

Interest Portion

The term "Interest Portion" means the interest portion of 2009B [Subordinated] Installment Payments specified in Section 4.01 hereof.

Principal Portion

The term "Principal Portion" means the principal portion of 2009B [Subordinated] Installment Payments specified in Section 4.01 hereof.

Purchase Price

The term "Purchase Price" has the meaning given that term in Section 3.01 hereof.

[Subordinated] Installment Payments

The term "[Subordinated] Installment Payments" means the [Subordinated] Installment Payments to be made by the City under and pursuant to the [Subordinated] Supplements.

2009B [Subordinated] Installment Payments

The term "2009B [Subordinated] Installment Payments" means the [Subordinated] Installment Payments specified in Section 4.01 hereof which are to pay the Purchase Price of the 2009B Components in accordance with the terms hereof.

Subordinated Supplements

The term "Subordinated Supplements" means the 2007A Supplement to Master Installment Purchase Agreement, dated as of January 1, 2007, the 2008A Supplement to Master Installment Purchase Agreement, dated as of February 1, 2008, the [2009A Supplement to Master Installment Purchase Agreement, dated as of January 1, 2009, and this 2009B Supplement to Master Installment Purchase Agreement, dated as of April 1, 2009,] each by and between the City and the Corporation, and each being a supplement to the Agreement, and any additional supplements to the Agreement.

ARTICLE II

REPRESENTATIONS AND WARRANTIES; CERTAIN AGREEMENTS

SECTION 2.01. City Representations and Warranties.

The City hereby represents and warrants that each of the following is true and correct:

(a) The City is a municipal corporation organized and existing under the Charter, which was duly adopted pursuant to the provisions of the Constitution of the State of California.

(b) The City has full legal right, power and authority to enter into this 2009B Supplement and perform its obligations hereunder, to carry out and consummate all transactions contemplated by this 2009B Supplement, and the City has complied with the provisions of the Law in all matters relating to such transactions.

(c) By proper action, the City has duly authorized the execution, delivery and performance of this 2009B Supplement.

(d) The execution and delivery of this 2009B Supplement and the consummation of the transactions herein contemplated do not and will not (i) violate any provision of law, any order of any court or other agency of government; (ii) be in conflict with, result in a breach of or constitute a default (with due notice or the passage of time or both) under any provision of any indenture, material agreement or other instrument to which the City is now a party or by which it or any of its properties or assets is bound; or (iii) result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the properties or assets of the City.

(e) The City has determined that it is necessary and proper for City uses and purposes within the terms of the Law that the City acquire the 2009B Components in the manner provided for in this 2009B Supplement, in order to continue to provide essential services and facilities to the persons residing in the City.

(f) The City will take no action to cause directly or indirectly the interest components of Series 2009B [Subordinated] Installment Payments to be includable in the gross income of the owners of the 2009B Bonds for federal income tax purposes.

SECTION 2.02. Corporation Representations and Warranties.

The Corporation hereby represents and warrants to the City that each of the following is true and correct:

(a) The Corporation is duly organized and existing under the laws of the State of California.

(b) The Corporation has full legal right, power and authority to enter into this 2009B Supplement and to carry out and consummate all transactions contemplated by this 2009B Supplement.

(c) By proper action, the Corporation has duly authorized the execution, delivery and due performance of this 2009B Supplement.

(d) The execution and delivery of this 2009B Supplement and the consummation of the transactions herein contemplated do not and will not (i) violate any provision of law, any order of any court or other agency of government; (ii) be in conflict with, result in a breach of or constitute a default (with due notice or the passage of time or both) under any provision of any indenture, material agreement or other instrument to which the Corporation is now a party or by which it or any of its properties or assets is bound; or (iii) result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the properties or assets of the Corporation.

ARTICLE III

PURCHASE PRICE; PLEDGE OF CERTAIN AMOUNTS; SALE OF 2009B COMPONENTS

SECTION 3.01. Corporation's Obligation to Pay Purchase Price.

In consideration of the agreement by the City to make 2009B [Subordinated] Installment Payments, the Corporation hereby agrees to cause the Authority, as assignee of the Corporation's rights and obligations hereunder, to pay to the City, from the proceeds of the 2009B Bonds, an amount equal to \$ _____ as the Purchase Price (the "Purchase Price") for the 2009B Components.

SECTION 3.02. Purchase Price to Trustee.

The City hereby directs the Authority, in lieu of delivering the Purchase Price to the City, to deliver the Purchase Price to the Trustee for deposit in accordance with Section 4.02 of the Indenture.

SECTION 3.03. Pledge of Amounts in the Acquisition Fund.

The City hereby irrevocably pledges all Revenues and amounts on deposit in the Acquisition Fund established pursuant to Section 4.03 of the Indenture and held by the Treasurer, for the benefit of the Owners, subject to the provisions of the Indenture.

SECTION 3.04. Sale and Purchase of 2009B Components.

In consideration of the agreement by the City to make 2009B [Subordinated] Installment Payments, the Corporation hereby sells, transfers and assigns the 2009B Components to the City and the City hereby agrees to purchase and accept the 2009B Components, as more particularly described in Exhibit A hereto.

ARTICLE IV

2009B [SUBORDINATED] INSTALLMENT PAYMENTS

SECTION 4.01. 2009B [Subordinated] Installment Payments.

In consideration of the payment by the Authority, on behalf of the Corporation, of the Purchase Price and the sale of the Refunded Components by the Corporation to the City pursuant to Section 3.04 hereof, the City hereby agrees to pay on each 2009B Installment Payment Date as 2009B [Subordinated] Installment Payments, solely from Net System Revenues, as provided in the Agreement, the following:

<u>Installment Payment Date</u>	<u>Principal Portion of Installment</u>	<u>Interest Portion of Installment</u>	<u>Combined Installment Payment</u>
July 15, 2009			
January 15, 2010			
July 15, 2010			
January 15, 2011			
July 15, 2011			
January 15, 2012			
July 15, 2012			
January 15, 2013			
July 15, 2013			
January 15, 2014			
July 15, 2014			
January 15, 2015			
July 15, 2015			
January 15, 2016			
July 15, 2016			
January 15, 2017			
July 15, 2017			
January 15, 2018			
July 15, 2018			
January 15, 2019			
July 15, 2019			
January 15, 2020			
July 15, 2020			
January 15, 2021			
July 15, 2021			
January 15, 2022			
July 15, 2022			
January 15, 2023			
July 15, 2023			
January 15, 2024			
July 15, 2024			
January 15, 2025			
July 15, 2025			
January 15, 2026			
July 15, 2026			
January 15, 2027			
July 15, 2027			
January 15, 2028			
July 15, 2028			
January 15, 2029			
July 15, 2029			
January 15, 2030			
July 15, 2030			
January 15, 2031			
July 15, 2031			
January 15, 2032			
July 15, 2032			
January 15, 2033			

<u>Installment Payment Date</u>	<u>Principal Portion of Installment</u>	<u>Interest Portion of Installment</u>	<u>Combined Installment Payment</u>
July 15, 2033			
January 15, 2034			
July 15, 2034			
January 15, 2035			
July 15, 2035			
January 15, 2036			
July 15, 2036			
January 15, 2037			
July 15, 2037			
January 15, 2038			
July 15, 2038			

*Indicates mandatory sinking fund prepayment.

SECTION 4.02. [Parity] [Subordinated] Obligations:

The 2009B [Subordinated] Installment Payments shall be [Parity Obligations] [Subordinated Obligations] under the Agreement and the payment of the 2009B [Subordinated] Installment Payments shall be [subordinated in right of payment to the Parity Obligations under the Agreement and shall be] on parity in right of payment to the [Parity Obligations] [Subordinated Obligations] under the Agreement. No Owner of the [Subordinated] 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] [Subordinated Obligations].

ARTICLE V

PREPAYMENT OF 2009B [SUBORDINATED] INSTALLMENT PAYMENTS

SECTION 5.01. Optional Prepayment of 2009B [Subordinated] Installment Payments.

The 2009B [Subordinated] Installment Payments relating to the Principal Portion of 2009B [Subordinated] Installment Payments payable on and after July 15, 20__ are subject to prepayment, at the option of the City, in whole or in part, on any date, upon at least 45 days' prior written notice to the Authority (as assignee of the Corporation) specifying the date and amount of such prepayment, on or after July 15, 20__, in whole or in part on any date, at 100% of the Principal Portion of 2009B [Subordinated] Installment Payments to be prepaid, plus the unpaid Interest Portion of 2009B [Subordinated] Installment Payments to be prepaid to the date fixed for prepayment, without premium.

ARTICLE VI

ADDITIONAL COVENANTS

SECTION 6.01. Additional Covenants relating to Tax Exemption.

(a) The City shall not directly or indirectly use or permit the use of any proceeds of the 2009B Bonds or any other funds of the City or of the Refunded Components or take or omit to take any action that would cause the 2009B Bonds to be "private activity bonds" within the meaning of section 141 of the Code, or obligations that are "federally guaranteed" within the meaning of section 149(b) of the Code.

(b) The City hereby covenants that it will not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of the interest on the 2009B Bonds under section 103 of the Code. The City shall not directly or indirectly use or permit the use of any proceeds of the 2009B Bonds or any other funds of the City, or take or omit to take any action, that would cause the 2009B Bonds to be "arbitrage bonds" within the meaning of section 148(a) of the Code. To that end, the City shall comply with all requirements of section 148 of the Code to the extent applicable to the 2009B Bonds. If, at any time, the City is of the opinion that for purposes of this Section it is necessary to restrict or limit the yield on the investment of any moneys held by the Trustee under the Indenture or otherwise, then the City shall so instruct the Trustee in writing, and shall cause the Trustee to take such action as may be necessary in accordance with such instructions.

(c) Without limiting the generality of the foregoing, the City hereby agrees that there shall be paid from time to time all amounts required to be rebated to the United States of America pursuant to section 148(f) of the Code and any Treasury Regulations as may be applicable to the 2009B Bonds from time to time. This covenant shall survive payment in full or defeasance of the 2009B Bonds. The City hereby specifically covenants to pay or cause to be paid to the United States of America at the times and in the amounts determined under this Section the Rebate Requirement, as described in the Tax Certificate, and to otherwise comply with the provisions of the Tax Certificate executed by the City in connection with the execution and delivery of the 2009B Bonds.

(d) Notwithstanding any provision of this Section, if the City provides to the Trustee an opinion of Bond Counsel to the effect that any action required under this Section is no longer required, or to the effect that some further action is required, to maintain the exclusion from gross income of the interest on the 2009B Bonds pursuant to section 103 of the Code, then the City may rely conclusively on such opinion in complying with the provisions hereof, and the covenants hereunder shall be deemed to be modified to that extent.

SECTION 6.02. Continuing Disclosure. The City hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Agreement. Notwithstanding any other provision of this 2009B Supplement, failure of the City to comply with the Continuing Disclosure Certificate shall not be considered a default of any kind under this 2009B Supplement or the Continuing Disclosure Certificate; however, the Trustee may (and, at the request of any Participating Underwriter or the Owners of at least

twenty-five percent (25%) in aggregate principal amount of the 2009B Bonds, shall) or any Owner or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Section. For purposes of this Section, "Beneficial Owner" means any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any 2009B Bonds (including persons holding 2009B Bonds through nominees, depositories or other intermediaries).

IN WITNESS WHEREOF, this 2009B Supplement has been executed by the City and the Corporation as of the year and date first above written.

THE CITY OF SAN DIEGO

By: _____
Authorized Officer

Attest:

City Clerk

APPROVED AS TO FORM:
MICHAEL J. AGUIRRE, City Attorney

By: _____
[]
Deputy City Attorney

**SAN DIEGO FACILITIES AND EQUIPMENT
LEASING CORPORATION**

By: _____
Authorized Officer

Attest:

Secretary

APPROVED AS TO FORM:
FULBRIGHT & JAWORSKI L.L.P.,
AS COUNSEL, SAN DIEGO FACILITIES AND
EQUIPMENT LEASING CORPORATION

By: _____
Partner

EXHIBIT A

2009B COMPONENTS OF PROJECT

The 2009B Components consist of Phase I (the "Refunded 2008A Components") and Phase II (the "2009B New Money Components") of the acquisition, construction, installation or improvement of all or a portion of the following capital projects.

<u>CIP Number</u>	<u>Project Title</u>	<u>Projected Cost</u>	<u>Estimated Completion Date</u>	<u>Useful Life</u>
709420	RWDS Pooled Contingencies	\$ 333,070		
709490	Reclaimed Water Extension	440,003		
732630	Water Pump Station Rehab	440,003		
732770	Standpipes and Reservoirs	440,003		
733100	Corrosion Control	80,001		
733310	Pooled Contingencies - Water	6,479,998		
733330	Air Valve Adjustments	480,001		
733610	Meter Boxes	4,200,000		
739000	Pressure Reduction Facility	4,200,000		
739100	Seismic Upgrades	90,141		
749250	Dams and Reservoirs	1,999,968		
730830	Water Main Replacements	32,959,998		
730240	Annual Allocation - Freeway Relocations	39,998		
730285	CALTRANS 1-905	12,630		
730289	CALTRANS - Carroll Canyon Bridge - 115 14" 16" Reclaimed Wtr	574		
730290	CALTRANS - Carroll Canyon Bridge - 115 16" Potable Water	1,262		
709105	Miramar Pipeline Improvements - Phase 3	35,574		
709553	Pacific Highlands Ranch (frmly Carmel Valley RW Pipeline)	38,142		
709555	Camino del Sur RW Pipeline (E&CP)	541,074		
709556	Los Penasquitos Participation Agreement	130,795		
709570	Harbor Drive Pipeline	414,415		
732621	Alvarado WTP - Ozone Improvements Ph IV	16,498,505		
732623	Alvarado WTP - Rehad Floc/Sed Basin Ph3	464,490		
732843	San Diego Flow Control Facilities 24, 25, 26	372,242		
732844	Miramar WTP Flocculation & Sedimentation Basin	15,363,602		
732846	Miramar WTP Ozone Equipment and Installation	14,499,554		
732850	Otay WTP Upgrade & Expansion - Phase 1	8,821,657		
732852	Otay WTP Upgrade & Expansion - Phase 2	11,118,714		
732866	Otay Second Pipeline - Cast Iron Replacement Phase	8,706,035		
732868	Otay Second Pipeline - -North Encanto Pipeline Replacements	4,440,994		
733140	SD 17 Flow Control Facility (Alvarado)	1,009,540		
733170	Barrett Reservoir Outlet Tower Upgrade	36,885		
733420	Rancho Penasquitos Pump Station	4,543,706		
733430	Lower Otay Reservoir - Emergency Outlet Improvement	194,146		
733471	Program Management	4,000,000		
759312	Water Dept Security Upgrades - Alvarado WTP	51,584		
759316	Water Dept Security Upgrades - Enclosed Pump Station	2,203,822		

<u>CIP Number</u>	<u>Project Title</u>	<u>Projected Cost</u>	<u>Estimated Completion Date</u>	<u>Useful Life</u>
759317	Water Dept Security Upgrades - Non-Enclosed Pump Stations	29,402		
759318	Water Dept Security Upgrades -Tank, Standpipe & Reservoir	908,313		
759390	South County Raw Water Reservoir Interim Study	649,063		

**Public Facilities Financing Authority of the City of San Diego
 [Subordinated] Water Revenue Bonds, Refunding Series 2009A and
 [Subordinated] Water Revenue Bonds, Series 2009B
 (Payable Solely From [Subordinated] Installment Payments
 Secured by Net System Revenues of the Water Utility Fund)**

Log of Outstanding Items- 2009A Indenture

<i>Document</i>	<i>Page No.(s)</i>	<i>Outstanding Items</i>	<i>Responsible Party</i>	<i>Expected Availability*</i>	<i>Completed</i>
2009A Indenture	Cover, 1, 4, 22, A-1	• Par Amount	Underwriter	At or soon after pricing	
	Cover and throughout document	• [Subordinated] versus [Parity] Obligations	Underwriter and City	Prior to pricing	
	5	• Closing Date	Underwriter and City	At pricing	
	12	• Principal Payment Date	Underwriter and City	At pricing	
	13, 26, 27, 28	• Reserve Fund determination • Reserve Fund Requirement	Underwriter and City	At or prior to pricing	
	22-23	• Maturity Dates, Principal Amounts, Interest Rates and Sinking Fund Payment Dates for 2009A Bonds	Underwriter	At pricing	
	23	• Optional Redemption Dates	Underwriter	At pricing	
	27	• Amount required to prepay the Refunded Certificates	Underwriter	At pricing	
	27	• Amount to be paid to the registered owner of the Series 2007 Subordinate Notes	Underwriter	At pricing	
	39	• [Reserved] – Bond Insurance provisions to be included in this Article, if applicable	City and Underwriter	At pricing, prior to preclosing	

* Refers to pricing, preclosing, etc. of 2009A Bonds, except where otherwise noted.

2009A Indenture (cont'd)	51	• Signatures of Chair of the Authority, Secretary of the Authority, City Attorney and Trustee	Authority Chair, Authority Secretary, City Attorney, Trustee	Preclosing (Date TBA, 2009)	
	Exhibit A Form of Note	• Principal Amount, maturity date, interest rate, redemption date, confirmation of signatory Chair of Authority and signatures of same and Secretary; Closing Date and Signature of Trustee	Bond Counsel and Authority	At pricing	
	Exhibit B Form of Requisition	• Requisition Number, signature and Costs of Issuance schedule (Purpose, Payee and Amount)	City	As needed; [one anticipated at pre-closing]	

INDENTURE

by and between

**PUBLIC FACILITIES FINANCING AUTHORITY
OF THE CITY OF SAN DIEGO**

and

**WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Trustee**

Dated as of January 1, 2009

relating to

§ _____
Public Facilities Financing Authority of the City of San Diego
[Subordinated] Water Revenue Bonds, Refunding Series 2009A
(Payable Solely From [Subordinated] Installment Payments
Secured by Net System Revenues of the Water Utility Fund)

TABLE OF CONTENTS

	Page
ARTICLE I	DEFINITIONS; EQUAL SECURITY
Section 1.01.	Definitions..... 2
Section 1.02.	Equal Security..... 17
ARTICLE II	ISSUANCE, REGISTRATION AND TRANSFER OF BONDS
Section 2.01.	Authorization and Purpose of 2009A Bonds 17
Section 2.02.	Execution of Bonds..... 17
Section 2.03.	Transfer and Payment of Bonds..... 18
Section 2.04.	Exchange of Bonds 18
Section 2.05.	Bond Registration Books 19
Section 2.06.	Mutilated, Destroyed, Stolen or Lost Bonds..... 19
Section 2.07.	Validity of Bonds 19
Section 2.08.	Book-Entry System..... 20
Section 2.09.	Procedure for Issuance of Bonds 21
ARTICLE III	TERMS OF 2009A BONDS
Section 3.01.	Terms of 2009A Bonds..... 22
Section 3.02.	Redemption of Bonds 23
Section 3.03.	Form of Bonds 24
Section 3.04.	Execution and Delivery of Additional Bonds..... 24
Section 3.05.	Proceedings for Execution and Delivery of Additional Bonds..... 25
ARTICLE IV	ESTABLISHMENT OF FUNDS; DEPOSIT AND APPLICATION OF PROCEEDS
Section 4.01.	Establishment of Funds and Accounts..... 26
Section 4.02.	Application of Proceeds..... 26
Section 4.03.	Use of Moneys in Acquisition Fund 27
Section 4.04.	[Reserve Fund 27
ARTICLE V	REVENUES
Section 5.01.	Pledge of Revenues..... 29
Section 5.02.	Receipt and Deposit of Revenues in the Payment Fund 29
Section 5.03.	Maintenance of Accounts for Use of Money in the Payment Fund 29
Section 5.04.	Investment of Moneys in Funds and Accounts..... 30
ARTICLE VI	COVENANTS OF THE AUTHORITY
Section 6.01.	Punctual Payment and Performance 31
Section 6.02.	Rebate Fund 31
Section 6.03.	Eminent Domain 33
Section 6.04.	Accounting Records and Reports..... 33
Section 6.05.	The City's Budgets 34
Section 6.06.	Agreement and Other Documents..... 34

TABLE OF CONTENTS

(continued)

Page

Section 6.07.	Other Liens.....	34
Section 6.08.	Prosecution and Defense of Suits	35
Section 6.09.	Continuing Disclosure	35
Section 6.10.	Further Assurances.....	35
ARTICLE VII THE TRUSTEE		
Section 7.01.	Appointment and Acceptance of Duties	35
Section 7.02.	Duties, Immunities and Liabilities of Trustee.....	36
Section 7.03.	Merger or Consolidation.....	37
Section 7.04.	Compensation	37
Section 7.05.	Liability of Trustee	38
Section 7.06.	Right to Rely on Documents.....	39
Section 7.07.	Preservation and Inspection of Documents.....	39
ARTICLE VIII [RESERVED]		
ARTICLE IX AMENDMENT OF INDENTURE		
Section 9.01.	Amendment of Indenture	39
Section 9.02.	Disqualified Subordinated Bonds	40
Section 9.03.	Endorsement or Replacement of Bonds After Amendment	40
Section 9.04.	Amendment by Mutual Consent	40
ARTICLE X EVENTS OF DEFAULT AND REMEDIES OF HOLDERS		
Section 10.01.	Events of Default and Acceleration of Maturities	41
Section 10.02.	Proceedings by Trustee	42
Section 10.03.	Effect of Discontinuance or Abandonment.....	42
Section 10.04.	Rights of Owners	42
Section 10.05.	Restrictions on Owners' Actions	43
Section 10.06.	Power of Trustee to Enforce	43
Section 10.07.	Remedies Not Exclusive	43
Section 10.08.	Waiver of Events of Default; Effect of Waiver	44
Section 10.09.	Application of Moneys	44
ARTICLE XI DEFEASANCE		
Section 11.01.	Discharge of Bonds.....	45
Section 11.02.	Unclaimed Money.....	47
ARTICLE XII MISCELLANEOUS		
Section 12.01.	Liability of Authority Limited to Revenues.....	47
Section 12.02.	Benefits of Indenture Limited to Parties.....	47
Section 12.03.	Successor Is Deemed Included in All References to Predecessor	48
Section 12.04.	Execution of Documents by Owners	48
Section 12.05.	Waiver of Personal Liability.....	48

TABLE OF CONTENTS
(continued)

	Page
Section 12.06. Acquisition of Bonds by Authority.....	48
Section 12.07. Destruction of Cancelled Bonds	48
Section 12.08. Content of Certificates	49
Section 12.09. Accounts and Funds.....	49
Section 12.10. Article and Section Headings and References.....	49
Section 12.11. Partial Invalidity.....	49
Section 12.12. Execution in Several Counterparts.....	50
Section 12.13. Law Governing	50
Section 12.14. Notices	50
EXECUTION	51
EXHIBIT A – FORM OF BOND	A-1
EXHIBIT B – FORM OF REQUISITION REQUEST	B-1
EXHIBIT C – TRUSTEE’S FEE LETTER	C-1

INDENTURE

This Indenture, dated as of January 1, 2009 (this "Indenture"), is by and between the PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO, a California joint exercise of powers entity (the "Authority"), and WELLS FARGO BANK, NATIONAL ASSOCIATION, a national banking association existing under and by virtue of the laws of the United States of America, as trustee (the "Trustee"), and

WITNESSETH:

WHEREAS, the Authority was organized and established to finance, acquire, construct, maintain, repair, operate, and control certain capital facilities improvements for the City of San Diego (the "City"), and the San Diego Facilities and Equipment Leasing Corporation, a nonprofit corporation duly organized and existing under and by virtue of the laws of the State of California (the "Corporation"), was incorporated to acquire and lease and/or sell to the City real and personal property to be used in the operation of the City; and

WHEREAS, the City desires to add, better, extend and improve its Water System as more fully described in Exhibit A to the Agreement (as herein defined) and as modified in accordance with the provisions thereof (the "Project"); and

WHEREAS, to effect such acquisition, construction, installation and improvements, the Corporation has and will from time to time sell components of the Project to the City pursuant to the Agreement; and

WHEREAS, in order to provide funds for the purchase of certain components of the Project, the Corporation has previously caused to be executed and delivered the Outstanding Parity Obligations and the Authority has previously issued the Outstanding Subordinated Bonds and the Outstanding Subordinated Notes (each as herein defined); and

WHEREAS, to provide funds to pay the 2007A Subordinated Notes and to refund all or a portion of the Outstanding Parity Obligations (each, as defined herein), the Authority desires to issue its [Subordinated] Water Revenue Bonds, Refunding Series 2009A (Payable Solely From [Subordinated] Installment Payments Secured by Net System Revenues of the Water Utility Fund) (the "2009A Bonds"), in the aggregate principal amount of \$ _____; and

WHEREAS, the 2009A Bonds will be secured by the Series 2009A [Subordinated] Installment Payments to be made by the City pursuant to that certain 2009A Supplement to the Amended and Restated Master Installment Purchase Agreement, dated as of January 1, 2009 (the "2009A Supplement"), between the City and the Corporation, which Series 2009A [Subordinated] Installment Payments constitute [Subordinated] [Parity] Obligations; and

WHEREAS, the Trustee and the Authority desire to set forth the terms and conditions of the Bonds issued hereunder; and

WHEREAS, to provide for the authentication and delivery of the Bonds, to establish and declare the terms and conditions upon which the Bonds are to be issued and secured and to

secure the payment of the principal thereof and interest thereon, the Authority has authorized the execution and delivery of this Indenture; and

WHEREAS, all acts and proceedings required by law necessary to make the Bonds, when issued and executed by the Authority and authenticated and delivered by the Trustee, the valid, binding and legal limited obligations of the Authority, and to constitute this Indenture a valid and binding agreement for the uses and purposes herein set forth in accordance with its terms, have been done and taken, and the execution and delivery of this Indenture have been in all respects duly authorized;

NOW, THEREFORE, THIS INDENTURE WITNESSETH, that in order to secure the payment of the principal of and interest on all Bonds at any time issued and outstanding under this Indenture, according to their tenor, and to secure the performance and observance of all the covenants and conditions therein and herein set forth, and to declare the terms and conditions upon and subject to which the Bonds are to be issued and received, and in consideration of the premises and of the mutual covenants herein contained and of the purchase and acceptance of the Bonds by the Owners thereof, and for other valuable consideration, the receipt whereof is hereby acknowledged, the Authority does hereby covenant and agree with the Trustee, for the benefit of the respective Owners from time to time of the Bonds, as follows:

ARTICLE I

DEFINITIONS; EQUAL SECURITY

Section 1.01. Definitions. Unless the context otherwise requires, the terms defined in this Section shall for all purposes hereof and of any Supplemental Indenture and of any certificate, opinion, request or other document herein or therein mentioned have the meanings herein specified. Capitalized terms used herein that are not defined herein shall, unless the context otherwise requires, have the meanings ascribed to them in the Agreement.

Acquisition Costs

The term "Acquisition Costs" means all costs of acquiring, constructing, installing or improving the Project, including, but not limited to:

- (1) all costs that the City, on behalf of itself or the Authority, shall be required to pay to a manufacturer, vendor or contractor or any other person under the terms of any contract or contracts for the acquisition, construction, installation or improvement of the Project;
- (2) obligations of the City incurred on behalf of itself or the Authority for labor and materials (including obligations payable to the City for actual out-of-pocket expenses of the City) in connection with the acquisition, construction, installation or improvement of the Project, including reimbursement to the City for all advances and payments made in connection with the Project prior to or after delivery of the Bonds;

(3) the costs of performance or other bonds and any and all types of insurance that may be necessary or appropriate to have in effect during the course of acquisition, construction, installation or improvement of the Project;

(4) all costs of engineering and architectural services, including the actual out-of-pocket costs of the City incurred for test borings, surveys, estimates, plans and specifications and preliminary investigations therefor, development fees and sales commissions, and for supervising acquisition, construction, installation and improvement, as well as for the performance of all other duties required by or consequent to the proper acquisition, construction, installation or improvement of the Project; and

(5) any sums required to reimburse the City for advances made by the City for any of the above items or for any other costs incurred and for work done by the City which are properly chargeable to the acquisition, construction, installation or improvement of the Project.

Acquisition Fund

The term "Acquisition Fund" means the fund by that name established under Section 4.01(a) hereof.

Additional Bonds

The term "Additional Bonds" means those Bonds authorized and issued hereunder on a parity with the 2009A Bonds, in accordance with Section 3.04 hereof.

Agreement

The term "Agreement" means the Amended and Restated Master Installment Purchase Agreement, dated as of January 1, 2009, as supplemented by a 1998 Supplement to Master Installment Purchase Agreement, dated as of August 1, 1998, a 2002 Supplement to Master Installment Purchase Agreement, dated as of October 1, 2002, a 2007A Supplement to Master Purchase Agreement, dated as of January 1, 2007, a 2008A Supplement to Master Installment Purchase Agreement, dated as of February 1, 2008, and the 2009 Supplement, each by and between the City and the Corporation.

Authority

The term "Authority" means the Public Facilities Financing Authority of the City of San Diego, a California joint exercise of powers entity.

Authorized Denominations

The term "Authorized Denominations" means, with respect to the Bonds, \$5,000 and any integral multiple thereof and with respect to any Additional Bonds, the authorized denominations specified in a Supplemental Indenture related to such Additional Bonds.

Beneficial Owners

The term “Beneficial Owners” means those individuals, partnerships, corporations or other entities for whom the Participants have caused the Depository to hold Book-Entry Bonds.

Board

The term “Board” means the Board of Commissioners of the Authority.

Bond or Bonds; 2009A Bonds

The term “Bond” or “Bonds” means any of the bonds issued hereunder by the Authority, including any Additional Bonds; the term “2009A Bonds” means the Authority’s [Subordinated] Water Revenue Bonds, Refunding Series 2009A (Payable Solely From [Subordinated] Installment Payments Secured By Net System Revenues of the Water Utility Fund), issued hereunder in the original aggregate principal amount of \$_____.

Bond Counsel

The term “Bond Counsel” means a firm of attorneys that are nationally recognized as experts in the laws governing and relating to municipal finance.

Bond Law

The term “Bond Law” means the Marks-Roos Local Bond Pooling Act of 1985, as amended, being Section 6584 *et seq.* of the Government Code of the State.

Book-Entry Bonds

The term “Book-Entry Bonds” means Bonds executed and delivered under the book-entry system described in Section 2.08 hereof.

Business Day

The term “Business Day” means a day of the year which is not a Saturday or Sunday, or a day on which banking institutions located in California are required or authorized to remain closed, or on which the New York Stock Exchange is closed. If the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in this Indenture, shall not be a Business Day, such payment may be made or act performed or right exercised on the next succeeding Business Day, with the same force and effect as if done on the nominal date provided in this Indenture, and, unless otherwise specifically provided in this Indenture, no interest shall accrue for the period from and after such nominal date.

Certificate of the Authority

The term “Certificate of the Authority” means an instrument in writing signed by the Chair, the Vice Chair or the Secretary of the Authority, or by any other officer of the Authority duly authorized by the Authority for that purpose. If and to the extent required by the provisions

of Section 12.08 hereof, each Certificate of the Authority shall include the statements provided for in said Section.

Certificate of the City

The term "Certificate of the City" means an instrument in writing signed by the Chief Financial Officer, the Chief Operating Officer or any of their respective designees.

Charter

The term "Charter" means the Charter of the City as it now exists or may hereafter be amended, and any new or successor Charter.

City

The term "City" means the City of San Diego, a municipal corporation and a charter city duly organized and existing under the Charter and the Constitution of the State.

Closing Date

The term "Closing Date" means any date upon which a Series of Bonds is purchased; the term "2009A Closing Date" means [January __,] 2009.

Code

The term "Code" means the Internal Revenue Code of 1986, as amended, and the regulations thereunder, and any successor laws or regulations.

Components; Refunded Components.

The term "Components" means components of the Project for which the City makes Installment Payments or Subordinated Installment Payments pursuant to any Supplement. The term "Refunded Components" means the Components originally financed with the proceeds of the Refunded Certificates and the Series 2007A Subordinated Notes, which are being refunded with the proceeds of sale of the 2009A Bonds.

Comptroller

The term "Comptroller" means the Comptroller of the City.

Corporate Trust Office of the Trustee

The term "Corporate Trust Office of the Trustee" means the corporate trust office of the Trustee at the address set forth in Section 12.14 hereof or such other or additional offices as may be specified to the Authority by the Trustee in writing.

Corporation

The term "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 of California.

Costs of Issuance

The term "Costs of Issuance" means all items of expense directly or indirectly payable by or reimbursable to the City, the Corporation or the Authority relating to the issuance, sale and delivery of any Bonds hereunder, including but not limited to, costs of preparation and reproduction of documents; fees and expenses of the Feasibility Consultant; fees and expenses of the Authority (including its counsel); expenses of City, Authority and Corporation staff; fees of the City's Financial Advisor; initial fees, expenses and charges of the Trustee (including its counsel); Rating Agency fees; Underwriters' discount; legal fees and charges of Bond Counsel, Disclosure Counsel, Underwriters' counsel, and the City Attorney; and any other cost, charge or fee in connection with the issuance and delivery of the Bonds.

Costs of Issuance Account

The term "Costs of Issuance Account" means the account by that name established within the Acquisition Fund under Section 4.01(a) hereof, for the payment of Costs of Issuance.

Depository

The term "Depository" means the securities depository acting as Depository pursuant to Section 2.08 hereof.

DTC

The term "DTC" means The Depository Trust Company, New York, New York, and its successors.

Event of Default

The term "Event of Default" shall have the meaning set forth in Section 10.01 hereof.

Feasibility Consultant

The term "Feasibility Consultant" means the consultant who, or whose firm, provides services to the City respecting the future ability of Project components being acquired, installed or constructed with proceeds of sale of the Bonds to generate sufficient Net System Revenues to permit the City to incur Additional Obligations, as set forth in Section 5.03 of the Agreement.

Federal Securities

The term "Federal Securities" means the following securities:

- (1) United States Treasury Bills, bonds, and notes for which the full faith and credit of the United States are pledged for payment of principal and interest;
- (2) Direct senior obligations issued by the following agencies of the United States Government: the Federal Farm Credit Bank System, the Federal Home Loan Bank System, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation and the Tennessee Valley Authority;
- (3) Mortgage Backed Securities (except stripped mortgage securities) issued by the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation and the Government National Mortgage Association; and
- (4) United States Treasury Obligations, State and Local Government Series.

Fiscal Year

The term "Fiscal Year" means the fiscal year of the Authority which, as of the date hereof, is the period from July 1 to and including the following June 30.

Fitch

The term "Fitch" means Fitch Ratings and its successors, and if such company shall for any reason no longer perform the functions of a securities rating agency, "Fitch" shall be deemed to refer to any nationally recognized securities rating agency designated by the Authority and the City.

Indenture

The term "Indenture" means this Indenture, dated as of January 1, 2009, between the Authority and the Trustee, as originally executed and as it may from time to time be amended or supplemented by all Supplemental Indentures executed pursuant to the provisions hereof.

Information Services

Information Services being Financial Information, Inc.'s "Daily Called Bond Service," 30 Montgomery Street, 10th Floor, Jersey City, New Jersey 07302, Attention: Editor; Moody's "Municipal and Government," 99 Church Street, 8th Floor, New York, New York 10007, Attention: Municipal News Reports; and Xcitek's "Called Bond Service," 5 Hanover Square, New York, New York 10004, Attention: Bond Redemption Group; provided, however, in accordance with then current guidelines of the Securities and Exchange Commission, Information Services shall mean such other organizations providing information with respect to called bonds as the Authority may designate in writing to the Trustee.

Interest Account

The term "Interest Account" means the account by that name established under Section 4.01(b) hereof.

Interest Payment Date

The term "Interest Payment Date" means August 1, 2009, and each February 1 and August 1 thereafter until the Bonds are paid or redeemed in full.

Letter of Representations

The term "Letter of Representations" means the letter of the Authority delivered to and accepted by the Depository on or prior to the delivery of any Book-Entry Bonds setting forth the basis on which the Depository serves as depository for such Book-Entry Bonds, as originally executed or as it may be supplemented or revised or replaced by a letter to a substitute Depository.

Moody's

The term "Moody's" means Moody's Investors Service, a corporation organized and existing under the laws of the State of Delaware, and its successors, and if such corporation shall for any reason no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Authority and the City.

Nominee

The term "Nominee" means the nominee of the Depository, which may be the Depository, as determined from time to time pursuant to Section 2.08 hereof.

Outstanding

The term "Outstanding," when used as of any particular time with reference to Bonds, means (subject to the provisions of Section 10.02) all Bonds theretofore or thereupon executed by the Authority and authenticated and delivered by the Trustee pursuant to the terms hereof, 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 Section 11.01 hereof;
- (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 hereof.

Outstanding Parity Obligations

The term "Outstanding Parity Obligations" means the outstanding principal amount of the San Diego Facilities and Equipment Leasing Corporation Certificates of Undivided Interest (In Installment Payments Payable from the Net System Revenues of the Water Utility Fund of the City of San Diego) Series 1998, following the refunding described in Section 4.02(b) hereof.

Outstanding Subordinated Bonds

The term "Outstanding Subordinated Bonds" means the outstanding principal amount of the Public Facilities Financing Authority of the City of San Diego Subordinated Water Revenue Bonds, Series 2002 (Payable Solely From Subordinated Installment Payments Secured By Net System Revenues of the Water Utility Fund).

Outstanding Subordinated Notes

The term "Outstanding Subordinated Notes" means the Public Facilities Financing Authority of the City of San Diego Subordinated Water Revenue Notes, Series 2008A (Payable Solely From Subordinated Installment Payments Secured By Net System Revenues of the Water Utility Fund).

Owner

The term "Owner" means any Person who shall be the registered owner of any Outstanding Bond, as shown on the registration books required to be maintained by the Trustee pursuant to Section 2.05 hereof.

Parity Obligations

The term "Parity Obligations" means any Obligations payable from Net System Revenues that are secured by a first priority lien on Net System Revenues and are senior in priority to payment of Subordinated Installment Payments.

Participants

The term "Participants" means those broker-dealers, banks and other financial institutions from time to time for which the Depository holds Book-Entry Bonds as securities depository.

Payment Fund

The term "Payment Fund" means the fund by that name established under Section 4.01(b) hereof.

Permitted Investments

The term "Permitted Investments" means any of the following to the extent then permitted by law and Section 5.04 hereof:

- (1) Federal Securities;

- (2) Obligations of any state, territory or commonwealth of the United States of America or any political subdivision thereof or any agency or department of the foregoing; provided, that at the time of their purchase such obligations are rated "AAA" by two Rating Agencies;
- (3) Bonds, notes, debentures or other evidences of indebtedness issued or guaranteed by any corporation which are, at the time of purchase, rated by each Rating Agency in their respective highest short-term rating categories, or, if the term of such indebtedness is longer than three years, rated "AAA" by two Rating Agencies;
- (4) *Taxable commercial paper or tax-exempt commercial paper with a maturity of not more than 270 days, rated "A1/P1/F1" by two Rating Agencies;*
- (5) Deposit accounts or certificates of deposit, whether negotiable or non-negotiable, issued by a state or national bank (including the Trustee) or a state or federal savings and loan association or a state-licensed branch of a foreign bank; provided, however, that such certificates of deposit or deposit accounts shall be either (a) continuously and fully insured by the Federal Deposit Insurance Corporation; or (b) have maturities of not more than 365 days (including certificates of deposit) and are issued by any state or national bank or a state or federal savings and loan association, the short-term obligations of which are rated in the highest short term letter and numerical rating category by two Rating Agencies;
- (6) Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as bankers acceptances, which bank has short-term obligations outstanding which are rated by two Rating Agencies in their respective highest short-term rating categories, and which bankers acceptances mature not later than 180 days from the date of purchase;
- (7) Any repurchase agreement with any bank or trust company organized under the laws of any state of the United States or any national banking association (including the Trustee), or a state-licensed branch of a foreign bank, having a minimum permanent capital of one hundred million dollars (\$100,000,000) and with short-term debt rated by two Rating Agencies in their respective three highest short-term rating categories or any government bond dealer reporting to, trading with, and recognized as a primary dealer by, the Federal Reserve Bank of New York, which agreement is secured by any one or more of the securities and obligations described in clause (1) of this definition, which shall have a market value (valued at least weekly) not less than 102% of the principal amount of such investment and shall be lodged with the Trustee, the Treasurer or other fiduciary, as custodian for the Trustee, by the bank, trust company, national banking association or bond dealer executing such repurchase agreement. The entity executing each such repurchase agreement required to be so secured shall furnish the Trustee with an undertaking satisfactory to it that the aggregate market value of all such obligations securing each such repurchase agreement (as valued at least weekly) will be an amount equal to 102% the principal amount of such repurchase agreement and the Trustee shall be entitled to rely on each such undertaking;

(8) Any cash sweep or similar account arrangement of or available to the Trustee, the investments of which are limited to investments described in clauses (1), (2) and (7) of this definition and any money market fund, the entire investments of which are limited to investments described in clauses (1), (2) and (7) of this definition and which money market fund is rated in their respective highest rating categories by two Rating Agencies;

(9) Any guaranteed investment contract, including forward delivery agreements ("FDAs") and forward purchase agreements ("FPAs"), with a financial institution or insurance company which has at the date of execution thereof an outstanding issue of unsecured, uninsured and unguaranteed debt obligations or a claims-paying ability rated within the two highest rating categories of two or more Rating Agencies. Only Permitted Investments described in clause (1) above and having maturities equal to or less than 30 years from their date of delivery will be considered eligible for any collateralization/delivery purposes for guaranteed investment contracts, FDAs or FPAs;

(10) Certificates, notes, warrants, bonds or other evidence of indebtedness of the State or of any political subdivision or public agency thereof which are rated in the highest short-term rating category or within one of the three highest long-term rating categories of two Rating Agencies (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date);

(11) For amounts less than \$10,000, interest-bearing demand or time deposits (including certificates of deposit) in a nationally or state-chartered bank, or a state or federal savings and loan association in the State, fully insured by the Federal Deposit Insurance Corporation, including the Trustee or any affiliate thereof;

(12) Investments in taxable money market funds or portfolios restricted to obligations with an average maturity of one year or less and which funds or portfolios are rated in either of the two highest rating categories by two Rating Agencies or have or are portfolios guaranteed as to payment of principal and interest by the full faith and credit of the United States of America;

(13) Investments in the City's pooled investment fund;

(14) Investments in the Local Agency Investment Fund created pursuant to Section 16429.1 of the Government Code of the State;

(15) Shares of beneficial interest in diversified management companies investing exclusively in securities and obligations described in clauses (1) through (12) of this definition and which companies are rated in their respective highest rating categories by two Rating Agencies or have an investment advisor registered with the Securities and Exchange Commission with not less than five years' experience investing in such securities and obligations and with assets under management in excess of five hundred million dollars (\$500,000,000); and

(16) Shares in a California common law trust established pursuant to Title 1, Division 7, Chapter 5 of the Government Code of the State which consists exclusively of

investments permitted by Section 53601 of Title 5, Division 2, Chapter 4 of the Government Code of the State, as it may be amended.

Person

The term "Person" means any legal entity or natural person, as the context may require.

Pre-Refunded Municipals

The term "Pre-Refunded Municipals" means any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice.

Principal Account

The term "Principal Account" means the account of that name established under Section 4.01(b) hereof.

Principal Payment Date

The term "Principal Payment Date" means each August 1, commencing August 1, 20__ through and including August 1, 2038.

Project

The term "Project" means the acquisition, construction, installation and improvements to the Water System described in Exhibit A to the Agreement and as modified with respect to Components in conformance with Section 3.02 of the Agreement.

Project Costs

The term "Project Costs" means the costs of the Project disbursed from time to time by the Comptroller from the Acquisition Fund pursuant to Section 4.03 hereof.

Purchase Price

The term "Purchase Price" means the principal amount plus interest thereon owed by the City under the terms of the Agreement as provided in Section 4.01 thereof and as specified in a Supplement.

Rating Agency

The term "Rating Agency" means Fitch, Moody's or S&P.

Rebate Fund

The term "Rebate Fund" means the fund by that name created under Section 6.02 hereof and any other accounts thereunder.

Record Date

The term "Record Date" means the fifteenth day of the calendar month immediately preceding an Interest Payment Date, whether or not such day is a Business Day.

Redemption Account

The term "Redemption Account" means the account by that name established under Section 4.01(b) hereof.

Refunded Certificates

The term "Refunded Certificates" means those maturities of the San Diego Facilities and Equipment Leasing Corporation Certificates of Undivided Interest (In Installment Payments Payable from the Net System Revenues of the Water Utility Fund of the City of San Diego) Series 1998 to be refunded with a portion of the proceeds of the 2009A Bonds.

Refunded Obligations

The term "Refunded Obligations" means the Refunded Certificates and the Series 2007A Subordinated Notes paid or called and refunded with portions of the proceeds of the Bonds.

Representative

The term "Representative" means Morgan Stanley & Co. Incorporated, as representative of the several Underwriters of the 2009A Bonds.

Requisition

The term "Requisition" means a requisition form, substantially in the form appended hereto as Exhibit B, by which the City shall withdraw moneys from the Acquisition Fund or the Costs of Issuance Account.

[Reserve Fund]

[The term "Reserve Fund" means the fund by that name established under Section 4.01(c) hereof, in which the Reserve Requirement shall be held and invested.]

[Reserve Requirement; 2009A Reserve Requirement]

[The term "Reserve Requirement" means, as of any date of calculation, the least of (i) ten percent (10%) of the proceeds (within the meaning of section 148 of the Code) of the Bonds; (ii) 125% of average annual debt service on the then-Outstanding Bonds; or (iii) the Maximum Annual Debt Service for that and any subsequent year. [The term "2009A Reserve Requirement" shall mean, initially, the sum of \$_____.] Upon early redemption of any of the Bonds, the Authority, at the request of the City, may request the Trustee to recalculate and reduce any Reserve Requirement, whereupon any excess in the Reserve Fund over and above such Reserve Requirement shall be transferred to the Payment Fund.]

Revenues

The term "Revenues" means all Series 2009A [Subordinated] Installment Payments received by or due to be paid to the Corporation pursuant to the 2009A Supplement, and the interest or profits from the investment of money in any account or fund (other than the Rebate Fund) pursuant to Section 5.04 hereof.

S&P

The term "S&P" means Standard & Poor's Ratings Group, a division of The McGraw-Hill Companies, Inc., a corporation organized and existing under the laws of the State of New York, and its successors, and if such corporation shall for any reason no longer perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Authority and the City.

Securities Depository

The term "Securities Depository" means The Depository Trust Company, 55 Water Street, 50th Floor, New York, N.Y. 10041-0099 Attn. Call Notification Department, Fax (212) 855-7232, or, in accordance with then-current guidelines of the Securities and Exchange Commission, such other securities depositories, or no such depositories, as the Authority may indicate in a Written Request of the Authority delivered to the Trustee.

Series 2007A Subordinated Notes

The term "Series 2007A Subordinated Notes" means the Public Facilities Financing Authority of the City of San Diego Non-Transferable Subordinated Water Revenue Notes, Series 2007A (Payable Solely From Subordinated Installment Payments Secured By Net System Revenues of the Water Utility Fund), in the original principal amount of \$57,000,000.

Series 2008A Subordinated Installment Payments

The term "Series 2008A Subordinated Installment Payments" means the Series 2008A Subordinated Installment Payments specified in Section 4.01 of the 2008A Supplement.

Series 2008A Subordinated Notes

The term "Series 2008A Subordinated Notes" means the Public Facilities Financing Authority of the City of San Diego Subordinated Water Revenue Notes, Series 2008A (Payable Solely From Subordinated Installment Payments Secured By Net System Revenues of the Water Utility Fund), in the original principal amount of \$150,000,000.

State

The term "State" means the State of California.

Subordinated Installment Payments

The term "Subordinated Installment Payments" means Installment Payments that are Subordinated Obligations (as defined in the Agreement), scheduled to be paid by the City under and pursuant to any Supplement that has been assigned to the Trustee (as assignee of the Authority) to secure any Subordinated Bonds or Notes[, including the 2009A Supplement].

Supplement

The term "Supplement" means a supplement providing for the payment of specific Installment Payments as the Purchase Price for Components of the Project, executed and delivered by the City and the Corporation.

2007 Supplement

The term "2007 Supplement" means the 2007A Supplement to the Agreement, by and between the City and the Corporation, dated as of January 1, 2007.

2009A [Subordinated] Installment Payments

The term "2009A [Subordinated] Installment Payments" means those Installment Payments scheduled to be paid by the City under the 2009A Supplement.

2009A Supplement

The term "2009A Supplement" means the 2009A Supplement to the Agreement, by and between the City and the Corporation, dated as of January 1, 2009.

Supplemental Indenture

The term "Supplemental Indenture" means any indenture supplemental hereto or amendatory hereof duly executed and delivered by the Authority and the Trustee as authorized hereunder.

Surety Bond

The term "Surety Bond" means a reserve surety bond, insurance policy, letter of credit or other similar instrument providing, by its terms, a stated amount as a credit towards or in satisfaction of all or part of the Reserve Requirement, which shall be held by the Trustee in trust, pursuant to Section 4.04(d) hereof.

Tax Certificate

The term "Tax Certificate" means the Tax Exemption Certificate delivered with respect to Tax-Exempt Bonds on their Closing Date.

Tax Code

The term "Tax Code" means the Internal Revenue Code of 1986, as amended, and the Regulations promulgated by the Internal Revenue Service pursuant thereto.

Tax-Exempt Bonds

The term "Tax-Exempt Bonds" means those Bonds which, by their terms, bear interest that is excluded from gross income for federal income tax purposes, pursuant to the Tax Code.

Treasurer

The term "Treasurer" means the Office of the City Treasurer of the City of San Diego.

1998 Trust Agreement

The term "1998 Trust Agreement" means that certain Trust Agreement, dated as of August 1, 1998, by and among the City, the Corporation and the 1998 Trustee, pursuant to which the Refunded Certificates were executed and delivered.

Trustee

The term "Trustee" means Wells Fargo Bank, National Association, a national banking association existing under and by virtue of the laws of the United States, or any other bank or trust company which may at any time be substituted in its place as provided in Section 7.02 hereof.

1998 Trustee

The term "1998 Trustee" means Wells Fargo Bank, National Association, as successor trustee under the 1998 Trust Agreement.

Underwriters

The term "Underwriters" means, collectively, Morgan Stanley & Co. Incorporated, J.P. Morgan Securities Inc., Estrada Hinojosa, Ramirez & Co., and Siebert Brandford Shank & Co., LLC.

Water System

The term "Water System" means any and all facilities, properties, improvements and works at any time owned, controlled or operated by the City as part of the public utility system of the City for water purposes, for the development, obtaining, conservation, production, storage, treatment, transmission, furnishing and distribution of water and its other commodities or byproducts for public and private use (whether located within or outside the City), and any related or incidental operations designated by the City as part of the Water System, including reclaimed and re-purified water.

Written Request of the Authority

The term "Written Request of the Authority" means an instrument in writing signed by the Chair, the Vice Chair, or the Secretary of the Authority, or by any other officer or Commissioner of the Board duly authorized by the Authority for that purpose.

Written Request of the City

The term "Written Request of the City" means an instrument in writing signed by the Chief Operating Officer, the Chief Financial Officer or any of their respective designees, or by any other official of the applicable administrative departments of the City duly authorized by the City for that purpose.

Section 1.02. Equal Security. In consideration of the acceptance of the Bonds by the Owners thereof, this Indenture shall be deemed to be and shall constitute a contract between the Authority and the Trustee for the benefit of the Owners from time to time of all Bonds authorized, executed, issued and delivered hereunder and then Outstanding to secure the full and final payment of the interest on and principal of and redemption premiums, if any, on all Bonds which may from time to time be authorized, executed, issued and delivered hereunder, subject to the agreements, conditions, covenants and provisions contained herein; and all agreements and covenants set forth herein to be performed by or on behalf of the Authority shall be for the equal and proportionate benefit, protection and security of all Owners of the Bonds without distinction, preference or priority as to security or otherwise of any Bonds over any other Bonds by reason of the number or date thereof or the time of authorization, sale, execution, issuance or delivery thereof, or for any cause whatsoever, except as expressly provided herein or therein.

ARTICLE II

ISSUANCE, REGISTRATION AND TRANSFER OF BONDS

Section 2.01. Authorization and Purpose of 2009A Bonds. The Authority has reviewed all proceedings heretofore taken relative to the authorization of the 2009A Bonds and has determined, as a result of such review, and hereby determines that all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in the issuance of the 2009A Bonds do exist, have happened and have been performed in due time, form and manner as required by law, and that the Authority is now duly authorized to issue the 2009A Bonds in the form and manner provided herein for the purpose of providing funds to finance the payment and refunding of the Refunded Obligations. The 2009A Bonds shall be entitled to the benefit, protection and security of the provisions hereof.

Section 2.02. Execution of Bonds.

(a) The Chair of the Authority is hereby authorized and directed to execute the 2009A Bonds on behalf of the Authority and the Secretary of the Authority is hereby authorized and directed to countersign the 2009A Bonds on behalf of the Authority. The signatures of such Chair and Secretary, may be by printed, lithographed or engraved by facsimile reproduction. In case any officer whose signature appears on the Bonds shall cease to be such officer before the delivery of the 2009A Bonds to the Underwriters thereof, such signature shall

nevertheless be valid and sufficient for all purposes as if such officer had remained in office until such delivery of the 2009A Bonds.

(b) Only those Bonds bearing thereon a certificate of authentication and registration in substantially the form set forth in Exhibit A hereto, executed manually and dated by the Trustee, shall be entitled to any benefit, protection or security hereunder or be valid or obligatory for any purpose, and such certificate of the Trustee shall be conclusive evidence that the Bonds so authenticated and registered have been duly authorized, executed, issued and delivered hereunder and are entitled to the benefit, protection and security hereof.

Section 2.03. Transfer and Payment of Bonds.

(a) Any Bond may, in accordance with its terms, be transferred in the books required to be kept pursuant to the provisions of Section 2.05 by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender, at the Corporate Trust Office of the Trustee, of such Bond for cancellation accompanied by delivery of a duly executed written instrument of transfer in a form approved by the Trustee. Whenever any Bond or Bonds shall be surrendered for transfer, the Authority shall execute and the Trustee shall authenticate and deliver a new Bond or Bonds of a like aggregate principal amount of the same maturity and series. The Trustee shall require the payment by the Owner requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer as a condition precedent to the exercise of such privilege.

(b) The Authority and the Trustee may deem and treat the Owner of any Bond as the absolute owner of such Bond for the purpose of receiving payment thereof and for all other purposes, whether such Bond shall be overdue or not, and neither the Authority nor the Trustee shall be affected by any notice or knowledge to the contrary; and payment of the interest on and principal of and redemption premium, if any, on such Bond shall be made only to such Owner, which payments shall be valid and effectual to satisfy and discharge liability on such Bond to the extent of the sum or sums so paid.

(c) The Trustee shall not be required to register the transfer of any Bond (i) during the period commencing on the day five Business Days before the date on which Bonds are to be selected for redemption and ending on such date of selection, or (ii) which has been selected for redemption in whole or in part.

Section 2.04. Exchange of Bonds.

(a) The Bonds may be exchanged at the Corporate Trust Office of the Trustee for a like aggregate principal amount of Bonds of the same maturity and series of other Authorized Denominations. The Trustee shall require the payment by the Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange as a condition precedent to the exercise of such privilege.

(b) The Trustee shall not be required to register the exchange of any Bond (i) during any period commencing with the close of business on the 15th day next preceding any Interest Payment Date and ending on such Interest Payment Date; (ii) during the period

commencing 15 days before the mailing of any notice of redemption and ending on the day of such mailing; or (iii) that has been selected for redemption in whole or in part.

Section 2.05. Bond Registration Books. The Trustee shall keep at its office sufficient books for the registration of the Bonds which shall at all times be open to inspection by the Authority during normal business hours with reasonable prior notice, and upon presentation for such purpose the Trustee shall, under such reasonable regulations as it may prescribe and register the Bonds in such books as hereinabove provided.

Section 2.06. Mutilated, Destroyed, Stolen or Lost Bonds.

(a) If any Bond shall become mutilated, then the Trustee, at the expense of the Owner thereof, shall thereupon authenticate and deliver a new Bond in exchange and substitution for the Bond so mutilated, but only upon surrender, at the Corporate Trust Office of the Trustee, of the Bond so mutilated. Every mutilated Bond so surrendered to the Trustee shall be cancelled by the Trustee and delivered to, or upon the order of, the Authority.

(b) If any Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and, if such evidence be satisfactory to the Trustee and indemnity satisfactory to the Trustee shall be given, then the Trustee, at the expense of the Owner, shall thereupon authenticate and deliver a new Bond of like maturity and Authorized Denomination in lieu of and in substitution for the Bond so lost, destroyed or stolen.

(c) The Trustee may require payment of a reasonable sum for each new Bond issued under this Section and of the expenses that may be incurred by the Authority and the Trustee. Any Bond issued under the provisions of this Section in lieu of any Bond alleged to be lost, destroyed or stolen shall be equally and proportionately entitled to the benefits of this Indenture with all other Bonds secured by this Indenture. Neither the Authority nor the Trustee shall be required to treat both the original Bond and any replacement Bond as being Outstanding for the purpose of determining the principal amount of Bonds which may be issued hereunder or for the purpose of determining any percentage of Bonds Outstanding hereunder, but both the original and replacement Bond shall be treated as one and the same.

Section 2.07. Validity of Bonds. From and after the applicable Closing Date, the findings and determinations of the Authority respecting the Bonds shall be conclusive evidence of the existence of the facts so found and determined in any action or proceeding in any court in which the validity of the Bonds shall be required: (a) to see to the existence of any fact; or (b) to the performance of any condition; or (c) to the taking of any proceeding required prior to such issuance; or (d) to the application of the proceeds of sale of the Bonds. The validity of the issuance of the Bonds shall not depend on or be affected in any way by the proceedings taken by the Authority or the City for the financing of the Project or by any contracts entered into by the City or its agents on behalf of the City or the Authority in connection therewith, and shall not depend on the completion of the acquisition or installation of the Project or on the performance by any person, firm or authority of his or its obligation with respect thereto. The recital contained in the Bonds that the same are issued pursuant hereto shall be conclusive evidence of their validity and of the regularity of their issuance, and the validity of all Bonds shall be incontestable from and after their date of issuance. The Bonds shall be deemed to be issued,

within the meaning hereof, whenever the Bonds shall have been delivered to the Underwriters and the proceeds of sale thereof received.

Section 2.08. Book-Entry System.

(a) Prior to the execution and delivery of the Bonds executed and delivered hereunder, the Authority may provide that such shall be initially executed and delivered as Book-Entry Bonds, and in such event, the Bonds shall be in the form of a single fully registered Bond for each maturity. Upon initial execution and delivery, the ownership of each such Bond shall be registered in the bond register in the name of the Nominee, as nominee of the Depository. Payment of principal or interest for any Book-Entry Bonds registered in the name of the Nominee shall be made on the payment date by wire transfer of New York clearing house or equivalent next day funds or by wire transfer of same day funds to the account of the Nominee. Such payments shall be made to the Nominee at the address which is, on the regular Record Date or special record date, as the case may be, shown for the Nominee in the bond register of the Trustee.

(b) With respect to Book-Entry Bonds, the City, the Authority and the Trustee shall have no duty, responsibility or obligation to any Participant, or to any person on behalf of which such a Participant holds an interest in such Book-Entry Bonds or to the Beneficial Owners of such Book-Entry Bonds. Without limiting the immediately preceding sentence, the City, the Authority and the Trustee shall have no responsibility or obligation with respect to: (i) the accuracy of the records of the Depository, the Nominee, or any Participant with respect to any ownership interest in Book-Entry Bonds; (ii) the delivery to any Participant or any other person, other than an Owner as shown in the bond register, of any notice with respect to Book-Entry Bonds, including any notice of redemption; (iii) the selection by the Depository and its Participants of the beneficial interests in Book-Entry Bonds to be redeemed in the event the Authority redeems the Bonds in part; (iv) the payment to any Participant or any other person, other than an Owner as shown in the bond register, of any amount with respect to principal of or interest on Book-Entry Bonds; or (v) any consent given or other action taken by the Depository as Owner.

(c) The City, the Authority and the Trustee may treat and consider the person in whose name each Book-Entry Bond is registered in the bond register as the absolute Owner of such Book-Entry Bond for the purpose of payment of principal and interest with respect to such Bond, for the purpose of selecting any Bonds, or portions thereof to be redeemed, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of obtaining any consent or other action to be taken by Owners and for all other purposes whatsoever and the City, the Authority and the Trustee shall not be affected by any notice to the contrary.

(d) In the event of a redemption necessitating a reduction in aggregate principal amount of Bonds Outstanding, or a redemption of part of the Bonds Outstanding, the Depository, in its discretion, (i) may request the Trustee to execute and deliver a new Bond, or (ii) if DTC is the sole Owner of the Bonds, shall make an appropriate notation on the Bond indicating the date and amounts of such reduction in principal except in the case of final maturity, in which case the Bond must be presented to the Trustee prior to payment.

(e) The Trustee shall pay all principal, premium, if any, and interest on the Bonds only to or "upon the order of" (as that term is used in the Uniform Commercial Code as adopted in the State of California) the respective Owner, as shown in the bond register, or his respective attorney duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the City's obligations with respect to payment of principal, premium, if any, and interest on the Bonds to the extent of the sum or sums so paid. No person other than an Owner, as shown in the bond register, shall receive a Bond evidencing the obligation to make payments of principal, premium, if any, and interest on the Bonds. Upon delivery by the Depository to the Owner, the Trustee, the Authority and the City of written notice to the effect that the Depository has determined to substitute a new nominee in place of the Nominee, such new nominee shall become the Nominee hereunder for all purposes, and upon receipt of such a notice, the Authority shall deliver a copy of the same to the Trustee.

(f) To qualify the Book-Entry Bonds for the Depository's book-entry system, the Authority shall, if necessary, execute and deliver to the Depository a Letter of Representations. The execution and delivery of a Letter of Representations shall not in any way impose upon the Authority, the City or the Trustee any obligation whatsoever with respect to persons having interests in such Book-Entry Bonds other than the Owners, as shown on the bond register of the Trustee. Such Letter of Representations may provide the time, form, content, and manner of transmission, of notices to the Depository. In addition to the execution and delivery of a Letter of Representations by the Trustee, the Authority and the Trustee shall take such other actions, not inconsistent with this Indenture, as are reasonably necessary to qualify Book-Entry Bonds for the Depository's book-entry program.

(g) Notwithstanding any other provision of this Indenture to the contrary, so long as any Book-Entry Bond is registered in the name of DTC, or its nominee, all payments with respect to principal, premium, if any, and interest on such Bond and all notices with respect to such Bonds shall be made and given, respectively, as provided in the Letter of Representations or as otherwise instructed by the Depository.

(h) In connection with any notice or other communication to be provided to Owners pursuant to this Indenture by the Authority or the Trustee, at the direction of the Authority, with respect to any consent or other action to be taken by the Owners, the Authority or the Trustee, as the case may be, shall establish a record date for such consent or other action and give the Depository notice of such record date not less than 15 calendar days in advance of such record date to the extent possible. Notice to the Depository shall be given only when DTC is the sole Owner of the Bonds.

Section 2.09. Procedure for Issuance of Bonds. The Authority may, at any time, execute the Bonds for issuance hereunder and deliver them to the Trustee, and thereupon the Bonds shall be authenticated and delivered by the Trustee to the Underwriters upon the Written Request of the Authority and receipt of payment therefor from the Underwriters.

ARTICLE III

TERMS OF 2009A BONDS

Section 3.01: Terms of 2009A Bonds.

(a) The 2009A Bonds shall be designated "Public Facilities Financing Authority of the City of San Diego [Subordinated] Water Revenue Bonds, Refunding Series 2009A (Payable Solely From [Subordinated] Installment Payments Secured by Net System Revenues of the Water Utility Fund)" and shall be in the aggregate principal amount of _____ Million Dollars (\$_____). The 2009A Bonds shall be dated their date of delivery, shall be issued only in fully registered form in Authorized Denominations, and shall mature on the dates and in the principal amounts and shall bear interest at the rates set forth in the following schedule, commencing on August 1, 2009:

Maturity Date <u>(August 1)</u>	Principal <u>Amount</u>	Interest <u>Rate</u>
--	--	---------------------------------------

(b) The 2009A Bonds which mature on August 1, 20___, are subject to mandatory sinking fund redemption, with sinking account payments payable on August 1 in each of the years, at a redemption price of par, plus interest accrued to the date fixed for redemption, in the principal amounts as follows:

2009A Bonds Maturing August 1, 20___

Sinking Fund Payment Dates <u> (August 1)</u>	<u>Principal Amount</u>
---	-------------------------

*

*Maturity.

(c) The 2009A Bonds which mature on August 1, 20___, are subject to mandatory sinking fund redemption, with sinking account payments payable on August 1 in each of the years, at a redemption price of par, plus interest accrued to the date fixed for redemption, in the principal amounts as follows:

2009A Bonds Maturing August 1, 20

Sinking Fund Payment Dates
(August 1)

Principal Amount

*

*Final Maturity.

(d) Interest on the Bonds shall be calculated on the basis of a 360-day year, comprised of twelve 30-day months. Interest coming due on a date which is not a Business Day shall be payable on the immediately following Business Day. Each Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless such date of authentication is during the period commencing after a Record Date through and including the next succeeding Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or unless such date of authentication is on or before the first Record Date, in which event it shall bear interest from its dated date; provided, however, that if on the date of authentication of any Bonds, interest is then in default on the Outstanding Bonds, such Bonds shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment on the Outstanding Bonds.

(e) Payment of interest on the Bonds due on or before the maturity or prior redemption thereof shall be made to the Owner or Owners of record as of the Record Date preceding the applicable Interest Payment Date, on the registration books kept by the Trustee pursuant to Section 2.05 hereof, such interest to be paid by check mailed by first class mail on such Interest Payment Date to such Owner at his address as it appears on such books; provided, that in the event the ownership of such Bonds is no longer maintained in book-entry form by the Depository, such payment shall be made by wire transfer to any Owner of at least \$1,000,000 in aggregate principal amount of Bonds, in immediately available funds to an account in the continental United States designated in writing by such Owner to the Trustee prior to the applicable Record Date.

Section 3.02. Redemption of Bonds.

(a) Optional Redemption. The 2009A Bonds shall be subject to redemption, in whole or in part, at the option of the Authority (upon the direction of the City), on or after August 1, 20 , at any time, from and to the extent of prepaid Series 2009A [Subordinated] Installment Payments paid pursuant to Section 5.01 of the 2009A Supplement, at a redemption price equal to the principal amount of 2009A Bonds called for redemption, together with interest accrued thereon to the date fixed for redemption, without premium.

(b) Mandatory Sinking Fund Redemption. The 2009A Bonds which are Term Bonds shall be subject to mandatory redemption, on each date which a sinking account payment for such Term Bonds is payable from sinking account payments contemplated by Sections 3.01(b) and (c), by lot, in an amount equal to such sinking account payments, plus accrued interest to the redemption date and without premium. At the option of the Authority, it may credit against any sinking account payment requirement Term Bonds or portions thereof

which are of the same maturity as the Term Bonds subject to redemption and which, prior to said date, have been purchased, with funds other than moneys in a Sinking Account as hereinafter defined, at public or private sale or redeemed and cancelled by the Authority and not theretofore applied as a credit against any mandatory sinking account payment requirement.

(c) Notice. Each notice of redemption shall be mailed to the Owners not more than 60 days nor less than 30 days prior to the redemption date and shall state the date of such notice, the redemption price (including the name and appropriate address of the Trustee), and, in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice shall also state that on said date there will become due and payable on each of said Bonds thereof and in the case of a Bond to be redeemed in part only, the specified portion of the principal amount thereof to be redeemed, together with interest accrued thereon to the redemption date, and that from and after such redemption date, interest thereon shall cease to accrue, and shall require that such Bonds be then surrendered at the address of the Trustee specified in the redemption notice. Notice of redemption may be conditioned upon the occurrence of one or more events and may be revoked prior to the redemption date.

If notice of redemption has been duly given as aforesaid and money for the payment of the redemption price of the Bonds called for redemption is held by the Trustee, then on the redemption date designated in such notice, the Bonds shall become due and payable, and from and after the date so designated, interest on the Bonds so called for redemption shall cease to accrue, and the Owners of such Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof.

The insufficiency of any such notice shall not affect the sufficiency of the proceedings for redemption.

All Bonds redeemed pursuant to the provisions of this Section shall be cancelled by the Trustee and shall not be reissued, and the Trustee shall thereupon deliver a certificate of cancellation to the Authority.

Section 3.03. Form of Bonds. The Bonds and the authentication and registration endorsement and assignment to appear thereon shall be substantially in the form set forth on Exhibit A hereto.

Section 3.04. Execution and Delivery of Additional Bonds. In addition to the 2009A Bonds, the Trustee shall, upon Written Request of the Authority, by a supplement to this Indenture, establish one or more other series of Bonds secured by the pledge made under this Indenture equally and ratably with any Bonds previously issued and delivered, in such principal amount as shall be determined by the Authority, but only upon compliance with the provisions hereof, the requirements of the Agreement applicable to the incurrence of [Parity] [Subordinated] Obligations and any additional requirements set forth in the applicable Supplemental Indenture, which are hereby made conditions precedent to the execution and delivery of Additional Bonds:

(a) No Event of Default shall have occurred and be then continuing;

(b) The Supplemental Indenture providing for the execution and delivery of such Additional Bonds shall specify the purposes for which such Additional Bonds are then proposed to be delivered, which shall be one or more of the following: (i) to provide moneys needed to provide for Project Costs by depositing into the Acquisition Fund the proceeds of such Additional Bonds to be so applied; (ii) to provide for the payment or redemption of Bonds then Outstanding hereunder, by depositing with the Trustee moneys and/or investments required for such purpose under the defeasance provisions set forth in Article XI hereof; or (iii) to provide moneys needed to refund or refinance all or part of any other current or future obligations of the City with respect to the funding of the Water System. Such Supplemental Indenture may, but shall not be required to, provide for the payment of expenses incidental to such purposes, including the Costs of Issuance of such Additional Bonds, capitalized interest with respect thereto for any period authorized under the Code (in the case of Tax-Exempt Bonds) and, in the case of any Additional Bonds intended to provide for the payment or redemption of existing Bonds, or other Obligations of the City, expenses incident to calling, redeeming, paying or otherwise discharging the Obligations to be paid with the proceeds of the Additional Bonds;

(c) The Authority shall deliver or cause to be delivered to the Trustee, from the proceeds of such Additional Bonds or from any other lawfully available source of moneys, an amount (or a Surety Bond in an amount) sufficient to increase the balance in the Reserve Fund to the Reserve Fund Requirement for all Bonds and Additional Bonds to be then Outstanding;

(d) The Additional Bonds shall be payable as to principal on August 1 and as to interest on February 1 and August 1 of each year during their term, except that the first interest payment due with respect thereto may be for a period of not longer than twelve (12) months;

(e) Fixed serial maturities or mandatory sinking account payments, or any combination thereof, shall be established in amounts sufficient to provide for the retirement of all of the Additional Bonds of such Series on or before their respective maturity dates;

(f) The aggregate principal amount of Bonds and Additional Bonds executed and delivered hereunder shall not exceed any limitation imposed by law or by any Supplemental Indenture; and

(g) The Trustee shall be the Trustee for the Additional Bonds.

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

Section 3.05. Proceedings for Execution and Delivery of Additional Bonds. Whenever the Authority shall determine to file its Written Request with the Trustee for the execution and delivery of Additional Bonds, the Authority shall authorize the execution and delivery of a Supplemental Indenture, specifying the aggregate principal amount and describing the forms of Bonds and providing the terms, conditions, distinctive designation, denominations, date, maturity date or dates, interest rate or rates (or the manner of determining same), Interest Payments and payment dates, redemption provisions and place or places of payment of principal or redemption price, if any, and interest represented by such Additional Bonds not inconsistent with the terms of this Indenture.

Before any series of Additional Bonds may be executed and delivered by the Trustee, the Authority shall file the following documents with the Trustee:

- (a) An executed copy of the applicable Supplemental Indenture;
- (b) A statement of the Authority to the effect that the requirements hereof have been met;
- (c) In the case of a Series of Additional Bonds delivered for the purpose described in Section 11.01(b), irrevocable instructions to the Trustee to give notice as provided in Section 3.02 hereof of redemption of all Bonds to be redeemed in connection therewith; and
- (d) An opinion or opinions of Bond Counsel, to the effect that the execution and delivery of the Additional Bonds, the supplement to this Indenture and related supplements or amendments have been duly authorized by the Authority and meet the requirements of Section 3.04 and this Section; and that the execution and delivery of such Additional Bonds will not, in and of themselves, cause the interest on the Tax-Exempt Bonds to become included within the gross income for purposes of federal income taxation.

ARTICLE IV

ESTABLISHMENT OF FUNDS; DEPOSIT AND APPLICATION OF PROCEEDS

Section 4.01. Establishment of Funds and Accounts.

(a) The Authority shall cause the City to establish and maintain a special trust fund to be held by the Treasurer designated the "City of San Diego Water System Improvement Project Acquisition Fund – 2009A Bonds" (the "Acquisition Fund"). Within the Acquisition Fund, the Treasurer shall establish a special trust fund to be designated the "City of San Diego Water System Improvement Project Costs of Issuance Account – 2009A Bonds" (the "Costs of Issuance Account").

(b) The Trustee shall establish and maintain a special trust fund to be designated the "City of San Diego Water System Improvement Project Payment Fund – 2009A Bonds" (the "Payment Fund"). Within the Payment Fund, the Trustee shall establish and maintain an Interest Account (the "Interest Account"), a Principal Account (the "Principal Account"), and a Redemption Account (the "Redemption Account").

(c) [The Trustee shall establish and maintain a special trust fund to be designated the "City of San Diego Water System Improvement Project Reserve Fund" (the "Reserve Fund") and within the Reserve Fund, a "Reserve Account – 2009A Bonds" (the "2009A Reserve Account").]

Section 4.02. Application of Proceeds. Upon the receipt of payment for the 2009A Bonds from the Underwriters on the Closing Date, the Trustee shall apply the proceeds thereof as follows:

(a) The Trustee shall transfer to the Treasurer, for deposit into the Costs of Issuance Account within the Acquisition Fund, the sum of \$ _____ as and for the payment of the Costs of Issuance for the 2009A Bonds;

(b) [The Trustee shall deposit the [amount of \$ _____, being the 2009A Reserve Requirement,] [the Surety Bond] in the 2009A Reserve Account to be drawn upon as provided herein;]

(c) The Trustee shall transfer to the 1998 Trustee the amount of \$ _____, to be invested as provided in the 1998 Trust Agreement and applied to call and prepay the Refunded Certificates; and

(d) The Trustee shall pay over the sum of \$ _____ to the registered owner of the Series 2007A Subordinated Notes, which amount constitutes the full maturing principal thereof and interest thereon.

Section 4.03. Use of Moneys in Acquisition Fund. The Acquisition Fund shall initially be unfunded. The Treasurer shall hold moneys in the Costs of Issuance Account within the Acquisition Fund and the Comptroller shall disburse moneys therefrom to pay Costs of Issuance with respect to the 2009A Bonds. Such disbursements shall be made from time to time upon receipt of Requisitions of the City on behalf of the Authority substantially in the form attached hereto as Exhibit B.

Section 4.04. [Reserve Fund] (a) The Reserve Fund is to be a separate fund held in trust by the Trustee. The Trustee shall receive for deposit into the Reserve Fund [the Surety Bond] [\$ _____] in satisfaction of the 2009A Reserve Requirement. An amount equal to the Reserve Requirement shall be maintained in or credited to the Reserve Fund at all times, subject to the provisions of subsection (e) of this Section, and any deficiency therein shall be replenished from the first available Revenues pursuant to Section 4.04(e) below.]

(b) [Moneys in or available from the Reserve Fund shall be used solely for the purpose of paying the principal of and interest on the Bonds, including the redemption price of the Bonds coming due and payable by operation of mandatory sinking fund redemption pursuant to Section 3.01(b) or (c), in the event that the moneys in the Payment Fund are insufficient therefor. While the Surety Bond is in effect, not less than two Business Days prior to each Interest Payment Date, the Trustee shall ascertain the necessity for a draw upon the Surety Bond and, if a draw is necessary, shall provide notice thereof to the provider of the Surety Bond in accordance with the terms of the Surety Bond at least two Business Days prior to each Interest Payment Date. In the event that the amount on deposit in the Payment Fund on any date is insufficient to enable the Trustee to pay in full the aggregate amount of principal of and interest on the Bonds coming due and payable, including the redemption price of the Bonds coming due and payable by operation of mandatory sinking fund redemption pursuant to Section 3.01(b), (c), (e) or (f), the Trustee shall withdraw the amount of such insufficiency from the Reserve Fund or make a draw upon the Surety Bond in the amount of such insufficiency and transfer such amount to the Payment Fund.]

(c) [In the event that the amount on deposit in the Reserve Fund exceeds the Reserve Requirement on the fifteenth (15th) calendar day of the month preceding any Interest Payment Date, the amount of such excess shall be withdrawn therefrom by the Trustee and transferred to (a) the Rebate Fund, to the extent required under Section 6.02, or (b) the Payment Fund.]

(d) [The Authority may replace all or a portion of the Reserve Requirement, if originally funded with cash, with one or more Surety Bonds. Upon deposit of any Surety Bond with the Trustee, the Trustee shall transfer to the Acquisition Fund from amounts in the Reserve Fund an amount equal to the principal of the Surety Bond, which principal shall comprise the Reserve Requirement hereunder, or make other transfers in accordance with a Written Direction of the City.]

[In any case where the Reserve Fund is funded with a combination of cash and a Surety Bond, the Trustee shall deplete all cash balances before drawing on the Surety Bond. With regard to replenishment, any available moneys provided by the City shall be used first to reinstate the Surety Bond and second, to replenish the cash in the Reserve Fund in accordance with subsection (e) of this Section. In the event the Surety Bond is drawn upon, the City shall make payment of interest on amounts advanced under the Surety Bond after making any payments pursuant to Section 5.03.]

[In the event the Surety Bond is scheduled to lapse or expire, the Trustee shall draw upon such Surety Bond prior to its lapsing or expiring in the full amount of such Surety Bond, make deposits from available Revenues to the Reserve Fund to increase the amount on deposit therein to the Reserve Requirement or substitute such Surety Bond with a Surety Bond that satisfies the requirements of this Section.]

[In no event shall the City or the Authority be required to replace any Surety Bond initially delivered hereunder with a similar instrument or with cash.]

(e) [In the event that the amount on deposit in the Reserve Fund at any time falls below the Reserve Requirement or in the event of a draw on the Surety Bond deposited therein, the Trustee shall promptly notify the City and the Authority of such fact and the Trustee shall promptly (A)(i) withdraw the amount of such insufficiency from available Revenues on deposit in the Payment Fund, and (ii) transfer such amount to the Reserve Fund or (B)(i) withdraw an amount necessary to repay such drawing on the Surety Bond and related expenses. Repayment of draws, expenses and accrued interest (collectively, "Policy Costs") shall commence in the first month following each draw, and each such monthly payment shall be in an amount at least equal to 1/12 of the aggregate of Policy Costs related to such draw. No deposit need be made in the Reserve Fund so long as the balance therein, taken together with amounts available under any Surety Bond, at least equals the Reserve Requirement. Upon receipt of written notice from the Trustee of a shortfall in the Reserve Fund, the City shall promptly transfer to the Trustee from Net System Revenues an amount sufficient to restore the balance on deposit in or credited to the Reserve Fund to the Reserve Requirement and to repay any amounts then due to the provider of the Surety Bond, if any.]

ARTICLE V

REVENUES

Section 5.01. Pledge of Revenues.

(a) All Revenues and amounts on deposit in the funds and accounts established hereunder (other than amounts on deposit in the Rebate Fund created pursuant to Section 6.02) are hereby irrevocably pledged to the payment of the interest on and principal of the Bonds but only as provided herein, and the Revenues shall not be used for any other purpose while any of the Bonds remain Outstanding; provided, that out of the Revenues there may be allocated such sums for such purposes as are expressly permitted by Section 5.03.

(b) To secure the pledge of the Revenues contained in this Section, the Authority hereby transfers, conveys and assigns to the Trustee, for the benefit of the Owners, all of the Authority's rights under the 2009A Supplement, including the right to receive [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 Refunded Components and the right to exercise any remedies provided therein in the event of a default by the City thereunder. The Trustee hereby accepts said assignment for the benefit of the Owners subject to the provisions of this Indenture.

(c) The Trustee shall be entitled to and shall receive all of the 2009A [Subordinated] Installment Payments, and any 2009A [Subordinated] Installment Payments collected or received by the Authority shall be deemed to be held, and to have been collected or received, by the Authority as agent of the Trustee and shall forthwith be paid by the Authority to the Trustee.

Section 5.02. Receipt and Deposit of Revenues in the Payment Fund. To carry out and effectuate the pledge contained herein, the Authority agrees and covenants that all Revenues when and as received shall be received in trust hereunder for the benefit of the Owners and shall be deposited when and as received in the Payment Fund. All Revenues shall be accounted for through and held in trust in the Payment Fund, and the Authority shall have no beneficial right or interest in any of the Revenues except only as herein provided. All Revenues, whether received by the Authority in trust or deposited with the Trustee as herein provided, shall nevertheless be allocated, applied and disbursed solely to the purposes and uses hereinafter set forth in this Article, and shall be accounted for separately and apart from all other accounts, funds, money or other assets of the Authority.

Section 5.03. Maintenance of Accounts for Use of Money in the Payment Fund.

(a) Subject to Section 7.02, all money in the Payment Fund shall be deposited by the Trustee in the following respective special accounts within the Payment Fund (each of which is hereby created and each of which the Trustee hereby covenants and agrees to maintain) in the following order of priority:

- (i) Interest Account,

- (ii) Principal Account, and
- (iii) Redemption Account.

All money in each of such Accounts shall be held in trust by the Trustee and shall be applied, used and withdrawn only for the purposes hereinafter authorized in this Section.

(b) On or before each Interest Payment Date, the Trustee shall transfer from the Payment Fund and deposit in the Interest Account that amount of money that, together with any money contained in the Interest Account, equals the aggregate amount of interest becoming due and payable on all Outstanding Bonds on such Interest Payment Date. No deposit need be made in the Interest Account if the amount contained in the Interest Account equals at least the aggregate amount of interest becoming due and payable on all Outstanding Bonds on such Interest Payment Date. All money in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds redeemed prior to maturity).

(c) On or before each Principal Payment Date, the Trustee shall transfer from the Payment Fund and deposit in the Principal Account that amount of money that, together with any money contained in the Principal Account, equals the aggregate principal becoming due and payable on all Outstanding Bonds. No deposit need be made in the Principal Account if the amount contained therein is at least equal to the aggregate amount of principal become due and payable on all Outstanding Bonds. All money in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Bonds as it shall become due and payable.

(d) In addition to the above accounts, the Trustee shall establish and maintain within the Payment Fund a special account designated the "Redemption Account." All money in the Redemption Account shall be held in trust by the Trustee and shall be applied, used, and withdrawn either to redeem the Bonds pursuant to Article III for the purposes authorized in this subsection (d). Any moneys that, pursuant to Section 7.01 of the Agreement and the related provisions of any Supplements, are to be used to redeem Bonds shall be deposited by the Trustee in the Redemption Account. The Trustee shall, on the scheduled redemption date, withdraw from the Redemption Account and pay to the Owners entitled thereto an amount equal to the redemption price of the Bonds to be redeemed on such date.

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

Section 5.04. Investment of Moneys in Funds and Accounts. Moneys in the Acquisition Fund shall be accounted for by the Comptroller and invested by the Treasurer in any legally permitted investment, including but not limited to the pooled investment fund of the City. In the absence of a Written Request of the City, the Trustee may invest moneys in the funds and

accounts held by the Trustee in Permitted Investments described in clause (8) of the definition of Permitted Investments. The obligations in which moneys in the said funds and accounts are invested shall mature prior to the date on which such moneys are estimated to be required to be paid out hereunder. For purposes of determining the amount of deposit in any fund or account held hereunder, all investments credited to such fund or account shall be valued at the lesser of market value or the cost thereof. The Trustee shall semiannually, on or before January 15 and July 15 of each year, and at such times as the Authority shall deem appropriate, value the investments in the funds and accounts hereunder on the basis of the lesser of market value or the cost thereof. Except as otherwise provided in this Section, Permitted Investments representing an investment of moneys attributable to any fund or account hereunder and all investment profits or losses thereon shall be deemed at all times to be a part of said fund or account.

ARTICLE VI

COVENANTS OF THE AUTHORITY

Section 6.01. Punctual Payment and Performance. The Authority shall punctually pay the interest and the principal to become due on every Bond issued hereunder in strict conformity with the terms hereof and of the Bonds, and shall faithfully observe and perform all the agreements and covenants contained herein and in the Bonds.

Section 6.02. Rebate Fund.

(a) The Trustee shall and does hereby establish a special fund designated as the "Rebate Fund" and shall maintain such accounts within the Rebate Fund as it is instructed by the Authority as shall be necessary in order to comply with the applicable Tax Certificate (which is incorporated herein by reference). The Trustee shall deposit moneys in the Rebate Fund made available by the Authority and/or the City pursuant to a Written Request of the City. All money at any time deposited in the Rebate Fund shall be governed by this Section and the Tax Certificate and shall be held by the Trustee in trust, to the extent required to satisfy the amount required to be rebated to the United States under the Code, and none of the City, the Corporation, Authority, the Trustee nor the Owners shall have any rights in or claims to such money. The Trustee shall make information regarding the investments hereunder available to the City, shall invest the Rebate Fund in Permitted Investments pursuant to a Written Request of the City that is in conformity with the restrictions set forth in the Tax Certificate and shall deposit income from such Permitted Investments immediately upon receipt thereof into the Rebate Fund. The Trustee agrees to comply with all Written Requests of the City given in accordance with the Tax Certificate.

(b) The City and the Authority shall make or cause to be made the rebate computations respecting all Outstanding Bonds in accordance with the Tax Certificate, as required by the Code, and shall provide to the Trustee written evidence that the computation of the rebate requirement has been made along with a letter from an independent certified public accountant or arbitrage consultant verifying the accuracy of such calculations. Upon a Written Request of the City, the Trustee shall make deposits into the Rebate Fund from deposits by the City so that the balance of the amount on deposit shall be equal to the rebate requirement. The Trustee shall have no obligation to rebate any amounts required to be rebated pursuant to this

Section, other than from moneys held in the Rebate Fund or from other moneys provided to it by the City on behalf of itself or the Authority. Records of the actions required by this Section shall be retained by the Trustee, the City and the Authority until the date which is six (6) years after the date on which the Bonds are no longer Outstanding.

(c) Not later than sixty (60) days after the end of the fifth Bond Year as defined in the Tax Certificate and every five (5) years thereafter, the Trustee, upon receipt of a Written Request of the City, shall pay to the United States part or all of the amounts in the Rebate Fund, as so directed. Each payment shall be accompanied by a statement summarizing the determination of the amount to be paid to the United States, as provided by the City. In addition, if the City so directs, then the Trustee shall deposit moneys into or transfer moneys out of the Rebate Fund from or into such accounts or funds as directed by the Written Request of the City. Any amounts remaining in the Rebate Fund following the final payment of the rebate requirement shall be paid to the City. Money, including investment earnings, shall not be transferred from the Rebate Fund except as provided in this Section.

(d) The Trustee shall have no obligation to rebate any amounts required to be rebated pursuant to this Section, other than from moneys held in the funds and accounts created hereunder or from other moneys provided to it by the City on behalf of itself or the Authority.

(e) The Trustee shall invest all amounts held in the Rebate Fund in Permitted Investments as directed by a Written Request of the City, which directions shall be subject to the restrictions set forth in the Tax Certificate. Money, including investment earnings, shall not be transferred from the Rebate Fund except as provided in paragraphs (f) and (g) of this Section.

(f) Upon receipt of a Written Request of the City, the Trustee shall remit part or all of the amounts in the Rebate Fund to the United States of America, as so directed. In addition, if the City so directs, then the Trustee shall deposit moneys into or transfer moneys out of the Rebate Fund from or into such accounts or fund as directed by the Written Request of the City.

(g) After payment and satisfaction of any rebate requirement applicable to the Bonds (or if provisions for payment and satisfaction have been made therefor that are acceptable to the Trustee), any funds remaining in the Rebate Fund shall be withdrawn by the Trustee and remitted to the City.

(h) Notwithstanding any other provision hereof, including in particular Article XI hereof, the obligation to remit the rebate requirement to the United States and to comply with all other requirements of this Section and the Tax Certificate shall survive the defeasance or payment in full of the Tax-Exempt Bonds.

(i) The Authority shall not use or permit any proceeds of the Tax-Exempt Bonds or any funds of the Authority, directly or indirectly, to acquire any securities or obligations, and shall not take or permit to be taken any other action or actions, that would cause any Tax-Exempt Bonds to be an "arbitrage bond" within the meaning of the Code or "federally guaranteed" within the meaning of Section 149(b) of the Code and any applicable regulations promulgated from time to time thereunder and under Section 103(c) of the Code. The Authority

shall observe and not violate the requirements of Section 148 of the Code and any such applicable regulations. The Authority shall comply with all requirements of Sections 148 and 149(b) of the Code to the extent applicable to the Tax-Exempt Bonds.

(j) The Authority specifically covenants to comply with the provisions and procedures of the Tax Certificate.

(k) The Authority shall not use or permit the use of any proceeds of the Bonds or any funds of the Authority, directly or indirectly, in any manner, and shall not take or omit to take any action that would cause any Tax-Exempt Bonds to be treated as an obligation not described in Section 103(a) of the Code.

(l) Notwithstanding any provisions of this Section, if the Authority and the City shall provide to the Trustee an opinion of Bond Counsel to the effect that any specified action required under this Section is no longer required or that some further or different action is required to maintain the exclusion from gross income for federal income tax purposes of interest with respect to the Tax-Exempt Bonds, the Trustee, the Authority and the City may conclusively rely on such opinion in complying with the requirements of this Section and, notwithstanding Article IX hereof, the covenants hereunder shall be deemed to be modified to that extent.

Section 6.03. Eminent Domain. If the whole of the Components or so much thereof as to render the remainder unusable for the purposes for which it was used or intended to be used by the City shall be taken under the power of eminent domain, the term of the Agreement shall cease as of the day that possession shall be so taken. In such case, the Authority shall take or cause to be taken such action as is reasonably necessary to obtain compensation at least equal to the value of the Components or portion thereof taken by eminent domain. If less than the whole of the Components shall be taken under the power of eminent domain and the remainder is usable for the purposes for which it was used by the City at the time of such taking, then the Agreement shall continue in full force and effect as to such remainder, and the parties thereto waive the benefits of any law to the contrary. So long as any of the Bonds shall be Outstanding, the net proceeds of any award made in eminent domain proceedings for taking the Components or any portion thereof shall be transferred to the Payment Fund. Any such award made after all of the Bonds have been fully paid and retired and all fees and expenses of the Trustee have been fully paid shall be paid to the City.

Section 6.04. Accounting Records and Reports. The Authority shall keep or cause to be kept proper books of record and accounts in which complete and correct entries shall be made of all transactions relating to the receipts, disbursements, allocation and application of the Revenues, and such books shall be available for inspection by the Trustee, at reasonable hours and under reasonable conditions. Not more than 270 days after the close of each Fiscal Year, the Authority shall furnish or cause to be furnished to the Trustee financial statements that include the Water Utility Fund for the preceding Fiscal Year, prepared in accordance with generally accepted accounting principles, together with a report of an Independent Certified Public Accountant thereon. For purposes of this Section, "financial statement" shall mean audited financial statements, if available, or unaudited financial statements, if audited financial statements are not available and unaudited financial statements are available. The Authority

shall also keep or cause to be kept such other information as is required under the Tax Certificate.

Section 6.05. The City's Budgets. The Authority shall supply to the Trustee, as soon as practicable after the beginning of each Fiscal Year following the effectiveness of the applicable City ordinance but in no event later than six months from the date of effectiveness of such ordinance, a Certificate of the City certifying that the City has made adequate provision in its annual budget for such Fiscal Year for the payment of all Parity Installment Payments, Subordinated Installment Payments and all other Obligations due under the 2009A Supplement and the Agreement in such Fiscal Year. If the amounts so budgeted are not adequate for the payment of all Parity Installment Payments, Subordinated Installment Payments and all other Obligations due under the Agreement in such Fiscal Year, the Authority shall take such action as may be necessary and within its power to request such annual budget to be amended, corrected or augmented by the City so as to include therein the amounts required to be paid by the City from Net System Revenues in such Fiscal Year, and shall notify the Trustee of the proceedings then taken or proposed to be by the Authority.

Section 6.06. Agreement and Other Documents. The Authority shall at all times maintain and vigorously enforce all of its rights under the Agreement as supplemented by the 2009A Supplement, and shall promptly collect all Parity Installment Payments, Subordinated Installment Payments and all other Obligations due as the same become due under the Agreement as so supplemented, and shall promptly and vigorously enforce its rights against any person who does not pay such installments as they become due under the Agreement as so supplemented. The Authority shall not do or permit anything to be done, or omit or refrain from doing anything, in any case where any such act done or permitted to be done, or any such omission of or refraining from action, would or might be a ground for cancellation or termination of the Agreement by the Corporation thereunder.

Section 6.07. Other Liens. The Authority shall require the City to keep the Components free from judgments, mechanics' and materialmen's liens (except those arising from the acquisition, construction, and installation of the Components) and free from all liens, claims, demands and encumbrances of whatsoever prior nature or character to the end that the security for the Bonds provided herein shall at all times be maintained and preserved free from any claim or liability that, in the judgment of the Trustee (whose determination shall be final), might hamper the Authority in conducting its business or interfere with the City's operation of the Water System, and the Trustee at its option (after first giving the Authority and the City ten days' written notice to comply therewith and failure of the Authority to so comply within such period) may (but shall not be obligated to) defend against any and all actions or proceedings in which the validity hereof is or might be questioned, or may pay or compromise any claim or demand asserted in any such action or proceeding; provided, that in defending such actions or proceedings or in paying or compromising such claims or demands the Trustee shall not in any event be deemed to have waived or released the Authority from liability for or on account of any of its agreements and covenants contained herein, or from its liability hereunder to defend the validity hereof and the pledge of the Revenues made herein and to perform such agreements and covenants.

Section 6.08. Prosecution and Defense of Suits.

(a) The Authority shall promptly from time to time take or cause to be taken such action as may be necessary or proper to remedy or cure any defect in or cloud upon the title to the Components, whether now existing or hereafter developing, and shall prosecute or cause to be prosecuted all such suits, actions and other proceedings as may be appropriate for such purpose and shall indemnify and hold the Trustee harmless from all loss, cost, damage and expense, including attorney's fees, that it may incur by reason of any such defect, cloud, suit, action or proceeding.

(b) The Authority shall defend against every suit, action or proceeding at any time brought against the Trustee upon any claim arising out of the receipt, application or disbursement of any of the Revenues or involving the rights of the Trustee hereunder; provided that the Trustee at its election may appear in and defend any such suit, action or proceeding.

Section 6.09. Continuing Disclosure. The City has undertaken all responsibility for compliance with continuing disclosure requirements, and accordingly the Authority shall have no liability to the Owners of the Bonds or any other person with respect to S.E.C. Rule 15c2-12, and the City shall comply with and carry out all of the provisions of each continuing disclosure certificate, each dated the date of the execution and delivery of each series of the Bonds, executed and delivered by the City (each, a "Continuing Disclosure Certificate"). Notwithstanding any other provision hereof, failure of the City to comply with a Continuing Disclosure Certificate shall not be considered an Event of Default hereunder or under the Installment Purchase Agreement; provided, that the Trustee may and, at the request of any participating underwriter or the Owners of at least twenty-five percent (25%) in aggregate principal amount of the Outstanding Bonds of any series, shall, or any Owner or Beneficial Owner of any of the Bonds may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under such Continuing Disclosure Certificate.

Section 6.10. Further Assurances. The Authority shall promptly execute and deliver or cause to be executed and delivered all such other and further assurances, documents or instruments, and promptly do or cause to be done all such other and further things as may be necessary or reasonably required to further and more fully vest in the Owners all rights, interests, powers, benefits, privileges and advantages conferred or intended to be conferred upon them hereby.

ARTICLE VII

THE TRUSTEE

Section 7.01. Appointment and Acceptance of Duties. The Trustee hereby accepts and agrees to the trusts hereby created, to all of which the Authority agrees and the respective Owners of the Bonds, by their purchase and acceptance thereof, agree.

Section 7.02. Duties, Immunities and Liabilities of Trustee.

(a) The Trustee shall, prior to any Event of Default, and after the curing of all Events of Default that may have occurred, perform such duties and only such duties as are specifically set forth in this Indenture and no implied duties or obligations shall be read into this Indenture against the Trustee. The Trustee shall, during the existence of any Event of Default (which has not been cured), exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of his own affairs.

(b) The Trustee may be removed with cause or without cause so long as no Event of Default has occurred and is continuing by written notice from the Authority (upon the direction of the City) or from the Owners of a majority in the principal amount of the Outstanding Bonds to the Trustee, the City and the Authority. Such resignation or removal shall not take effect until a successor has been appointed and has accepted the duties of Trustee.

(c) The Trustee may resign by giving written notice of such resignation to the Authority and the City and by giving notice of such resignation by mail, first class postage prepaid, to the Owners at the addresses listed in the bond register. Upon receiving such notice of resignation, the Authority (upon the direction of the City) shall promptly appoint a successor Trustee by an instrument in writing.

(d) Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee. If no successor Trustee shall have been appointed and shall have accepted appointment within 45 days of giving notice of removal or notice of resignation as aforesaid, the resigning Trustee, at the expense of the Authority or any Owner (on behalf of himself and all other Owners) may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under this Indenture shall signify its acceptance of such appointment by executing and delivering to the Authority and to its predecessor Trustee a written acceptance thereof, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee herein; but, nevertheless, at the written request of the Authority or of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it under this Indenture and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Upon request of the successor Trustee, the Authority shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in this subsection, such successor Trustee shall mail a notice of the succession of such Trustee to the trusts hereunder by first class mail, postage prepaid, to the Owners at their addresses listed in the bond register.

(e) Any Trustee appointed under the provisions of this Indenture shall be a trust company or bank having trust powers, having a corporate trust office in Los Angeles or San Francisco, California, having (or whose parent holding company shall have) a combined capital and surplus of at least one hundred million dollars (\$100,000,000), subject to supervision or examination by federal or State authority. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this subsection, the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this subsection, the Trustee shall resign immediately in the manner and with the effect specified in this Section.

(f) No provision in this Indenture shall require the Trustee to risk or expend its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder.

(g) The Trustee shall not be responsible for the sufficiency, timeliness or enforceability of the pledge of the Revenues.

(h) The Trustee shall not be accountable for the use or application by the Authority, the City or any other party of any funds which the Trustee has released under this Indenture.

(i) The Trustee may employ attorneys, agents or receivers in the performance of any of its duties hereunder.

(j) Notwithstanding any other provision of this Indenture, in determining whether the rights of the Owners will be adversely affected by any action taken pursuant to the terms and provisions of this Indenture, the Trustee may rely upon the opinion of Bond Counsel appointed by the City or the Authority.

Section 7.03. Merger or Consolidation. Any entity into which the Trustee may be merged or converted or with which it may be consolidated or any entity resulting from any merger, conversion or consolidation to which it shall be a party or any entity to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided, in each case, such company shall be eligible under Section 7.02(e) hereof shall succeed to the rights and obligations of such Trustee without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding. The Trustee shall give written notice of any merger, conversion or consolidation to which the Trustee shall be a party to the Authority no later than the effectiveness of such merger, conversion or consolidation.

Section 7.04. Compensation.

(a) The Trustee shall receive as compensation for its services hereunder such fees as set forth on the fee schedule attached as Exhibit C hereto, which fee schedule is incorporated herein, and the Trustee shall be entitled to be reimbursed from the Authority for other reasonable expenses incurred by the Trustee in the performance of its obligations hereunder.

(b) The Authority agrees, to the extent permitted by law, to indemnify the Trustee and its respective officers, directors, members, employees, attorneys and agents for, and to hold them harmless against, any loss, liability or expense incurred without negligence or willful misconduct on their part arising out of or in connection with the acceptance or administration of the trusts imposed by this Indenture, including performance of their duties hereunder, including the costs and expenses of defending themselves against any claims or liability in connection with the exercise or performance of any of their powers or duties hereunder. Such indemnity shall survive the termination or discharge of this Indenture and resignation or removal of the Trustee.

Section 7.05. Liability of Trustee.

(a) The recitals of facts herein and in the Bonds contained shall be taken as statements of the Authority, and the Trustee assumes no responsibility for the correctness of the same, and makes no representations as to the validity or sufficiency of this Indenture, the Agreement or of the Bonds, and shall incur no responsibility in respect thereof, other than in connection with the duties or obligations herein or in the Bonds assigned to or imposed upon it. The Trustee shall, however, be responsible for its representations contained in its certificate of authentication on the Bonds. The Trustee shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful misconduct. The Trustee may become the Owner of Bonds with the same rights it would have if it were not Trustee and, to the extent permitted by law, may act as depositary for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Owners, whether or not such committee shall represent the Owners of a majority in principal amount of the Bonds then Outstanding.

(b) The Trustee shall not be liable for any error of judgment made in good faith by a responsible officer, unless the Trustee shall have been negligent in ascertaining the pertinent facts.

(c) The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of 51% in aggregate principal amount of the Bonds at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under this Indenture.

(d) The Trustee shall not be liable for any action taken by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Indenture, except for actions arising from the negligence or willful misconduct of the Trustee. The permissive right of the Trustee to do things enumerated hereunder shall not be construed as a mandatory duty.

(e) The Trustee shall not be deemed to have knowledge of any Event of Default hereunder unless and until it shall have actual knowledge thereof, or shall have received written notice thereof at the Corporate Trust Office of the Trustee. Except as otherwise expressly provided herein, and subject to Section 7.02, the Trustee shall not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions,

covenants or agreements herein or of any of the documents executed in connection with the Bonds, or as to the existence of an Event of Default hereunder or thereunder. The Trustee shall not be responsible for the validity or effectiveness of any collateral given to or held by it. Without limiting the generality of the foregoing, the Trustee shall not be responsible for reviewing the contents of any financial statements furnished to the Trustee pursuant to Section 6.04 and may rely conclusively on the certificates provided hereunder to establish the compliance with its duties.

Section 7.06. Right to Rely on Documents.

(a) The Trustee shall be protected in acting upon any notice, resolution, request, requisition, consent, order, certificate, report, opinion, bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee may consult with counsel, who may but need not be counsel to the Authority, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith.

(b) Whenever in the administration of the trusts imposed upon it by this Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a Certificate of the Authority, and such Certificate shall be full warrant to the Trustee for any action taken or suffered in good faith under the provisions of this Indenture in reliance upon such Certificate, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

Section 7.07. Preservation and Inspection of Documents. All documents received by the Trustee under the provisions of this Indenture shall be retained in its possession and shall be subject at all reasonable times to the inspection of the Authority and any Owner, and their agents and representatives duly authorized in writing, at reasonable hours and under reasonable conditions.

ARTICLE VIII

[RESERVED]

ARTICLE IX

AMENDMENT OF INDENTURE

Section 9.01. Amendment of Indenture.

(a) This Indenture and the rights and obligations of the Authority and of the all Owners of the Bonds may be amended at any time by a Supplemental Indenture, which shall become binding when the written consents of the Owners of 51% in aggregate principal amount

of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in Section 9.02, are filed with the Trustee. No such amendment shall (i) permit the creation by the Authority of any pledge of the Revenues as provided herein superior to or on a parity with the pledge created hereby for the benefit of any Bond without the written consent of the Owner thereof; (ii) modify any rights or obligations of the Trustee without its prior written assent thereto; or (iii) modify provisions respecting the time or amount of payments on any Bond, without the written consent of the Owner thereof.

(b) This Indenture and the rights and obligations of the Authority and of the Owners may also be amended at any time by a Supplemental Indenture which shall become binding without the consent of any Owners of Bonds for any one or more of the following purposes:

(i) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained herein in regard to questions arising hereunder that the Authority may deem desirable or necessary and not inconsistent herewith and that shall not adversely affect the interests of the Owners; or

(ii) to make any other change or addition hereto that shall not materially adversely affect the interests of the Owners, or to surrender any right or power reserved herein to or conferred herein on the Authority; provided, however, that the Owners shall be given prompt notice of any such amendment and shall receive a copy of the final executed Supplemental Indenture making such changes.

Section 9.02. Disqualified Subordinated Bonds. Bonds owned or held by or for the account of the Authority or the City shall not be deemed Outstanding for the purpose of any consent or other action or any calculation of Outstanding Bonds provided in this Article, and shall not be entitled to consent to or take any other action provided in this Article.

Section 9.03. Endorsement or Replacement of Bonds After Amendment. After the effective date of any action taken as hereinabove provided, the Authority may determine that the Bonds may bear a notation by endorsement in form approved by the Authority as to such action, and in that case upon demand of the Owner of any Outstanding Bond and presentation of its Bond for such purpose at the Corporate Trust Office of the Trustee, a suitable notation as to such action shall be made on such Bond. If the Authority shall determine that a Bond shall bear such a notation by endorsement pursuant to this Section, a new Bond so modified shall be prepared and executed, and upon demand of the Owner of any Outstanding Bond, such new Bond shall be exchanged at the Corporate Trust Office of the Trustee without cost to such Owner upon surrender of such Bond.

Section 9.04. Amendment by Mutual Consent. The provisions of this Article shall not prevent any Owner from accepting any amendment as to the particular Bonds owned by him, provided that due notation thereof is made on such Bonds.

ARTICLE X

EVENTS OF DEFAULT AND REMEDIES OF HOLDERS

Section 10.01. Events of Default and Acceleration of Maturities.

(a) The following events shall constitute events of default hereunder (each, an "Event of Default"):

(i) failure in the due and punctual payment of the interest on the Bonds when and as the same shall become due and payable;

(ii) failure in the due and punctual payment of the principal of the Bonds when and as the same shall become due and payable, whether at maturity as therein expressed or by proceedings for redemption;

(iii) failure by the Authority in the performance of any of the other agreements or covenants required herein to be performed by the Authority, as set forth in Sections 6.01, 6.02, 6.03, 6.04, 6.05, 6.06, 6.07, 6.08, 6.10 and 6.11 hereof, and such default shall have continued for a period of 30 days after the Authority and the City shall have been given notice in writing of such default by the Trustee or to the Authority, the City and the Trustee by Owners of 25% or more of the aggregate principal amount of the Bonds then Outstanding; or

(iv) if any event of default shall have occurred and be continuing under Section 8.01 of the Agreement; or

(v) if the Authority shall file a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if under the provisions of any other law for the relief or aid of debtors any court of competent jurisdiction shall assume custody or control of the Authority or of the whole or any substantial part of its property.

(b) If one or more Events of Default shall occur, then and in each and every such case during the continuance of such Event of Default, the Trustee may by notice in writing to the Authority and the City, declare the principal of all Bonds then Outstanding and the interest accrued thereon to be due and payable immediately. Upon any such declaration, the same shall become due and payable, anything contained herein or in the Bonds to the contrary notwithstanding. This subsection (b) is subject to the condition that if at any time after the entire principal amount of the unpaid Bonds and the accrued interest thereon shall have been so declared due and payable and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, there shall be deposited with the Trustee a sum sufficient to pay the unpaid principal amount of the Bonds due prior to such declaration and the accrued interest thereon, with interest on such overdue installments at the rate or rates applicable thereto in accordance with their terms, and the reasonable fees and expenses of the Trustee, and any and all other defaults known to the Trustee (other than in the payment the entire principal amount of the unpaid Bonds and the accrued interest thereon due and payable solely by reason of such

declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then and in every such case the Trustee, by written notice to the City and the Authority, may rescind and annul such declaration and its consequences; but no such rescission and annulment shall extend to or shall affect any subsequent default or shall impair or exhaust any right or power consequent thereon.

Section 10.02. Proceedings by Trustee. Upon the occurrence and continuance of any Event of Default, the Trustee in its discretion may, and at the written request of Owners of 51% or more in aggregate principal amount of Bonds Outstanding shall (but only to the extent indemnified to its satisfaction from fees and expenses, including attorneys' fees), do the following:

(a) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Owners and require the Authority to enforce all rights of the Owners of the Bonds, including the right to require the Authority to receive and collect Revenues and to enforce its rights under the Agreement and to require the Authority to carry out any other covenant or agreement with Owners of Bonds and to perform its duties hereunder;

(b) bring suit upon the Bonds;

(c) by action or suit in equity enjoin any acts or things that may be unlawful or in violation of the rights of the Owners; and

(d) as a matter of right, have receivers appointed for the Revenues and the issues, earnings, income, products and profits thereof, pending such proceedings, with such powers as the court making such appointment shall confer.

Section 10.03. Effect of Discontinuance or Abandonment. In case any proceeding taken by the Trustee on account of any default or Event of Default shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Trustee, then and in every such case, the Authority, the Trustee and the Owners shall be restored to their former positions and rights under this Indenture, respectively, and all rights, remedies and powers of the Trustee shall continue as though no such proceeding had been taken.

Section 10.04. Rights of Owners.

(a) Anything in this Indenture to the contrary notwithstanding and subject to the limitations and restrictions as to the rights of the Owners in Sections 10.01 and 10.02 above and 10.05 below, upon the occurrence and continuance of any Event of Default or the Owners of 51% or more in aggregate principal amount of the Bonds then Outstanding shall have the right upon providing the Trustee security and indemnity reasonably satisfactory to it against the costs, expenses, and liabilities to be incurred therein or thereby, by an instrument in writing executed and delivered to the Trustee, to direct the method and place of conducting all remedial proceedings to be taken by the Trustee under this Indenture.

(b) The Trustee may refuse to follow any direction that conflicts with law or this Indenture or that the Trustee determines is prejudicial to rights of other Owners or would subject the Trustee to personal liability.

Section 10.05. Restrictions on Owners' Actions.

(a) In addition to the other restrictions on the rights of Owners to request action upon the occurrence of an Event of Default and to enforce remedies set forth in this Article, no Owner of any of the Bonds shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of any trust under this Indenture, or any other remedy under this Indenture or on said Bonds, unless:

(i) such Owner previously shall have given to the Trustee written notice of an Event of Default as hereinabove provided; and

(ii) the Owners of 51% or more in aggregate principal amount of the Bonds then Outstanding shall have made written request of the Trustee to institute any such suit, action, proceeding or other remedy, after the right to exercise such powers or rights of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers in this Indenture granted, or to institute such action, suit or proceeding in its or their name; and

(iii) there shall have been offered to the Trustee security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby; and

(iv) the Trustee shall not have complied with such request within a reasonable time.

(b) Such notification, request and offer of indemnity are hereby declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the trusts of this Indenture or for any other remedy under this Indenture. It is understood and intended, subject to Section 10.05 hereof, that no one or more Owners of the Bonds secured by this Indenture shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of this Indenture, or to enforce any right under this Indenture or under the Bonds, except in the manner in this Indenture provided, and that all proceedings at law or in equity shall be instituted, and maintained in the manner in this Indenture provided, and for the equal benefit of all Owners of Outstanding Bonds.

Section 10.06. Power of Trustee to Enforce. All rights of action under this Indenture or under any of the Bonds secured by this Indenture which are enforceable by the Trustee may be enforced by it without the possession of any of the Bonds, or the production thereof at the trial or other proceedings relative thereto. Any such suit, action or proceedings instituted by the Trustee shall be brought in its own name, as Trustee, for the equal and ratable benefit of the Owners of the Bonds, subject to the provisions of this Indenture.

Section 10.07. Remedies Not Exclusive. No remedy in this Indenture conferred upon or reserved to the Trustee or to the Owners of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy shall be cumulative, and shall be in addition to every other remedy given under this Indenture or now or hereafter existing at law or in equity or by statute.

Section 10.08. Waiver of Events of Default; Effect of Waiver.

(a) The Trustee shall waive any Event of Default hereunder and its consequences and rescind any declaration of acceleration, upon the written request of the Owners of 67% or more of the Outstanding Bonds. If any Event of Default shall have been waived as herein provided, the Trustee shall promptly give written notice of such waiver to the Authority and shall give notice thereof by first class mail, postage prepaid to all Owners of Outstanding Bonds if such Owners had previously been given notices of such Event of Default. No such waiver, rescission and annulment shall extend to or affect any subsequent Event of Default, or impair any right or remedy consequent thereon.

(b) No delay or omission of the Trustee or any Owner of the Bonds to exercise any right or power accruing upon any default or Event of Default shall impair any such right or power or shall be construed to be a waiver of any such default or Event of Default or an acquiescence therein. Every power and remedy given by this Article to the Trustee or the Owners of the Bonds, respectively, may be exercised from time to time and as often as may be deemed expedient.

Section 10.09. Application of Moneys.

(a) Any moneys received by the Trustee pursuant to this Article, together with any moneys that upon the occurrence of an Event of Default are held by the Trustee in any of the funds and accounts hereunder (other than the Rebate Fund and other than moneys held for Bonds not presented for payment) shall, after payment of all fees and expenses of the Trustee, and the fees and expenses of its counsel, be applied as follows:

(i) Unless the principal of all of the Outstanding Bonds shall be due and payable:

First – To the payment of the Owners of all installments of interest then due on the Bonds, in the order of the maturity of the installments of such interest and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the Owners, without any discrimination or privilege;

Second – To the payment of the Owners of the unpaid principal of any of the Bonds that shall have become due (other than Bonds matured or called for redemption for the payment of which moneys are held pursuant to the provisions of this Indenture), in the order of their due dates and, if the amount available shall not be sufficient to pay in full the principal of and premium, if any, on such Bonds due on any particular date, then to the payment ratably, according to the amount due on such date, to the Owners without any discrimination; and

Third – To be held for the payment to the Owners as the same shall become due of the principal of and interest on the Bonds, that may thereafter become due either at maturity or upon call for redemption prior

to maturity and, if the amount available shall not be sufficient to pay in full such principal and premium, if any, due on any particular date, together with interest then due and owing thereon, payment shall be made in accordance with the First and Second paragraphs hereof.

(ii) If the principal of all of the Outstanding Bonds shall be due and payable, to the payment of the principal and interest then due and unpaid upon the Outstanding Bonds without preference or priority of any of principal, or interest over the others or of any installment of interest, or of any Outstanding Bond over any other Outstanding Bond, ratably, according to the amounts due respectively for principal and interest, to the Owners without any discrimination or preference except as to any difference in the respective amounts of interest specified in the Outstanding Bonds.

(b) Whenever moneys are to be applied pursuant to the provisions of this Section, such moneys shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. The Trustee shall give, by mailing by first-class mail as it may deem appropriate, such notice of the deposit with it of any such moneys.

ARTICLE XI

DEFEASANCE

Section 11.01. Discharge of Bonds.

(a) If the Authority shall pay or cause to be paid to the Owners of all Outstanding Bonds the interest thereon and the principal thereof and the premiums, if any, thereon at the times and in the manner stipulated herein and therein, then the Owners of such Bonds shall cease to be entitled to the pledge of the Revenues as provided herein, and all agreements, covenants and other obligations of the Authority to the Owners of such Bonds shall cease, terminate and become void and be discharged and satisfied. In such event, the Trustee shall execute and deliver to the Authority all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over or deliver to the Authority all money or securities or other property held by it pursuant hereto that are not required for the payment of the interest on and principal of and redemption premiums, if any, on such Bonds.

(i) Subject to the provisions of the above paragraph, when any of the Bonds shall have been paid and if, at the time of such payment, the Authority shall have kept, performed and observed all the covenants and promises in such Bonds and in this Indenture required or contemplated to be kept, performed and observed by the Authority or on its part on or prior to that time, then this Indenture shall be considered to have been discharged in respect of such Bonds and such Bonds shall cease to be entitled to the lien of this Indenture and such lien and all agreements, covenants, and other obligations of the Authority herein shall

cease, terminate and become void and be discharged and satisfied as to such Bonds.

(ii) Notwithstanding the satisfaction and discharge of this Indenture or the discharge of this Indenture in respect of any Bonds, those provisions of this Indenture relating to the maturity of the Bonds, interest payments and dates thereof, exchange and transfer of Bonds, replacement of mutilated, destroyed, lost or stolen Bonds, the safekeeping and cancellation of Bonds, nonpresentment of Bonds, and the duties of the Trustee in connection with all of the foregoing, remain in effect and shall be binding upon the Trustee and the Owners of the Bonds and the Trustee shall continue to be obligated to hold in trust any moneys or investments then held by the Trustee for the payment of the principal of, redemption premium, if any, and interest on the Bonds, to pay to the Owners of Bonds the funds so held by the Trustee as and when such payment becomes due. Notwithstanding the satisfaction and discharge of this Indenture or the discharge of this Indenture in respect of any Bonds, those provisions of this Indenture contained in Section 7.04 relating to the compensation of the Trustee shall remain in effect and shall be binding upon the Trustee and the Authority.

(b) Any Outstanding Bonds shall prior to the maturity date or redemption date thereof be deemed to have been paid within the meaning of and with the effect expressed in subsection (a) of this Section if:

(i) in case any of such Bonds are to be redeemed on any date prior to their maturity date, the Authority shall have given to the Trustee in form satisfactory to it irrevocable instructions to mail, on a date in accordance with the provisions of Section 3.02 hereof notice of redemption of such Bonds on said redemption date, said notice to be given in accordance with Section 3.02 hereof;

(ii) there shall have been deposited with the Trustee either (A) money in an amount which shall be sufficient; or (B) Federal Securities of which are not subject to redemption prior to maturity except by the holder thereof (including any such Permitted Investments issued or held in book-entry form on the books of the Department of the Treasury of the United States of America) and/or Pre-Refunded Municipals, the interest on and principal of which when due, and without any reinvestment thereof, will provide money that, together with the money, if any, deposited with the Trustee at the same time, shall, as verified by an independent certified public accountant or other independent financial consultant acceptable to the Trustee, be sufficient, to pay when due the interest to become due on such Bonds on and prior to the maturity date or redemption date thereof, as the case may be, and the principal of and interest on such Bonds; and

(iii) in the event such Bonds are not by their terms subject to redemption within the next succeeding 60 days, the Authority shall have given the Trustee in form satisfactory to it irrevocable instructions to mail as soon as practicable, a notice to the Owners of such Bonds and to the Securities Depositories and the Information Services that the deposit required by

clause (ii) above has been made with the Trustee and that such Bonds are deemed to have been paid in accordance with this Section and stating the maturity date or redemption date upon which money is to be available for the payment of the principal of and interest on such Bonds.

Section 11.02. Unclaimed Money. Anything contained herein to the contrary notwithstanding, any money held by the Trustee in trust for the payment and discharge of any of the Bonds which remains unclaimed for two years after the date when such Bonds have become due and payable, either at their stated maturity dates or by call for redemption prior to maturity, if such money was held by the Trustee at such date, or for two years after the date of deposit of such money if deposited with the Trustee, shall at the Written Request of the Authority be repaid by the Trustee to the Authority as its absolute property free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Owners shall look only to the Authority for the payment of such Bonds, provided, that before being required to make any such payment to the Authority, the Trustee shall, at the expense of the Authority, cause to be mailed to the Owners of such Bonds (at the expense of the Authority) at their addresses as they appear in the registration books maintained by the Trustee, a notice that such money remains unclaimed and that, after a date named in such notice, which date shall not be less than thirty (30) days after the date of the mailing of such notice, the balance of such money then unclaimed will be returned to the Authority.

ARTICLE XII

MISCELLANEOUS

Section 12.01. Liability of Authority Limited to Revenues.

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

(b) The Bonds shall be limited obligations of the Authority and shall be payable solely from the Revenues and amounts on deposit in the funds and accounts established hereunder (other than amounts on deposit in the Rebate Fund created pursuant to Section 6.02). The Bonds do not constitute a debt or liability of the Authority, the City or of the State of California and neither the faith and credit of the Authority, the City nor of the State are pledged to the payment of the principal of or interest on the Bonds.

Section 12.02. Benefits of Indenture Limited to Parties: Nothing in this Indenture expressed or implied is intended or shall be construed to confer upon, or to give or grant to, any person or entity, other than the Authority, the City, the Trustee and the Owners of the Bonds, any right, remedy or claim under or by reason of this Indenture or any covenant, condition or stipulation hereof, and all covenants, stipulations, promises and agreements in this Indenture

contained by and on behalf of the Authority shall be for the sole and exclusive benefit of the Authority, the City, the Trustee and the Owners of the Bonds.

Section 12.03. Successor Is Deemed Included in All References to Predecessor. Whenever herein either the Authority or the City or any member, officer, or employee thereof is named or referred to, such reference shall be deemed to include the successor to the powers, duties and functions with respect to the administration, control and management of the Project that are presently vested in the Authority or the City or such member, officer or employee, and all agreements and covenants required hereby to be performed by or on behalf of the Authority or the City or any member, officer or employee thereof shall bind and inure to the benefit of the respective successors thereof whether so expressed or not.

Section 12.04. Execution of Documents by Owners.

(a) Any declaration, request, or other instrument that is permitted or required herein to be executed by Owners may be in one or more instruments of similar tenor and may be executed by Owners in person or by their attorneys appointed in writing. The fact and date of the execution by any Owner or his attorney of any declaration, request, or other instrument or of any writing appointing such attorney may be proved by the certificate of any notary public or other officer authorized to make acknowledgments of deeds to be recorded in the state or territory in which he purports to act that the person signing such declaration, request or other instrument or writing acknowledged to him the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer. The ownership of any Bonds and the amount, maturity, number and date of holding the same may be proved by the registration books relating to the Bonds at the office of the Trustee.

(b) Any declaration, request or other instrument or writing of the Owner of any Bond shall bind all future Owners of such Bond with respect to anything done or suffered to be done by the Authority in good faith and in accordance therewith.

Section 12.05. Waiver of Personal Liability. No member, officer, or employee of the Authority or the City shall be individually or personally liable for the payment of the interest on, or principal of, or premiums, if any, on the Bonds by reason of their issuance, but nothing herein contained shall relieve any member, officer, or employee of the Authority or the City from the performance of any official duty provided by any applicable provisions of law or hereby.

Section 12.06. Acquisition of Bonds by Authority. All Bonds acquired by the Authority, whether by purchase or gift or otherwise, shall be surrendered to the Trustee for cancellation.

Section 12.07. Destruction of Cancelled Bonds. Whenever provision is made for the return to the Authority of any Bonds that have been cancelled pursuant to the provisions hereof, the Authority may, by a Written Request of the Authority, direct the Trustee to destroy such Bonds and furnish to the Authority a certificate of such destruction.

Section 12.08. Content of Certificates.

(a) Every Certificate of the Authority with respect to compliance with any agreement, condition, covenant or provision provided herein shall include: (i) a statement that the person or persons making or giving such certificate have read such agreement, condition, covenant or provision and the definitions herein relating thereto; (ii) a brief statement as to the nature and scope of the examination or investigation upon which the statements contained in such certificate are based; (iii) a statement that, in the opinion of the signers, they have made or caused to be made such examination or investigation as is necessary to enable them to express an informed opinion as to whether or not such agreement, condition, covenant or provision has been complied with; and (iv) a statement as to whether, in the opinion of the signers, such agreement, condition, covenant or provision has been complied with.

(b) Any Certificate of the Authority may be based, insofar as it relates to legal matters, upon an opinion of Bond Counsel unless the person making or giving such certificate knows that the opinion of Bond Counsel with respect to the matters upon which his certificate may be based, as aforesaid, is erroneous, or in the exercise of reasonable care should have known that the same was erroneous. Any opinion of Bond Counsel may be based, insofar as it relates to factual matters information with respect to which is in the possession of the Authority, upon a representation by an officer or officers of the Authority unless the counsel executing such opinion of Bond Counsel knows that the representation with respect to the matters upon which his opinion may be based, as aforesaid, is erroneous, or in the exercise of reasonable care should have known that the same was erroneous.

Section 12.09. Accounts and Funds. Any account or fund required herein to be established and maintained by the Trustee may be established and maintained in the accounting records of the Trustee either as an account or a fund, and may, for the purposes of such accounting records, any audits thereof and any reports or statements with respect thereto, be treated either as an account or a fund; but all such records with respect to all such accounts and funds shall at all times be maintained in accordance with sound industry practice and with due regard for the protection of the security of the Bonds and the rights of the Owners.

Section 12.10. Article and Section Headings 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. 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," "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section, subdivision or clause hereof.

Section 12.11. 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 the Authority or the Trustee 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 or of the Bonds, and the Owners shall retain all the benefit, protection and security afforded to them hereunder or any applicable provisions of law. The Authority and the Trustee

hereby declare that they would have executed and delivered this Indenture and each and every other article, section, paragraph, subdivision, sentence, clause and phrase hereof and would have authorized the issuance of the Bonds pursuant hereto 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 12.12. Execution in Several Counterparts. This Indenture may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts, or as many of them as the Authority and the Trustee shall preserve undestroyed, shall together constitute but one and the same instrument.

Section 12.13. Law Governing. This Indenture shall be governed exclusively by the provisions hereof and by the laws of the State as the same from time to time exist.

Section 12.14. Notices. All approvals, authorizations, consents, demands, designations, notices, offers, requests, statements or other communications hereunder by either party to the other shall be in writing and shall be sufficiently given and served upon the other party if delivered personally or if mailed by United States registered or certified mail, return receipt requested, postage prepaid, and, or, if to the Trustee, addressed to Wells Fargo Bank, National Association, 707 Wilshire Boulevard, 17th Floor, Los Angeles, California 90017, Attention: Corporate Trust Department, if to the City, addressed to the City of San Diego c/o the Chief Financial Officer, 202 C Street, 9th Floor, San Diego, California, 92101, with a copy to the Comptroller, 202 C Street, 6th Floor, San Diego, California 92101; if to the Authority, addressed to Public Facilities Financing Authority, c/o the Chief Financial Officer, City of San Diego, 202 C Street, 9th Floor, San Diego, California 92101, with a copy addressed to the City Attorney's Office c/o City of San Diego, 1200 Third Avenue, Suite 1100, MS59, San Diego, California 92101, and with a copy to the Trustee, or to such other addresses as the respective parties may from time to time designate by notice in writing.

IN WITNESS WHEREOF, the PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO has caused this Indenture to be signed in its name by its Chair and attested by its Secretary and WELLS FARGO BANK, NATIONAL ASSOCIATION, in token of its acceptance of the trusts created hereunder, has caused this Indenture to be signed by one of the officers thereunder duly authorized, all as of the day and year first above written.

PUBLIC FACILITIES FINANCING AUTHORITY
OF THE CITY OF SAN DIEGO

By: _____
Chair

ATTEST:

Secretary

APPROVED AS TO FORM:

MICHAEL J. AGUIRRE,
City Attorney

By _____

WELLS FARGO BANK, NATIONAL
ASSOCIATION, as Trustee

By: _____
Authorized Officer